HMRC - IPT10525 - Procedure Tables: Misunderstanding

A ‘misunderstanding’ exists only where IPT was undercharged because of a genuine misunderstanding on the part of the insurer.

The amount of IPT involved may be remitted within the local discretionary limits, provided the following conditions are fulfilled.

There is no reason to believe that tax has been knowingly evaded.

There is no evidence of negligence.

The insurer’s misunderstanding does not concern an aspect of the tax clearly covered by the Department’s guidance, or in specific instructions to the insurer concerned. This applies whether or not the insurer actually received a copy of the relevant guidance.

The tax due was not charged, could not reasonably be expected to be charged, and will not be charged to the insured(s). This condition should not be pursued if it is evident that it would put the insurer to undue trouble, or if the insurer expresses a preference for accounting for some or all of the tax undercharged.

LIPTOs should be reasonably satisfied that the price charged to the customer did not reflect the IPT properly due.

LIPTOs should also confirm that the insurer did not intend to absorb all or part of the tax by offering the insurance at that price.

Insurers may discover they have declared IPT on exempt contracts of insurance through misunderstanding and claim compensation in the form of interest. Advise them that there is no provision in law for the payment of interest in these situations.

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