



The great pharma tax giveaway

How the UK's Patent Box tax regime has
given a £3.4bn public subsidy to one
pharmaceutical firm

October 2025

Executive Summary

The Patent Box is a UK tax relief which allows companies to pay a corporation tax rate of 10% on profits related to the exploitation of patented inventions and products, rather than the usual 25% rate. Introduced in 2013, the Patent Box was intended to incentivise firms to invest in, develop and commercialise new technology, and to attract associated high value jobs to the UK.¹

Though foregone tax revenue was originally expected to be around £900m a year when the Patent Box was introduced,² its projected cost to the UK exchequer has nearly doubled since 2020 and is now forecasted to have risen to £2.4bn in 2024/5.³

A TaxWatch investigation has found that:

- Over half (56%) of this £2bn+ annual tax break - intended to stimulate innovation across the UK economy - goes to just ten companies, and over two-fifths (41%) benefits just five companies, according to unpublished HMRC figures released via Freedom of Information to TaxWatch and the online publishing platform Critical Takes on Corporate Power.⁴
- TaxWatch's analysis of hundreds of company accounts filed at the UK's company registry shows that 27 percent of all Patent Box relief accorded across the UK economy since its introduction in 2013 – and in some years close to 40 percent -- has gone to a single multinational: GlaxoSmithKline Plc (GSK Plc), the highly profitable pharmaceutical company which was one of the leading advocates for introducing the Patent Box in the early 2010s.
- Since 2013, GSK Plc has received £3.4bn in tax relief – effectively public subsidy - from the Patent Box. This includes £486m tax relief in 2024 alone.⁵ Though GSK's name has long been attached to the Patent Box as a major cheerleader when it was being developed, the scale and concentration of the benefit that this single firm derives from the UK tax break have not previously been known.
- In 2024 alone, the UK tax revenue foregone from GSK Plc's Patent Box relief – just for one corporate group - was larger than the entire annual budget of the Biotechnology & Biological Sciences Research Council, the UK government's main bio-science innovation funder that year.⁶ Patent Box relief received by GSK Plc represents an annual subsidy of over £50,000 for each of the group's full-time-equivalent UK jobs.⁷
- Though the Patent Box is intended to promote knowledge development, manufacturing and jobs within the UK, patents owned by GSK subsidiaries which appear to have attracted Patent Box relief include patents for products that were

developed by companies in the USA and Switzerland, and are manufactured outside the UK in a range of European and North American countries.⁸

- One patent that GSK has confirmed has specifically received UK Patent Box tax relief⁹ is for a drug for the auto-immune disease lupus which is manufactured in Italy and the USA;¹⁰ and marketed from Ireland.¹¹ GSK transferred the ownership of this drug's intellectual property (IP) to the UK when it acquired the drug's US co-developer in 2012. However, GSK initially offered the drug to the UK's National Health Service (NHS) in 2012 at such a high price that it was not available to NHS patients until May 2016, after GSK lowered the price after GSK lowered the price.¹²

There is no suggestion of any wrongdoing on the part of any of the companies mentioned in this report, or that they are attempting to avoid or evade the effects of UK tax law. They are taking lawful advantage of a highly permissive tax relief which due to its design predominantly benefits large, profitable companies. Contrary to its stated aims, it appears that this major reduction in UK tax does not require the innovations qualifying for the relief to be exploited and marketed in the UK; the resulting products manufactured in the UK; or all of the related research and development to be conducted in the UK. Unlike some other recipients, GSK Plc declares its benefits from innovation reliefs in the accounts of its UK subsidiaries.

The UK Patent Box was introduced in 2013 against opposition from some other countries which included it amongst internationally *"harmful tax practices"*,¹³ and argued that it provided *"too much leeway for large multinationals to minimise their taxes"*.¹⁴ Much of the UK manufacturing sector also opposed the Patent Box: their representatives warned it would be *"a costly and inefficient subsidy for a narrow set of companies"* which would benefit a *"handful of large pharmaceutical and aerospace companies...without any significant economic rationale"*.¹⁵ TaxWatch's investigation confirms this prediction.

HMRC's most recent customer survey, moreover, indicates that for the majority of firms now qualifying for the Patent Box, the availability of the tax relief had not stimulated any new innovation, but simply applied to these firms' existing intellectual property (IP), and *"had not impacted their overall business or investment decisions."*¹⁶

In a period of intense pressures on the public purse, reconsidering the costs and benefits of the Patent Box is long overdue.

If the UK is to retain its Patent Box tax regime, then in order to achieve its stated aim of promoting high-value jobs in developing and commercialising innovative technologies and products in the UK, the regime should require qualifying products to be developed, commercialised and manufactured in the UK.

Note: TaxWatch shared detailed findings of this report with GSK Plc along with a series of questions about the companies, patents and tax relief detailed below. GSK responded to several of these questions, as well as providing their detailed views on the Patent Box. TaxWatch is grateful for GSK's engagement, and has integrated their responses into this report. GSK's full response is in Annex I.

TaxWatch also asked the other corporate groups mentioned in this report to comment on our findings, along with questions about the amounts of their Patent Box relief. AstraZeneca Plc declined to comment. Unilever Plc did not respond to our request for comment.

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Introduction

The UK government is strongly focused on supporting innovation, which Rachel Reeves recently called “the lifeblood of economic growth”.¹⁷ The same speech mentioned investment, government funding, regulatory reform, the blockchain...but not tax.

In fact, two tax reliefs – research and development (R&D) credits and the Patent Box – together constitute one of the largest government expenditures on supporting innovation. HMRC forecasts that together they cost the exchequer £10.8bn in 2024/25.¹⁸ This is larger than the entire budget of the UK’s research and innovation funding agency, UKRI (£8.9bn);¹⁹ and almost as large as the government’s entire spending on supporting research and development via the Department for Science, Innovation and Technology in the same year (£12.5bn).²⁰

In other words: tax reliefs, in monetary value, are close to the largest tool that the UK government is using to support growth-inducing innovation. Yet their targeting, effectiveness and administration receive relatively little attention.

R&D credits are the better known, and better scrutinized, of the two reliefs. Driven in part by HMRC’s original ‘pay now, query later’ policy,²¹ first-time claimants ballooned from fewer than 2000 when the relief was introduced, to nearly 20,000 at its peak in 2018.²² When in 2021-22 HMRC undertook a random enquiry programme, it found nearly 25% of claims to be erroneous or fraudulent, costing the public purse some £1.13bn in that tax year alone.²³ Egged on by a cottage industry of R&D claims agents -- some promising partial refunds if claims were unsuccessful -- there were numerous credulity-stretching applications for R&D credits. 33 professional football clubs claimed R&D credits, which HMRC is still attempting to claw back; one club said that because they monitored what its players ate, the players spent 24 percent of their time “directly conducting research and development activities”, and claimed R&D credits for their salaries.²⁴ A restaurant claimed that the installation of a refrigerator was ‘research and development’.²⁵ In 2024, the National Audit Office described “*error and fraud*” in the scheme to be “*among the highest reported across all government spending programme, including those administered in response to the COVID-19 pandemic*”.²⁶ In response to criticism from the National Audit Office and parliamentary committees, HMRC has increased compliance checks on R&D claims, stopped paying claims directly to agents, and has begun to require greater detail in applications, as well as endorsement by a named senior officer.²⁷

The Patent Box, by contrast, has not even been mentioned in Parliament since November 2023; and only 8 times, in passing, in the preceding three years.²⁸ Introduced in 2013, the Patent Box allows claimants to apply a concessionary 10% corporation tax rate (compared to the current headline rate of 25%) to profits generated by qualifying patented inventions and technologies. The value of relief claimed has doubled since 2020, partly because of greater relief claimed, and partly because the main rate of corporation tax has increased, increasing the amount of tax saved by the Patent Box’s concessionary tax rate on profits. Originally estimated by the Treasury to lead to cost

around £900m per year once fully implemented,²⁹ tax revenues foregone due to the Patent Box have risen from £378m in its first year (2013/14) to £1.3bn in 2021/22, and HMRC's provisional figures expect it to have risen to £2.0bn in 2023/4 and £2.4bn in 2024/5.³⁰

The brief mention of the Patent Box in the current government's 2024 Corporate Tax Roadmap suggests that the government is satisfied with its effectiveness, calling it a measure which "*directly incentivise[s] business investment in a targeted and fiscally sustainable manner*", and stating that it "*is not planning to make changes to the regime*".³¹

Incentivising Innovation or profit-shifting? A Patent Box history lesson

Though championed by all the UK's major political parties, it is easy to forget that when the Patent Box was initially introduced, it was regarded by some other countries as harmful tax competition that should be banned.³²

Several Patent Boxes and similar tax regimes introduced in the early 2010s, including the UK's, initially fell foul of international efforts to crack down on 'profit-shifting': the practice of multinationals using internal transactions and payments to move their profits out of jurisdictions where the economic activity generating those profits actually takes place, and into subsidiaries that are either in tax havens or otherwise benefit from special low-tax regimes, dubbed "harmful tax practices".³³ Profit-shifting lowers multinationals' overall tax liabilities, and deprives countries of tax revenues where the multinationals actually do business.

