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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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[Back to contents](#) > [CIRD200000](#) > [CIRD200100](#)

## CIRD200120 - Patent Box: overview of the patent box regime: history of the patent box

Finance Act 2012 introduced a new part 8A to CTA10 (profits arising from the exploitation of patents etc) following three rounds of consultation:

- November 2010 - The Taxation of Innovation and Intellectual Property
- June 2011 - Consultation on the Patent Box

- December 2011 - Draft legislation and explanatory notes, Patent Box, response to consultation, and The Patent Box: Technical Note and Guide to the Draft Legislation

The Patent Box: Technical Note and Guide to the Finance Bill 2012 clauses was published on 29 March 2012 together with the associated Explanatory Notes and clauses in the Finance Bill 2012. Guidance contained in the Technical Note has been incorporated into this guidance in the CIRD manual. This was referred to as the 'old' regime or 'old rules' although it is important to note the continuity – the Patent Box has not been repealed and replaced, the substance of the original rules mostly remains.

In October 2015, the conclusions of the G20-OECD BEPS project were announced. Part of this work aimed to ensure that preferential tax regimes, such as Patent Boxes, require sufficient economic substance that they cannot be used for profit shifting. This is achieved by linking benefits afforded to income generated by intellectual property (IP) under such regimes to the level of R&D expenditure incurred to develop that IP. The Government launched a further consultation: Patent Box: Substantial Activities in October 2015 seeking views on how to bring the Patent Box within the new international principles. Draft legislation was published in December 2015 covering both the 'nexus' between R&D expenditure and profits benefiting from the reduced rate (see CIRD270000 onwards). That legislation is largely contained in s64 of the Finance Act 2016, and the changes commenced from 1 July 2016. There are particular provisions relating to cost sharing arrangements in the Finance (no. 2) Act 2017. Together this was referred to as the 'new' regime or 'new rules'.

Rights similar to patents, including rights arising under new legislation coming into force after the end of the UK Transition Period (post 31 December 2020) as a consequence of the UK leaving the EU have been included as qualifying IP rights to ensure continuity from 1 January 2021.

There were transitional provisions which allowed companies and IP within the 'old rules' to remain grandfathered until 30 June 2021, subject to certain requirements. From 1 July 2021 all companies and IP follow the 'new rules'.

The deadline for amended returns from the 'old rules' period passed on 1 July 2023 so the Guidance has been updated to remove the distinction between 'old' and 'new' rules and improve the clarity of the instructions.

In Finance (No2) Act 2023 there are amendments to ensure the correct Patent Box preferential rate of corporation tax is achieved when the Small Profit Rate of corporation tax applies, and to maintain alignment of R&D definitions by including R&D expenditure on cloud and data licence costs within the R&D Fraction.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird200110)

→ **Next page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird200130)



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