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**Media contact:**  
HMRC Press Office  
(Business)  
03000 585028

**Statistical contacts:**

Huw James  
[huw.james@hmrc.gsi.gov.uk](mailto:huw.james@hmrc.gsi.gov.uk)

Becky George  
[rebecca.george@hmrc.gsi.gov.uk](mailto:rebecca.george@hmrc.gsi.gov.uk)

KAI Direct Business Taxes  
HM Revenue & Customs  
100 Parliament Street  
London SW1A 2BQ

**Website:**  
<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics>

# Patent Box

## September 2018

### Statistics on uptake of the Patent Box

An Official Statistics Release

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# Section 1: Introduction

## About these statistics

This is an Official Statistics publication produced by HM Revenue & Customs (HMRC). It provides information on the number of companies claiming relief under the UK Patent Box and the value of this tax relief in 2013-14, 2014-15 and 2015-16, and partial figures for 2016-17.

These statistics, which include breakdowns by company size, industry sector and UK region, were published for the first time on 14 September 2016.

Section 2 gives a summary of the key Patent Box statistics. Section 3 provides data broken down by company size, industry sector and UK region. And Section 4 gives some background information about the Patent Box and how these statistics have been produced.

The amounts of relief claimed under the Patent Box have been rounded to the nearest £100,000 and the numbers of companies claiming the relief have been rounded to the nearest 5. Because of the rounding some breakdown figures may not add up to provided totals.

These statistics are produced to the professional standards set out in the Code of Practice for Official Statistics (2009)<sup>1</sup>. For more information on Official and National Statistics and the governance of statistics produced by public bodies, please visit the UK Statistics Authority website:

[www.statisticsauthority.gov.uk](http://www.statisticsauthority.gov.uk)

HMRC Official and National Statistics can be found on the gov.uk website:

<https://www.gov.uk/government/organisations/hm-revenue-customs/about/statistics>

## Who might be interested in these statistics?

This publication is likely to be of interest to policy makers in government, academics, research organisations, international bodies, the media and patent holding businesses.

People interested in this publication may also be interested in HMRC's National Statistics publication on Research and Development tax credits:

<https://www.gov.uk/government/collections/corporate-tax-research-and-development-tax-credits>

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<sup>1</sup> <http://www.statisticsauthority.gov.uk/assessment/code-of-practice/>

## Section 2: Background and key points

### 2.1 Background

The UK Patent Box enables companies to apply a lower rate of Corporation Tax to profits earned after 1 April 2013 from their patented inventions and equivalent forms of intellectual property. The relief has been phased in from 1 April 2013 and the full benefit of the Patent Box has been available from 1 April 2017. The lower rate of Corporation Tax under the Patent Box is 10% compared with the main rate of Corporation Tax, which was 20% during the period covered by these statistics.

Companies must notify HMRC if they wish to claim relief under the Patent Box. This has to be done within two years after the end of the accounting period in which the relevant profits and income arise. Given this time lag, a complete set of data for the third year of the Patent Box – covering the period 1 April 2015 to 31 March 2016, known as the 2015-16 fiscal year – has only recently become available. This data is published for the first time in this release.

This release also includes, for the first time, partial statistics for the 2016-17 fiscal year based on Patent Box claims made up to the end of the first quarter of the second year after the end of the accounting period (claims made up to and including 30 June 2018). The decision to include partial statistics for 2016-17 was based on analysis of Patent Box claims for previous fiscal years for which complete data is available. This showed that, on average, 86% of claims were filed by the end of the first quarter of the second year after the accounting period ended. The 2016-17 statistics will therefore be updated based on a complete set of data in the next annual release (Autumn 2019), and are expected to be revised upwards. The next release will also include partial statistics for 2017-18.

### 2.2 Key points

- In 2015-16, 1,160 companies claimed relief under the Patent Box with a total value of £754.3 million. In 2016-17, 1,025 companies claimed £942.5 million relief using the Patent Box.
- The total value of the relief claimed increased year on year since 2013-14 as the benefit of the Patent Box was phased in (see section 4 for more information). The number of companies claiming relief increased from 2013-14 to 2015-16. Although the number of companies claiming relief in 2016-17 appears to have decreased since the previous year, these statistics are based on partial data and are expected to be revised upwards when a complete set of data becomes available (Autumn 2019).
- Just over a quarter of the companies were classified as 'large' (2015-16: 28.4%, 2016-17: 27.3%) and together they accounted for a clear majority of relief claimed (2015-16: 95.5%, 2016-17: 96.3%).
- Most companies were in the 'Manufacturing' sector (2015-16: 54.7%, 2016-17: 54.6%), followed by 'Wholesale & Retail Trade, Repairs' (2015-16: 18.5%, 2016-17: 18.0%).

