

HOW THE PATENT BOX TAX REGIME COULD IMPROVE YOUR PROFITABILITY

Are you generating profits from patented products, services or processes? Do you obtain income from royalties?

If you answered yes to the above questions then there is a new tax regime that could save you money.

What is Patent Box?

Patent Box allows companies to reduce their rate of corporation tax to 10% (instead of the usual 20 - 24% rate) for profits attributed to patents either in the UK or in Europe. It is part of the government's initiative to promote the UK as a preferable location for technology companies and related industries to be based. This will then generate activity and jobs associated with the manufacture and utilisation of patents in the UK.

Which patents qualify?

The regime will apply to patents granted by the UK or European Patent Office as well as EEA countries where the rules of patentability are similar to those that apply in the UK. It doesn't matter when they were granted or put to commercial use. It also applies to other qualifying intellectual property rights such as regulatory data protection, supplementary protection certificates and plant variety rights.

Companies will qualify if they generate their income in the UK and hold either a qualifying patent or an exclusive licence to use a qualifying patent. Income can be through royalties, or embedded in the sales price of products, services and underlying processes.

Industries most likely to benefit include pharmaceuticals, technology, manufacturing, energy and utilities, telecoms, aerospace, defence, consumer and media businesses.

How does it work?

In simple terms, patent specific income is identified and the associated proportion of trade profits are then ring fenced as Patent Box profit and taxed at 10%.

When does Patent Box come into force?

The new rules come into effect from 1 April 2013. They will be phased in over 5 years, but by preparing now you will be best positioned to receive the relief as soon as possible. You should also plan by reviewing your structures and where patents are held within the organisation.



What you need to consider

- Review your current patents covering products and processes.
- Consider your ownership of intellectual property
- Ask yourself if your organisation has existing products that would qualify for a patent?
- Do you have new products in the pipeline? Would they benefit from patent protection?
- Ensure you have the necessary systems and processes in place to be able to track this income for an HMRC review.
- In the case of overseas patents, should you transfer ownership to the UK?
- Review in conjunction with existing R&D claims to ensure the business is structured properly to make use of the new tax regime.

Contact

The accounting and tax treatment of patents, royalties and intellectual property can be both time consuming and complex.

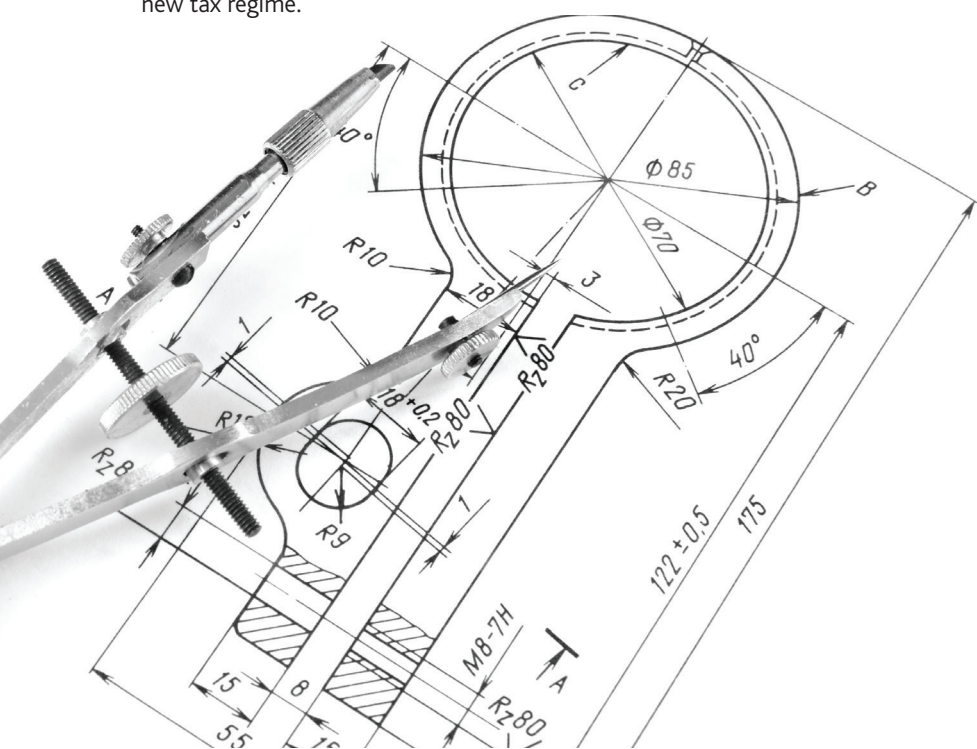
For more information on this relief and advice concerning if you qualify and processing your claim, contact:

Stuart Crook

T: 020 7630 6665 or 01865 723 131
E: stuart.crook@wellersaccountants.co.uk

To-do list

Area to make notes:



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Wellers London
1 Vincent Square, London,
SW1P 2PN
Tel: +44 (0)20 7630 6665
Fax: +44 (0)20 7630 1977
info.london@wellersaccountants.co.uk

Wellers Oxford
8 King Edward Street, Oxford,
OX1 4HL
Tel: +44 (0)1865 723 131
Fax: +44 (0)1865 726583
info.oxford@wellersaccountants.co.uk

Wellers Thame
Millweye Court, 73 Southern Road,
Thame, Oxon, OX9 2ED
Tel: +44 (0)1844 212 616
Fax: +44 (0)1844 212 626
info.thame@wellersaccountants.co.uk

Wellers Banbury
Kineton House, 31 Horse Fair,
Banbury, Oxon, OX16 0AE
Tel: +44 (0)1295 272 229
Fax: +44 (0)1295 272 230
info.banbury@wellersaccountants.co.uk

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