

IMPORTANT NOTICE

INSURANCE PREMIUM TAX RATE CHANGE

You will probably be aware that the rate of Insurance Premium Tax (IPT) sees a substantial increase from 1st November 2015 from 6% to 9.50%. This notice sets out how this change will impact on your insurance policies and action you need to take in dealing with your customers.

Insurance Renewals

Any insurance policy which is placed or renewed on or after 1st November 2015 will attract the increased rate. This will impact on all your commercial insurances and is an unavoidable tax. Any additional premiums processed on policies renewed prior to 1st November will also normally attract the new rate although there are some dispensations for a transitional 6% rate until March 2015.

Charging Your Customer

If you work on a Standard Liability basis you do not make any insurance charge to your customer so the IPT change does not have any impact. If you do make any charge for enhanced liability such as Standard Liability it will remain subject to VAT.

Where you offer insurance to your customer and make a charge that charge is subject to IPT, whether the tax is shown separately or not, so you need to allow for the increased rate. HMRC have confirmed that they see any move or period of storage commencing on or after 1st November as being subject to the new rate. This is irrespective of the renewal date of your own policy.

Where you invoice for a longer period, for example quarterly in advance, the premium attaching applies for the whole period so as long as it commences prior to 1st November the 6% rate applies.

Where marine insurance is arranged our internet system will automatically apply the 9.5% rate in respect of any cover arranged on or after 1st November. Therefore, it is in your interest to arrange cover prior to 1st November for upcoming moves even if they are to commence packing after that date.

Who Collects the Tax?

HMRC will only collect the tax from your insurers but they have a right of audit to verify your declarations and there is a chance that they may do so when completing VAT checks. Given that the tax rate has increased it is clear that HMRC are going to be even more vigilant in collecting it. As a result insurers are keen to ensure that the correct tax levels are collected on deregulated insurance products. This means that you need to tell us about the IPT you have collected within the insurance charges you make to your customers.

Making Your Declarations to Basil Fry & Co.

We will normally ask you for your IPT declaration at renewal of your policy for the tax that you have collected for the previous year. This will continue to happen but given the increase in rate there is a need to make extra declarations to avoid paying the higher rate. The reason for this is that HMRC have applied a timescale to insurers submitting tax returns at the 6% rate.

As a result we will need your declaration of tax collected at the 6% rate prior to 31st January 2016. Even if you declare your tax for income prior to 1st November after that date the 9.5% rate will have to be applied so prompt declarations are important to avoid you incurring additional costs.

We are not in a position to issue reminders on all policies so please treat this Important Notice as your reminder to make your declaration up to 1st November 2015 preferably by the end of 2015 and in all cases by 31st January 2016.

Note: We contacted HMRC directly to verify the IPT treatment of tax collected on deregulated insurance products both for Removal and Self Storage companies. As a result we are sure that this information is accurate but if you wish to verify any aspect please call your normal Basil Fry & Co. Contact.

Issued by Basil Fry & Co. Ltd. September 2015.