

Intellectual Property-based Income Tax Incentives

The Opportunities

The phrase "Intellectual Property" (IP) embraces a number of different types of monopoly recognised under our law. Some of the better-known examples include:

- registerable IP, such as patents, designs and trade marks; and
- unregistrable IP, such as copyright, confidential information and trade secrets.

If a component of your business involves IP, you're likely to qualify for at least some tax incentives in a large basket of income tax savings.

The Income Tax Act offers a number of IP-based tax deductions and allowances. You may be pleasantly surprised to see that, what you're doing as part of your regular day-to-day activities might qualify for these deductions.



How will I know if I'm likely to qualify?
What are the positive indicators?

If you're doing any of these activities, you should be talking to us:



- filing any applications for trade marks, patents, designs or copyright, anywhere in the world;
- renewing any trade mark, patent or design registrations, anywhere in the world;
- acquiring any trade mark, patent, copyright or design;
- conducting research and development activities;
- paying license & royalty fees for the right to use any IP;
- making restraint of trade payments.

Each of these activities may give rise to a tax deduction or allowance, and it's often possible to claim a number of these savings simultaneously in any one income tax return.

Because these incentives take the form of tax deductions or allowances, they have a number of other advantages. For example:

- unlike grants or incentive programmes, there is no application process: they can be claimed automatically as of right by any taxpayer: no "red tape" to hamper the process; and
- the deduction can be claimed immediately and provisional income tax payments can be reduced early and substantially.

Risks & Other Important Considerations

It's often said that there's no such thing as a free lunch. There are a number of important aspects to bear in mind:

- each of these deductions and allowances has different requirements, is available at different rates and over different time periods. It is extremely important to be aware of all the intricacies involved;
- well-prepared deductions demand a thorough assessment of both IP legislation and of the

income tax legislation & guidelines;

- all sorts of limitations and technical exclusions are included in the legislation: claiming any deduction without appropriate expertise potentially raises your risk exposure; and
- the legislation is extremely technical, and changes frequently.

When dealing with these sophisticated deductions and allowances, the need for skilled professional advice can't be overstated.

Some of these deductions are closely-related to each other. For those taxpayers who already claim some IP-based tax deductions, you may want to consider whether the deductions you do claim are optimal i.e.: whether you shouldn't be claiming under other, more lucrative deductions instead.



Why Margo™ (Intellectual Property)?

Margo™ (Intellectual Property) prides itself on being a dedicated specialist, equally, in the demanding disciplines of intellectual property law, taxation and technology. All work, without exception, is conducted by a qualified patent attorney and tax practitioner. At all times, our attention is focused on the practicalities of our clients' specific business needs: optimising benefits available to our clients and minimising risk exposure are core focuses of our attention.

At Margo™ (Intellectual Property), there is no substitute for only the highest level of technical expertise, in all disciplines. We speak the language of science & technology with your engineers, the language of tax with your tax accountants, and the language of legal risk and interpretation with your

financial directors. Margo™ (Intellectual Property) offers the definitive, comprehensive end-to-end solution.

For six decades, the name “Margo” has been synonymous with intellectual property and tax. That tradition of excellence continues in Margo™ (Intellectual Property).

If you're thinking that you could benefit from this, you're very welcome to contact us:

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If this pamphlet was of interest to you, then you're likely to find further opportunities and incentives described in our pamphlet on research and development tax incentives.

More detailed information on these and other incentives may be found on our web site www.margoip.co.za

Disclaimer

This document is intended to provide a summary of certain incentives on offer, potentially, to taxpayers generally. It is not intended to be a comprehensive statement of the law, nor does it constitute an opinion or guarantee of any deduction that might (not) be allowable to any taxpayer, and should not be construed as such. It should not be relied upon as a substitute for specific advice regarding particular scenarios. Margo Attorneys cannot accept responsibility for the consequences of any person relying on the contents of this document for any other purpose.