Under the auspices of an action plan developed by the G20 group of countries and the Organisation of Economic Cooperation and Development (OECD), dozens of countries including the UK negotiated agreements during 2013 and 2014 against such "base erosion and profit shifting".³⁴ These agreements included rules that prohibited incentive regimes for IP, like the Patent Box, in cases where they did not require the companies claiming the tax relief to have actually undertaken the R&D or other activities that created the asset and consequent income qualifying for tax relief.³⁵

The tide appeared to be turning. In 2013, Germany's Finance Minister called on the European Union to ban the UK's Patent Box, as well as similar measures in the Netherlands and elsewhere.³⁶ The communiqué of the G20 leaders' summit in 2014, updating progress on the G20/OECD Action Plan against "Base Erosion and Profit Shifting", specifically mentioned work on Patent Boxes in the context of eliminating "harmful tax practices".³⁷

Meanwhile some businesses and OECD member states - including the UK - were advocating to change the draft rules that were then being negotiated within the OECD, in order to save the Patent Box and similar tax regimes. Eventually the UK and Germany agreed a change to the rules, subsequently adopted by all other OECD member states,

that loosened the requirement for multinational businesses only to claim IP tax reliefs in countries and subsidiaries where they actually carried out the innovation and development of the IP.³⁸ Instead, companies could qualify for some tax relief even if they paid to buy the IP from another group company, or if third parties or their own subsidiaries elsewhere undertook the necessary R&D; as long as they had also incurred some expenditure for this R&D work.³⁹ This may not have gone as far as the UK initially wanted, but was a compromise with the position of Germany and other countries opposed to the Patent Box.⁴⁰

Despite these changes, in 2015 the ‘Forum on Harmful Tax Practices’, the inter-governmental body established by member states under the OECD to review such tax incentive regimes, determined that the UK’s new Patent Box was nonetheless a ‘Harmful Tax Practices’ regime that was not compliant with the newly-agreed rules.⁴¹

As a result, the UK was forced to modify the Patent Box regime in 2016, requiring Patent Box claimants to link expenditures more closely to the profits that qualified for the reduced tax rate.⁴² In practice, however, this was a modification to comply with international rules that had already been changed through UK lobbying. Until 2021, when the new rules would apply to all Patent Box claimants rather than just ‘new entrants’, the Treasury itself expected the change to reduce the tax breaks granted to Patent Box claimants by just £15-45 million: between 2 and 6 percent of what the Patent Box was then costing the UK Exchequer.⁴³ And even since 2021, as we will see below, multinationals’ subsidiaries in the UK can still claim Patent Box relief from patented products that have not been substantially developed, marketed or manufactured in the UK.

Does the Patent Box stimulate innovation and investment?

Though it is not the main subject of this report, evidence is limited that the Patent Box’s £2bn+ annual cost to the public purse works to stimulate the activities it is designed to encourage.

The aims of the Patent Box, according to its official HMRC manual, are “*to provide an additional incentive for UK companies to retain and commercialise existing patents and to develop new innovative patented products*”, and to “*encourage groups to locate the high-value jobs associated with the development, manufacture and exploitation of patents in the UK*”.⁴⁴

As shown below, in practice firms can still claim Patent Box relief without locating in the UK much of the development or any of the manufacturing related to the patent on which the relief is claimed.

In terms of incentivising investment that would otherwise not have occurred: a firm-level study by HMRC in 2020 suggested that firms that used the relief increased capital investment by 10% compared to a control group, but admitted a range of ‘endogeneity’

problems -- meaning that the kind of firms that qualify for the Patent Box have other features that make them more likely to have the resources to make larger investments anyway. In particular, it is predominately large businesses that are likely to have qualifying IP and the resources to navigate the complex process of applying for the relief, and also greater investment resources.⁴⁵ A parallel report from the Centre for Business Research at the Cambridge Judge Business School found that:

“There is no evidence that the Patent Box has brought benefits to the UK economy and it appears (a) that the main beneficiaries have been companies in sectors for which there is no case for this kind of government subsidy and (b) that a company’s accounting treatment can be at least as significant in generating high levels of Patent Box subsidies as investment in commercialisation in the UK.”⁴⁶

This corresponds to concerns expressed by significant parts of British industry prior to the Patent Box’s introduction in 2013. Make UK, the lobby group for UK manufacturers and engineering, urged the Treasury not to waste money on the Patent Box, calling it *“a costly and inefficient subsidy for a narrow set of companies”*, which would benefit a *“handful of large pharmaceutical and aerospace companies”*, and provide *“a distinct subsidy to patent-reliant industries at the expense of other industries without any significant economic rationale”*.⁴⁷

The Patent Box’s biggest cheerleaders were indeed pharmaceutical and aerospace companies, particularly the pharmaceutical multinational GlaxoSmithKline (GSK), the UK’s second-largest pharmaceutical company. GSK promised £500m of investment in new manufacturing plants in the UK if a Patent Box was introduced.⁴⁸ In March 2012 GSK announced that as a result of the government confirming the Patent Box’s introduction, it would build a new factory in Ulverston, Cumbria, to open in 2020, its first new UK manufacturing site for 40 years.⁴⁹

In 2017, however, GSK shelved plans for the new factory,⁵⁰ and in 2021 announced that all its existing production facilities in Ulverston would close too.⁵¹ On 30 June 2025 it officially ended production in Ulverston, with the loss of around 100 jobs.⁵² Overall, since GSK began to benefit from the Patent Box incentive, the number of people that GSK employs in the UK has fallen by around 25 percent, from 14,700 to 11,000.⁵³ (Some of this decrease will be accounted for by GSK’s divestments of subsidiary companies, particularly the 2022 sale of its consumer healthcare division, now called Haleon - though not all: Haleon’s UK headcount in 2023 was reported to be around 1,700 people).⁵⁴ In September 2025 GSK Plc announced that it was investing an additional \$30 billion (£22 billion) in R&D and manufacturing in the United States (which does not have a Patent Box regime).⁵⁵

In response to this report’s findings, GSK Plc told TaxWatch that *“we have our Global Headquarters in the UK and we employ around 11,000 people here. One of our global R&D hubs is based in Stevenage and we invest approximately £1.5bn a year into UK*

R&D. We have 5 factories across the country, including in the North of England and Scotland, exporting medicines and vaccines worth approximately £5.5bn each year.”⁵⁶

GSK Plc also shared with TaxWatch a report it had commissioned from a political advisory firm on the economic impact of the Patent Box. This report, partly using internal data provided by GSK itself, argues that the Patent Box supports £14.9bn a year of economic activity in the UK. Of this, according to the report, *“between 15% and 25% is estimated to be additional – in other words, it would not take place without the Patent Box. As a result, the economy is £2.2bn-£3.7bn a year larger than it would have been without the Patent Box. The additional activity generates an estimated £0.77bn-£1.28bn per year in additional tax revenue, directly offsetting 55%-95% of the cost of the Patent Box – a very high, and extremely rare, direct payback relative to other tax policies that the Office for Budget Responsibility (OBR) has evaluated”*.⁵⁷

The report does not provide the data underlying these findings, but states that it has taken data on the total economic activity of the economic sectors from which companies claim Patent Box relief; and estimated the direct and indirect economic contribution of these sectors: *“[o]ur approach uses GSK’s internal data and other official sources to estimate the direct GVA in the manufacturing and the professional, scientific and technical activities sectors, then scales these results for other patent-box claiming sectors. We then use the ONS’s input-output tables to estimate the indirect GVA supported along supply chains and the induced GVA supported by employees involved in direct and supply-chain activities spending their wages.... This estimate can be interpreted as the broad economic footprint of the Patent Box, including both activity that benefits from the lower corporate tax rate and activity that was incentivised by that lower rate (and therefore would not take place in a counterfactual world where the Patent Box did not exist).”⁵⁸*

To estimate what proportion of these sectors’ economic activity would not have taken place without the Patent Box, the GSK-commissioned report then takes the 10% “additionality” estimate from HMRC’s 2020 investment study, and estimates that this percentage of additional investment - which it translates to additional economic activity - will have increased since 2020 due to a likely fall in the number of pre-2013 patents (which could not have been incentivised by the Patent Box) that still qualify for Patent Box relief; and an increase in the proportion of R&D activity relating to the Patent Box that takes place in the UK due to the 2021 ‘nexus reforms’ described above.⁵⁹

By contrast, in July 2025 HMRC itself published a survey of 548 of its large business taxpayers – about a third of all large business taxpayers – conducted in late 2024 and early 2025.⁶⁰ This survey found that only a small minority of surveyed firms used the Patent Box at all; and amongst those that did, there was very little evidence of ‘additional’ investment or economic activity as a result of the Patent Box relief. Only 7% of the large business taxpayers surveyed had elected to use the Patent Box, and then only the largest: no firm in the survey that had fewer than 250 employees had used the Patent Box. Over two-thirds of those businesses which did not use the Patent Box said it was because they did not have qualifying intellectual property, of which patents are only

a subset and which are not suitable for many businesses' intellectual property.⁶¹ Amongst those survey respondents which had elected to use the Patent Box, *“most reported that the Patent Box regime had not impacted their overall business or investment decisions. Instead, they had elected in because they already had qualifying Intellectual Property (IP) and wanted to take advantage of the favourable tax rate”*.⁶² In other words, for most of those qualifying for the Patent Box, the tax relief had not stimulated any new patentable innovation at all.

Who benefits?

