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HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD70340 - Telecommunications licences and rights: IRUs: background

The beginnings of international submarine cable telegraphy came in 1850 when the first cable crossing of the English Channel was laid. The first transatlantic telephone cable was laid in 1956.

This was a co-axial cable carrying 36 analogue telephone channels. In the 1980s there were two major technological advances: digital transmission and optic fibre. The first European undersea optic fibre cable was installed in 1986 between Belgium and the UK. In 1988 the first Trans-Atlantic optic fibre cable came into operation. In the 1990s the

first optically amplified systems were built. At each stage capacity was greatly expanded.

A consortium of owners has traditionally sponsored submarine cables. Capacity in consortium cables is divided into Minimum Investment Units and operators sell capacity through IRUs. IRUs are sold through capacity purchase agreements that often commit a buyer to a unit of capacity for the remaining design life of the cable. In recent years the use of IRUs to trade capacity in all forms of cable, both submarine and subterranean, has become more commonplace and modern capacity purchase agreements take a wide variety of forms.

IRUs - definition

An IRU is a legal interest created by contractual agreement that confers an indefeasible and exclusive right of access to some or all of the capacity in a telecommunications cable system on another party. 'Indefeasible' is a term meaning not liable to be annulled or forfeited. (However, see [CIRD70355 \(https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70355\)](https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird70355) about the granting of IRUs).

The rules in FA00/SCH23 apply to IRUs. They are not restricted to submarine cables, but apply to indefeasible rights to use all telecommunications cable systems. However, the rules do not apply to indefeasible rights in non-cable systems (such as satellite systems).

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