



HM Revenue
& Customs



HM Treasury

IPT: Post transition period amendment to Insurance Premium Tax (IPT) liability notices power

Who is likely to be affected

This will affect all purchasers of insurance liable to UK Insurance Premium Tax (IPT), but only where their insurer is not complying with the legal requirement to register and pay IPT on taxable insurance contracts on risks in the UK.

General description of the measure

HM Revenue and Customs (HMRC) can issue Liability Notices to insured persons where an insurer fails to pay IPT due. These notices inform the insured that their insurer is not complying with its IPT obligations and warns them that they will be liable to pay the IPT themselves in future periods, if they continue to use the non-compliant insurer.

This measure ensures that HMRC retains the ability to issue Liability Notices in relation to unpaid IPT, following the end of the transition period.

Currently, Liability Notices may only be issued where the relevant insurer is located in a country:

- outside of the EU
- and with which the UK does not have a mutual assistance arrangement

The law was modified to its current form by the Finance Act 2008 (FA 2008), to reflect the fact that Liability Notices are unnecessary where an insurer is located in a state with which the UK has mutual assistance arrangements. While the UK was a member of the EU and during the transition period, HMRC has been able to rely on the mutual assistance agreements in place between EU states.

Following the end of the transition period, the EU mutual assistance arrangements will no longer apply. This measure ensures that HMRC retains the ability to issue liability notices where an insurer is within an EU member state but where the UK does not have a mutual assistance agreement.

Consequently, this measure removes the requirement for the insurer to be located in a country outside of the EU in order for HMRC to issue a Liability Notice, preserving the original purpose of the legislation.

Policy objective

This measure is intended to ensure that HMRC retains the ability to issue Liability Notices in response to unpaid IPT, following the end of the transition period.

Background to the measure

This measure intends to ensure that HMRC retains the use of an existing compliance power and consequently requires no consultation.

Detailed proposal

Operative date

This measure will take effect on 1 January 2021.

Current law

The current law is included in subsections (1A) and (1B) of section 65 of the Finance Act 1994.

Proposed revisions

This measure replaces subsections (1A) and (1B) of section 65 of the Finance Act 1994.

The revision specifies that Liability Notices may only be issued where the insurer is located in a country with which the UK does not have an agreement through which tax debts can be recovered or relevant information exchanged.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
nil	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

This measure is not expected to have a direct impact on individuals who purchase insurance as this measure ensures that HMRC retains the ability to issue Liability Notices in relation to unpaid IPT, following the end of the transition period. There is not expected to be any impact on family formation, stability or breakdown.

Equalities impacts

This measure retains an existing power for HMRC and is not expected to have an equalities impact.

Impact on business including civil society organisations

This measure is not expected to have a direct impact on insurance companies or other businesses, as this measure ensures that HMRC retains the ability to issue Liability Notices in relation to unpaid IPT, following the end of the transition period. There is no change to how insurance companies currently operate. There is not expected to be any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure retains an existing power for HMRC and is not expected to have an operational impact on HMRC.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through compliance management procedures.

Further advice

If you have any questions about this change, please contact Russell Langford-Smith, Deductions and Financial Services, on Telephone: 03000 566499 or Email: russell.langford-smith@hmrc.gov.uk

Declaration

The Right Honourable Jesse Norman MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.