It is already well known that large patent-heavy businesses are the major beneficiaries of the Patent Box. To begin with, the tax relief is restricted to owners of patents (and some closely related pharmaceutical and biological intellectual property rights)⁶³ rather than other more widely held forms of IP such as trademarks, copyrights, or industrial designs. This massively reduces the types and number of companies that can benefit. A study in 2013 funded by the UK patent registry found that only 1.6% of UK firms had a patent; even amongst those firms that reported innovating to create IP, only 4% had registered a patent.⁶⁴

Second, probably because of the complexity of claiming the relief and the fact that it is only useful for firms already making profits from their IP,⁶⁵ large firms predominate amongst Patent Box beneficiaries. HMRC's latest published figures show that 28% of the companies opting into the Patent Box are classified as “large”, and account for 95% of the relief by value.⁶⁶

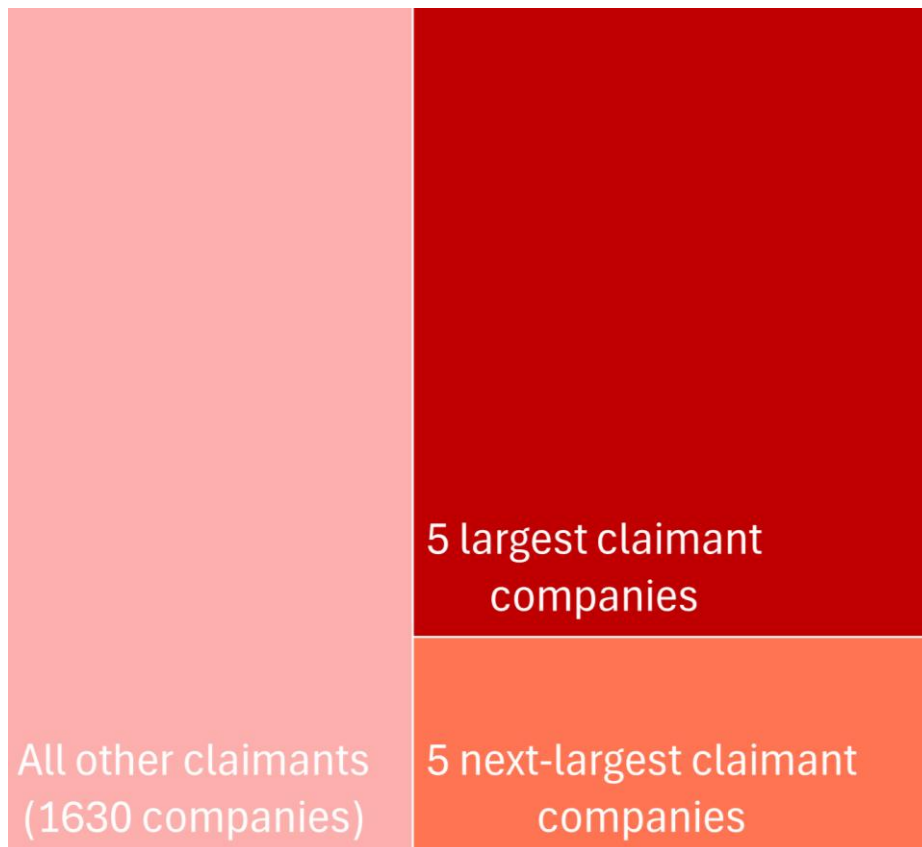
The relief is also very concentrated on a minority of claimants: published HMRC statistics show that of 1650 claimants in 2023/4, the top 145 claimant companies (9 percent of those opting into the relief) received 92% of the relief by value.⁶⁷

A tiny group of massive beneficiaries

Published statistics already give a picture of a very concentrated relief. However, the extent to which the vast majority of the £2bn+ relief – effectively expenditure of public funds on these companies – goes to literally a handful of huge and often highly profitable companies, has not previously been known.

Unpublished figures obtained by TaxWatch and the online publishing platform Critical Takes on Corporate Power via Freedom of Information show that **in 2022/23, 41% of the relief -- £601m of public money – went to just five companies. 56% - £812m of public money – went to the top ten claimant companies.** For context: this publicly-funded tax break, received by just ten companies in 2022/23, is significantly larger than the entire budget (£669m) in that year of Innovate UK,⁶⁸ the UK government's main public funding source for UK businesses to develop and commercialise new products and services.⁶⁹ The remaining 44% of Patent Box relief was shared between 1630 other companies.⁷⁰

Figure 1: Patent Box claimants, 2022/23, by value of relief



Source: HMRC response to Freedom of Information request from TaxWatch, 7 August 2025

2022/23 was not an outlier: the comparable figures for 2021/22 were 37% of the relief (£494m) to the top five claimant companies; and 55% (£725m) to the top ten claimant companies.⁷¹

The winner?

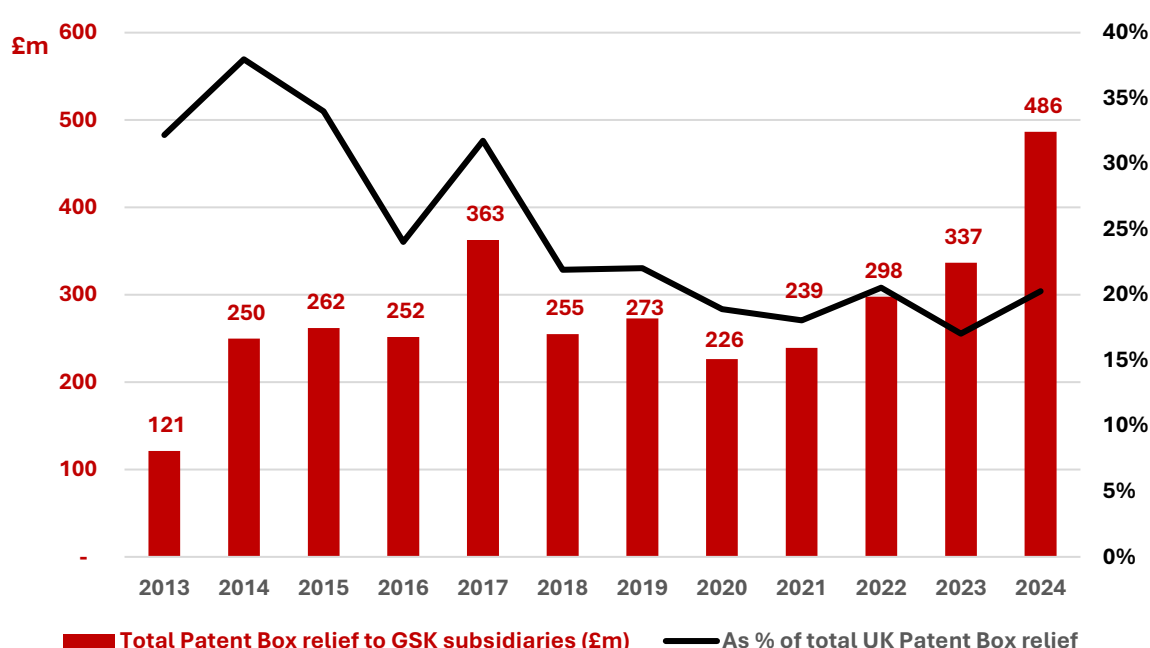
At the very top, meanwhile, is an extraordinary level of public subsidy for a single multinational. HMRC will not disclose the names of the Patent Box's top recipients, but information that TaxWatch has gathered from examining hundreds of financial accounts filed with the UK's company registry by subsidiaries of leading multinationals, indicates that amongst the top corporate groups benefiting from the Patent Box, and likely the largest beneficiary, is GSK, the pharmaceutical multinational and leading Patent Box cheerleader.⁷²

GSK's annual report does not disaggregate the amount of tax relief the group receives from the UK Patent Box specifically. However, we have identified six UK subsidiaries of GSK which have declared Patent Box reliefs in their annual financial accounts.⁷³ GSK Plc has confirmed to TaxWatch that no other GSK subsidiaries currently claim Patent Box relief.⁷⁴ **In 2024, the latest year for which figures are available, via these six subsidiaries GSK received £486m in Patent Box tax relief.**⁷⁵ This is significantly more than the entire annual 2024/5 research and innovation budget of the Biotechnology & Biological Sciences Research Council, the UK government's main bio-science

innovation funder (£326m).⁷⁶ As a whole, GSK's effective tax rate in the UK in 2023 (the last year for which the figure is available) was just 12.4%,⁷⁷ far lower than its global effective tax rate of 19.7%.⁷⁸ GSK's UK tax rate is also much lower than its effective tax rate in the US (34.8%), where it nonetheless employs 27% more people than in the UK.⁷⁹ Indeed, the £486m that GSK received as Patent Box tax relief in 2024 represents a subsidy of over £50,000 for every full-time-equivalent GSK job in the UK.⁸⁰

Overall, our analysis found that since the Patent Box was introduced in 2013 until the end of 2024, this single multinational has received **£3.4bn in public subsidy through Patent Box relief** (Figure 2):⁸¹ an average of over £280m a year, rising to £486m in 2024. **£3.4bn represents 27.2% of all the Patent Box relief accorded to all companies since the relief was introduced in 2013, according to HMRC's estimates.**⁸²

Figure 2: Total Patent Box relief claimed by six GSK subsidiaries by year, in total (£m) and as a percentage of all the Patent Box relief accorded across the whole UK economy



Sources: calculations from financial accounts of GlaxoSmithKline Intellectual Property Ltd, GlaxoSmithKline Intellectual Property Management Ltd, ViiV Healthcare UK Ltd, ViiV Healthcare (No 3) UK Ltd, Phivco UK Ltd, Phivco UK II Ltd, 2013-22. Patent Box relief statistics from HMRC, Patent Box Relief Statistics: September 2025.⁸³

As Figure 2 shows, at its peak, **these six GSK subsidiaries were receiving nearly 40 percent of all the Patent Box relief accorded across the whole of the UK economy:** an extraordinary concentration for a major national tax incentive. **These GSK subsidiaries have so far received in public subsidy via the Patent Box over six times the £500m that GSK Plc promised to invest** in new UK production and a new factory if the government introduced the Patent Box (though it did not, it appears, deliver the promised new factory).

