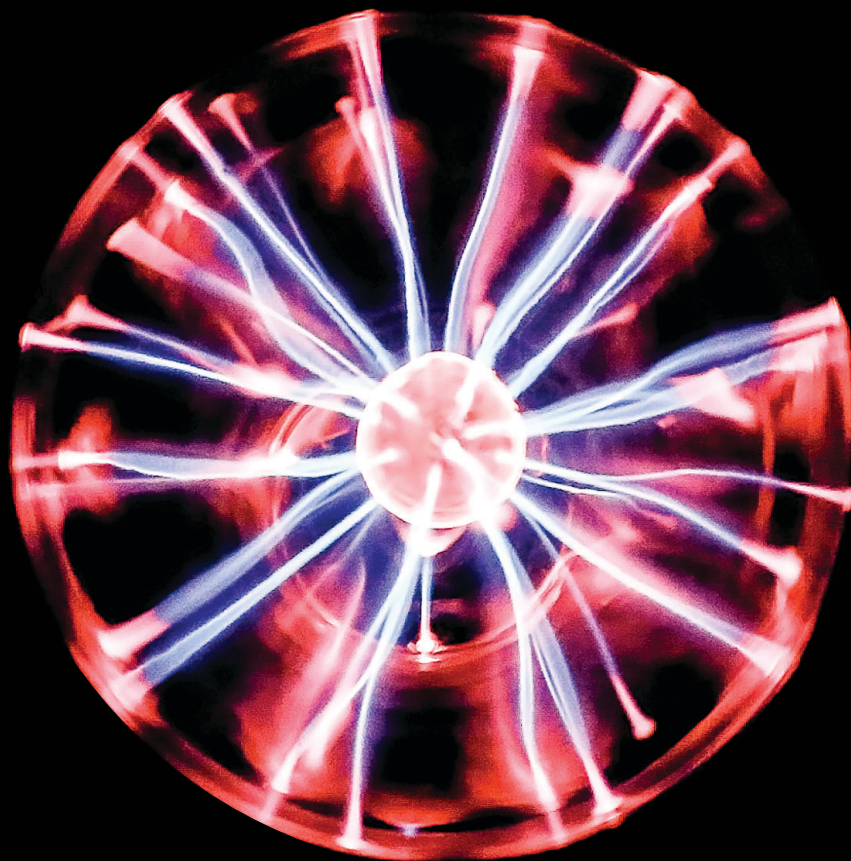


Deloitte.



Look deeper. Seize the opportunity.

The UK Patent Box

Global Investment and Innovation Incentives (Gⁱ³)

The Patent Box regime provides a lower effective corporate tax rate of 10% on profits attributable to UK or European patents¹.

The purpose of the regime is to complement existing incentives that provide corporate tax benefits for research and development (“R&D”) expenditure. Whilst the R&D regimes provide corporate tax relief or cash credits for up-front costs associated with qualifying R&D activities, the Patent Box provides corporate tax relief for companies that choose to retain and commercialise these activities in the UK. The regimes, therefore, are intended to support the full innovation lifecycle of a UK business.

Who can benefit?

The Patent Box is available to all companies regardless of industry. In order to qualify, a claimant company must satisfy the following criteria:

- hold a qualifying IP right (“QIPR”) or an exclusive licence to such rights. A QIPR is a granted² patent or patent-equivalent right. Companies deriving access to QIPRs by way of a cost sharing arrangement can also qualify;
- meet the development condition, by virtue of its own development of the patented technology, or the development activities of another group company; and
- where the company is in a group, meet the active ownership condition by demonstrating active management of the exploitation of the QIPR or exclusive licence.

How is the benefit calculated?

The first step in the Patent Box benefit calculation is to establish how a company's QIPR maps to its income that falls in one of the following categories:

- product and bespoke spare parts sales;
- royalties, milestones and licence fees;
- patent sales³;
- damages for infringement and other compensation payments; or
- services income or income from patented processes (calculated using transfer pricing principles to determine the value attributable to patents within the service income).

Finance income is specifically excluded from the regime.

Further adjustments are then required to determine the company's profit attributable to its QIPR. This is the profit that is eligible for the 10% rate of tax.

How is the Patent Box regime changing?

Changes to the Patent Box regime were introduced from 1 July 2016, applying to all new entrants from this date. These changes require a claimant to identify and demonstrate a link or “nexus” between its R&D activities and the tax benefit derived from the Patent Box regime.

These changes require consideration of R&D expenditure alongside preparation of the Patent Box claim for a period. For many companies the starting point for this process will be the R&D tax relief claim data for the accounting period.

Claimants under the old regime are often able to access “grandfathering provisions” however these provisions will expire on 30 June 2021. Beyond this date, all claimants will be subject to the new rules. This will require a claimant company to track and trace its relevant R&D expenditure from 1 July 2016.

1. Patents granted by the UK Intellectual Property Office, European Patent Office or the national patent office of Austria, Bulgaria, Czech Republic, Denmark, Estonia, Finland, Germany, Hungary, Poland, Portugal, Romania, Slovakia or Sweden.

2. Patent applications can give rise to Patent Box benefits, but these benefits are stored up until the accounting period in which the patent is granted.

3. Only proceeds related to sale of QIPRs.

Examples of how we have assisted our clients include



Initial eligibility assessments for the Patent Box regime, along with estimates of the potential benefit



Undertaking mapping of the patent portfolio to determine qualifying income for the regime



Support in developing a claim calculation methodology that is robust and practical



Documentation of the claim basis as full support for the filing position



Optimisation of existing claims based on our experience



Assisting in preparation for the introduction of the new regime



Facilitating and supporting discussions with HMRC to agree claims



Advising on the impact to Patent Box claims of acquisitions, disposal, intra group restructuring, or cost sharing arrangements.



Patent harvesting workshops to identify developed technology that could be patentable.



The Deloitte difference

In addition to assisting with Patent Box tax relief, our market leading team can also assist with R&D tax benefits, accelerated tax depreciation on capital assets and the identification and securing of UK and EU grants. We understand the global dynamics that affect the funding of your investment and innovation strategy. The *Gi³* process ensures that we can efficiently acquire an understanding of your business and identify the grants and incentives opportunities that may apply.

Deep technical expertise

Our tax professionals work alongside patent attorneys, engineers, scientists and software specialists, enabling us to understand your business and effectively work with your professionals.

Global reach

Gi³ helps you see all the possibilities by identifying incentive opportunities available to your company worldwide.

Technology at the centre

Leverage technology for operational efficiency and to gain a clear vision of relevant opportunities.

Industry experience

Gi³ practitioners globally know and understand your industry, your business language, and your technology language.

Lifecycle view

Each incentive must be considered in the context of the investment and innovation lifecycle to realise the full financial and commercial benefit.

Leveraging the ecosystem

Innovation does not happen in a vacuum. Connecting with the relevant government bodies and research institutes will propel your innovation capability. Deloitte helps you build winning relationships.

Thought leadership

Governments across the globe seek the insights of Deloitte people to help in the development and design of their own incentive policies.

Total perspective

Deloitte's broad range of specialised services are available to help you consider the impact of incentives on your wider tax, financial, and commercial activities so you can further enhance and accelerate your business opportunities.



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We believe that business needs to innovate to grow, and by harnessing our experience and our passion for technology we help our clients receive appropriate reward for their innovation activities



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