

The Infrastructure Forum Infrastructure ISA



Summary

The **Infrastructure ISA** would give UK savers a **new £10k (or £20k if over 55) allowance** to invest in government-backed and regulated infrastructure projects. It strengthens retirement saving, diversifies portfolios, and channels private wealth into national priorities, while remaining simple and aligned with the existing ISA framework.

Overview

- New ISA wrapper to channel household savings into UK infrastructure (energy, transport, housing, digital, social).
- **Allowance:**
 - **Under 55:** £10,000 pa
 - **55+:** £20,000 pa
 - **On top of the existing £20,000 ISA allowance.**
- Investments limited to **government-backed or FCA-authorized infrastructure bonds/funds.**

Purpose

- To encourage the retail investor habit of investing in UK infrastructure; and thereby
- Emphasise the special role which infrastructure plays in our society; and
- Stimulate greater financial inflows to the sector.

Policy Rationale

- Unlock private savings to support UK growth and Net Zero.
- Offer households **inflation-linked, lower-risk returns.**
- Provide a **retirement-friendly savings vehicle** for over-55s.
- International precedents: France's *Livret A*, US municipal bonds, Australian superannuation.

Fiscal Scenarios (illustrative)

(assumptions: 60% under-55, 40% 55+; average contributions £7k/£14k; 5% yield; 20% effective tax absent ISA; 20% 3-yr PV fiscal recapture from multiplier)

Scenario	Participants	Year-1 Subscriptions	Year-1 Fiscal Cost (tax + admin)	3-yr PV Net Fiscal Impact
Low take-up	1.0m	£9.8bn	–£98m	+£1.85bn
Medium	3.0m	£29.4bn	–£294m	+£5.56bn
High	6.0m	£58.8bn	–£588m	+£11.12bn

Optional government guarantee (first 10% of principal) has negligible expected cost at ~0.05% of assets.

Benefits

- **Economic:** Infrastructure multiplier boosts GDP, productivity, and tax base.
- **Households:** Stable, inflation-protected savings.
- **Regions:** Scope for local investment options.
- **Fiscal:** Modest short-term cost, strong medium-term returns via growth.

Risks & Mitigations

- **Illiquidity:** Provide listed funds + periodic exit windows.
- **Project risk:** Partial government guarantee for strategic assets.
- **Mis-selling:** FCA regulation and suitability checks.
- **Revenue impact:** Manageable, offset by growth.

Decision Points

1. Approve in principle creation of **Infrastructure ISA**.
 2. Decide **guarantee level** (none / partial / full for some projects).
 3. Target **launch April 2026**.
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Infrastructure ISA – Concept Design

1. Purpose

- Channel long-term retail savings into UK infrastructure projects (energy, transport, housing, digital networks, hospitals, schools, etc.).
- Provide investors with secure, inflation-protected returns while giving government and private operators a stable funding stream.
- Encourage older savers to invest by offering higher allowances as retirement approaches.

2. Eligibility

- Open to UK residents aged 18+.
- Available in addition to existing ISA types (Cash, Stocks & Shares, Lifetime, Innovative Finance).
- Special increased allowance for those aged **55 and above**.

3. Contribution Limits

- **Under 55** → Up to **£10,000 per tax year**, separate from the existing ISA £20,000 annual limit.
- **55 and over** → Up to **£20,000 per tax year**, again in addition to other ISAs.
- Rationale: aligns with pension-access age, encourages retirement-oriented saving, and supports late-stage investors with more capital.

4. Investment Universe

Funds could be directed into:

2. FTSE100: UU, Severn Trent, SSE, National Grid, Centrica, BT and Vodafone etc
3. FTSE250: 3i Infrastructure; Greencoat Energy, Sequoia Economic infrastructure, Pennon Group, INPP, HICL, Foresite Solar Fund, TRIG, Bluefield Solar etc.
4. Unlisted open-ended investment funds, such as: Blackrock Sustainable Energy, Russell Investments Global Core Infrastructure, Schroders Global Energy Transition Fund
5. Listed bonds: all the main utility companies issue these

5. Definition

A public infrastructure asset that meets all of the following conditions:

- it is, or is to be, a tangible asset forming part of the infrastructure of the UK, or the UK sector of the continental shelf;
- it meets the public benefit test;
- the asset has had, has or is likely to have, an expected economic life of at least 10 years; and
- the asset meets the group balance sheet test.

