



Industry cries foul over IPT decision

The insurance industry has called on the Chancellor to reconsider a decision to apply insurance premium tax to fees on personal lines insurance sold through intermediaries.

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The move, announced by Alistair Darling in his 2009 pre-budget report, could cost the industry up to £500m a year, according to Richard Asquith, managing director, TMF VAT & IPT.

The legislation closes a legal loophole that was highlighted when Homeserve won a case against Her Majesty's Revenue and Customs in September that found fees for administering contracts were not part of an insurance contract and, therefore, not subject to UK IPT at 5%.

The British Insurance Brokers' Association and the Institute of Insurance Brokers have objected to the scope of the new legislation, which will mean brokers' services are now also subject to IPT. Biba has scheduled a meeting with HMRC tomorrow and it plans to lobby the government.

Mr Asquith estimated the new rules, which came into effect on 9 December, will cost the industry between £200m and £500m a year, based on the unpaid IPT figure Homeserve alone would have paid had it lost its original case.

"Every company offering this type of service is looking at an extra £1m in costs," he told Post.

The new measure does not apply to fees charged under separate contracts between brokers and customers for arranging instalment payments, dealing with cancellations or making adjustments or business lines.

Ann Peel, Institute of Insurance Brokers head of technical services, called for the legislation to be redrafted: "The implementation date suggests it was intended to close the loophole where an insurer has an arrangement with a third party to decide certain services, which needed to be addressed. The fact brokers' fees on all personal lines is coming into the equation is ridiculous."

Eric Galbraith, Biba chief executive, told Post: "This is a hugely expensive matter for the consumer as well as the sector.

"It has been done to deal with tax avoidance, but its scope now brings into question other areas that need to be clarified."

HMRC responded: "IPT is accountable by the insurer who receives the premium under the taxable insurance contract. Brokers and intermediaries charging fees in connection with taxable insurance contracts, which are caught by this measure need to notify the related IPT to the appropriate insurer so that the tax can be accounted for to HMRC. The insurer and the intermediary need to agree a method by which this is achieved."