



Patent box or Innovation box?

Is your enterprise involved in innovation? Do you have a patent or a licence? Then you can enjoy extra government aid! How? Through the **patent deduction (aka “patent box”)**. The government recently launched the **deduction for revenue from innovation (aka “innovation box”)**. We review the main differences between these two deductions.

Do you want to know which system is more advantageous for your enterprise? Then contact one of our innovation experts.

What is it?

The patent box/innovation box allows **deduction** of certain revenues from the **tax assessment basis** of your enterprise. For this it must first be determined how much a patent has contributed to the results of your enterprise.

If you have a patent and you give a licence on that patent to third parties, the received royalties might qualify for the patent box/innovation box. However, if the enterprise uses that patent in its own production process or its services, then the situation is rather less straightforward. In order to calculate the return in such cases recourse is taken to techniques that are current in transfer pricing.

Your enterprise may then, depending on the preferred system, deduct up to **80%** or **85%** of revenue generated through this patent from the tax assessment basis.

Which system can you choose?

The innovation box replaced the patent box and became effective as of 1 July 2016, with an interim system.

For patents that were applied for or obtained before 30 June 2016 you can still make an arrangement on the patent box up to and including 30 June 2021, if those patents were not commercialized before 1 January 2007. For those patents you may also immediately opt for the innovation box. On 1 July 2021 the patent box disappears once and for all and only the innovation box will remain.

What are the main differences?

The OECD condemned the Belgian patent deduction in its original form as a ‘harmful tax practice’. In response to the criticism from the OECD this patent deduction has been reworked on a number of important points. The new system, given the name “deduction for revenues from innovation”, is now potentially less advantageous on the basis. Belgium nevertheless took the opportunity to appreciably broaden the scope of the innovation box.

	Patent Box	Innovation Box
Calculatory basis	Gross Revenue	Net Revenue (calculation of R&D costs)
Deductible percentage	80%	85%
Other corrections?	Calculation of paid licences or booked depreciations for acquired patents	Nexus break (share “own” R&D expenditure in the total R&D expenditure)
Fiscally transferable?	No	Yes (unlimited)
Other intellectual property rights?	No	Yes: plant variety rights, orphan medical products, market and data exclusivity, software protected by copyright

Which system suits your enterprise best?

The choice between patent box or innovation box can be quite a complex matter. To help you to make the right choice you can contact one of our innovation experts.

We run a thorough analysis of your R&D income and expenditure according to a methodology adapted to your particular situation. Here we take account of the needs and objectives of your enterprise. We inform you so that your enterprise may choose the more suitable deduction. We also ensure that your enterprise achieves the best possible result from the patent or innovation deduction.