- Companies in Manufacturing also claimed the highest value of relief under the Patent Box (2015-16: 48.4%, 2016-17: 37.1%), followed by 'Professional, Scientific and Technical Activities' (2015-16: 12.1%, 2016-17: 15.0%).
- The number of companies claiming relief under the Patent Box varied across UK regions. The highest number were located in the South East (2015-16: 17.2%, 2016-17: 17.1%) and the lowest number were in the North East (2015-16: 2.6%, 2016-17: 2.4%).
- The value of relief claimed under the Patent Box also varied by UK region. Companies in London claimed more than half of the total (2015-16: 50.8%, 2016-17: 55.3%).
- It should be noted that all 2016-17 statistics in this release are based on a partial set of data and will be revised in Autumn 2019 when a full set of outturn data is available. It is expected that the figures will be revised upwards, in line with the general trend of Patent Box usage since its implementation.

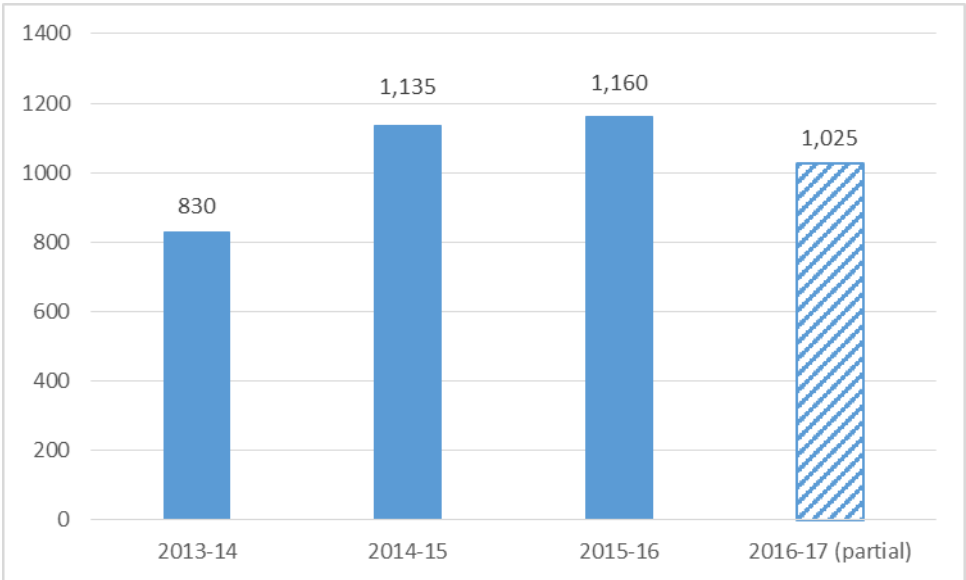
### Section 3: Distribution of Patent Box data

The Patent Box data for each fiscal year from 2013-14 (the first year of the UK Patent Box) to 2016-17 are shown in Figure 1 (number of companies claiming relief) and Figure 2 (total value of relief claimed). As noted above, the figures for 2016-17 are partial only. Tables 1, 3 and 5 provide breakdowns of the Patent Box data by company size, industry sector and UK region for the period 1 April 2015 to 31 March 2016, while Tables 2, 4 and 6 provide these breakdowns for the period 1 April 2016 to 31 March 2017.

#### 3.1 Patent Box by year

In 2015-6, 1,160 companies claimed relief under the Patent Box, with a total value of £754.3 million. The partial statistics for 2016-17 are 1,025 companies claiming relief under the Patent Box, with a total value of £942.5 million. The 2016-17 figures are expected to be revised upwards in the next release of the Patent Box Statistics, when a complete set of data is available.

