HMRC - IPT04925 - Statement Of Practice

The Finance Act 1994 Schedule 6A, provides that the higher rate of IPT will apply to taxable insurance contracts relating to motor vehicles and domestic appliances where the insurance is arranged through or provided by a person connected to (for example) a motor dealer or a retailer of domestic electrical/mechanical appliances (“connected suppliers of specified goods”). However, the higher rate will only apply where the insurance relates to specified goods provided by the connected supplier.

Any question of whether a person is connected with another is determined in accordance with section 839 of the Taxes Act 1988. This section is reproduced in IPT11400.

In many cases these “connected” transactions will be regular occurrences or easily identified, and the higher rate should be applied accordingly.

However, there will be some instances where the “connected” transactions are indistinguishable from other transactions. In such cases, HMRC will accept that where the connection is coincidental and the insurance is not provided as part of a systematic scheme to sell insurance to customers of a connected supplier of specified goods, the premium will not be subject to the higher rate.

Therefore, where there are genuine difficulties in identifying connected sales, the higher rate of IPT will only apply where there is a deliberate or systematic attempt:

by a supplier of specified goods to sell insurance to purchasers of those goods using a connected insurer or insurance agent; or

by an insurer or insurance agent to sell insurance to customers of a connected supplier of specified goods to cover specified goods provided by that supplier.

Where there are genuine difficulties in identifying connected sales we would not expect insurers or insurance agents connected to a supplier of specified goods to ask each and every customer where they made their purchase of these goods, or if and where they intend to make such a purchase.

The connected persons provisions will not generally require the apportionment of premiums between that part of a premium which is deemed to relate to goods supplied by a “connected” supplier of specified goods and that part which is deemed not to. This is because a premium will usually be treated in its entirety as “connected” (if it is sold as part of a systematic scheme to sell insurance to customers of the “connected” supplier of the specified goods or if its connection is easily identifiable) or it will be treated in its entirety as completely unconnected.

Previous page

Next page