HMRC - IPT05165 - Legal Background

Section 72 of the Finance Act 1994 (as amended by section 28(1) of the Finance Act 1997) defines the meaning of premium for the purposes of IPT. Sub-section (1A) states that any amount charged to an insured person by anybody in connection with a non-higher rate taxable insurance contract falls within the interpretation of premium and is taxed unless it is charged under a separate contract and is notified to the insured person in writing as an amount so charged. HMRC’s interpretation was that the separate contract must be in relation to something other than the services provided for under the taxable insurance contract; e.g.

a charge for credit under the Consumer Credit Act; or

a charge made by the intermediary to the insured person for its services of arranging the insurance on that person’s behalf.

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