HMRC - CFM97420 - Infrastructure: Partnerships And Transparent Entities

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Public infrastructure asset test

Where a company’s interest in a partnership or other transparent entities is recognised on its balance sheet, this interest may include an interest in public infrastructure assets. Depending on the nature of the assets recognised on the partnership or transparent entity’s balance sheet this may enable the company recognising the interest in the partnership or other transparent entities to be a qualifying infrastructure company (QIC).

A transparent entity is any entity which would not itself, by its nature, be chargeable to Corporation Tax or Income Tax on its UK source income, even if it did not benefit from any exemptions from tax.

Example

A company is a partner in a partnership in which it has a 50% interest.

The partnership holds a public infrastructure asset, and is undertaking a qualifying infrastructure activity. The public infrastructure asset is recognised as a tangible asset on its balance sheet.

The company does not recognise the public infrastructure asset on its own balance sheet, but an amount representing its interest in the partnership. This is the only asset held by the company on its balance sheet. This asset is not any of:

tangible assets that are related to qualifying infrastructure activities,

service concession arrangements in respect of assets that are related to qualifying infrastructure activities,

financial assets to which the company is a party for the purpose of carrying on qualifying infrastructure activities by the company or another associated QIC,

shares in a QIC, and

loan relationships to which other party is a QIC.

However, the amount recognised as representing the company’s interest is considered as an asset derived from the tangible asset recognised on the partnerships balance sheet, and therefore the company can be considered to have passed the public infrastructure asset test.

Group balance sheet test

For the purpose of the group balance sheet test, any asset held on the balance sheet of a partnership in which the company has a significant interest can be considered held on the balance sheet for that company.

Exempt amounts - limited-recourse test

The limitation to the recourse of a creditor in respect of obligations under a loan or other liability is modified where the liability is owed by a firm in which the QIC is a partner. In this case the reference to recourse being limited to the income and assets of a QIC is taken to include the income and assets of the partnership in question.

Other transparent entities

The provisions which apply in the context of partnerships also apply in a similar way to other transparent entities.

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