HMRC - IPT04240 - Reinsurance: Reinsurance Of Surety Bonds Or Similar Products

Following a review in 2003, HMCE (now HMRC) issued a ruling that the reinsurance of surety bonds and other guarantee type products would become liable to IPT with effect from 1 April 2004.

This revised policy was challenged at Tribunal by several UK surety bond writers (the recipients of the surety “reinsurance”) who were supported by the Association of British Insurers(ABI).

Travellers Casualty & Surety and Others [LON/04/9000]

The decision followed some very detailed and technical argument. The Tribunal noted that this was a specialised sector of the insurance market and that there was no case-law or other guidance to establish its status as reinsurance or otherwise.

The Tribunal accepted the wider insurance industry practice to view this business as reinsurance and concluded that, on balance, this was probably correct given the commercial reality and industry practice.

The Tribunal also commented that interpreting the terms of official statute (in this case IPT law) should agree with commercial usage/reality, unless there were good reasons not to do so.

HMRC decided not to appeal this decision and as a result the “reinsurance” of surety bonds is exempt from IPT.

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