



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XIII

MISCELLANEOUS SPECIAL PROVISIONS

CHAPTER I

INTELLECTUAL PROPERTY

Patents and know-how

520 Allowances for expenditure on purchase of patent rights: post-31st March 1986 expenditure.

F1

Textual Amendments

F1 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

521 Provisions supplementary to section 520.

F2

Textual Amendments

F2 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

Status: Point in time view as at 19/07/2006.

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522 Allowances for expenditure on purchase of patent rights: pre-1st April 1986 expenditure.

F3

Textual Amendments
F3 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

523 Lapses of patent rights, sales etc.

F4

Textual Amendments
F4 Ss. 520-523 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 44, Sch. 4](#)

524 Taxation of receipts from sale of patent rights.

- (1) ^{M1}Subject to subsection (2) below, where a [^{F5}company] resident in the United Kingdom sells all or any part of any patent rights and the net proceeds of the sale consist wholly or partly of a capital sum, [^{F5}the company] shall, subject to the provisions of this Chapter, be charged to [^{F6}corporation tax] under Case VI of Schedule D, for the [^{F7}accounting] period in which the sum is received by [^{F5}it] and successive [^{F7}accounting] periods, being charged in each period on the same fraction of the sum as the period is of six years (or such less fraction as has not already been charged).
- (2) If the [^{F8}company] by notice served on [^{F9}an officer of the Board within the period specified in subsection (2A) below], elects that the whole of the sum shall be charged to [^{F10}corporation] tax for [^{F11}the [^{F12}accounting] period in which it was received], it shall be charged to [^{F10}corporation] tax accordingly.

^{F13}(2A) The period mentioned in subsection (2) above is—

- (a) ^{F14}
- (b) ^{F15} . . . the period of two years beginning at the end of the accounting period in which the sum was received.]

(3) [^{F16M2}Where a relevant non-resident company] sells all or any part of any patent rights and the net proceeds of the sale consist wholly or partly of a capital sum, and the patent is a United Kingdom patent, then, subject to the provisions of this Chapter—

- (a) [^{F17}the company shall be chargeable to corporation tax] in respect of that sum under Case VI of Schedule D; and
- (b) section 349(1) shall apply to that sum as if it was an annual sum payable otherwise than out of profits or gains charged to income tax; and
- (c) all other provisions of the Tax Acts shall, save as therein otherwise provided, have effect accordingly.

(4) ^{F18}

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- [^{F19}(5) In subsection (3) above “relevant non-resident company” means a company not resident in the United Kingdom which would be within the charge to corporation tax in respect of any proceeds of the sale of the patent rights not consisting of a capital sum.]
- (6) Where subsection (3) applies to charge a company to corporation tax in respect of a sum paid to it, ^{F20} . . . the company may, by notice given to the Board not later than two years after the end of the accounting period in which the sum is paid, elect that the sum shall be treated as arising rateably in the accounting periods ending not later than six years from the beginning of that in which the sum is paid (being accounting periods during which the company remains within the charge to corporation tax in respect of any proceeds of the sale not consisting of a capital sum), and there shall be made all such repayments of tax and assessments to tax as are necessary to give effect to any such election.
- (7) ^{M3}Subject to subsections (8) and (9) below, where the [^{F21}company] selling all or any part of any patent rights (“the seller”) acquired the rights sold, or the rights out of which they were granted, by purchase and the price paid by [^{F22}it] consisted wholly or partly of a capital sum, the preceding provisions of this section shall apply as if any capital sum received by [^{F22}it] when [^{F23}it] sells the rights were reduced by the amount of that sum.
- (8) Where between the purchase and the sale the seller has sold part of the rights acquired by [^{F24}it] and the net proceeds of that sale consist wholly or partly of a capital sum, the amount of the reduction falling to be made under subsection (7) above in respect of the subsequent sale shall be itself reduced by the amount of that sum.
- (9) Nothing in subsections (7) and (8) above shall affect the amount of income tax which is to be deducted and assessed under section 349(1) and (3) by virtue of subsection (3) above, and, where any sum is deducted under section 349(1), any adjustment necessary to give effect to the provisions of this subsection shall be made by way of repayment of tax.
- (10) ^{M4}A claim for relief under this section shall be made to the Board.