During this time GSK has also been highly profitable, both globally and in the UK, raising questions about whether it requires this level of public subsidy to encourage investment and innovation. The group booked average annual pre-tax profits of £5.7bn between 2019 and 2024, representing an average profit margin of 18.5 percent on its £30.4 billion annual turnover.⁸⁴ Even after distributing profits to shareholders, at the end of 2024 the group was sitting on a cash pile of £3.9bn available for investment.⁸⁵ From 2019-24, a combination of the UK Patent Box and other countries' equivalent tax reliefs (including the Belgian Innovation Income Deduction and US intellectual property tax incentives)⁸⁶ have reduced GSK Plc's annual tax liabilities by an average of £593m a year, cutting its global effective tax rate by 12 percentage points.⁸⁷

We cannot know for certain whether GSK is the largest recipient of Patent Box relief, because companies have no obligation to report the relief in company accounts in the way that several GSK Plc subsidiaries do. We could only find much smaller UK Patent Box relief in the UK subsidiary accounts of comparable corporate groups:

- The group accounts of rival pharmaceutical company AstraZeneca Plc, for example, disclosed in 2014 that it had benefited from \$35m (£21m) of UK Patent Box tax relief in that year,⁸⁸ but we could not identify any Patent Box disclosures in its UK subsidiaries' accounts that would allow us to know how much it has benefitted since then. AstraZeneca's group accounts for subsequent years have only reported the combined tax effect of various intellectual property incentives regimes in different countries, which in 2024 reduced AstraZeneca's group tax liabilities by \$561m (£439m).⁸⁹
- Another major UK patent holder, the consumer goods conglomerate Unilever Plc, does not declare the total tax effect of intellectual property incentives in its group accounts, but does declare Patent Box relief claimed by its UK IP holding company Unilever IP Holdings Ltd, created as part of a reorganisation of the group's UK-held and Dutch-held IP in 2021.⁹⁰ While the value of Unilever Plc's intellectual property is of the same order of magnitude as that of GSK Plc,⁹¹ and its global pre-tax profits are nearly twice as large,⁹² we could only identify average annual Patent Box relief for Unilever companies of £14.6m from 2022-24,⁹³ though there may be other UK Unilever subsidiaries claiming Patent Box relief that we have been unable to identify or that do not declare the relief in their accounts.

(Asked to comment on these findings and to disclose the UK Patent Box relief their respective groups claim, AstraZeneca's spokesperson declined to comment, and Unilever did not respond).⁹⁴

What does GSK do in the UK in return for Patent Box relief?

Looking at HMRC's Patent Box statistics, it might appear surprising that a single pharmaceutical multinational dominates the relief so much. HMRC's statistics state that the largest sector obtaining relief is manufacturing (companies declaring their corporate activity under Standard Industrial Classification (SIC) Section C), which according to HMRC received an estimated 41% of Patent Box relief in 2023/4 (the last year of published figures).⁹⁵ The relief thus appears in published statistics to be a boost for Britain's manufacturing sector. GSK's commissioned report on the economic impact of the Patent Box underlines this, stating that "*HMRC's estimates show that, in 2021-22, 44% of Patent Box relief was claimed by the manufacturing sector (which includes the pharmaceuticals sector).*"⁹⁶

The GSK subsidiaries that claim Patent Box relief, however, are not categorised as manufacturing companies, but declare in their Companies House filings that they are engaged in activities under SIC code sections K (Financial and Insurance Services), M (Professional, Scientific and Technical Activities) or N (Administrative and Support Services).⁹⁷ (GSK did not comment specifically on the categorisation of its subsidiaries, which were included in findings that TaxWatch submitted to them).⁹⁸

The amount of Patent Box relief accorded to companies in these three sector codes is not visible in HMRC's published statistics, in contrast to the manufacturing sector's Patent Box relief. HMRC statistics have for several years redacted the total and percentage Patent Box claims for SIC code section K, as well as the number of Section K companies claiming the relief; in the latest statistics, the value of the relief to Section M and Section N companies is also redacted.⁹⁹

There is no suggestion that these redactions are done specifically to protect GSK from scrutiny – HMRC typically makes such redactions on the grounds of protecting the commercial confidentiality of small numbers of claimants - but they do serve to obscure the amount of relief that GSK companies receive.

Indeed, given that the stated purpose of the Patent Box relief is to "*encourage groups to locate the high-value jobs associated with the development, manufacture and exploitation of patents in the UK*",¹⁰⁰ one striking feature of GSK's Patent Box relief is that it obtains the tax break in large part for drugs and products that are not manufactured in the UK. One GSK subsidiary accounts for 24 percent of the GSK Patent Box relief since 2013: GlaxoSmithKline Intellectual Property Ltd (GSK IP Ltd). This company receives royalty payments and licence fees from other GSK subsidiaries to produce products for which GSK IP Ltd owns the intellectual property, as well as a portion of the income earned by these other subsidiaries in manufacturing and distributing these products: an income flow of some £2bn per year.¹⁰¹ A maximum of 0.1% of that income has come from other UK subsidiaries in any year that it has declared UK-only turnover (since 2022), and none at all in 2024.¹⁰² Just over two-thirds came from Ireland in the years that

it was separately declared in the company's accounts (2019-22), 16 percent from the rest of Europe, and 15 percent from non-European countries.¹⁰³ These figures suggest that the products for which GSK IP Ltd holds patents are either made in those other countries outside the UK, or that GSK subsidiaries in those countries hold the manufacturing and distribution rights for the products, and sub-licences them to factories elsewhere.

Nor do the UK claimant subsidiaries appear themselves to be conducting the work of commercialising or protecting the intellectual property they own in the UK. GSK IP Ltd and GSK IP Management Ltd, the two GSK subsidiaries that together account for nearly 40 percent of the group's Patent Box relief, have no staff of their own. GSK IP Ltd also has little expenditure compared to its revenues – its operating profits averaged 89% of its turnover in the last three years, and its R&D spending has on average been just 5% of its turnover since 2019.¹⁰⁴ (GSK did not comment specifically on these figures, which were included in findings that TaxWatch submitted to them).¹⁰⁵

This again is perhaps surprising: the Patent Box regime requires claimant companies which are part of a corporate group, like GSK, to fulfil either a “development” condition or an “active ownership” condition. The claimant company must be the one that either:

- “(a) *creates, or significantly contributes to the creation of, the invention, or (b) it performs a significant amount of activity for the purposes of developing the invention or any item or process incorporating the invention*”;¹⁰⁶ or
- “*performs a significant amount of management activity in relation to the rights...[meaning] formulating plans and making decisions in relation to the development or exploitation of the rights*”.¹⁰⁷

However, actual work to manage the IP appears to be done by employees of other GSK subsidiaries with costs recharged to GSK IP Ltd and GSK IP Management Ltd: the companies' accounts state that “*to enable the Directors of the Company to develop, enhance, maintain, protect and exploit the intellectual property assets owned by the Company, delegated authority is given to a number of strategic and operational Boards and teams across the Group in the UK by the Directors.*”¹⁰⁸

This appears to match a provision in HMRC's guidance manual for the Patent Box that “*Groups sometimes have a centralised Board for managing the companies' IP portfolios. Provided that directors of the Patent Box companies are represented on the Board, and are active in the decision-making processes in relation to the development and exploitation of rights, then the active ownership condition is likely to be met.*”¹⁰⁹

Finally, the technology behind the patents qualifying for Patent Box relief does not all need to have been developed in the UK either.

GSK IP Ltd does incur research and development costs. However, it immediately began claiming Patent Box relief in 2013 – the year that GSK IP Ltd was registered, and the same year that the Patent Box was introduced, reducing its tax liabilities by over 17

percent in that year alone¹¹⁰ - having received 95 percent of its £3.5bn portfolio of patents and licences in the same year from other GSK subsidiaries outside the UK (Singapore and Delaware, USA),¹¹¹ including IP rights for drugs developed in Switzerland and the USA.¹¹²

The post-2016 regime

As described above: in 2016 new OECD rules against corporate profit-shifting forced the UK to modify its Patent Box, to link claims for tax relief more closely to expenses incurred by the claimant company through actually incurring the costs of the research and development (R&D) for the patented technology themselves. These rules – called the ‘nexus fraction’ - have begun to apply to all Patent Box relief since July 2021.¹¹³ They have ended the situation where a claimant can obtain full Patent Box relief simply by purchasing another company’s IP, though UK companies can still claim Patent Box relief if the patent was developed (and is still owned) by another company in the group, as long as the UK company has an exclusive licence to exploit the patent.¹¹⁴

However, it is not clear that the changes since 2016 have tied the tax relief exclusively or even mainly to economic activity undertaken in the UK. Qualifying ‘in-house’ R&D can still mean paying other companies, either within or outside the same corporate group, to provide “externally provided workers” to undertake the R&D.¹¹⁵ Patent Box claimants can also simply pay unconnected companies to carry out the R&D for them and still claim full tax relief.¹¹⁶ The rules governing qualifying R&D expenditure for calculating the Patent Box ‘nexus fraction’ follow those applying to expenditure qualifying for the R&D tax credit regime.¹¹⁷ These rules specify that costs qualifying for relief can include social security contributions of R&D staff under the laws of all EEA states and Switzerland, to “enable companies to claim R&D relief in respect of certain social security costs they incur on or after 1 August 2008 in respect of staff they employ in other EEA States and Switzerland.”¹¹⁸

Since 1 April 2024, R&D credit for contracted-out research and development has been restricted to expenditure on R&D activity undertaken within the UK itself, except under certain specific circumstances.¹¹⁹ However, HMRC’s Patent Box manual explicitly states that these new territorial restrictions do not apply to R&D expenditure qualifying for Patent Box relief.¹²⁰

Moreover, the post-2016 rules still allow up to thirty percent of expenses to constitute costs of simply purchasing IP that the claimant hasn’t developed, or paying another group company to undertake the R&D, before the amount of Patent Box relief available starts to be reduced.¹²¹

In short: even after the 2016 ‘nexus’ reforms, which came fully into force in 2021, the UK’s Patent Box legislation still allows companies to claim UK tax relief for patented products which are not marketed from the UK, not manufactured in the UK, and much of whose related research and development has taken place outside the UK.