**Figure 1: Companies claiming relief under Patent Box**

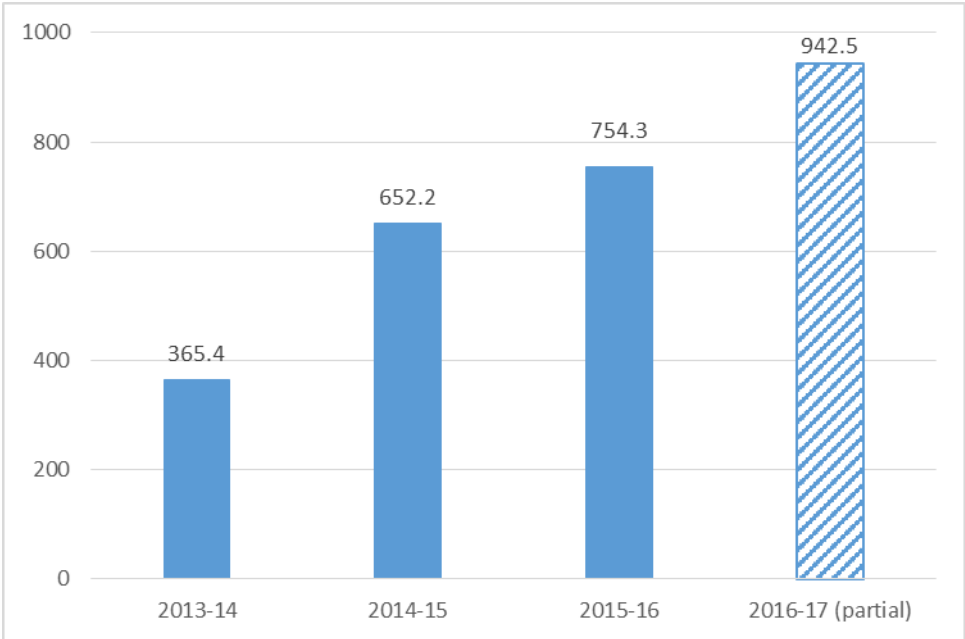


Source: HMRC data

1. The number of companies have been rounded to the nearest five.

The total value of the relief claimed has increased year on year from 2013-14 as the benefit of the Patent Box was phased in, with companies fully benefitting from the 10% rate from 2017-18.

**Figure 2: Value of relief claimed under Patent Box (£ million)**



Source: HMRC data

1. Amounts of relief claimed have been rounded to the nearest £100,000.

**3.2 Company size**

Company size breakdowns are based on the European Union Enterprise Size Classification (see Annex A). More than a quarter of companies claiming relief under the Patent Box in 2015-16 were classified as ‘large’ (330 or 28.4% of the total). ‘Medium’ and ‘small’ companies each made up around a quarter of the total, while ‘micro’ companies accounted for just over one in five (250 or 21.6%).

The largest proportion of the relief claimed under the Patent Box in 2015-16 was by large companies (£720.2 million or 95.5% of the total). Large companies claiming the bulk of the relief is consistent with previous years (2014-15: £616.6 million or 94.6% of the total, 2013-14: £327.2 million or 95.4% of the total).

**Table 1: Patent Box data by company size, 2015-16**

Company size	Companies		Relief claimed under Patent Box	
	Number	Number as a percentage of total	Amount (£ million)	Amount as a percentage of total
Large	330	28.4%	720.2	95.5%
Medium	285	24.6%	23.3	3.1%
Small	280	24.1%	7.9	1.0%
Micro	250	21.6%	-	-

<b>Unknown</b>	15	1.3%	-	-
<b>All</b>	<b>1,160</b>	<b>100.0%</b>	<b>754.3</b>	<b>100.0%</b>

Source: HMRC data

Notes:

1. A hyphen ('-') indicates figures have been suppressed to meet confidentiality requirements.
2. Amounts of relief claimed have been rounded to the nearest £100,000 and the number of companies have been rounded to the nearest five. Figures might not add up to totals due to this rounding.

In 2016-17, the distribution by size of companies claiming relief under the Patent Box remained in line with previous years. Large companies made up more than a quarter of claimants (280 companies or 27.3% of the total) and claimed the bulk of the relief (£907.3 million or 96.3% of the total).