Textual Amendments

- F5** Words in s. 524(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(2)(a)* (with Sch. 2)
- F6** Words in s. 524(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(2)(b)* (with Sch. 2)
- F7** Words in s. 524(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(2)(c)* (with Sch. 2)
- F8** Word in s. 524(2) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(3)(a)* (with Sch. 2)
- F9** Words in s. 524(2) substituted (with effect in accordance with s. 135(2) of the amending Act) by *Finance Act 1996 (c. 8), Sch. 21 para. 15(2)(a)*
- F10** Words in s. 524(2) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(3)(b)* (with Sch. 2)
- F11** Words in s. 524(2) substituted (with effect in accordance with s. 135(2) of the amending Act) by *Finance Act 1996 (c. 8), Sch. 21 para. 15(2)(b)*
- F12** Word in s. 524(2) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(3)(c)* (with Sch. 2)
- F13** *S. 524(2A)* inserted (with effect in accordance with s. 135(2) of the amending Act) by *Finance Act 1996 (c. 8), Sch. 21 para. 15(3)*

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- F14** S. 524(2A)(a) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(4)(a), **Sch. 3** (with Sch. 2)
- F15** Words in s. 524(2A)(b) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(4)(b), **Sch. 3** (with Sch. 2)
- F16** Words in s. 524(3) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(5)(a)** (with Sch. 2)
- F17** Words in s. 524(3)(a) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(5)(b)** (with Sch. 2)
- F18** S. 524(4) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(6), **Sch. 3** (with Sch. 2)
- F19** S. 524(5) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(7)** (with Sch. 2)
- F20** Words in s. 524(6) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 201(8), **Sch. 3** (with Sch. 2)
- F21** Word in s. 524(7) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(9)(a)** (with Sch. 2)
- F22** Words in s. 524(7) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(9)(b)** (with Sch. 2)
- F23** Word in s. 524(7) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(9)(c)** (with Sch. 2)
- F24** Word in s. 524(8) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 201(10)** (with Sch. 2)

Modifications etc. (not altering text)

- C1** See S.I. 1970 No.488 (under “Double taxation relief: general” in Part III Vol.5) regns. 2-10—*payments exempt under double taxation agreements.*

Marginal Citations

- M1** Source - 1970 s.380(1)
M2 Source - 1970 s.380(2)
M3 Source - 1970 s.380(4)
M4 Source - 1970 s.380(5)

525 Capital sums: ^{F25} . . . winding up or partnership change.

[^{F26}(1) Where a body corporate on which, by reason of the receipt of a capital sum, a charge falls or would otherwise fall to be made under section 524 commences to be wound up—

- (a) no sums shall be charged under that section on that body for any accounting period subsequent to that in which the winding up commences; and
- (b) the amount falling to be charged for the accounting period in which the winding up commences shall be increased by the total amounts which, but for the winding up, would have fallen to be charged for subsequent accounting periods.]

(2) ^{F27}

(3) ^{M5}Where, under [^{F28}section 559 of the Capital Allowances Act (effect of successions)] as applied by section 532, a charge under section 524 falls to be made on two or more persons jointly as being the persons for the time being carrying on a trade, and

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that trade is discontinued, subsection (1) above shall have effect in relation to the discontinuance as it has effect where a body corporate commences to be wound up.

- (4) Where subsection (3) above applies—
- (a) the additional sum which, under subsection (1) above, falls to be charged for the [^{F29}accounting period] in which the discontinuance occurs shall be apportioned among the members of the partnership immediately before the discontinuance, according to their respective interests in the partnership profits before the discontinuance, and each partner ^{F30} . . . shall be charged separately for [^{F31}its] proportion, ^{F32} . . .
 - (b) ^{F32}
- (5) ^{F33}

