



UK News

Insurers face multi-million pound tax headache after ruling

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Insurers have been warned to look at their arrangements with partners and service companies after an Axa subsidiary was told that it could face a £1m retrospective tax bill.

It follows an insurance premium tax tribunal between Homeserve - which provides emergency home repair services and third-party assistance insurance - and Her Majesty's Revenue and Customs, which found in favour of the government body.

The HMRC argued that Homeserve must pay IPT on a £14 administration fee it charges in addition to insurance premiums, which are provided by Axa-owned Inter Partner Assistance of Belgium. Homeserve argued it should not have to add IPT to the charge because the insurance premium is a separate agreement.

The new interpretation of IPT could have a significant impact on companies that partner with service companies, commented Richard Asquith, head of VAT and IPT at TMF VAT Services.

He explained: "Companies tried to include this middle contract so it wasn't a taxable insurance but the HMRC said 'no, that arrangement is part of the contract as well'."

Mr Asquith said he already knows of at least two major global insurers that are investigating their records but warned that others must begin to do so as well if they are not aware of this possible change.

Homeserve has appealed the tribunal ruling.

Source: **Post Magazine**

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