



Technology Update

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New year resolutions for technology companies

Ownership of intellectual property (IP)
Have your technological advances created IP? Who owns the IP, you or your company? Is it recognised on your balance sheet and appropriate tax relief obtained? Should it be owned in the UK or overseas?

There are tax opportunities and pitfalls associated with IP ownership, alongside the commercial threats that may exist from breach of licences or patents. For SMEs claiming R&D tax credits, there was a requirement that the claimant company owned the IP, but that rule is now being removed which may provide opportunities for a different structure.

Check your R&D qualification
Many companies assume they do not qualify for R&D tax credits – when in they fact they could with a bit of imagination.

R&D claims are not just about new technologies and men in white coats, they can also include improvements to existing products and processes.

Tax pitfalls in trading overseas
Technology companies may fall foul of VAT or withholding tax issues when trading overseas. Now is the time for a tax health check.

Have another look at share options

These are great schemes for incentivising key employees and can provide very valuable tax breaks.

As we come out of the recession, now may be the time to review existing schemes or put in place new schemes to fire up your team.

Claim all your building allowances

If a technology company owns a building, consider getting it surveyed by a capital allowance specialist to maximise your claim potential. Rules have changed significantly in recent years and there may be an opportunity to secure very valuable tax breaks.

Tidy up your balance sheet

Many technology companies invest a lot of time and money in getting off the ground and often accumulate large losses on their profit and loss account during the development phase.

These losses are generally funded by share capital and share premium. Dividends cannot be paid until those losses are recovered.

New Companies Act provisions make it easier for companies to eliminate deficits and allow dividends to be paid to shareholders sooner – and your balance sheet looks better too.

For further information, please contact **Malcolm Lucas** at mlucas@menzies.co.uk or your local office via the details below.

Blackwater Valley
Victoria House
50-58 Victoria Road
Farnborough
Hampshire GU14 7PG

Tel: +44 (0)1252 541244
Fax: +44 (0)1252 524000

John Detheridge
jdetheridge@menzies.co.uk

Heathrow
Heathrow Business Centre
65 High Street
Egham
Surrey TW20 9EY

Tel: +44 (0)1784 497100
Fax: +44 (0)1784 497101

Malcolm Lucas
mlucas@menzies.co.uk

Kingston upon Thames
3rd Floor
Kings House
12-42 Wood Street
Kingston upon Thames
Surrey KT1 1TG

Tel: +44 (0)20 8974 7500
Fax: +44 (0)20 8541 5820

Andrew Mosby
amosby@menzies.co.uk

Leatherhead
Ashcombe House
5 The Crescent
Leatherhead
Surrey KT22 8DY
Tel: +44 (0)1372
360130/226300
Fax: +44 (0)1372 360053

John Detheridge
jdetheridge@menzies.co.uk

London
Lynton House
7-12 Tavistock Square
London WC1H 9LT

Tel: +44 (0)20 7387 5868
Fax: +44 (0)20 7388 3978

Amy Collins
acollins@menzies.co.uk

Solent
Wentworth House
4400 Parkway
Whiteley
Hampshire PO15 7FJ

Tel: +44 (0)1489 566700
Fax: +44 (0)1489 588099

Adrian Price
aprice@menzies.co.uk

Woking
1st Floor
Midas House
62 Goldsworth Road
Woking
Surrey GU21 6LQ

Tel: +44 (0)1483 755000
Fax: +44 (0)1483 599238

Jon Jagger
jjagger@menzies.co.uk