**Table 2: Patent Box data by company size, 2016-17 (partial)**

Company size	Companies		Relief claimed under Patent Box	
	Number	Number as a percentage of total	Amount (£ million)	Amount as a percentage of total
<b>Large</b>	280	27.3%	907.3	96.3%
<b>Medium</b>	260	25.4%	24.8	2.6%
<b>Small</b>	265	25.9%	7.9	0.8%
<b>Micro</b>	215	21.0%	-	-
<b>Unknown</b>	10	1.0%	-	-
<b>All</b>	<b>1,025</b>	<b>100.0%</b>	<b>942.5</b>	<b>100.0%</b>

Source: HMRC data

Notes:

1. A hyphen ('-') indicates figures have been suppressed to meet confidentiality requirements.
2. Amounts of the relief have been rounded to the nearest £100,000 and the number of companies have been rounded to the nearest five. Figures might not add up to totals due to this rounding.

### 3.3 Industry sector

Industry breakdowns are based on the Standard Industrial Classification (SIC) 2007. More details on the SIC 2007 can be found in Section 4. Most companies claiming relief under the Patent Box in 2014-15 were in 'Manufacturing' (635 companies or 54.7% of the total). Companies in 'Manufacturing' also made up almost half (48.4%) of the relief claimed, amounting to £364.7 million.

'Wholesale & Retail Trade, Repairs' was the second most common sector among companies claiming relief under the Patent Box (215 companies or 18.5% of the total), but accounted for only 6.7% of the total relief claimed (£50.6 million).

There were 130 companies within 'Professional, Scientific and Technical activities' (11.2% of the total), claiming £91.5 million of relief (12.1%).



Many companies that undertake research and development also manufacture and/or sell their products either wholesale or retail, which explains the contribution of these sectors to the Patent Box. Research and development is expected to be common within the 'Professional, Scientific and Technical' sector.

**Table 3: Patent Box data by industry sector, 2015-16**

Industry sector (Standard Industrial Classification 2007)	Companies		Relief claimed under Patent Box	
	Number	Number as a percentage of total	Amount (£ million)	Amount as a percentage of total
A. Agriculture, Forestry and Fishing	10	0.9%	0.1	0.0%
B. Mining and Quarrying	0	0.0%	0.0	0.0%
C. Manufacturing	635	54.7%	364.7	48.4%
D. Electricity, Gas, Steam and Air Conditioning	0	0.0%	0.0	0.0%
E. Water, Sewerage and Waste	-	-	-	-
F. Construction	25	2.2%	-	-
G. Wholesale and Retail Trade, Repairs	215	18.5%	50.6	6.7%
H. Transport and Storage	10	0.9%	-	-
I. Accommodation and Food	-	-	-	-
J. Information and Communication	45	3.9%	59.4	7.9%
K. Financial and Insurance	5	0.4%	-	-
L. Real Estate	-	-	-	-
M. Professional, Scientific and Technical	130	11.2%	91.5	12.1%
N. Admin and Support Services	55	4.7%	25.4	3.4%
O. Public Admin, Defence and Social Services	0	0.0%	0.0	0.0%
P. Education	5	0.4%	-	-
Q. Health and Social Work	-	-	-	-
R. Arts, Entertainment and Recreation	5	0.4%	0.0	0.0%
S. Other services / activities	15	1.3%	0.3	0.0%
T. Households	0	0.0%	0.0	0.0%
U. Overseas	0	0.0%	0.0	0.0%
<b>Total</b>	<b>1,160</b>	<b>100.0%</b>	<b>754.3</b>	<b>100.0%</b>

Source: HMRC data

Notes:

1. A hyphen ('-') indicates figures have been suppressed to meet confidentiality requirements.
2. Amounts of the relief have been rounded to the nearest £100,000 and the number of companies have been rounded to the nearest five. Figures might not add up to totals due to this rounding.

'Manufacturing' remained the most common sector among companies claiming relief under the Patent Box in 2016-17 (560 companies or 54.6% of the total), followed by 'Wholesale and Retail Trade, Repairs' (185 companies, 18.0%) and 'Professional, Scientific and Technical' (115 companies, 11.2%).

Manufacturing companies accounted for over a third of the total value of the relief claimed in 2016-17 (£350.1 million or 37.1%).

