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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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[Back to contents](#) > [CIRD200000](#) > [CIRD250000](#)

## CIRD250120 - Patent Box: anti-avoidance: incorporation of qualifying items CTA10/S357FA

If a patented item is incorporated into a product and a main aim of that incorporation is to include income from the sale of that item within relevant IP income; then it treated as not relevant IP income ([CIRD220150 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220150\)](#)). This is intended to apply where a choice is made for tax purposes

when there is no, or insignificant, commercial rationale.

### **When these powers should not be used**

It is not intended to affect any reasonable commercial choice.

This rule also does not relate to the choice of whether to apply for a patent or which patent(s) to apply for. So if, for example, a company previously chose to rely on secrecy to protect its innovative technology, but now decides to and is able to obtain a patent in order to benefit from the Patent Box, S357FA will not apply.

### **Example**

A company produces speakers which include no patented parts and also produces patented computer chips. If it decides to incorporate the chips into its speakers in order to benefit from the regime, S357FA would operate to prevent the income being relevant IP income.

#### **← Previous page**

**(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird250110)**

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#### **→ Next page**

**(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird250130)**



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