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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
([/government/organisations/hm-revenue-customs](#))

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## CIRD220190 - Patent Box: relevant IP profits: relevant IP income: head 1: sales income: examples

### Example 1

A patented printer cartridge is designed to be inserted in a printer and once installed not to be removed until empty, at which point it will be replaced. The printer cartridge will be incorporated in the printer. Income from the sale of a printer including the printer cartridge (whether the cartridge is installed or included separately in the

box with the printer as part of a single package) can therefore qualify as relevant IP income, even if there were no patent over the printer itself.

## Example 2

Conversely, if the printer includes a patented invention and the printer cartridge does not, then sales of the cartridges on their own (by the company holding the relevant patents) will qualify as items wholly or mainly designed to be incorporated into the printer provided that they are bespoke to that printer.

## Example 3

In contrast, a patented DVD may be designed to work with a wide variety of DVD players and after each use is intended to be removed. So it is not incorporated in the DVD player, or designed to be incorporated.

So unless the DVD player is patented or includes a patented invention, including a patented DVD with it in a sale will not qualify the income from the player as relevant IP income (it is unlikely that the non-qualifying income would be trivial in this). Similarly, if the DVD player is patented and DVDs are not, sales of the DVDs will not produce relevant IP income.

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## Example 4

A company sells patented razor blades along with a non-patented handle, as a single item and for a single price. The handle is designed to incorporate the blade. As a result, the item is treated under S357CC(5) as a single item incorporating a patented item, and all income is relevant IP income.

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## Example 5

A non-refillable medical inhaler may include a sleeve, a canister and the active ingredient plus gas and other contents inside the canister to ensure an effective and measured dose of the active ingredient is administered. It may be that each of these items the sleeve, the canister and the contents of the canister are patented.

But even if this is not the case, income from sale of the sleeve, canister and contents together will be within head 1 if any one of the components is patented. The packaging rule will not exclude either the sleeve or the canister, because they fulfil an essential function in the proper administration of the drug and therefore do not need to be considered as separate items.

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## Example 6

A company sells sandwiches in patented packaging that significantly extends their life on the supermarket shelves. The purpose for which the sandwich is intended to be used is human consumption. HMRC would not accept that extending the shelf-life of the sandwich is essential for that use. The income attributable to the packaging only, computed on a just and reasonable basis, would qualify.

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## Example 7

A company holds a patent over a system that consists of a number of individual items. Although the items are not all physically incorporated together they are functionally incorporated by virtue of a wireless/ infra-red connection. The company sells the system as a single unit for a single price. The item is the entire system and the

income from the sale of the system would fall under Head 1.

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## Example 8

Please refer to [CIRD220300](#) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220300>) for guidance on medical use claims.

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