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UK Patent Box scheme set to become an even more valuable tax benefit

The UK Patent Box scheme is set to become an even more valuable tax benefit in the near future. With Chancellor Rishi Sunak's announcement of higher corporate tax rates from 2023, larger and more profitable companies in the UK will be able to enjoy even greater savings on profits qualifying for Patent Box relief.

Currently, Patent Box allows UK companies to benefit from a reduced 10% corporate tax rate for income derived from qualifying intellectual property, rather than the standard 19%. However, with the corporate tax rate set to increase from 2023, companies with profits over a certain threshold will see even greater reductions in their tax rate using Patent Box, with some seeing up to a 15% drop in tax rates on qualifying profits.

Chancellor Rishi Sunak announced in last week's budget that from April 2023, the corporation tax will increase from the current 19% for businesses with over £50,000 in annual profit. For businesses over this threshold, a tapered rate will apply, such that the tax burden will increase in proportion with profit. Businesses with profits of £250,000 and above will be taxed at the full rate of 25%. Despite this, however, no announcement has been made of any increase in the reduced 10% tax rate enjoyed by Patent Box participants. As such, the UK Patent Box scheme will soon offer even more benefits to participants, with a larger drop in tax rate and corresponding larger savings.

The diagram above shows the potential savings available to Patent Box participants under the new corporate tax rates.

As can be seen from the chart, the savings for companies with profits under £50,000 will remain unchanged – they will be able to benefit from Patent Box to exactly the same extent as previously, lowering their tax rate on qualifying profits by 9%. Businesses over

this threshold will benefit to a greater degree; as the tax rate increases in proportion to profit, the drop from corporate to Patent Box rate increases as well. Businesses paying the highest rate of corporate tax, 25% – i.e. those with profits over £250,000 – will be able to reduce their tax burden by 15% on qualifying profits.

To benefit from the Patent Box, a business must fulfil certain criteria relating to the development and use of their intellectual property. Patents are eligible if granted by the UK Intellectual Property Office (UKIPO), the European Patent Office (EPO), or patent offices in selected European countries.

Further guidance on electing into Patent Box, requirements and formalities may be found [here](#).

For information on how EIP can assist with your Patent Box needs, please see our [dedicated website](#).

In conclusion, with the announcement of the new corporate tax rates, Patent Box is set to play a much higher profile role for companies looking to reduce their overall tax burden.