Textual Amendments

- F25** Word in s. 525 sidenote omitted (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by virtue of *Income Tax (Trading and Other Income) Act 2005* (c. 5), **Sch. 1 para. 202(5)** (with Sch. 2)
- F26** S. 525(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005* (c. 5), **Sch. 1 para. 202(2)** (with Sch. 2)
- F27** S. 525(2) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by *Income Tax (Trading and Other Income) Act 2005* (c. 5), Sch. 1 para. 202(3), **Sch. 3** (with Sch. 2)
- F28** Words in s. 525(3) substituted (with effect in accordance with s. 579 of the amending Act) by *Capital Allowances Act 2001* (c. 2), **Sch. 2 para. 45**
- F29** Words in s. 525(4)(a) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005* (c. 5), **Sch. 1 para. 202(4)(a)(i)** (with Sch. 2)
- F30** Words in s. 525(4)(a) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by *Income Tax (Trading and Other Income) Act 2005* (c. 5), Sch. 1 para. 202(4)(a)(ii), **Sch. 3** (with Sch. 2)
- F31** Word in s. 525(4)(a) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by *Income Tax (Trading and Other Income) Act 2005* (c. 5), **Sch. 1 para. 202(4)(a)(iii)** (with Sch. 2)
- F32** S. 525(4)(b) and preceding word repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by *Income Tax (Trading and Other Income) Act 2005* (c. 5), Sch. 1 para. 202(4)(b), **Sch. 3** (with Sch. 2)
- F33** S. 525(5) repealed (with effect in accordance with Sch. 14 Pt. 8 Note 4 of the repealing Act) by *Finance Act 1988* c. 39, **Sch. 14 Pt. 8**

Marginal Citations

- M5** Source - 1970 s.381(2)

526 Relief for expenses.

- ^{M6}(1) Where—
- (a) a [^{F34}company], otherwise than for the purposes of a trade carried on by [^{F35}it], pays any fees or incurs any expenses in connection with the grant or maintenance of a patent, or the obtaining of an extension of a term of a patent, or a rejected or abandoned application for a patent, and

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(b) those fees or expenses would, if they had been paid or incurred for the purposes of a trade, have been allowable as a deduction in estimating the [F36 profits] of that trade,

there shall be made to [F37 the company for the purposes of corporation tax], for the [F38 accounting] period in which those expenses were paid or incurred, an allowance equal to the amount thereof.

(2) F39

Textual Amendments

- F34** Word in s. 526(1)(a) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 203\(2\)\(a\)](#) (with [Sch. 2](#))
- F35** Word in s. 526(1)(a) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 203\(2\)\(b\)](#) (with [Sch. 2](#))
- F36** Word in s. 526(1)(b) substituted (31.7.1998) by [Finance Act 1998 \(c. 36\)](#), s. 46(3)(a), [Sch. 7 para. 1](#)
- F37** Words in s. 526(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 203\(2\)\(c\)](#) (with [Sch. 2](#))
- F38** Word in s. 526(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 203\(2\)\(d\)](#) (with [Sch. 2](#))
- F39** [S. 526\(2\)](#) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 203\(3\)](#), [Sch. 3](#) (with [Sch. 2](#))

Marginal Citations

- M6** Source - 1970 s.382

527 Spreading of royalties over several years.

^{M7}(1) Where a royalty or other sum to which section 348 or 349(1) applies is paid in respect of the user of a patent, and that user extended over a period of six complete years or more, the person receiving the payment may on the making of a claim require that the income tax or corporation tax payable by him by reason of the receipt of that sum shall be reduced so as not to exceed the total amount of income tax or corporation tax which would have been payable by him if that royalty or sum had been paid in six equal instalments at yearly intervals, the last of which was paid on the date on which the payment was in fact made.

(2) Subsection (1) above shall apply in relation to a royalty or other sum where the period of the user is two complete years or more but less than six complete years as it applies to the royalties and sums mentioned in that subsection, but with the substitution for the reference to six equal instalments of a reference to so many equal instalments as there are complete years comprised in that period.

(3) F40

(4) Nothing in this section shall apply to any sum to which section 349(1) applies by virtue of section 524(3)(b) [F41 of this Act or by virtue of section 595 of ITTOIA 2005].

