

TAX RELIEF ON INTELLECTUAL PROPERTY

In his budget announcement, the Chancellor has indicated that there will now be valuable relief for companies that purchase or develop in-house intellectual property assets. These assets include patents, registered designs and registered trademarks.

In the past, Intellectual Property has been treated as a capital asset that is subject to capital gains tax with no relief for expenditure except as a deduction from proceeds on a disposal. This is not very helpful if a disposal does not take place.

The new rules took effect from 1 April 2002 and allow companies to claim tax relief on costs incurred in creating, acquiring or enhancing Intellectual Property assets. These costs will presumably include the fees that we charge you, together with related costs, such as patent office fees.

Amortisation of Intellectual Property assets will be allowed as a tax-deductible expense; and that for certain assets, a 4% pa deduction will be allowed.

Disposals of Intellectual Property assets will in future be treated as ordinary income and not subject to Capital Gains tax. However, if the proceeds are reinstated in new intangible assets then taxation can be deferred on the profits of the disposal.

Intellectual Property assets held as at 1 April 2002 will not be eligible for the new treatment except for the rollover provisions on a disposal.

We recommend that you contact your accountant if you require any further information concerning these matters, since we are not experts in tax law and we are issuing this newsletter simply to alert you to the change.

The information in this Newsletter was correct at the date of release. More up to date information is available by contacting Eric Potter Clarkson. All comments contained here are of a general nature and full professional advice should be sought on any specific problem. Please note that all our Newsletters can be found on our website at www.eric-potter.com.