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HMRC to close IPT "loophole" on domestic call out cover

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Story link: [HMRC to close IPT "loophole" on domestic call out cover](#)

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HM Revenue & Customs is developing new measures that could lead to higher charges for insurance contracts sold with household repair services and domestic appliances.



The move follows a High Court ruling in favour of Homeserve, the emergency home plumbing and electrics firm.

Homeserve's 3rd party insurance call out product is provided by Inter Partner Assistance, part of the AXA group.

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According to HMRC, in 2004 Homeserve restructured its arrangements so that it charged part of what would ordinarily be considered the insurance premium as an "arrangement and administration fee" under a separate contract with the insured.

HMRC concluded that this additional contract was a supply of insurance services, and was therefore liable to Insurance Premium Tax at 5%.

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In June, the High Court found that the contract was not for insurance services, a ruling that came as a relief to insurance intermediaries in general and Homeserve in particular, because it was facing liabilities of £1 million.

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However, HMRC has now stated that it is putting in place plans to prevent any further loss of tax through this type of arrangement.

No details are available as yet but preliminary discussions have reportedly been held between HMRC and the Association of British Insurers.

Richard Asquith of compliance specialist, TMF IPT Service, says HMRC's plans are not a total surprise.

However, he warns that they will impact on a huge number of companies offering insurance cover alongside their core products.

According to Mr Asquith: "There is little doubt that such additional tax charges will be passed onto consumers."