GSK Plc confirmed to TaxWatch that it continues to transfer IP rights to the UK from elsewhere in order to benefit from the Patent Box, saying that it *“incentivise[s] us to centralise the ownership and development of these medicines in the UK, and to have transferred (and continue to transfer) a material amount of our intellectual property underpinning our medicines to the UK.”*¹²²

GSK Plc nonetheless stated that *“importantly – the R&D fraction in the patent box regime serves to limit the benefit available under the regime where a group either conducts R&D outside the UK or buys-in on-patent medicines which have been developed outside the UK, thereby ensuring the regime incentivises UK R&D activity and the end-to-end ownership and development of medicines in the UK.”*¹²³

Case study: Benlysta

An example helps put the Patent Box relief and its beneficiaries into context.

GSK’s UK subsidiary GSK IP Ltd has claimed a quarter of the GSK Patent Box relief that TaxWatch has identified across the six subsidiaries detailed above. 99.9 percent of GSK IP’s income¹²⁴ derives from payments from GSK subsidiaries and others *outside* the UK to manufacture and distribute the products whose IP it owns.¹²⁵ Since 2013, when the Patent Box was introduced, GSK IP Ltd has generated an estimated £8.3bn of profits which appear to have qualified for the Patent Box concessionary corporation tax rate of 10 percent: equivalent to 79 percent of GSK IP Ltd’s pre-tax profits over that time.¹²⁶

GSK IP Ltd owns two in-force patents registered with the UK’s Intellectual Property Office.¹²⁷ One is for Belimumab, a drug for the treatment of the chronic autoimmune disease lupus, marketed under the brand-name ‘Benlysta’.¹²⁸ Approved in the EU in 2011, an estimated 2,500 lupus sufferers in the UK were eligible for the drug.¹²⁹

GSK has confirmed to TaxWatch that the profits from Benlysta have benefitted from UK Patent Box tax relief, and that the rights to the drug were transferred to the UK when GSK acquired the co-developing company Human Genome Sciences Inc in 2012.¹³⁰

According to the European Medicines Agency and patient information leaflets, Benlysta is not manufactured in the UK but in Parma in Italy, and marketed outside the UK by GlaxoSmithKline (Ireland) Ltd in Dublin.¹³¹ In 2017, though the drug’s IP was owned tax-efficiently in the UK, GSK also decided to expand production of Benlysta in the USA, investing a reported US\$139m (£104m) in expanding production of the drug at the GSK factory in Rockville, Maryland formerly owned by Human Genome Sciences Inc.¹³²

It appears, therefore, that although the drug’s intellectual property rights are owned and protected by a UK company, and its profits thus benefit from UK tax relief, UK economic activity has not benefitted either from manufacturing or from current marketing/commercialisation of the drug. (GSK told TaxWatch that *“Belimumab was developed under a collaboration agreement between GSK and HGS dating from 2006. Our side of this collaboration was situated in the UK, with our rights to any medicines arising from it*

(including belimumab) being owned in the UK. When we acquired the HGS group in 2012, we transferred the remaining rights to belimumab to the UK, from where we continued to develop them”).¹³³

Indeed, for a period after its rights were transferred to the UK, Benlysta was not available via the UK National Health Service (NHS) at all, because the price which GSK demanded was too high.¹³⁴ The National Institute for Health and Care Excellence (NICE) and the Scottish Medicines Consortium (SMC) in 2012 rejected making Belimumab available on the NHS, stating that GSK’s price ask (£769.50 per dose) was too expensive for the expected benefit.¹³⁵ GSK appealed the decision and offered an undisclosed discount in 2013, but NICE also rejected its revised offer.¹³⁶ In May 2016, NICE finally approved making the drug available through the NHS on a limited and provisional basis, though it had a higher cost/benefit ratio than NICE usually permits.¹³⁷

Meanwhile the owner of the Benlysta patent, GSK IP Ltd, has received a UK tax break averaging £65m per year since 2013. Not all of this will relate to income from Benlysta, but this sum is nonetheless sufficient to pay three times over for the cost to the NHS of the monthly treatments of Benlysta for every single eligible patient.¹³⁸ (GSK Plc did not comment specifically on these figures, which were included in findings that TaxWatch submitted to them).¹³⁹

Conclusion

Any tax relief that is based upon qualifying profits rather than qualifying expenditure will tend to favour large, profitable companies. Limiting the relief further to a type of intellectual property asset that only a small subset of UK industry uses, focuses its benefits still further. Nonetheless a £2bn+ tax relief for which over half the tax expenditure goes consistently to just ten companies, and nearly 40% in some years to a single corporate group, is an extreme case by any measure.

As the examples in this report show, the benefits of the growing multi-billion-pound Patent Box tax break to UK jobs, innovation, manufacturing and exports are questionable, while its cost to the public purse grows year on year.

Over the last two decades, in a race to the bottom, thirteen countries in the European Union have also instituted Patent Box-type tax reliefs, as well as the UK, Albania, Turkey, Switzerland and Serbia.¹⁴⁰ Some of the UK Patent Box’s proponents may argue that given this proliferation of similar tax breaks elsewhere, and the ability of multinationals to move intangibles/IP easily across borders, it is better for countries like the UK to capture some of the tax revenues from profits accruing to IP like patents, even at a low 10 percent tax rate; rather than impose more stringent requirements on links to real economic activity, investment or jobs in the UK, and risk the IP migrating elsewhere. GSK Plc told TaxWatch in response to this report:

“We also pay a very significant amount of tax in the UK and the Patent Box has – as per its intention - resulted in our UK tax base increasing. In 2023, the last year for which figures are available, our total UK tax contribution was £653m. This

represents around 16% of our total tax contribution (which contrasts the 2-3% of sales we generate in the UK) and equates to around £68k per full-time UK employee.

“Whilst the Patent Box does offer a lower rate of tax on the profits we generate from our on-patent medicines, these profits wouldn’t be taxable in the UK at all should the Patent Box not incentivise us to centralise the ownership and development of these medicines in the UK, and to have transferred (and continue to transfer) a material amount of our intellectual property underpinning our medicines to the UK.”

This argument runs counter to the insistence of all governments over the last twenty years that long-term increases in tax revenues derive from real growth in the UK economy, built on real economic activity, rather than simply the registration of internationally mobile IP rights.¹⁴¹ It also ignores the beggar-thy-neighbour effect of tax breaks like the Patent Box, which effectively turn the UK into a tax haven: acting as a magnet for profits from economic activity that takes place in other countries, and depriving those countries of tax revenues, just as surely as low-tax jurisdictions elsewhere encourage multinationals to shift taxable profits out of the UK, to British politicians’ chagrin.¹⁴²

Finally, such arguments run counter to new developments in international taxation. Following an agreement between 110 countries at the OECD in 2021, most countries around the world are introducing ‘top-up taxes’ on profits of companies with effective tax rates (ETRs) below 15 percent, including the UK through its ‘Domestic Top-Up Tax’, which HMRC is preparing to implement for tax years beginning in 2024.¹⁴³ These ‘top-up tax’ regimes do not exempt Patent Box-type reliefs from their assessment of sub-15-percent effective tax rates.¹⁴⁴

‘Top-up taxes’ will not fully negate the tax benefit of the UK’s Patent Box: a 15 percent tax rate is still preferable to the 25 percent headline rate of UK corporation tax; and some Patent Box claimants will have overall ETRs above 15 percent, if a significant proportion of their profits do not qualify for the 10% Patent Box rate. Nonetheless it will reduce the regime’s attractiveness. Moreover, if the UK does not ‘top up’ low-ETR Patent Box claimants’ tax liabilities, then other countries will have taxing rights on many Patent Box claimants, particularly those whose corporate groups are headquartered outside the UK.

Recommendations

- Given the significant public expense of this £2bn+ tax relief, and the extreme concentration of its major beneficiaries, an updated assessment of the costs, benefits and true beneficiaries of the Patent Box is overdue.
- Such an assessment will require full and accurate Patent Box statistics: ones which do not obscure through redactions, however unintentionally, the fact that the vast majority of the relief benefits a tiny handful of large, already profitable multinational companies, some of which may not even develop, manufacture or market the relevant products in the UK at all.
- If the Patent Box relief is to be retained, then in order to achieve its stated aim of promoting high-value jobs in developing and commercialising innovative technologies and products in the UK, qualifying products should have to be developed, commercialised and manufactured in the UK.

