

Date Issued: 4 July 2023

Item: Crossrail Asset Restructuring

This paper will be published once the decision has been made.

1 Summary

- 1.1 On 6 October 2022, the Committee approved the Crossrail Asset Restructuring, described in a paper presented to that meeting, subject to obtaining the necessary consents from the Secretary of State. On 13 April 2023, consent was given by the Secretary of State.
- 1.2 This paper proposes a technical change to the original approval, to set an interim internal charge and an amendment to the intercompany lease so that a rent based on this charge can be levied and the rental trade of Crossrail Limited (CRL) can commence. This enables capital allowances to transfer to Rail for London (Infrastructure) Limited (RfL(I)) upon restructure. There is no incremental cost to TfL as these charges are internal.
- 1.3 A verbal update on the need to take this decision via Chair's Action was provided at the meeting of the Committee on 21 June 2023. This paper seeks approval through Chair's Action as a decision is required before the next scheduled meeting of the Committee on 11 October 2023.
- 1.4 The Members of the Committee are asked to consider the proposal and provide Anne McMeel, as Chair of the Committee, with their views on or before 5.00pm on Friday 7 July 2023. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Committee.

2 Recommendation

- 2.1 **The Chair of the Committee, in consultation with available Members, is asked to note the paper and approve Land Authority of £13m per accounting period for an interim internal charge (based on the anticipated Infrastructure Recovery Charge (IRC)) from Rail for London Limited to Rail for London (Infrastructure) Limited until the debt funded capital investment of the infrastructure is recovered or an IRC is set by the Office of Rail and Road.**

3 Background

- 3.1 On 6 October 2022, the Committee approved the Crossrail Asset Restructuring, subject to obtaining the necessary consents from the Secretary of State. On 13 April 2023, consent was given by the Secretary of State. The restructure approved the disposal by CRL of the Crossrail Central Operating Section (CCOS) asset and related station infrastructure to fellow subsidiary undertakings of Transport Trading Limited.
- 3.2 The approved structure has significant benefits through clarity of the operational accountabilities for the assets and simplification of the letting structure within TfL.
- 3.3 TfL obtained independent legal advice in relation to the tax implications of the proposed structure, including seeking an opinion from counsel specialising in tax. Based on this advice we concluded that the transaction is not considered high risk from a tax perspective and the capital allowances will pass to a fellow subsidiary of TTL.
- 3.4 It is crucial that the TTL Group's access to the capital allowances attached to the infrastructure is not lost in any transfer of the CCOS and station infrastructure assets out of CRL. These allowances were valued in 2018, at an estimated £2.5bn.
- 3.5 The initial tax advice obtained assumed that CRL would have commenced a rental trade as a lessor of the infrastructure, thus triggering our ability to start claiming capital allowances. To date, payment of this rental charge has not commenced because no final Infrastructure Recovery Charge (IRC), on which the rent is based, has been set by the Office of Road and Rail under the track and station access agreements between RfL(I) and the Elizabeth line concessionaire.

4 Proposal

- 4.1 This paper proposes that TfL sets an interim internal charge (effectively a proxy IRC) and an amendment to the intercompany lease so that a rent based on this charge can be levied and the rental trade of CRL can commence. The current expectation is that, after six accounting periods, the asset restructure (mentioned in paragraph 1 above) will be effected. There is no incremental cost to TfL as these charges are internal.
- 4.2 The proposal will enable CRL to be considered as having commenced a rental trade from a tax perspective and enable capital allowances to transfer to RfL(I). TfL obtained further tax advice in relation to this proposal.
- 4.3 The quantum of the interim internal charge will be set at a level akin to what the anticipated IRC was expected to have been. This charge enables the recovery of TfL debt funded capital investment of the related infrastructure.
- 4.4 These transactions are internal and have no incremental cost. After a duration of six accounting periods the assets will transfer in line with the approved restructuring.

4.5 The proposed charges have no impact on the clauses of the consents granted by the Secretary of State for Transport in relation to the disposal of assets from CRL.

List of appendices to this report:

None

List of background papers:

Crossrail Asset Restructuring Finance Committee paper – 6 October 2022

Contact Officer: Patrick Doig, Acting Chief Finance Officer
Email: Patrick.Doig@tfl.gov.uk