HMRC - IPT04550 - The Channel Tunnel

There are two “Channel tunnel” exemptions.

The Finance Act 1994, Schedule 7A, paragraph 10(1) exempts a contract:

… if it relates only to the Channel tunnel system and is a contract of general insurance of a relevant class.

Paragraph 10(2) of Schedule 7A defines a relevant class:

… if it insures against risks arising from or in relation to

(a) fire or natural forces,

(b) damage to property, or

(c) general liability to third parties,

(and no other risks).

Paragraph 11(1) of Schedule 7A exempts a contract:

… if it relates only to relevant Channel tunnel equipment and is a contract of general insurance of a relevant class.

Paragraph 11(2) defines a relevant class:

…if it insures against risks arising from or in relation to

(a) fire or natural forces,

(b) damage to property, or

(c) general liability to third parties

Class 8 of Schedule 1 - part 1 of the RAO 2001, covers loss of or damage to property due to fire, explosion, storm and natural forces; Class 9 covers loss of or damage to property, due to hail or frost or to any event i.e. theft, and Class 13 covers third party liability.

Definition of ‘Channel tunnel system’

Paragraph 10(3) of Schedule 7A defines the “Channel tunnel system” as:

the tunnels described in section 1(7)(a) of the Channel Tunnel Act 1987;

the control towers situated in the terminal areas described in section 1(7)(b) of that Act; and

the shuttle crossovers, wherever situated.

Definition of ‘relevant Channel tunnel equipment’

Paragraph 11(4) of Schedule 7A to the Finance Act 1994 defines “relevant Channel tunnel equipment” as:

… the fixed or movable equipment needed for the operation of the Channel tunnel system or for the operation of trains through any tunnel forming part of it and in particular includes-

(a) any ventilation, cooling or electrical plant used or to be used in connection with any such operation; and

(b) any safety, signalling and control equipment which is or is to be so used.

Equipment which is not ‘relevant Channel tunnel equipment’

Paragraph 11(5) of Schedule 7A defines what equipment is not “relevant Channel tunnel equipment” as:

(a) roads, bridges, platforms, ticket offices and other facilities for the use of passengers or motor vehicles;

(b) administrative buildings and maintenance facilities; and

(c) railway track or signalling equipment which is not situated in any part of the Channel tunnel system.

Purpose of this exemption

This exemption was created so that the Channel Tunnel operator would enjoy relief from IPT that is broadly equivalent to that available to cross Channel ferry operators. The relief is specifically framed, and is limited to facilities that equate to the ferry vessels. For example, the relief does not extend to facilities such as ticket halls or to administration buildings for which there is no exemption under the commercial ships provisions.

You should note that, although the exemption for certain of the insurances purchased by the tunnel operator, includes insurance written under Class 13 of Schedule 1 part I, of the RAO 2001, we have agreed with them that the exemption does not extend to employers’ liability insurance. This aims to ensure equity between the tunnel operator and the ferry operators; since employers’ liability insurance purchased by ferry operators is not exempt from IPT.

However, employers’ liability insurance purchased by the tunnel operator, which relates to their establishment(s) in France, may be treated as exempt (since it relates to a non-UK risk).

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