



Corporation Tax Act 2010

2010 CHAPTER 4

[^{F1}PART 8A

PROFITS ARISING FROM THE EXPLOITATION OF PATENTS ETC

[^{F1}CHAPTER 1

REDUCED CORPORATION TAX RATE FOR PROFITS FROM PATENTS ETC

Textual Amendments

- F1** Pt. 8A inserted (with effect in accordance with [Sch. 2 paras. 7, 8](#) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), [Sch. 2 para. 1\(1\)](#)

357A Election for special treatment of profits from patents etc

- (1) A company may elect that any relevant IP profits of a trade of the company for an accounting period for which it is a qualifying company are chargeable at a lower rate of corporation tax.
- (2) An election under subsection (1) is to be given effect by allowing a deduction to be made in calculating for corporation tax purposes the profits of the trade for the period.
- (3) The amount of the deduction is—^{F2}

$$RP \times (MR - IPR MR)$$

where—

RP is the relevant IP profits of the trade of the company,

[^{F3}“AR” means, in relation to a company—

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 1. (See end of Document for details)

- (a) in a case where corporation tax is charged at the standard small profits rate on the company's taxable total profits of the accounting period mentioned in subsection (1) which are not ring fence profits, that rate, or
- (b) in any other case, the main rate of corporation tax.]

IPR is the special IP rate of corporation tax.

- (4) The special IP rate of corporation tax is 10%.
- (5) Chapter 2 specifies when a company is a qualifying company.
- [^{F4}(6) Chapter 2A makes provision for determining the relevant IP profits or relevant IP losses of a trade of a company for an accounting period in a case where—
 - (a) the accounting period begins on or after 1 July 2021, or
 - (b) the company is a new entrant (see subsection (11)).
- (7) Chapters 2B, 3 and 4 make provision for determining the relevant IP profits or relevant IP losses of a trade of a company for an accounting period in various cases where—
 - (a) the accounting period begins before 1 July 2021, and
 - (b) the company is not a new entrant.]
 - (8) Chapter 5 makes provision in relation to the relevant IP losses of a trade.
 - (9) Chapter 6 contains anti-avoidance provisions.
 - (10) Chapter 7 contains supplementary provision.]
 - [^{F5}(11) A company is a “new entrant” for the purposes of this Part if—
 - (a) the first accounting period for which the company's election (or most recent election) under subsection (1) has effect begins on or after 1 July 2016, or
 - (b) the company elects to be treated as a new entrant for the purposes of this Part.]

Textual Amendments

- F2** S. 357A(3) formula: word “AR” substituted for word “MR” in both places it occurs (for accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 11\(1\)\(a\)\(2\)](#)
- F3** Words in s. 357A(3) substituted (for accounting periods beginning on or after 1.4.2023) by [Finance \(No. 2\) Act 2023 \(c. 30\), s. 11\(1\)\(b\)\(2\)](#)
- F4** S. 357A(6)(7) substituted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 64\(2\)\(a\)](#)
- F5** S. 357A(11) inserted (with effect in accordance with s. 64(7) of the amending Act) by [Finance Act 2016 \(c. 24\), s. 64\(2\)\(b\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, CHAPTER 1.