Annex I: Communications with GlaxoSmithKline Plc

(A) Questions submitted by TaxWatch to GSK Plc, 26 August 2025

- 1) Can you confirm whether the line item for “benefit of intellectual property incentives” in the tax note of annual financial accounts of GlaxoSmithKline Intellectual Property Ltd and GlaxoSmithKline Intellectual Property Management Ltd, refers solely to tax relief deriving from the UK Patent Box?
- 2) Do any other GSK Plc subsidiaries receive UK Patent Box relief, aside from the six subsidiaries mentioned above (GlaxoSmithKline Intellectual Property Ltd, GlaxoSmithKline Intellectual Property Management Ltd, ViiV Healthcare UK Ltd, ViiV Healthcare (No 3) UK Ltd, Phivco UK Ltd, and Phivco UK II Ltd)?
- 3) Do GlaxoSmithKline Intellectual Property Management Ltd or GlaxoSmithKline Intellectual Property Ltd have any taxable foreign branches? If so, in which countries are these branches?
- 4) Do GlaxoSmithKline Intellectual Property Management Ltd or GlaxoSmithKline Intellectual Property Ltd receive intellectual property-related tax reliefs other than the UK Patent Box or UK R&D credits?
- 5) Does the line item for “benefit of intellectual property incentives” in the tax note of GSK Plc’s annual financial statements cover any tax measures other than the UK Patent Box and Belgian Innovation Income Deduction (IID) regimes?
- 6) Have profits from GlaxoSmithKline Intellectual Property Management Ltd’s patent for ‘Healthcare Product Package’ (EP3414170), or similar GSK patents for healthcare product packaging, enjoyed reduced taxation from UK Patent Box relief?
- 7) Have profits from the patent for belimumab (‘Benlysta’) owned by GlaxoSmithKline Intellectual Property Ltd enjoyed reduced taxation from UK Patent Box relief?
- 8) In which country or countries are the packaging products resulting from the ‘Healthcare Product Package’ patent (EP3414170) manufactured?
- 9) What proportion of UK Patent Box relief obtained by GSK Plc subsidiaries in the last accounting year derives from patents for technology or products (i) developed in the UK, (ii) manufactured in the UK?
- 10) What effect does GSK Plc expect Pillar 2 taxes to have on its UK Patent Box relief

(B) Response received from GSK Plc spokesperson, 4 September 2025

“Alongside other measures such as the R&D tax credit (RDEC), the Patent Box is a critical policy to ensure the UK remains a globally competitive location for research-led industries like life sciences and can attract long-term investment in R&D, manufacturing and jobs. With competition to attract investment increasing all the time amongst advanced economies, similar tax incentives are becoming the norm, with 19 out of 37 OECD countries having a Patent Box scheme.

Recent research has shown that the Patent Box supports £15bn a year of economic activity in the UK – an amount as large as entire manufacturing subsectors such as electronics.

Importantly between 15-25% of this activity is estimated to be additional – in other words, it would not take place without the Patent Box.

As a result, the economy is up to £3.7bn a year larger than it would have been without the Patent Box regime. And this additional activity, in turn, generates up to £1.28bn per year in additional tax revenue, directly offsetting up to 95% of the cost of the Patent Box. This is a very high, and extremely rare, direct payback relative to other tax policies.

The life sciences industry makes an enormous contribution to the UK, investing more than any other sector in R&D. And the Patent Box is a significant reason why.

For GSK, we have our Global Headquarters in the UK and we employ around 11,000 people here. One of our global R&D hubs is based in Stevenage and we invest approximately £1.5bn a year into UK R&D. We have 5 factories across the country, including in the North of England and Scotland, exporting medicines and vaccines worth approximately £5.5bn each year.

We also pay a very significant amount of tax in the UK and the Patent Box has – as per its intention - resulted in our UK tax base increasing. In 2023, the last year for which figures are available, our total UK tax contribution was £653m. This represents around 16% of our total tax contribution (which contrasts the 2-3% of sales we generate in the UK) and equates to around £68k per full-time UK employee.

Whilst the Patent Box does offer a lower rate of tax on the profits we generate from our on-patent medicines, these profits wouldn't be taxable in the UK at all should the Patent Box not incentivise us to centralise the ownership and development of these medicines in the UK, and to have transferred (and continue to transfer) a material amount of our intellectual property underpinning our medicines to the UK. But importantly – the R&D fraction in the patent box regime serves to limit the benefit available under the regime where a group either conducts R&D outside the UK or buys-in on-patent medicines which have been developed outside the UK, thereby ensuring the regime incentivises UK R&D activity and the end-to-end ownership and development of medicines in the UK.

We also want to make the following clarifications:

- *EP3414710 does not drive any patent box benefit. We do not claim patent box benefit by reference to any “healthcare product packaging.”*
- *Belimumab was developed under a collaboration agreement between GSK and HGS dating from 2006. Our side of this collaboration was situated in the UK, with our rights to any medicines arising from it (including belimumab) being owned in the UK. When we*

acquired the HGS group in 2012, we transferred the remaining rights to belimumab to the UK, from where we continued to develop them.

- *PHIVCO UK Ltd and PHIVCO UK II Ltd no longer receive Patent Box relief. The other four GSK subsidiaries you reference do. No other GSK subsidiaries receive relief though.*
- *In relation to your first question regarding the “Benefit of intellectual property incentives” line item in the tax note of the annual financial accounts for GIPL and GIPM, the answer is yes.*
- *In relation to your second question regarding the line item for “benefit of intellectual property incentives” in the tax note of GSK Plc’s annual financial statements, it does cover tax measures other than the UK Patent Box and Belgian Innovation Income Deduction (IID) regimes (including intellectual property incentives in the US).*
- *Neither GlaxoSmithKline Intellectual Property Management Ltd or GlaxoSmithKline Intellectual Property Ltd have any taxable foreign branches, nor claim any intellectual property-related tax reliefs other than the UK Patent Box or UK R&D credits.”*

(C) Additional response received from GSK Plc spokesperson in response to TaxWatch question 7, 5 September 2025

“Yes, profits from Belimumab have benefitted from the UK PB.

“To link this to what we have sent over already, it relates to this point in our response: Belimumab was developed under a collaboration agreement between GSK and HGS dating from 2006. Our side of this collaboration was situated in the UK, with our rights to any medicines arising from it (including belimumab) being owned in the UK. When we acquired the HGS group in 2012, we transferred the remaining rights to belimumab to the UK, from where we continued to develop them.”

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- ⁷⁰ Figures obtained by TaxWatch from HMRC via Freedom of Information request, 7 August 2025.
- ⁷¹ Figures obtained by Critical Takes on Corporate Power from HMRC via Freedom of Information requests, 12 March 2025 and 2 June 2025, shared with TaxWatch.
- ⁷² We assume that HMRC's figures for companies opting into the Patent Box count separate subsidiaries of a corporate group as separate claimants. We have been unable to find any UK companies whose financial accounts declare larger Patent Box benefits than the two most-benefitting GSK subsidiaries described here, but it is nonetheless possible that on aggregate another group benefits more. However, we have not been able to identify such a group.
- ⁷³ Four of these subsidiaries (ViiV Healthcare UK Ltd, ViiV Healthcare (No 3) UK Ltd, Phivco UK Ltd, Phivco UK II Ltd) have specifically disclosed the effect of the Patent Box on their tax liabilities in their annual financial accounts filed at UK Companies House. GSK IP Ltd and GSK IP Management Ltd disclose the tax effect of "benefit of intellectual property incentives". GSK Plc has confirmed to TaxWatch that this line item relates solely to UK Patent Box relief (GSK Plc, email communication to TaxWatch, 4 September 2025).
- ⁷⁴ GSK Plc email communication to TaxWatch, 4 September 2025.
- ⁷⁵ Calculations from financial accounts of GlaxoSmithKline Intellectual Property Ltd, GlaxoSmithKline Intellectual Property Management Ltd, ViiV Healthcare UK Ltd, ViiV Healthcare (No 3) UK Ltd, Phivco UK Ltd, Phivco UK II Ltd, 2013-22. Note: Phivco UK Ltd and Phivco UK II Ltd ceased to claim Patent Box relief in 2023.
- ⁷⁶ Department for Business, Energy and Industrial Strategy, BEIS research and development (R&D): UK Research and Innovation allocation 2022-2023 to 2024-2025 (30 May 2022), <https://www.gov.uk/government/publications/beis-research-and-development-rd-partner-organisation->

allocation-2022-to-2025/beis-research-and-development-uk-research-and-innovation-allocation-2022-2023-to-2024-2025

⁷⁷ GSK Plc, *Our 2023 CBCR Position*, <https://www.gsk.com/media/p1enxbtp/gsk-cbcr-data-2023.pdf>

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⁸⁰ UK employment figure is taken from GSK Plc's email communication to TaxWatch, 5 September 2025 (see Annex I). This email states that GSK Plc's total tax contribution of all UK taxes in 2024 was £653m, which "equates to around £68k per full-time UK employee", implying around 9,600 full-time-equivalent UK employees.

⁸¹ Figures are not adjusted for inflation over that time.

⁸² HMRC, *Non-structural tax reliefs* (December 2024), <https://www.gov.uk/government/statistics/main-tax-expenditures-and-structural-reliefs> ; HMRC, *Patent Box relief statistics: September 2025*, <https://www.gov.uk/government/statistics/patent-box-reliefs-statistics/patent-box-relief-statistics-september-2025>

⁸³ The amount of Patent Box relief across the whole economy are taken from HMRC published statistics, which are estimates or forecasts from 2022 onwards. Since GSK's accounts cover calendar years, and HMRC's statistics cover tax years from April to April, we have matched GSK's 2024 accounts to the HMRC figures for Patent Box relief in 2024/5, and so on, to ensure the maximum overlap between the two periods.

⁸⁴ Calculations from GSK Plc, annual reports, 2019-24.