**Table 4: Patent Box data by industry sector, 2016-17 (partial)**

Industry sector (Standard Industrial Classification 2007)	Companies		Relief claimed under Patent Box	
	Number	Number as a percentage of total	Amount (£ million)	Amount as a percentage of total
A. Agriculture, Forestry and Fishing	10	1.0%	0.2	0.0%
B. Mining and Quarrying	0	0.0%	0.0	0.0%
C. Manufacturing	560	54.6%	350.1	37.1%
D. Electricity, Gas, Steam and Air Conditioning	-	-	-	-
E. Water, Sewerage and Waste	5	0.5%	-	-
F. Construction	20	2.0%	-	-
G. Wholesale and Retail Trade, Repairs	185	18.0%	54.6	5.8%
H. Transport and Storage	5	0.5%	-	-
I. Accommodation and Food	-	-	-	-
J. Information and Communication	40	3.9%	98.4	10.4%
K. Financial and Insurance	5	0.5%	-	-
L. Real Estate	-	-	-	-
M. Professional, Scientific and Technical	115	11.2%	141.4	15.0%
N. Admin and Support Services	50	4.9%	51.7	5.5%
O. Public Admin, Defence and Social Services	0	0.0%	0.0	0.0%
P. Education	-	-	-	-
Q. Health and Social Work	-	-	-	-
R. Arts, Entertainment and Recreation	-	-	-	-
S. Other services / activities	15	1.5%	0.8	0.1%
T. Households	0	0.0%	0.0	0.0%
U. Overseas	0	0.0%	0.0	0.0%
<b>Total</b>	<b>1,025</b>	<b>100.0%</b>	<b>942.5</b>	<b>100.0%</b>

Source: HMRC data

Notes:

1. A hyphen ('-') indicates figures have been suppressed to meet confidentiality requirements.
2. Amounts of the relief have been rounded to the nearest £100,000 and the number of companies have been rounded to the nearest five. Figures might not add up to totals due to this rounding.

### 3.4 UK regions

Geographic breakdowns are based on the UK Government Office Regions (see Section 4 for more information). When interpreting these statistics it should be noted that companies can have a single address for tax purposes (for example, a headquarters location) even though they may have operations across the UK. This analysis is based on taxpayers' addresses given to HMRC for tax purposes.

The South East had the highest number of companies claiming relief under the Patent Box in 2015-16 (200) followed by the East of England (140). The smallest number of companies was in the North East (30). Companies in London claimed the most relief under the Patent Box (£383.5 million, or 50.8% of the total).

**Table 5: Patent Box data by UK region, 2015-16**

Government Office Region (GOR)	Companies		Relief claimed under Patent Box	
	Number	Number as a percentage of total	Amount (£ million)	Amount as a percentage of total
North East	30	2.6%	9.2	1.2%
North West	130	11.2%	7.7	1.0%
Yorkshire & Humberside	120	10.3%	44.6	5.9%
East Midlands	85	7.3%	15.8	2.1%
West Midlands	125	10.8%	-	-
East of England	140	12.1%	67.9	9.0%
London	105	9.1%	383.5	50.8%
South East	200	17.2%	92.3	12.2%
South West	105	9.1%	43.7	5.8%
Scotland	50	4.3%	23.2	3.1%
Wales	40	3.4%	-	-
Northern Ireland	35	3.0%	7.7	1.0%
<b>All</b>	<b>1,160</b>	<b>100.0%</b>	<b>754.3</b>	<b>100.0%</b>

Source: HMRC data

Notes:

1. A hyphen ('-') indicates figures have been suppressed to meet confidentiality requirements.
2. Amounts of the relief have been rounded to the nearest £100,000 and the number of companies have been rounded to the nearest five. Figures might not add up to totals due to this rounding.

The South East continued to have the highest number of Patent Box claimants in 2016-17 (175) followed by the East of England (120). The smallest number of companies was in the North East (25). Companies in London claimed the most relief under the Patent Box (£521.6 million or 55.3% of the total).

