



Patent Box Regime : Corporation Tax Savings

Are you an innovative company who holds a patent or an exclusive licence to the rights of a patent? If this is the case, there is the potential for profits directly earned from the patent to be taxed at a reduced Corporation Tax rate of 10% rather than the current rate of 19%.

This is a much under claimed relief which complements Research & Development (R&D) tax relief.

Background

Common sources of income covered by the regime include:

- Sales income from the patent or patent protected products. A product may only need one patented component for all its revenue to fall within the regime
- Patent Licensing
- Royalties from a specific patent
- Sale of patent right

Requirements

In order to join the scheme, there are some key requirements to satisfy:

- The company must be chargeable to UK Corporation Tax
- The company must make profits from patented inventions
- The company owns or has an exclusive license to the patent in the UK
- The company must be involved in developing the patent, not merely managing it

If your patent is pending you can still make an application to join the regime. Once you have joined the regime it will continue indefinitely unless the application is revoked.

Calculating the relevant profit

A detailed calculation will need to be carried out to ensure only the profit directly related to the patent is subject to the reduced 10% Corporation Tax rate. There are a number of methods to “streamline” the profits to calculate this relevant profit.

Any additional deduction obtained for making a claim for R&D Tax Relief is excluded from relevant taxable profits thus increasing the benefit of patent box.

How can Beavis Morgan help?

To find out more about the patent box regime, please contact Fiona Cross, Tax Partner, Beavis Morgan on T. 020 7417 0417 or E. fiona.cross@beavismorgan.com for a no obligation discussion.

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