Textual Amendments

- F40** [S. 527\(3\)](#) repealed (with effect in accordance with [Sch. 14 Pt. 8 Note 5](#) of the repealing Act) by [Finance Act 1988 \(c. 39\)](#), [Sch. 14 Pt. 8](#)

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F41 Words in s. 527(4) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 204](#) (with Sch. 2)

Marginal Citations

M7 Source - 1970 s.384

528 Manner of making allowances and charges.

^{M8}(1) ^{F42}

(2) ^{F43}

(3) Where an allowance falls to be made to a company for any accounting period under [^{F44}section 526]^{F45} . . . , and is not to be made in taxing a trade—

(a) the allowance shall, as far as may be, be given effect by deducting the amount of the allowance from the company's income from patents of the accounting period;

(b) where the allowance cannot be given full effect under paragraph (a) above in that period by reason of a want or deficiency of income from patents, then (so long as the company remains within the charge to corporation tax) the amount unallowed shall be carried forward to the succeeding accounting period, and shall be treated for the purposes of that paragraph, and of any further application of this paragraph, as the amount of a corresponding allowance for that period.

[^{F46}(3A) In this section references to ^{F47} . . . a company's income from patents are references to that income after any allowance has been deducted from or set off against it under section ^{F47} . . . 480 of the Capital Allowances Act.]

(4) ^{F42}

Textual Amendments

F42 S. 528(1)(4) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 46\(1\)\(4\), Sch. 4](#)

F43 S. 528(2) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 205\(2\), Sch. 3](#) (with Sch. 2)

F44 Words in s. 528(2)(3) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 46\(2\)](#)

F45 Words in s. 528(3) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 205\(3\), Sch. 3](#) (with Sch. 2)

F46 S. 528(3A) inserted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 46\(3\)](#)

F47 Words in s. 528(3A) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 205\(4\), Sch. 3](#) (with Sch. 2)

Marginal Citations

M8 Source-1970 s.385; 1985 s.64(2)(d)-(f)

529 Patent income to be earned income in certain cases.

^{F48}

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Textual Amendments

F48 S. 529 repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), Sch. 1 para. 206, Sch. 3](#) (with Sch. 2)

530 Disposal of know-how.

F49

Textual Amendments

F49 S. 530 repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 2\), Sch. 2 para. 47, Sch. 4](#)

531 Provisions supplementary to section 530.

- (1) ^{M9}Subject to subsection (7) below, where, after 19th March 1968, [^{F50}a company] disposes of know-how which has been used in a trade carried on by [^{F51}the company], and continues to carry on the trade after the disposal, the amount or value of any consideration received by [^{F51}the company] for the disposal shall—
 - (a) if it is received in respect of the disposal of know-how after 31st March 1986, so far as it is not brought into account [^{F52}as a disposal value under section 462 of the Capital Allowances Act], nor is chargeable to [^{F53}corporation tax] as a revenue or income receipt;
 - (b) in any other case, so far as it is not chargeable to [^{F53}corporation tax] as a revenue or income receipt,
 be treated for [^{F54}the purposes of corporation tax] as a trading receipt.

- [^{F55}(2) Subject to subsection (3) below, where—
 - (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and
 - (b) the know-how is disposed of as part of the disposal of all or part of the trade, the consideration shall for the purposes of corporation tax be treated as a payment for goodwill in relation both to the person making the disposal and to the person acquiring the know-how (if that person provided the consideration).]

- (3) Subsection (2) above shall not apply—
 - (a) [^{F56}if, in the case of the person disposing of the know-how being within the charge to corporation tax, that person and the person acquiring the know-how (whether or not within the charge to corporation tax) elect for that subsection not to apply] by notice given jointly to the inspector within two years of the disposal, or
 - (b) to the person acquiring the know-how if the trade in question was, before the acquisition, carried on wholly outside the United Kingdom;

