

**EIP**

# HMRC opens consultation on proposed changes to Patent Box

A consultation has been announced by HM Revenue and Customs (HMRC) seeking the views of patent holders and interested parties on proposed changes to the UK Patent Box scheme.

The Patent Box is an initiative designed to make the UK tax regime competitive for innovative high-tech companies by offering a reduced rate of corporation tax on profits attributed to patented innovations. Since the Patent Box began in April 2013, 639 companies have benefited from these reduced tax rates.

The changes have been proposed in order to comply with a new international framework for preferential tax regimes for IP, developed by the Organisation for Economic Co-operation and Development (OECD), which is intended to harmonise the various preferential tax regimes that operate within the G20 member countries.

As the HMRC consultation document explains "The central point is that for a business to gain the benefit of a preferential regime, it should have conducted the substantial activities which generated the income benefiting from that regime." The proposed changes therefore include a requirement that links the benefits under the Patent Box to R&D expenditure incurred in the development of the IP. This is known as the nexus approach.

The joint HM Treasury and HMRC consultation will affect UK businesses which hold and exploit patents, as well as those business looking to invest in IP for the first time. The consultation sets out the government's preferred approach, within the new international framework and seeks views on how the UK can form a set of rules for the Patent Box.

The consultation document can be viewed [here](#). Responses to the consultation should be submitted to the HMRC by 4 December 2015.