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The following article appears in The Birmingham Post's "Ask the Experts" feature on Thursday 21st January 2010

Q. I own a small technology company. I heard mention of a "patent box" in the Pre-Budget Report. What does this mean and how could it affect my business?

A. The "patent box" is the name given to a new corporation tax regime, which the government intends to introduce for income derived from patents from April 2013. Under this regime, income which is assigned to the patent box will be subject to a reduced corporation tax rate of 10%. The government hopes that this will encourage companies to develop new technologies.

It should be noted, however, that under the proposed scheme the reduced rate of tax will only apply to income derived from patents granted after the coming into force of the Finance Bill 2011.

The specifics of the regime have yet to be finalised. For example, based on the information available in the Pre-Budget Report, it is not entirely clear what is meant by patents – will the patent box only apply to British patents or will it apply to all of a company's patents irrespective of geography?

Moreover, the announcement in the Pre-Budget Report was only the start of a consultation process under the Finance Bill 2011 to determine the final shape of the "patent box". For instance, might it be desirable if the patent box were widened to include income derived from the exploitation of other intellectual property rights such as designs and copyright? The writer's company may wish to contribute to the consultation process.

While the initiative is to be welcomed, it should be noted that the idea of a "patent box" is not a new one. Similar, often more generous, tax regimes already exist in a number of other countries including The Netherlands.

Finally, the writer may be interested in a change to the R&D tax credit scheme which was also heralded in the Pre-Budget Report.

The requirement that an SME must own any intellectual property generated as a result of R&D expenditure in order to claim relief in the attributable expenditure has been removed.

This would seem to be of particular benefit to companies that assign their intellectual property rights to a parent company or to a sub-contracting party and would previously have been unable to claim these tax credits.

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