



The Patent Box Closes 30th June 2016!

As the title suggests, the present Patent Box regime ends at the end of June this year, at which time it closes to new applicants. However, for those who have elected into the Patent Box before the 30th June 2016, the corporation tax savings go on until the end of June 2021.

By way of a recap, the Patent Box started on the 1st April 2013 and provides corporation tax relief to World-wide profits attributed to existing and new Patents (or other qualifying IP). The amount of the relief increases in increments each final year, with the top-level of relief being provided from the 2017/2018 tax year, at which time the rate of corporation tax will be 10%.

Rumour has it that a new Patent Box regime will be introduced on the 1st July 2016, but there are no published details as of yet. It is thought that it will include some additional limitations, the most notable of which are that: tax incentives will be offered only where significant R&D is undertaken in the UK; money spent on outsourced R&D or on acquiring technology can count towards the R&D total, subject to a cap of 30% of actual R&D expenditure; and the company will need to have substantial economic activities in the UK. Interestingly, there has been no mention of any change to the 10% rate of corporation tax – which is clearly good news for companies!

So, in a nutshell, there is no evidence that should dissuade you from seriously considering the Patent Box, especially if one can elect to enter under the present scheme before the 30th June 2016, and the revised regime would still seem of real value to companies, even if the final details are not yet set in stone.

Remember, one can elect into the Patent Box whilst your qualifying Patent Application is pending, which will help you to join the present regime prior to the 30th June 2016. The election date starts the date of relief (although this can be back-dated, but not normally by more than a year following the filing of the relevant tax return), even though the relief is only formally applied after the Patent is granted. However, there can be financial reasons why you might not wish to make the election prior to grant of the Patent, and the timing of the election is important and must be considered and discussed with your Accountants.

Are you maximising the relief your company should be receiving?

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