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UK Patent Box

**how to get the most* out of it
(*or as close to that as we can get)**

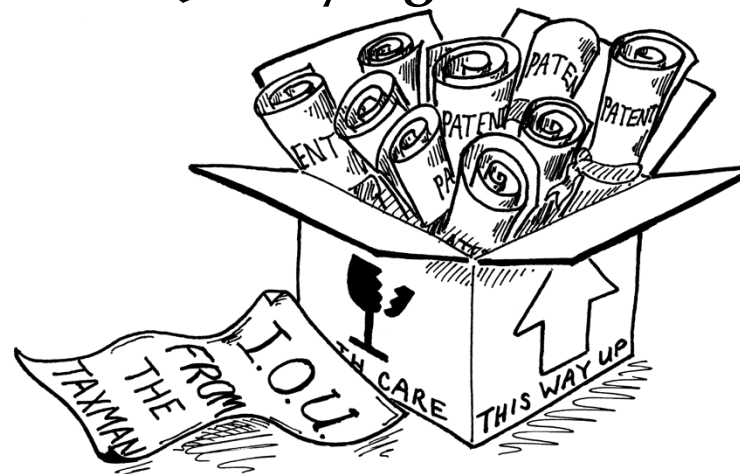
innovation minus protection equals donation™

WHAT IS THE PATENT BOX?



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- From April 2013 HMRC launched a **new tax incentive scheme** to encourage and **reward innovative companies** in the UK
- Operating profits attributable to income arising from exploitation of a **patented invention** potentially qualify for **tax relief** under the Patent Box scheme
- Any company paying UK corporation tax can obtain **tax relief** down to **10%** for all **Qualifying IP Profits**



WHAT ARE QUALIFYING IP PROFITS?



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- Qualifying IP Profits take into account profits on any **worldwide sales** or **licence income** attributable to exploitation of a **patented invention** protected by a GB or equivalent patent

It's a Government scheme so there is some small print...

- A nominal deduction is made for **routine profits** that would be earned in the absence of the patented invention
- A further deduction may be made to exclude the profits attributable to **marketing assets** other than the patented invention eg brands, trademarks, etc

...but that's it!

HOW MUCH IS PATENT BOX POTENTIALLY WORTH?



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- Assuming a turnover of £1M (2014/15), Gross Margin of 40%, and 50% of turnover related to patented inventions*

| (£000) | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|------------------------------|------------|------------|------------|------------|------------|
| Net Sales | 1,464 | 1,331 | 1,210 | 1,100 | 1,000 |
| Gross Margin (GM 40%) | 586 | 532 | 484 | 440 | 400 |
| Operating Expenses (25%) | (366) | (333) | (303) | (275) | (250) |
| Operating Profit | 220 | 200 | 182 | 165 | 150 |
| Relevant IP Income (50%) | 110 | 100 | 91 | 83 | 75 |
| Routine return | (37) | (33) | (30) | (28) | (25) |
| Qualifying Residual Profit | 73 | 67 | 61 | 55 | 50 |
| Marketing return (25%) | (18) | (17) | (15) | (14) | (13) |
| Relevant IP Profits | 55 | 50 | 45 | 41 | 38 |
| Patent Box Rate | 100% | 100% | 90% | 80% | 70% |
| Patent Box Tax Relief | 26 | 24 | 20 | 17 | 14 |
| Cumulative Relief | 100 | 74 | 51 | 30 | 14 |

* illustrative example

- The full Patent Box Benefit is available from 2017/18
- Patent Box tax relief could be worth c£100K over 5 years*

WHAT INNOVATIONS CAN BE PATENTED?



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- An invention does **not** have to be an earth-shattering breakthrough
- Most inventions are relatively **small improvements** on existing inventions
- The patented invention need only comprise a **single component** of a larger product or **apparatus**, or a **single step** in a larger process or **computer algorithm**
- However, the Patent Box applies to **worldwide** sales and licence revenues related to the **whole** product or apparatus, and **worldwide** revenues derived from exploitation of the **whole** process or computer algorithm

WHAT IS A PATENTABLE INVENTION?



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- An invention must be both **novel** and **not obvious**
- An invention must have **industrial application**
- An invention can be just an **incremental improvement** over an **existing** product, apparatus, or process
- An invention can be an inventive **combination** of known elements
- Inventions can often be found in **undisclosed product innovations** or **methods of manufacture** or **new material compositions** or **computer algorithms**

AVOID LEAVING YOUR PROFITS ON THE TABLE



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- A **specific election** to HMRC is required to apply for tax relief under the Patent Box scheme
- An **existing patent** can support a Patent Box claim from its filing date or April 2013, whichever is later
- A **pending application**, when granted, can support a Patent Box claim from its filing date or April 2013, whichever is later

DON'T DELAY...



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- A claim for tax relief under the Patent Box can be **back-dated** to the **filing date** of a new patent application
- Each **month's delay** in filing a new patent application could therefore be **profits lost to HM Treasury** that would otherwise have been retained
- **White Light Consulting** can help identify your **patentable subject matter** and ensure **new patent applications** are filed rapidly in support of your claim for **significant tax savings year on year**

**Call TODAY for a FREE IP consultation
and discover your inventions!**



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