

INTRODUCTION OF A PATENT BOX

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As announced in the Federal Budget 2021-22, the Government will encourage innovation in Australian medical and biotech technologies by introducing a "patent box" system.

From 1 July 2022, the patent box will tax income derived from Australian medical and biotech patents at a 17% effective concessional corporate tax rate (as opposed to the current corporate tax rate of 30% for large businesses and 25% for small to medium companies). Income from manufacturing, branding and other attributes may be excluded from this concession and continue to be taxed at existing corporate tax rates.

Only granted patents, which were applied for after 7.30pm on Tuesday 11 May 2021, will be eligible.

By offering a competitive tax rate for profits generated from Australian owned and developed patents, the patent box's purpose is to boost additional investment and hiring in research and development activities and encourage companies to develop and apply their innovations in Australia.

Over twenty countries currently have patent boxes (or a similar regime), including the UK, the Netherlands and France – all designed to encourage the development and ownership of certain intellectual property in their home jurisdiction. The Federal Government will follow the OECD's guidelines on patent boxes to ensure the patent box meets internationally accepted standards.

At this stage, the patent box will initially be limited in scope, but the Federal Government will consult closely with industry on the design of the patent box and to determine whether its scope should be extended to assist the clean energy sector.

The proposed introduction of the patent box system is one of several tax reform initiatives contained in the Budget, all of which are focused on job creation, investment and growth.

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