⁸⁵ GSK Plc, annual report 2024, Consolidated Balance Sheet, p. 205

⁸⁶ GSK Plc email communication to TaxWatch, 4 September 2025

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⁸⁸ AstraZeneca Plc, *Annual Report 2014*, Financial Review, p. 74, https://www.astrazeneca.com/content/dam/az/Investor_Relations/annual-reports-homepage/2014-Annual-report-English.pdf ; historical exchange rate data from OFX (<https://www.ofx.com/en-gb/forex-news/historical-exchange-rates/yearly-average-rates/>)

⁸⁹ AstraZeneca Plc, *Annual Report 2024*, Note 4, p. 164, <https://www.astrazeneca.com/investor-relations/annual-reports/annual-report-2024.html>

⁹⁰ Unilever IP Holding Ltd, annual accounts, Note 11 p. 40-41.

⁹¹ At 31 December 2024, the net book value of Unilever Plc's intangible assets excluding goodwill was £23.3bn (Unilever Plc, Annual Report 2024, Note 9, p. 160, <https://www.unilever.com/files/unilever-annual-report-and-accounts-2024.pdf>); at 31 December 2024, the net book value of GSK Plc's intangible assets excluding goodwill were £31.6bn (GSK Plc, Annual Report 2024, Note 20, p. 233, <https://www.gsk.com/media/wrvfwob1/annual-report-2024.pdf>).

⁹² Unilever Plc's pre-tax profits were £8.87bn in 2024 (Unilever Plc, Annual Report 2024, p. 138, <https://www.unilever.com/files/unilever-annual-report-and-accounts-2024.pdf>); GSK Plc's pre-tax profits were £3.48bn in 2024 (GSK Plc, Annual Report 2024, p. 204, <https://www.gsk.com/media/wrvfwob1/annual-report-2024.pdf>)

⁹³ Unilever IP Holdings Ltd, annual accounts 2022-24.

⁹⁴ AstraZeneca Plc email communication to TaxWatch, 17 September 2025; TaxWatch email communications to Unilever Plc, 21 September 2025 and 29 September 2025.

⁹⁵ HMRC, *Patent Box relief statistics: September 2025*, Table 5 <https://www.gov.uk/government/statistics/patent-box-reliefs-statistics/patent-box-relief-statistics-september-2025>

⁹⁶ Report provided by GSK Plc to TaxWatch, 4 September 2025

⁹⁷ SIC classifications at UK Companies House for GlaxoSmithKline Intellectual Property Ltd, GlaxoSmithKline Intellectual Property Management Ltd, ViiV Healthcare UK Ltd, ViiV Healthcare (No 3) UK Ltd, Phivco UK Ltd, Phivco UK II Ltd.

⁹⁸ TaxWatch letter to GSK Plc, 26 August 2025; GSK Plc email communication to TaxWatch, 4 September 2025.

⁹⁹ HMRC, *Patent Box relief statistics: September 2025*, Table 5 <https://www.gov.uk/government/statistics/patent-box-reliefs-statistics/patent-box-relief-statistics-september-2025> ; 2020-1, 2021-2 and 2022-3 statistical releases accessed via UK National Archives website. Cf. SIC classifications at UK Companies House for GlaxoSmithKline Intellectual Property Ltd, GlaxoSmithKline Intellectual Property Management Ltd, ViiV Healthcare UK Ltd, ViiV Healthcare (No 3) UK Ltd, Phivco UK Ltd, Phivco UK II Ltd.

¹⁰⁰ HMRC, 'CIRD200110 - Patent Box: overview of the patent box regime: aim of the patent box', *Corporate Intangibles Research and Development Manual* (11 March 2016, updated 1 August 2025), <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird200110>

¹⁰¹ Calculations from financial accounts of GlaxoSmithKline Intellectual Property Ltd for 2019-23.

¹⁰² Financial accounts of GSK IP Ltd filed with UK Companies House 2022-24. Prior to 2022, its UK turnover was included in the category of "UK + Ireland", suggesting that almost all of this category was in fact turnover from Irish companies.

¹⁰³ Calculations from financial accounts of GlaxoSmithKline Intellectual Property Ltd for 2019-23. We also examined the accounts of GSK's Irish subsidiaries to try to determine the quantum and tax treatment of payments from Irish to UK subsidiaries, but GSK subsidiaries take advantage of the commonly-used provision in Financial Reporting Standards (FRS 101) not to disclose related party transactions with other wholly-owned subsidiaries of the same group.

¹⁰⁴ Calculations from financial accounts of GlaxoSmithKline Intellectual Property Management Ltd for 2021-23. We have excluded 2019 because in this year the company had unusually high operating expenses due to impairment of investment in a subsidiary.

¹⁰⁵ TaxWatch letter to GSK Plc, 26 August 2025; GSK Plc email communication to TaxWatch, 4 September 2025.

¹⁰⁶ Finance Act 2012, Schedule 2, 357 BD, <https://www.legislation.gov.uk/ukpga/2012/14/schedule/2>

¹⁰⁷ Finance Act 2012, Schedule 2, 357 BE, <https://www.legislation.gov.uk/ukpga/2012/14/schedule/2>

¹⁰⁸ E.g. Financial accounts of GlaxoSmithKline Intellectual Property Management Ltd, 2019, p.18 note 6.

¹⁰⁹ HMRC, 'CIRD210210 - Patent Box: qualifying companies: groups: active ownership condition', *Corporate Intangibles Research and Development Manual* (updated 1 August 2025), <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210210>

¹¹⁰ 2013 financial accounts for GSK IP Ltd, filed at Companies House, Note 6 p.10. The amount of Patent Box relief that GSK IP Ltd obtained in that year was £15.174m, compared to its actual current tax charge of £71.283m. In 2013, only 60 percent of eligible patent-related profits were subject to the Patent Box's reduced 10% corporation tax rate: this proportion was increased progressively to 100% by 2018.

¹¹¹ From Human Genome Sciences Inc, a Delaware-registered corporation with branches in several other US states; and Glaxo Wellcome Manufacturing Pte Ltd, a Singapore-registered company.

¹¹² According to the 2013 financial accounts of GSK IP Ltd (Note 7, p. 11), the IP transferred to it from Singapore and US subsidiary include the IP rights for Xyzal (levocetirizine), a drug originally developed by UCB Farchim, a Swiss subsidiary of the Belgian pharmaceutical company UCB Farchim (Bachert et al, 'Levocetirizine improves quality of life and reduces costs in long-term management of persistent allergic rhinitis', *Journal of Allergy and Clinical Immunology*, Vol. 114, No .4, pp. 838-844, Oct 2004, <https://www.em-consulte.com/article/503898/levocetirizine-improves-quality-of-life-and-reduce>); albiglutide, a drug originally developed by the Maryland, USA pharmaceutical company Human Genome Sciences Inc, then owned by GSK (Gilroy et al, 'Controlled release of biologics for the treatment of type 2 diabetes', *Journal of Controlled Release Volume 240*, pp. 151-164, Oct 2016, <https://www.sciencedirect.com/science/article/abs/pii/S0168365915302546>); and darapladib, also developed by Human Genome Sciences Inc in conjunction with GSK ('Spotlight on Glaxo heart drug as others fail', *Reuters*, 9 August 2007, <https://www.reuters.com/article/business/healthcare-pharmaceuticals/spotlight-on-glaxo-heart-drug-as-others-fail-idUSL30365679/>)

¹¹³ Deloitte, *A new era for the Patent Box*, 17 July 2021, <https://taxscape.deloitte.com/article/a-new-era-for-the-uk-patent-box.aspx>

¹¹⁴ HMRC, 'CIRD210200 - Patent Box: qualifying companies: qualifying IP rights: development conditions A to D', ("Condition C"), *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210200>; HMRC, 'CIRD210120 - Patent Box: qualifying companies: exclusive licence: meaning of 'exclusive licence'', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210120>

¹¹⁵ Deloitte, *A new era for the Patent Box*, 17 July 2021, <https://taxscape.deloitte.com/article/a-new-era-for-the-uk-patent-box.aspx>; HMRC, 'CIRD274300 - Patent Box : Terms of the Fraction: R&D Direct

expenditure CTA10/s357BLB', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274300>

For definitions of 'Externally Provided Worker', see HMRC, 'CIRD84100 - R&D tax relief: categories of qualifying expenditure: externally provided workers – definition', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird84100>

¹¹⁶ Finance Act 2016, Section 64, subsection (2), <https://www.legislation.gov.uk/ukpga/2016/24/section/64/enacted> ; Deloitte, *A new era for the Patent Box*, 17 July 2021, <https://taxscape.deloitte.com/article/a-new-era-for-the-uk-patent-box.aspx> ; HMRC, 'CIRD274300 - Patent Box : Terms of the Fraction: R&D Direct expenditure CTA10/s357BLB', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274300>

¹¹⁷ HMRC, 'CIRD274200 - Patent Box : The terms of the R&D fraction CTA10/s357BLA – BLE', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274200> : "Note: the definitions of the R&D expenditure aligns with the R&D guidance at CIRD82100 (except for with regards to overseas expenditure provisions and contracted out expenditure - see below for details) but their use and restrictions within an R&D tax credit or RDEC computation may differ from the Patent Box computation. For example, Patent Box legislation requires the expenditure to have been incurred, not necessarily paid. Please note it is not necessary for the R&D expenditure to have been included in an R&D Tax Credit and/or RDEC claim for R&D expenditure to be included in the R&D Fraction for a Patent Box election."

