

Pre-budget report promises tax relief for patent holders



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Introduction

From an Intellectual Property perspective, there are two relevant facets to the *Pre-Budget Report*¹: the introduction of a "Patent Box" regime for Corporation Tax and amendment of the R&D credit tax relief regime.

Introduction of the "Patent Box"²

The Government intends to introduce a reduced 10% rate of Corporation Tax from April 2013 applying to income derived from Patents. It is worth noting that the reduced rate will only apply to income derived from Patents granted after the coming into force of the Finance Bill 2011. Nevertheless, for most patents granted on the basis of applications filed from now on, in view of the typical time taken to obtain grant, the exploitation of such patents will result in income that will benefit from the reduced rate.

For those patent applicants currently prosecuting European Patent Applications (which in due course may give rise to granted UK patent rights) HLBBshaw can advise as to how the procedure may be slowed in order to defer grant until after the new regime comes into force.

Further, the announcement in the Pre Budget Report is only the start of a consultation process under the Finance Bill 2011 to determine the final shape of the "Patent Box". It is to be hoped that the Government will consider widening the box to include income derived from the exploitation of other Intellectual Property ("IP") Rights such as designs and copyright. Patent owners may wish to contribute to the consultation process.

HLBBshaw will keep you informed of any proposed changes or clarifications to the proposed regime.

¹ [Pre-Budget Report](#)

² Paragraph 4.40

Amendment of R&D tax credits³

The requirement that an SME (“Small and medium-sized enterprises”) must own any IP generated as a result of R&D expenditure in order to claim relief in the attributable expenditure has been removed. This will be a particular benefit to those companies that assign their rights to a parent company or to a sub-contracting partner and so were previously unable to claim these credits.

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³ Paragraph 4.41