**Table 6: Patent Box data by UK region, 2016-17 (partial)**

Government Office Region (GOR)	Companies		Relief claimed under Patent Box	
	Number	Number as a percentage of total	Amount (£ million)	Amount as a percentage of total
North East	25	2.4%	-	-
North West	100	9.8%	25.6	2.7%
Yorkshire & Humberside	110	10.7%	54.0	5.7%

<b>East Midlands</b>	75	7.3%	14.0	1.5%
<b>West Midlands</b>	110	10.7%	18.2	1.9%
<b>East of England</b>	120	11.7%	56.4	6.0%
<b>London</b>	100	9.8%	521.6	55.3%
<b>South East</b>	175	17.1%	158.5	16.8%
<b>South West</b>	95	9.3%	37.9	4.0%
<b>Scotland</b>	50	4.9%	33.6	3.6%
<b>Wales</b>	35	3.4%	-	-
<b>Northern Ireland</b>	30	2.9%	7.3	0.8%
<b>All</b>	<b>1,025</b>	<b>100.0%</b>	<b>942.5</b>	<b>100.0%</b>

Source: HMRC data

Notes:

1. A hyphen ('-') indicates figures have been suppressed to meet confidentiality requirements.
2. Amounts of the relief have been rounded to the nearest £100,000 and the number of companies have been rounded to the nearest five. Figures might not add up to totals due to this rounding.

## Section 4: Background information

The UK Patent Box was introduced in the Finance Act 2012, effective from 1 April 2013, having been announced in the 2010 Corporate Tax (CT) Roadmap. It applies a lower (10%) rate of Corporation Tax to profits attributable to patents and equivalent forms of intellectual property (IP). This is delivered by an additional deduction, based on the level of IP profits so that the benefit to the company is equivalent to that of a lower rate. The benefit was phased in, with companies fully benefitting from the 10% rate from 2017-18.

The aim of the Patent Box is to provide additional incentive for companies to:

- Increase the level of patenting of IP developed in the UK, and ensure that new and existing patents are further developed and commercialised in the UK;
- Manufacture and sell those innovative products and services from the UK; and
- Encourage companies to locate the high-value jobs associated with the development, manufacture and exploitation of patents in the UK.

In 2016 the Government made changes to the design of the Patent Box to comply with a new international framework for preferential tax regimes for IP set out by the Organisation for Economic Co-operation and Development (OECD).

This means that the amount of profit from an IP asset which can qualify for the reduced 10% rate of Corporation Tax available through the Patent Box will depend on the proportion of the asset's development expenditure incurred by the company.

### 4.1 Data sources and reliability of the estimates

The Patent Box statistics in this release are compiled using data collected from electronically filed company tax returns. The Corporation Tax computations, where relief under the Patent Box is claimed, are submitted to HMRC in iXBRL (electronic) format. This allows companies to electronically 'tag' their Patent Box claim so that the number and value of each claim can be extracted automatically.

#### *Tagging errors*

Some Patent Box claims do not have the correct iXBRL 'tag' applied to them. Further review and scanning of tax computation documents was therefore required to identify computations containing relevant terms such as "Patent Box" or "Patent Relief" that would otherwise be missed.

HMRC is currently working to improve and extend its electronic text reading capabilities to routinely 'read' all documents submitted as part of the company tax return. While this will make it easier to find Patent Box claims in future, we expect there to be little impact on the figures provided in this publication because of the manual review work and extra quality assurance undertaken in preparing the statistics.

All of the tax computations identified via the iXBRL ‘tagging’ or text reading processes outlined above were then manually reviewed to:

- Ensure that the tags were used correctly for Patent Box claims;
- Extract the value of the claim if found by text reading and confirm the position in other years where there was no apparent claim; and
- Ensure that when amendments to returns were made only the difference in amounts was recorded to avoid double counting.

### *Industry sector information*

Companies in HMRC’s data are allocated a Standard Industrial Classification (SIC) 2007 code that best describes a company’s primary economic activity. More details can be found here:

<https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic>

However, some companies engage in more than one type of economic activity. The industry sector breakdown in this publication does not necessarily indicate where a company’s research and development activity takes place. For example, a company primarily doing manufacturing (and therefore allocated to the ‘Manufacturing’ sector) could also have a branch undertaking research and development activity in the ‘Scientific’ sector. For this reason, the industry sector information should be viewed as only a broad picture as to where activity takes place.

### *Geographic information*

The geographic information in this publication is based on the addresses given by companies claiming relief under the Patent Box. The location of this address is not necessarily where a company’s research and development (or other) activity takes place. Companies provide a Registered Office address to HMRC for communication purposes, but can have business activities located in other UK regions.

