HMRC - IPT07915 - Purpose And Outline Of This Section

The scheme is not compulsory, but those insurers who wish to claim such a refund must abide by the terms of the scheme and reimburse customers in a set manner. By agreeing to reimburse their customers, they are accepting that they would be unjustly enriched if they were to keep any money rather than passing it on to the person who ultimately paid the tax.

Refunds to the customer must be made either in cash or by cheque, Regulation 19C(c).

For the purposes of the regulations, customers are referred to as consumers. The regulations apply to all persons in the chain of supply, including brokers, agents or other intermediaries. For example, an insurer may incorrectly charge the higher rate of IPT through a broker to an electrical retailer selling insurance with mobile phones. The scheme applies to all stages of the supply, which means that the insurer would make an application to refund the policy purchaser, rather than passing the repaid IPT on to the broker and, potentially, unjustly enriching them. Often they will have to identify these consumers by contacting the broker or agent, but it is their responsibility to ensure that those who bore the cost of the tax receive the benefits of the refund.

Possible revenue risks

There is a potential risk to the revenue where refund claims are not passed all the way through the chain. It is the insurer’s responsibility, when making the claim, to undertake to refund the policy purchaser, and their records should clearly identify those customers to whom reimbursement has been - or is to be - made.

Regulation 19E details the records to be kept by the insurer - including the names and addresses of the reimbursed consumers, the amounts of the reimbursement and interest calculated. We would expect this to be sufficient if the reimbursement has passed directly between the insurer and the policy purchaser; and, unless there is reason to suspect fraud, there would be no reason to contact the policy purchaser. However, where the money is passed through a chain of intermediaries, you may send references, where appropriate, taking the size of the risk to the revenue into account, to ensure that no intermediary in the chain has been unjustly enriched. Particular attention should be given to those cases where it is claimed the customer was refunded by means of a credit note.

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