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## HMRC internal manual

# Corporate Intangibles Research and Development Manual

From: [HM Revenue & Customs](#)  
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## CIRD276050 - Patent Box: What is a CSA and how CSA members qualify for Patent Box

### 1. What is a Cost Sharing Arrangement?

A cost-sharing arrangement ('CSA') is a commercial arrangement allowing businesses to share the costs and risks of developing, producing or obtaining assets, services or rights. The participants will expect to receive benefits in proportion to their contribution to the activities

within the CSA. It is sometimes known as a Cost Contribution Arrangement (CCA).

A CSA may establish a separate legal entity or simply amount to contractual arrangements. Where the former is the case and the CSA is a separate company or partnership then the normal Patent Box calculation will be applied to that company or to the corporate partners (see [CIRD260120 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird260120\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird260120)) respectively.

But where there is no such entity then special rules apply to the Patent Box claim because a company claiming under a Patent Box election may not satisfy the normal ownership requirements, for example because the IP may be held by another company in the CSA.

The intention of these provisions is to allow corporate parties to a CSA to qualify for the Patent Box on the same basis as those outside of a CSA.

A company may have made a s357A(1) election based on having relevant IP income outside the CSA, in which case the election will also apply to the share of relevant IP income from the CSA.

History: Changes were introduced from 1 April 2017 to apply OECD nexus principles to Patent Box companies within cost sharing arrangements (CSAs) in a non-prejudicial way. These changes align the CSA rules with the changes made to the rest of the Patent Box legislation for the same reason in FA16. The new CSA rules apply from accounting periods starting on or after 1 April 2017 (Finance (No.2) Act 2017/s23(5) amending Corporation Taxes Act 2010). The legislation is at CTA10/sGC , CTA10/s357BLEA and CTA10/s357GCZA-GCZF.

## 1. Definition of a Qualifying CSA for the purposes of Patent Box

If another member of the CSA holds a qualifying IP right, or an exclusive licence to exploit a qualifying

IP right (CTA10/S357GCZA and/or CTA10/s357GCZB), those rights are treated as being held by all members of the CSA, allowing all corporate members to be treated as if they held the qualifying IP rights (and exclusive licences to exploit qualifying IP rights as applicable) even if they actually hold no such qualifying IP rights or exclusive licence themselves.

The revised definition of a CSA from 1 April 2017 now also allows a company to elect into the Patent Box even when no other person in the CSA owns any qualifying IP rights or exclusive licence. This allows an election to be made when patents are pending, although any Patent Box deduction would only occur after the date of grant (new CTA10/s357GC).

Companies within the CSA may be regarded as qualifying companies if they are able to meet the conditions within CTA10/s357B (including the active ownership condition at s357B(5) [CIRD210210 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210210\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird210210) if they are a member of a group) and make an election into the Patent Box under CTA10/s357A(1).

Each party to the arrangement is required to

- contribute to the cost of, or undertake activities for the purpose of, creating or developing the item or process and either
- be entitled to a proportionate share of any income attributable to the item or process or
- have one or more qualifying IP rights in respect of the item or process

and that

- the amount of any income received is proportionate to its participation in the arrangement.

S357GC does not apply where the arrangement produces for the company a return within

S357BG(1)(c)(economically equivalent to interest - see [CIRD220130 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220130\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird220130)).

NEW PAGE CIRD 276150 explains how to prepare for PB calculation

[CIRD276200 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird276200\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird276200) provides a series of examples

[CIRD276300 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird276300\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird276300) provides a series of steps to assist with calculating components S1 and S2 of the R&D fraction

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