



The Patent Box Regime

The Patent Box is part of the Government's ambition to establish the UK tax system as the most competitive in the G20. In particular, this legislation is designed to halt the exodus of valuable intellectual property from the UK, and instead ensures that the associated high value jobs and activities are retained and created in the UK.

Key features

- Profits derived from relevant patented technology will be taxed at just 10% giving significant cash savings and improving the company's effective tax rate.
- It is among the most generous tax reliefs for patented technology in the European Union (EU).
- A product only needs one patented component for all of its revenue to fall within the regime.
- Enhanced deductions for research and development (R&D) tax relief are given against profits not included in the Patent Box calculations, thus making best use of the 10% tax rate.
- Rules exist for the benefit of the regime to be available for companies with patents pending.
- The Patent Box benefits are being phased in over a period of five years, with 60% of the benefit available from 1 April 2013 and the full benefit applying from 2017 onwards.

How does it work?

There are a number of conditions which must be fulfilled in order to qualify.

The regime applies to companies which own patents, or in some instances, licence patented technology from others.

Currently the patents need to have been granted by the UK Intellectual Property Office, although the Government has indicated an intention to include patents granted by other patent offices within the EU.

Taxable profits are split according to the property of a company's revenue which is derived from patented technology.

A series of calculations need to be carried out in order to strip out profits from routine or marketing activities and leave only the profits related to the underlying patented technology.



What you should do now

- Where it is commercially sound to do so, apply for patents on unprotected technology or apply for UK/European patents where existing technology is patented elsewhere.
- Consider optimal operational structures, especially where the patented technology is exploited outside the UK, in order to maximise the benefit of the regime.
- Review internal systems in order to ensure that relevant income and expenditure can be readily identified.
- Review licence and maintenance agreements in order to bring as much profit into the regime as possible.
- Consider making an election into the Patent Box regime before the deadline date of June 2016 when the existing regime will be closed to new entrants.

For further information on Patent Box please contact Steve Crompton on the details below:

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How can Jackson Stephen help?

Preparing a high level assessment of the size of the potential benefit, highlighting opportunities for improving the company's position and assisting with forecasting the impact of the regime.

Designing and evaluating different operational structures in order to maximise the recognition of income from patented technology.

Benchmarking appropriate returns from maintenance and service contracts to be included in the Patent Box calculations.

Maximising the company's R&D tax relief claim to not only increase the proportion of Patent Box profit, but also to ensure that the company claims the appropriate deductions against non-Patent Box profits.

Compiling relevant information from the company and providing detailed advice on particular aspects of the calculation.

