HMRC - CFM97230 - Infrastructure: Decommissioning And Decommissioning Funds

TIOPA10/S448

Decommissioning

The provision of a public infrastructure asset for a qualifying infrastructure activity can involve decommissioning costs, such as costs incurred demolishing an asset, or putting it out of use. The rules in Chapter 8 apply to the decommissioning of an asset just as they do to its provision.

Example

A nuclear power plant has been built and operated for 65 years and is coming to the end of its life. Throughout a period whilst the plant is in use, and for a period following the end of its economic life, the operator has to dispose of spent fuel. In addition to this the actual plant has to be gradually dismantled over a period of 40 years, as it is decontaminated. For the purposes of Chapter 8, disposing of such spent fuel, and dismantling of the plant are considered equivalent to ‘provision’; being activities which the operator is obliged to undertake as a result of the other aspects of ‘provision’ of such a plant.

Decommissioning funds

Where decommissioning creates significant obligations on an operator, it is possible a decommissioning fund will be established. A decommissioning fund for the purpose of Chapter 8 is a company which holds particular investments for the sole purposes of funding the decommissioning of public infrastructure assets (and is prevented from using the proceeds from disposal of these investments, or income generated from them, for any other purpose apart from returning surplus funds).

A company can ignore income from, or certain investments in, a decommissioning funds for the purpose of considering whether it has passed the public infrastructure income and public infrastructure asset tests in an accounting period. The decommissioning fund itself is regarded as a qualifying infrastructure company.

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