



HINTS AND TIPS

1. The 'Patent Box' is a new form of tax relief for UK companies that came into effect on **01 April 2013** and so perhaps could become a 'sweetener' for deals where there is some time left on the life of a patent.
2. 'Patent Box' relief has the effect, in special circumstances, of **reducing the amount of corporation tax that a company pays**. It applies to relevant income derived from certain forms of IP, such as 'qualifying patents'.
3. The good news is that it gets better and better. In 2013/2014, only 60% of the full relief is available. **This relief gradually increases by 10% each year until 2017, when 100% relief is available**. But there is no need to delay a business sale until then, as in most cases, the benefit of the 'Patent Box' will pass to the new owner of the qualifying IP.
4. As it can take a few years from filing a patent application in the UK until grant is secured, **this 4-year window makes a lot of sense and suggests that businesses should all get inventing!**
5. There is more good news: 'relevant income' includes not only what is normally derived from sale of a patented product or process, but also **income from the sale of certain spare parts, royalties** derived from licensing, **income from the sale of patents** and even **damages awarded by a Court** in relation to the patent!
6. As with many forms of tax relief, there are **a number of conditions that need to be met**. **Some are intended as 'anti-avoidance' provisions**. In order to benefit from the 'Patent Box' these conditions or 'tests' are very specific and could be quite complex so you will probably need help from an Accountant and a Patent Attorney in getting things set up properly.
7. Three important 'qualifying' tests are:
 - . there must be **ownership** of the IP.
 - . there must have been some sort of **genuine development of inventions/technology**.
 - . There is an **active ownership** or active use.
8. **The ownership test**. In order to claim the relief the company must own a UK, European or certain other qualifying patent, not simply a patent application. There are other forms of IP that could qualify so it's always worth checking. **However, even if the company does not own the patent, but is an exclusive licensee, then this could also meet the ownership test**, but you will need to check with an advisor because proving this will be complex.
9. **The development test**. There must have been some genuine development of inventions/technology. So a company may need to **prove that it has really been developing the invention with a view to creating a new product or entering a new market** or show that it has contributed to create the invention.
10. **The active ownership ('use') test**. If a company meets the development test it normally qualifies for this active ownership test automatically, but if not then the company will have to show things like it is **marketing the invention and making serious efforts to commercialise it**.
11. The 'Patent Box' is new legislation and could turn out to be complex, after all the 'Devil is usually in the detail' so **Evolution always recommends you seek expert advice where appropriate**.

PATENT BOX

**HMRC ARE
MAKING IT A BIT
EASIER FOR
BUSINESSES WITH
IP TO GET
RICHER**



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Nothing in this information should be deemed to constitute advice, the area is complex and professional guidance should be sought whenever a commercial decision is going to be made.



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