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[^{F58}(3A) If—

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- (a) an election is made under section 194 of ITTOIA 2005 (provision corresponding to subsections (2) and (3) of this section for the purposes of income tax), and
 - (b) the person making the acquisition mentioned in that section is within the charge to corporation tax,
- the persons making the election under that section are treated as also making an election under subsection (3) of this section (even though the person disposing of the know-how is not within the charge to corporation tax).]
- (4) ^{M10}Subject to subsections (5) and (7) below, any consideration received by a [^{F59}company] for the disposal of know-how shall—
- (a) if it is received in respect of the disposal of know-how after 31st March 1986 and is not brought into account [^{F60}as a disposal value under section 462 of the Capital Allowances Act], or
 - (b) if it is neither chargeable to [^{F61}corporation tax] under subsection (1) above or otherwise as a revenue or income receipt, nor dealt with in relation to [^{F62}the company] as a payment for goodwill as mentioned in subsection (2) above, (whether the disposal took place before or after 31st March 1986),
- be treated as a profit or gain chargeable to [^{F61}corporation tax] under Case VI of Schedule D.
- (5) ^{M11}Where the [^{F63}company] concerned has incurred expenditure wholly and exclusively in the acquisition or disposal of the know-how, the amount which would apart from this subsection be treated as a profit or gain chargeable to [^{F64}corporation tax] under Case VI of Schedule D shall be reduced by the amount of that expenditure; but a deduction shall not be twice made in respect of the same expenditure, whether under this subsection or otherwise.
- (6) ^{F65}.....
- (7) Subsections (1) and (3) to [^{F66}(5)] above ^{F67}... shall not apply on any sale of know-how where the buyer is a body of persons over whom the seller has control, or the seller is a body of persons over whom the buyer has control, or both the seller and the buyer are bodies of persons and some other person has control over both of them; and subsection (2) above shall apply in any such case with the omission of the words “Subject to subsection (3) below”.

In this subsection references to a body of persons include references to a partnership.

- (8) ^{M12}Where in connection with any disposal of know-how a person gives an undertaking (whether absolute or qualified, and whether legally valid or not) the tenor or effect of which is to restrict his or another’s activities in any way, any consideration received in respect of the giving of the undertaking or its total or partial fulfilment shall be treated for the purposes of this section as consideration received for the disposal of the know-how.

Textual Amendments

- F50** Words in s. 531(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 207\(2\)\(a\)](#) (with [Sch. 2](#))
- F51** Words in s. 531(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), [Sch. 1 para. 207\(2\)\(b\)](#) (with [Sch. 2](#))

Status: Point in time view as at 19/07/2006.

Changes to legislation: Income and Corporation Taxes Act 1988, Cross Heading: Patents and know-how is up to date with all changes known to be in force on or before 23 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- F52** Words in s. 531(1) substituted (with effect in accordance with s. 579 of the amending Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 48(1)**
- F53** Words in s. 531(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(2)(c)** (with Sch. 2)
- F54** Words in s. 531(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(2)(d)** (with Sch. 2)
- F55** S. 531(2) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(3)** (with Sch. 2)
- F56** Words in s. 531(3)(a) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(4)** (with Sch. 2)
- F57** Words in s. 531(3) repealed (with effect in accordance with s. 579 of the repealing Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 48(2), Sch. 4**
- F58** S. 531(3A) inserted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(5)** (with Sch. 2)
- F59** Word in s. 531(4) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(6)(a)** (with Sch. 2)
- F60** Words in s. 531(4)(a) substituted (with effect in accordance with s. 579 of the amending Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 48(3)**
- F61** Words in s. 531(4) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(6)(c)** (with Sch. 2)
- F62** Words in s. 531(4)(b) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(6)(b)** (with Sch. 2)
- F63** Word in s. 531(5) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(7)(a)** (with Sch. 2)
- F64** Words in s. 531(5) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(7)(b)** (with Sch. 2)
- F65** S. 531(6) repealed (6.4.2005 with effect in accordance with s. 883(1) of the repealing Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(8), Sch. 3** (with Sch. 2)
- F66** Word in s. 531(7) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by **Income Tax (Trading and Other Income) Act 2005 (c. 5), Sch. 1 para. 207(9)** (with Sch. 2)
- F67** Words in s. 531(7) repealed (with effect in accordance with s. 579 of the repealing Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 48(4), Sch. 4**

Modifications etc. (not altering text)

- C2** S. 531(2)(7) excluded (8.11.1995) by **Atomic Energy Authority Act 1995 (c. 37), Sch. 3 para. 19(2)**

Marginal Citations

- M9** Source-1970 s.386(2); 1985 s.65(3)(a)
M10 Source-1970 s.386(4); 1985 s.65(3)(b)
M11 Source-1970 s.386(4)-(6)
M12 Source-1970 s.386(8); 1985 Sch.18 Part II 8

[^{F68}532 Application of Capital Allowances Act

The Tax Acts have effect as if sections 524 to [^{F69}528] and 531, this section and section 533 were contained in the Capital Allowances Act.]

