

Beta This part of GOV.UK is being rebuilt – [find out what beta means \(/help/beta\)](#)

HMRC internal manual

Corporate Intangibles Research and Development Manual

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

Published 11 March 2016

Updated: 10 September 2025 - [See all updates](#)

[Back to contents](#) > [CIRD200000](#) > [CIRD240000](#)

CIRD240100 - Patent Box: relevant IP losses: overview

Particularly in the early stages of IP development a company may derive income from its qualifying IP rights but not yet return a profit. Or it may produce a profit but this is less than a routine return on the costs of earning the income. In this case the calculation of relevant IP profits ('RP') will result in a negative figure, referred to in the legislation as a relevant IP loss (CTA10/S357C(3)).

One consequence is that the company will not be able to benefit from the regime for that period as it

has no amount of RP (S357A(3)). If there is no RP, there can be no Patent Box deduction ([CIRD201020 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird201020\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird201020)). As a result a company with a relevant IP loss will probably not elect into the regime in that period (if it has not previously done so).

If the company has nonetheless elected into the regime then it will be able to relieve any actual trading losses, as if it had made no election into the Patent Box. However, it must still compute the amount of the relevant IP loss because this amount will then restrict other Patent Box benefits.

A relevant IP loss reduces the RP of other group members ([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 balance is carried forward to reduce future relevant IP profits in the same company ([CIRD240140 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240140\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240140)).

A relevant IP loss should not be confused with a normal corporation tax trading loss of a company. A company with RP either reduces a corporation tax profit, or turns a corporation tax profit into a loss or increases a corporation tax loss. The Patent Box does not affect how a corporation tax loss is used - a company making a Patent Box election can still group relieve or carry forward its corporation tax loss at the full corporation tax rate in the usual way. See the example at CIRD275300.

→ **Next page**

([/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240130](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird240130))



OGI

All content is available under the [Open Government Licence v3.0](#), except where otherwise stated



© Crown copyright