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How Boxing Clever with the *Patent Box* can mean Money for Nothing

What bigger boost to innovative UK companies could there be than money for nothing? That's what will be in the *Patent Box* from 1 April 2013 for UK companies who hold a Qualifying patent. But they need to be boxing clever.

Money for Nothing? What's the Catch?

The publication of the draft Finance Bill 2012 does not reveal one. Of course it's money for nothing *not* in the sense of an investment or a free loan *but* in the sense of being a welcome relief from HMRC. The effect is nonetheless the same and the sums involved could be substantial.

If their product is covered by a Qualifying patent, a UK company can benefit from a rate of corporation tax of only 10% payable on the profit from worldwide income generated by the product.

It's a rebate straight to the bottom-line. Money for nothing which in the current economic climate is hard for a UK company to find.

And who holds the key to unlock the *Patent Box*? You.....the tax adviser. In an era of relentlessly bad financial news, how nice is it for you to be in a position to pass on a good news taxation story? Just how valuable to your business relationship with the company could the key to the *Patent Box* be?

Bump!

But at this point a glance at the proposed legislation might bring you back down to Earth with a resounding bump. The prospect of *another* compliance burden is a sobering one. Yet there are features of the proposed legislation which aim to simplify the calculation of *Patent Box* profit. Specifically the proposed legislation refers to the use of a formulaic "*Residual Profit Split*" method to calculate *Patent Box* profit from Qualifying Income. A safe harbour provision for smaller claims may

simplify the calculation further.

But before the "*Residual Profit Split*" method can be put into action and the tax calculation can begin, questions arise. Specifically:

*What Qualifying Patents?
What Products?
What Qualifying Income?*

Enough to swiftly answer these questions is a simple three-step investigation and a division of responsibility between a patent attorney and the company. It's a pre-calculation audit so we have called it the *Patent Box Audit*.

Here is how it works:

STEP ONE
Identify the Qualifying Patents
Patent Attorney

STEP TWO
Associate Products with the Qualifying Patents
The Company

STEP THREE
Allocate Worldwide Income to the Products
The Company

If you are looking at this and thinking "*that's easy*", you are right. If you are looking at this and wondering why a patent attorney needs to be involved in STEP ONE, here are some answers from us.

SMEs rarely keep up-to-date records of their live patents. More often than not the same is true of larger corporations. Providing an accurate and timely list of Qualifying Patents is likely to be beyond their capabilities. We know this because companies and service providers have been asking us to provide them with the same type of information for years.

The Patent Box



That's 1.5 years and £5500 to secure a granted UK patent and a rate of corporation tax of 10% on profits relating to worldwide income.

And a UK Patent can be kept in force for 20 years (that's 20 tax rebates!).

Not to mention all the traditional benefits of patent protection.

Taking everything into account, it seems to us that there are very few innovative companies for whom patenting would not fall into the category: "*no-brainer*".

What needs to be done and when?

UK companies should be looking closely at their plans for product or process development. To be positioned to take full advantage of the tax break in April 2013, they need now to be exploring opportunities to patent those products or processes. Many of UDL's regular clients are doing precisely that.

UDL – Our Credentials

"We have worked with UDL professionally for many years and have a high degree of confidence in their ability to look after matters for our clients" Bird & Bird Solicitors, London

UDL has been guiding UK companies through the patenting process for over 130 years. We know what we are talking about.

Patent attorneys at our offices in Leeds, London, Cardiff, Newcastle and Milton Keynes are advising UK companies that boxing clever with the *Patent Box* can mean money for nothing.

We are showing them how to change their patenting strategies to exploit the *Patent Box*.

We are telling them to talk to the *Patent Box* keyholder – you – about tax planning.

We too would be happy to talk to you.

To claim your free consultation on the *Patent Box Audit* today, please contact:

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UDL represents clients of every size from individuals to multinational corporations. The protection and exploitation of innovations and brands is at the core of our business. Our clients benefit from a local service which is cost effective, commercially focussed and highly responsive and is supported by the resources and expertise of a specialist firm.

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