Textual Amendments

- F68** S. 532 substituted (with effect in accordance with s. 579 of the amending Act) by **Capital Allowances Act 2001 (c. 2), Sch. 2 para. 49**

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F69 Words in s. 532 substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by Income Tax (Trading and Other Income) Act 2005 (c. 5), **Sch. 1 para. 208** (with Sch. 2)

533 Interpretation of sections 520 to 532.

- (1) ^{M13}In [F70 sections 524 to [F71]528]]—
- [F72]“income from patents” means—
- (a) any royalty or other sum paid in respect of the use of a patent; and
 - (b) any amount on which tax is payable for any accounting period by virtue of section 524 or 525 above or section 472(5) of, or paragraph 100 of Schedule 3 to, the Capital Allowances Act,
- but does not include any amount chargeable to income tax.]
- ^{F73}
- “patent rights” means the right to do or authorise the doing of anything which would, but for that right, be an infringement of a patent;
- “United Kingdom patent” means a patent granted under the laws of the United Kingdom.
- (2) Subject to subsection (3) below, in [F70 sections 524 to [F74]528]] any reference to the sale of part of patent rights includes a reference to the grant of a licence in respect of the patent in question, and any reference to the purchase of patent rights includes a reference to the acquisition of a licence in respect of a patent.
- (3) If a licence granted by a person entitled to any patent rights is a licence to exercise those rights to the exclusion of the grantor and all other persons for the whole of the remainder of the term for which the right subsists, the grantor shall be treated for the purposes of [F70 sections 524 to [F74]528]] as thereby selling the whole of the rights.
- (4) Where, under sections 46 to 49 of the Patents Act 1949 [F75], sections 55 to 59 of the Patents Act 1977] or any corresponding provisions of the law of any country outside the United Kingdom, an invention which is the subject of a patent is made, used, or exercised or vended by or for the service of the Crown or the government of the country concerned, [F70 sections 524 to [F74]528]] shall have effect as if the making, user, exercise or vending of the invention had taken place in pursuance of a licence, and any sums paid in respect thereof shall be treated accordingly.
- (5) Expenditure incurred in obtaining a right to acquire in the future patent rights as respects any invention in respect of which the patent has not yet been granted shall be deemed for all the purposes of [F70 sections 524 to [F74]528]] to be expenditure on the purchase of patent rights, and if the patent rights are subsequently acquired the expenditure shall be deemed for those purposes to have been expenditure on the purchase of those rights.
- (6) Any sum received from a person which by virtue of subsection (5) above is deemed to be expenditure incurred by him on the purchase of patent rights shall be deemed to be proceeds of a sale of patent rights.
- (7) ^{M14}In [F76 section 531]“know-how” means any industrial information and techniques likely to assist in the manufacture or processing of goods or materials, or in the working of a mine, oil-well or other source of mineral deposits (including the searching for, discovery or testing of deposits or the winning of access thereto), or in the carrying out of any agricultural, forestry or fishing operations.

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Textual Amendments

- F70** Words in ss. 533(1)-(5) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), **Sch. 2 para. 50(1)**
- F71** Words in s. 533(1) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 209(2)(a)** (with Sch. 2)
- F72** S. 533(1): definition of "income from patents" substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 209(2)(b)** (with Sch. 2)
- F73** Words in s. 533(1) repealed (with effect in accordance with s. 579 of the repealing Act) by [Capital Allowances Act 2001 \(c. 4\)](#), Sch. 2 para. 50(2)(b), **Sch. 4**
- F74** Words in s. 533(2)-(5) substituted (6.4.2005 with effect in accordance with s. 883(1) of the amending Act) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), **Sch. 1 para. 209(3)** (with Sch. 2)
- F75** Words in s. 533(4) inserted (with retrospective effect) by Finance Act 1988, Sch. 13 Pt. 1 paras. 5, 1
- F76** Words in s. 533(7) substituted (with effect in accordance with s. 579 of the amending Act) by [Capital Allowances Act 2001 \(c. 2\)](#), **Sch. 2 para. 50(3)**

Marginal Citations

- M13** Source-1970 s.388; 1985 s.64(2)(g)
- M14** Source-1970 s.386(8); 1985 Sch.18 Part II 8

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