HMRC - CFM97270 - Infrastructure: Meaning Of Insignificant For Members Of A Joint Election

TIOPA10/S435(5)

Where a company has made an election to be a qualifying infrastructure company which has effect for an accounting period, but it is also a member of a joint infrastructure election which has effect for that same accounting period, in determining whether something is insignificant each company in the joint election is deemed to have all the income and assets of their fellow members.

Example

Assumed facts:

Company A has two wholly owned subsidiaries, Company B and Company C.

Company A has no other assets than its shares in these companies, and no income other than dividends receivable as a result of holding these shares.

Company B’s only assets are shares in ten special purpose companies holding qualifying infrastructure companies. Its only income is the dividends receivable as a result of its holding these shares.

Company C has two assets. One, a waste plant, has been constructed as a result of a contract with a local authority to collect and process household waste – the capacity of this plant is limited to the waste it has to collect under this contract. The second, a brick factory, has been constructed by C such that it can seek out alternative commercial contracts.

In isolation, Company C would fail the public infrastructure income and assets test in the twelve month accounting period ending 31 December 2019, on the basis that its commercial manufacturing operations form approximately 10% of its income and assets for that period.

Company B would pass these same tests for that period, on the basis all of its income and assets derive from shares in qualifying infrastructure companies.

However, if both Company B and Company C made elections to be qualifying companies, and they make a joint infrastructure election, both could pass the public infrastructure income and asset tests. Company C’s income and assets from its commercial manufacturing operations would be insignificant relative to Company B and its subsidiaries.

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