HMRC - IPT04730 - Definition Of

Paragraph 16(2) to Schedule 7A of the Finance Act 1994 defines “a relevant supply of goods” as:

any supply of goods where the supply is to be made outside the United Kingdom or where the goods are to be exported from the United Kingdom.

Unusual situations

Paragraphs 13(4) (a) and (b) say that for the purposes of Paragraph 13:

export means export from the United Kingdom and cognate expressions shall be construed accordingly;

any reference to a person who is to export goods shall be taken as including a reference to a person at whose direction the insured is to export them and the reference in sub paragraph(3) above to the person exporting goods shall be construed accordingly.

This provision exempts insurance contracts, which provide cover to suppliers who do not have a contract with an overseas customer, but with a UK customer, and where the terms of the contract require the supplier of the goods to make their supply to the UK customer overseas. The following example illustrates how this would work in practice.

A UK company (A) has a turnkey contract with an overseas customer to supply a power station (a turnkey contract is a contract to supply an entire installation, ready to run).

Company A enters into a contract with another UK company (B) for B to supply turbines for the power station and to supply them in the overseas country where it is to be built.

B is therefore required to export the turbines under the terms of a contract with another UK company. Under the terms of paragraph 13(2) the insurance premium paid by B to cover credit extended for the turbines is not exempt, as it does not meet any of the descriptions there. However, paragraph 13(4)(b) provides that the expression shall be taken to include a .

Therefore, paragraph 13(2)(b) reads so that a contract with another UK company is a relevant contract if it is a contract to supply goods to a person (A) at whose direction the insured (B) is to export them. Thus, the premium paid by B is exempt from IPT.

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