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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD240140 - Patent Box: relevant IP losses: set-off amount: carry-forward CTA10/S357EC

Where there is a set-off amount in relation to a trade of a company for an accounting period, and the set-off amount has not been reduced to nil by relevant IP profits ('RP') of another trade or another group company, the set-off amount (or so much of it as remains) must be carried forward against any RP that would otherwise arise in the following accounting period.

If the set-off amount brought forward exceeds the RP of the company and the company is a member of a group the balance of the set-off should be reduced by RP of other relevant group members applying the rules described in [CIRD240130](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240130) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240130>).

Any RP which is used to reduce the carried forward set-off amount is no longer eligible for the Patent Box deduction.

If the set-off amount brought forward exceeds the RP of the company and any relevant group members in the following accounting period, the excess amount is again carried forward and reduced by RP of future accounting periods in the same way.

If there are also relevant IP losses in the following accounting period, the set-off amount carried forward in relation to the trade of the company for that accounting period is the aggregate of:

- the set-off amount brought forward, and
- the amount of those relevant IP losses.

The rules regarding the treatment of relevant IP losses then apply in any subsequent accounting periods.

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