## **4.2 Revisions to published information**

The Patent Box figures are subject to revision. Although the majority of returns are finalised within two years of the end of the company’s accounting period, there are exceptional cases which can take longer. As a result, there is no specific point at which data for the latest year can be considered as complete and final. In practice, the statistics are revised to replace any figures marked as provisional in the previous release of the statistics. However, where the revision to a year is particularly small and would lead to the potential disclosure of individual companies, these revisions will be suppressed (based on our standard approach to statistical disclosure control) until a subsequent release.

### **4.3 Planned developments and changes**

#### *Frequency of publication*

HMRC plans to publish these Patent Box statistics annually as each year of data becomes available from company tax returns.

#### *Statistics alignment*

Because of the way the Patent Box is designed a complete set of annual data of the relief for any given year becomes available only after two years from the end of that given year. In the past this has meant that Patent Box statistics lag behind by at least one year compared to other tax statistics produced by HMRC.

To align Patent Box statistics with the rest of HMRC publications we have published provisional statistics for 2016-17 based on claims made up to and including 30 June 2018. This is based on analysis of Patent Box claims made for previous fiscal years which shows that, on average, 86% of Patent Box claims are made by the end of the first quarter of the second year after the end of the accounting period. The statistics will be updated based on the complete set of Patent Box claims relating to 2016-17 in the next annual release (Autumn 2019).

#### *User engagement*

HMRC is committed to providing impartial quality statistics that meet our users' needs. We encourage our users to engage with us so that we can improve our National and Official Statistics and identify gaps in the statistics that we produce. Please see the following link for HMRC Statistics "Continuous User Engagement Strategy":

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/278751/HMRC\\_statistics\\_continuous\\_user\\_engagement.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/278751/HMRC_statistics_continuous_user_engagement.pdf)

If you would like to comment on these statistics or have any enquiries, please use the statistical contacts named at the end of this section and on the cover page.

### **4.4 UK Statistics Authority assessment**

This publication has yet to be assessed for compliance with the Code of Practice for Official Statistics by the UK Statistics Authority (UKSA). This means that the figures in this publication are not yet classified as National Statistics, but as Official Statistics.

UKSA is an independent body directly accountable to Parliament with the overall objective to promote and safeguard the production and publication of official statistics. It is also required to promote and safeguard the quality and comprehensiveness of official statistics and good practice in relation to official statistics.

Please refer to UKSA's website for more details about the assessment process:

<https://www.statisticsauthority.gov.uk/monitoring-and-assessment/assessment/>

We aim to ready this publication for UKSA assessment in the future.

## **Contact points**

Enquiries about these statistics should be directed to:

Huw James  
KAI Direct Business Taxes  
HM Revenue & Customs  
100 Parliament Street  
London SW1A 2BQ  
Telephone: 03000 589 038  
E-mail: [huw.james@hmrc.gsi.gov.uk](mailto:huw.james@hmrc.gsi.gov.uk)

For enquiries relating to the Patent Box policy please contact:

David Harris  
Business, Assets and International  
HM Revenue & Customs  
100 Parliament Street  
London SW1A 2BQ  
Telephone: 03000 586834  
E-mail: [david.harris@hmrc.gsi.gov.uk](mailto:david.harris@hmrc.gsi.gov.uk)

Media enquiries should be directed to the HMRC Press Office contacts listed on the front page of this release.

For general or other enquiries please refer to HMRC's website:  
<https://www.gov.uk/government/organisations/hm-revenue-customs>



## Annex A: Company size definitions

### Company size definition

The size of a company is based on the European Union Enterprise Size Classification as shown in the following table:

<b>European Union Enterprise Size Classification</b>	<b>Turnover (€ million)</b>	<b>Total assets (€ million)</b>	<b>Number of employees</b>
Micro	2	2	9
Small	10	10	49
Medium	50	43	249
Large	> 50	> 43	250+

The values shown are upper limits (except for the 'Large' category). To be classified as a certain size, a company must meet the Employee limit and one or other of the Turnover and Total assets limits. Information on turnover, total assets and number of employees comes from various internal and external sources. Where this information is missing companies have been grouped into the 'Unknown' category.