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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD220480 - Patent Box: relevant IP profits: elections for small claims treatment: small claims amount: MAR CTA10/S357CM and s357BNB

This election is the same for both old and new regimes and affects the calculation of the Marketing Asset Return which is step 5 and 6 of s357C and outlined in step 5 of s357BF

The legislation provides two possible methods for determining how much of the QRP of a company

for an accounting period represents profit from qualifying IP rights and how much relates to brand and marketing assets.

The simpler of these two methods is the small claims treatment and provided that the company is eligible, it allows the company to elect to adopt a formulaic approach.

If the company is eligible to elect for small claims treatment then S357CM stipulates the relevant IP profits for the accounting period to be the lower of two amounts:

- 75% the sum of the QRP of all the company's trades; or
- the small claims threshold (£1 million).

As with the relevant maximum, ([CIRD220470](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220470) (<https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220470>)) where there are associated companies for which a Patent Box election has effect for the relevant accounting period, or the accounting period is less than 12 months long, the threshold should be proportionately reduced.

A company with QRP of less than £1 1/3m may of course believe that it does not in reality exploit any marketing assets or the value of any marketing assets is only small. If it is able to demonstrate that this is so, applying the provisions at S357CN to S357CP may be relatively straightforward and it may choose not to elect for small claims treatment and make no deduction.

Conversely, it is possible that a company with QRP in excess of £1 1/3m may still wish to opt for small claims treatment to make the RP calculation simpler, provided that it does not exceed the relevant maximum or wish to claim any more than £1 million as relevant IP profits.

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