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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

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## CIRD220130 - Patent Box: relevant IP profits: finance income and excluded income

### CTA10/ s357BG and s357BHB

Finance income is excluded from relevant IP profits (RIPI) in the Patent Box computation.

Finance income means:

- any trading loan relationships credits (including credits such as interest and exchange gains on

money debts);

- any amounts that GAAP treats as arising from a financial asset (such as dividends or the sale of shares). This would be likely to include income arising to a bank or other financial trader from its proprietary trading positions;
- any return that is economically equivalent to interest (using definitions set out in the disguised interest rules in CTA09/S486B). This would include the return arising to a lessor under a finance lease; and
- any trading credits in respect of a company's derivative contracts (CTA09/S573). This would include gains, including exchange gains, on instruments used for hedging trading transactions.

Other income which is excluded from the Patent Box regime is summarised below:

1. income arising from oil extraction activities or oil right
2. income attributable to a non exclusive licence in respect of a qualifying IP right, and if an exclusive licence also confers on the company any non exclusive right that income should be apportioned on a just and reasonable basis.
3. Income arising from RDEC credits
4. Income from a foreign branch of a qualifying company, where that foreign branch is treated as exempt from Corporation Tax.
5. Income arising from Audio Visual Expenditure Credits or Video Games Expenditure Credits

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