Patent Box moves a step closer

The Patent Box reaches another milestone. On the 6 December the Government will publish the draft legislation based on the public consultation in the light of its original proposals.

The Patent Box is a scheme offering favourable corporation tax treatment on profits arising from patented products and processes. Profits arising from such products and processes will be taxed at 10%, less than half the main corporation tax rate. It is intended to encourage companies to innovate and exploit their inventions in the UK, thus boosting the economy through the associated product development, manufacture and commercialisation. It is part of the Coalition’s drive to re-balance the economy away from financial services towards manufacturing.

The scheme is due to come into effect in tax year 2013/4, albeit that it will relate to patents which have been applied for prior to this date. We understand that the aim is to have the legislation passed by April 2012 so that companies will have one year to plan for the implementation of the new regime. Thus we can expect that the legislation presented on the 6 December will be very close to the final form although the exact wording may still be subject to refinement as it passes through Parliament.

What is already clear is that this new regime is likely to have a significant impact on how companies hold and exploit their patents going forward. Companies, especially those located in the UK, will be keen to ensure that they qualify for the tax relief. At the same time those companies which up to now have not looked to patents as a way of protecting their innovations, may well be advised to review this since the new regime will not apply to other forms of intellectual property.

EIP will be following developments of the Patent Box very closely. We will analyse the
draft legislation when issued, with a view to advising clients on how they can take advantage of this tax break. Further information will be published in December.