HMRC - IPT08150 - The Purpose Of IPT Assurance

IPT assurance work has several purposes.

Visits and other assurance work have a deterrent effect. By considering all insurers on a continuing basis we maintain the public and trade acceptability of the tax. The information gathered during the assurance programme allows us to target our IPT assurance resources on those areas of greatest risk, and informs the general allocation of resources within HMRC.

It enables us to satisfy ourselves that the right tax is being paid at the right time. We have an opportunity to correct under or over paid tax in the past and to correct errors, which might otherwise affect the tax yield in the future. Assurance work allows us to stay in touch generally with the industry and developments within it.

It provides an opportunity for the insurer to raise questions about IPT liability, accounting etc. In practice insurers will also want to raise VAT issues.

It is important to know that insurers have systems capable of dealing with changes in the scope or rate of tax, so that if the scope or rate were to change the insurer would be able to account for the new rate of tax.

Definition

The aim of our assurance work is to verify that the accounting systems adopted by insurers will deliver the correct result in terms of declaring and paying the right tax at the right time.

‘Right tax at the right time’ is a familiar but nonetheless useful formula for summarising what we expect from insurers. In IPT this means that an insurer will account, completely, for the right amount of tax and will comply with our expectations for bringing tax to account.

Other assurance issues

While confirming that an insurer is accounting for the correct amount of IPT, remember that the information obtained may also assist in the confirmation of figures declared for VAT. This is especially so for output figures used in partial exemption calculations. More information on this is at IPT08450.

Trade facilitation

IPT was designed to be accounted for with the least possible administrative burden to insurers but with an overriding requirement for the tax to be correctly declared. To that end there are flexible operational features of accounting for the tax. Officers should ensure that insurers are aware of the accounting options available to them.

The phrase ‘right tax at the right time’ applies to insurers and the Department. Officers who discover overpayments of IPT should draw the relevant transactions to the attention of the insurer and explain the nature and possible scope of the problem.

Insurers can organise their business in many ways. Some structures might be more advantageous than others when it comes to IPT. You may visit insurers who have organised their operations in such a way as to increase their liability to IPT compared to what it might have been if other arrangements had been put in place. This does not constitute an overpayment and is the responsibility of insurers. For example, there may be situations where insurers have not applied the de minimis ESC when they could. This may be the result of a positive commercial decision because efficiency savings outweigh the burden on insurers or their customers. In such cases it is important to record that the insurer is aware of what he is doing and why. It is also important to remember that insurers have the primary responsibility for accounting for the correct tax. You should not attempt to take the place of those who are employed by insurers to attend to their interests, and you should not give advice on tax mitigation or tax planning.

Shortcomings in accounting for IPT

Where an audit reveals an error which could result in a failure to account for the right tax at the right time, you should initially discuss your findings with the appropriate member of the insurer’s staff. Insurers may have sound reasons for their procedures and may be reluctant to change them. However, insurers should share any reasonable concerns and constructively address any problems. You may need to raise an assessment if appropriate - see IPT09100.

Submission of IPT return forms

This is done on-line by the insurer using the IPT100 (https://www.gov.uk/government/publications/insurance-premium-tax-send-your-online-return-ipt100). Any issues about using this method should be addressed to BTOps.

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