The public benefit test is met by a tangible asset which is infrastructure of the UK where it is, or is to be:

- procured by a relevant public body; or
- used in the course of a regulated activity.

6. Risk & Return Profile

- Target low-to-medium risk, inflation-linked returns (e.g. CPI + 1–3%).
- Liquidity: allow withdrawals, but encourage long-term holding (possible early withdrawal penalties for certain products, like with Lifetime ISA).
- Protection: investments subject to FCA regulation, possibly with government guarantee on a proportion of principal to boost confidence.

7. Tax Treatment

- Like other ISAs → **tax-free growth and income** (interest/dividends/gains).
- Withdrawals tax-free.
- Does not affect pension allowances.

8. Policy Rationale

- Increases UK household participation in nation-building investment.
- Provides alternative to pension-only saving for infrastructure.
- Appeals especially to those **nearing retirement** who want stable, income-generating assets.
- Helps fill infrastructure funding gaps without full reliance on government borrowing.

Proposal: Infrastructure ISA

1. Introduction

The UK faces a significant long-term funding gap for infrastructure, particularly in energy transition, transport modernisation, digital networks, and public facilities. At the same time, UK households hold over £1.5 trillion in cash savings, much of it earning little return.

An **Infrastructure ISA (I-ISA)** would enable retail savers to invest tax-free in nationally important projects, while diversifying their long-term savings away from equities and bank deposits.

2. Eligibility

- UK residents aged **18+**.
- Available **alongside existing ISA allowances** (Cash, Stocks & Shares, Lifetime, Innovative Finance).
- Flexible withdrawal rules, though aimed at medium/long-term saving.

3. Contribution Limits

- **Standard allowance (under 55)** → £10,000 per year.
- **Enhanced allowance (55+)** → £20,000 per year.
- Both allowances sit **in addition to the current £20,000 ISA limit**.

Rationale:

- Younger investors gain early access to infrastructure investment.
- Older savers (near retirement age, with accumulated wealth) can allocate more into lower-risk, inflation-linked assets.

4. Investment Universe

Funds would be directed to **authorised infrastructure securities**:

2. FTSE100: UU, Severn Trent, SSE, National Grid, Centrica, BT and Vodafone etc
3. FTSE250: 3i Infrastructure; Greencoat Energy, Sequoia Economic infrastructure, Pennon Group, INPP, HICL, Foresite Solar Fund, TRIG, Bluefield Solar etc.
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- procured by a relevant public body; or
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6. Risk & Return Design

- **Expected return**: CPI + 1–3%, depending on project mix.
- **Risk profile**: Lower than equities, higher than cash.
- **Liquidity**:
 - Daily liquidity for listed funds/trusts.
 - 3–5 year holding period encouraged for direct project bonds (possible exit windows).
- **Protection**: Government could consider partial guarantee (e.g. first 10% of principal) for strategic projects to encourage uptake.

7. Tax Treatment

- Tax-free growth and withdrawals, consistent with existing ISA rules.
- No impact on pension allowances or other ISAs.
- Transferable between providers (Cash → Stocks & Shares style infrastructure products).

8. Policy Benefits

- **Infrastructure Funding**: Unlocks billions of household savings for national priorities.
- **Inflation Resilience**: Provides savers with strong returns.
- **Pension Complement**: Appeals to over-55s seeking income stability.
- **Climate Goals**: Supports UK's net zero commitments.

9. International Comparisons

- **France:** “Livret A” savings product channels retail deposits into social housing.
- **US:** Tax-exempt “Municipal Bonds” fund local infrastructure.
- **Australia:** Superannuation funds strongly invested in toll roads, airports, renewables.

The UK lacks a retail-friendly, tax-advantaged infrastructure vehicle: the I-ISA fills this gap.

10. Risks and Mitigations

- **Illiquidity risk** → Mitigated by mix of listed vehicles and government bonds.
- **Project failure risk** → Use of government guarantee for strategic projects.
- **Mis-selling risk** → FCA oversight; providers must ensure suitability.

11. Fiscal Impact

- Short-term: loss of some tax revenue (interest/dividends sheltered).
- Long-term: positive GDP impact via infrastructure multiplier, job creation, higher tax base.
- Treasury could cap issuance to manage fiscal exposure