¹¹⁸ HMRC, 'CIRD83200 - R&D tax relief: categories of qualifying expenditure: staffing costs - measure of', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird83200> . For R&D expenditure on contracted out workers outside the UK, in EEA countries, see also Angela Bannerjee, 'Patent Box Nexus Fraction – What You Need To Know', *Forrest Brown*, 12 May 2023, <https://forrestbrown.co.uk/news/patent-box-nexus-fraction/> ; TaxWatch call with R&D/Patent Box tax specialist, 11 September 2025; Darryl Hoy, 'The Modified Nexus approach to Patent Box', *Shorts Chartered Accountants*, 6 March 2024, <https://blog.shorts.uk.com/the-modified-nexus-approach-to-patent-box>

¹¹⁹ HMRC, *Research and development tax reliefs: new contracting out rules and overseas restrictions – draft guidance*, 27 March 2024, <https://www.gov.uk/government/consultations/draft-guidance-research-and-development-rd-tax-reliefs-new-contracting-out-rules-and-overseas-restrictions/research-and-development-tax-reliefs-new-contracting-out-rules-and-overseas-restrictions-draft-guidance>

¹²⁰ See HMRC, 'CIRD274300 - Patent Box : Terms of the Fraction: R&D Direct expenditure CTA10/s357BLB', *Corporate Intangibles Research and Development Manual*, 11 March 2016, updated 27 August 2025, <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird274300> : "Please note Patent Box has not followed the rule changes to Overseas Expenditure Provisions and Contracted Out Expenditure that have effect to the R&D Tax Relief Schemes from 1 April 2024. For Patent Box purposes the pre-April 1 2024 rules continue to apply."

¹²¹ Deloitte, *A new era for the Patent Box*, 17 July 2021, <https://taxscape.deloitte.com/article/a-new-era-for-the-uk-patent-box.aspx> ; Angela Bannerjee, 'Patent Box Nexus Fraction – What You Need To Know', *Forrest Brown*, 12 May 2023, <https://forrestbrown.co.uk/news/patent-box-nexus-fraction/>

¹²² GSK Plc email communication to TaxWatch, 4 September 2025

¹²³ GSK Plc email communication to TaxWatch, 4 September 2025

¹²⁴ Figure for 2024. The equivalent figure for 2023 was 100%. Prior to 2023, GSK IP Ltd's accounts include UK turnover in a category of "UK and Ireland", so it is not possible to see UK-only turnover.

¹²⁵ GSK IP Ltd annual accounts, 2019-23, note 4 (Turnover).

¹²⁶ GSK IP Ltd annual accounts, 2013-23, note 10 (Taxation). We estimate the amount of profits on which Patent Box relief has been applied by taking the amount of current tax charge reduction declared in the company's accounts as compared to the theoretical liability at headline UK corporation tax rate, and multiplying it by the difference between the Patent Box's 10% tax rate, and the statutory headline corporation tax rates given each year in the company's accounts: 25% in calendar year 2024, 23.5% for 2023, 19% from 2018 to 2022, 19.25% for 2017, 20% for 2016, 20.25% for 2015, 21.49% for 2014 and

23.25% for 2015. (See Corporation Tax Act 2010, Part 8A, 357A, as amended, for this method of calculating the Patent Box deduction). For the years 2013-2017 we have then applied a multiplier to reflect the fact that the Patent Box was phased in over this time, with 60% of qualifying profits being subject to the 10% Patent Box tax rate in 2013/14, rising by 10% each year to reach 100% in 2017/18.

¹²⁷ UK IPO patent search, conducted 10 August 2025, <https://www.search-for-intellectual-property.service.gov.uk/> N.B. Patent Box relief is also available for patents registered with the European Patent Office (EPO), and with several European Economic Area states (Austria, Bulgaria, Czechia, Denmark, Estonia, Finland, Germany, Hungary, Poland, Portugal, Romania, Slovakia, Sweden). A search in the EPO's 'Espace' database indicates that GSK IP Ltd has 26 relevant patents published, not all in force; and GSK IP Management Ltd has 22 relevant patents published. Espacenet searches conducted 2 August 2025, <https://worldwide.espacenet.com/patent/>

¹²⁸ UK IPO patent search, conducted 10 August 2025, <https://www.search-for-intellectual-property.service.gov.uk/>

¹²⁹ Dawn O'Shea, 'Belimumab for SLE to be removed from managed access scheme', MedScape UK, 8 June 2021, <https://www.medscape.co.uk/viewarticle/belimumab-sle-be-removed-managed-access-scheme-2021a1002qf3>

¹³⁰ GSK Plc email communication to TaxWatch, 4 September 2025. Benlysta patents are owned in the UK by GSK IP Ltd and GSK IP Management Ltd; in the US they are owned by GSK IP Management Ltd. See US Patent Number US 10,556,009 B2, 11 February 2020, <https://ppubs.uspto.gov/api/pdf/downloadPdf/10556009?requestToken=eyJzdWliOiIyMzMzZGNjNC04OTYwLTRlZGltYTM4Yy0yZDYzNGRkM2NlYzEiLCJ2ZXliOiI2NjhiNDExNi05NGU4LTQ4M2ltYjEwMi1iMTk0MmM5MGQ3NGliLCJleHAiOiB9>

¹³¹ Package leaflet, information for user (Benlysta), March 2025, <https://www.medicines.org.uk/emc/files/pil.7616.pdf> ; European Medicines Agency, *Summary of Product Characteristics [Benlysta]*, p. 135, https://www.ema.europa.eu/en/documents/product-information/benlysta-epar-product-information_en.pdf

¹³² Dan Stanton, 'GSK opens \$139m Benlysta expansion in Maryland', 8 October 2019, <https://www.bioprocessintl.com/facilities-capacity/gsk-opens-139m-benlysta-expansion-in-maryland>

¹³³ GSK Plc email communication to TaxWatch, 4 September 2025

¹³⁴ GSK has told TaxWatch that the intellectual property rights to Benlysta were transferred to the UK when it acquired HGS in 2012. The current in-force patent owned by GSK IP Ltd which we have been able to identify (EP3143047) was filed on 15 May 2015. Benlysta was approved by the UK's National Institute for Health and Care Excellence in May 2016.

¹³⁵ Selina McKee, 'UK patients to be barred from first new lupus drug in 50 years', *Pharma Times*, 1 May 2012, https://pharmatimes.com/news/uk_patients_to_be_barred_from_first_new_lupus_drug_in_50_years_977402/

¹³⁶ 'British watchdog rejects GSK's lupus drug again', *Reuters*, 24 July 2013, <https://www.reuters.com/article/business/healthcare-pharmaceuticals/british-watchdog-rejects-gsk-lupus-drug-again-idUSBRE96N0C5/>

¹³⁷ 'UK cost body finally approves limited use of GSK's lupus drug', *Reuters*, 12 May 2016, <https://www.the-rheumatologist.org/article/u-k-cost-body-finally-approves-limited-use-gsk-lupus-drug/> ; Dawn O'Shea, 'Belimumab for SLE to be removed from managed access scheme', MedScape UK, 8 June 2021, <https://www.medscape.co.uk/viewarticle/belimumab-sle-be-removed-managed-access-scheme-2021a1002qf3>

¹³⁸ Assuming eligibility of 2500 people (Belimumab for SLE to be removed from managed access scheme', MedScape UK, 8 June 2021, <https://www.medscape.co.uk/viewarticle/belimumab-sle-be-removed-managed-access-scheme-2021a1002qf3>). The list price for a 400mg intravenous infusion vial is £405 (NICE, *Belimumab for treating active autoantibody-positive systemic lupus erythematosus* (Technology Appraisal Guidance TA752), 15 December 2021). The recommended dosage is 10mg/kg, suggesting that at least two vials are required per treatment per patient. Infusions or intravenous treatments are advised every month.

¹³⁹ TaxWatch letter to GSK Plc, 26 August 2025; GSK Plc email communications to TaxWatch, 4 September 2025 and 5 September 2025.

¹⁴⁰ 'Patent Box regimes in Europe, 2025', *Tax Foundation*, 16 July 2024, <https://taxfoundation.org/data/all/eu/patent-box-regimes-europe/>

¹⁴¹ Rachel Reeves, speech on 8 July 2024, <https://www.gov.uk/government/speeches/chancellor-rachel-reeves-is-taking-immediate-action-to-fix-the-foundations-of-our-economy> ; George Osborne, speech on 7 September 2005, <https://www.theguardian.com/politics/2005/sep/07/conservatives.georgeosborne>

¹⁴² In 2021, for instance, all major UK parties welcomed the international tax deal agreed by over 130 countries under the auspices of the OECD to institute a minimum 15 percent tax rate. Prime Minister Rishi Sunak hailed it as a “historic agreement”, while then shadow Chancellor Rachel Reeves welcomed it as a “a global pact on tax avoidance”, while regretting that it had not been set higher at 21%, which she said “would have brought £131m extra a week to Britain for our NHS and other public services, while also stopping our high streets being aggressively undercut.” (Philip Inman and Michael Savage, ‘Rishi Sunak announces ‘historic agreement’ by G7 on tax reform’, *The Guardian*, 5 June 2021, <https://www.theguardian.com/world/2021/jun/05/rishi-sunak-announces-historic-agreement-by-g7-on-tax-reform>). Even 15 percent is considerably higher than the Patent Box’s 10 percent.

¹⁴³ HMRC, *Domestic Top-up Tax and Multinational Top-up Tax: detailed information*, 11 July 2024, <https://www.gov.uk/government/collections/multinational-top-up-tax-and-domestic-top-up-tax>

¹⁴⁴ KPMG, *Pillar Two and Tax Incentives* (January 2025), p. 6, <https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/2025/02/pillar-two-and-tax-incentives-jan-2025.pdf.coredownload.inline.pdf>