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HMRC internal manual

Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)
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CIRD220230 - Patent Box: relevant IP profits: relevant IP income: heads 4 and 5: infringement income, damages, insurance proceeds or other compensation CTA10/S357BH(8) & (9)

Head 4

Head 4 is any income payable to the company from an infringement or alleged infringement of the

company's qualifying IP rights held at the time of the infringement or alleged infringement.

Head 5

Head 5 is income that is received by way of insurance, compensation or other damages which, although not falling under head 4 as receipts for a direct infringement of qualifying IP rights, is nonetheless to be treated as relevant IP income.

Such receipts must either be:

- in respect of qualifying items whose sale would produce income falling within head 1 , or
- be an amount in respect of lost income which, if it had been received, would have represented relevant IP income.

Qualifying company

Infringement or other compensation may not be received until after the patent has expired or been disposed of. If so then under S357B(3) the company may still be treated a qualifying company for the purposes of the beneficial CT rate even if it has no other patents by the time the income falls to be taxed. The event in respect of which the income is payable must have occurred at a time when the company was both a qualifying company and for which an election under section 357A(1) had effect ([CIRD210100 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210100\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210100) - condition B).

Reasonable apportionment

Where a company receives an amount falling under heads 4 and 5, which relates partly to times when both the company and the rights were qualifying, and partly to times when one or both were not qualifying, then a reasonable apportionment of the receipt should be made.

A reasonable apportionment will also need to exclude any amount that relates to any times before 1 April 2013 (since no election under S357A(1) can have effect at such times).

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