

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](#) > [CIRD220000](#) > [CIRD220150](#)

CIRD220280 - Patent Box: relevant IP profits: relevant IP income: excluded income

CTA10/S357BHB

Certain types of income which might otherwise qualify as relevant IP income are specifically excluded. These are:

- any income arising from oil extraction activities or oil rights (as defined in CTA10/Part 8); and
- income from exploiting non-exclusive licences.

Licences held by a company which include some exclusive rights along with other rights which are not exclusive are treated as two separate licences; one an exclusive licence that does not confer any rights other than those that are exclusive and the other a 'non exclusive licence' which confers the balance of non exclusive rights. Income from these 'non exclusive licences' is not relevant IP income.

Example 1

A company has a licence to manufacture and sell products using a process patented in the UK, Germany and China.

If the licence is exclusive in all three territories, then as the company holds an exclusive licence over a qualifying IP right (S357BA) and S357BHB is not applicable. Chinese, German and UK income can all be relevant IP income.

If the licence is exclusive in the UK and Germany and non-exclusive in China then S357BHB(4) requires an apportionment of income to two notional licences; an exclusive licence covering UK and Germany and a non-exclusive licence covering China. The former income is relevant IP income but the latter is not, under S357BHB(3).

If the licence is exclusive in UK and China but not in Germany then S357BHB(4) treats the German rights as a separate non-exclusive licence. S357BHB(3) excludes this from relevant IP income, while the UK and Chinese licence income can qualify as relevant IP income.

Example 2

A company holds an exclusive worldwide licence to manufacture and install a patented component in brakes units that it develops for sale to car manufacturers. The licence also gives the company access to general technical advice and know-how associated with brake manufacture

which is given by the licensor on a non-exclusive basis. Products are sold for £120. For each sale, a royalty of £20 is paid, £10 relating to the patent and £10 to the know-how.

The excluded income rules are not relevant. The qualifying IP right covers the patented brake part. The company's right to exploit this is an exclusive right. The company does not have any non-exclusive rights in respect of the qualifying IP right.

← **Previous page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220270)

→ **Next page**

(/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220290)



OGI

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



© Crown copyright