

New rules may simplify IPT compliance for insurers writing risks in the UK

The UK's recently passed Finance Bill 2008 has introduced changes to the requirements for fiscal representation, which may benefit many overseas insurers writing business in the UK.

New Fiscal Representative Regulations

Insurance companies based outside of the UK but which write insurance business in the UK are no longer legally required to appoint a UK resident fiscal representative to settle of Insurance Premium Taxes ("IPT"). Instead, the appointment of a fiscal representative has become optional.

Additionally, changes in legislation now restrict the ability of HM Revenue & Customs ('HMRC') to seek recovery of IPT from a policyholder to instances where its insurer is located outside of the European Union ("EU") and is not subject to the Mutual Assistance Directive or similar provisions.

Consequences for Overseas Insurers

As a result of these changes, overseas insurers are now able to settle all IPT matters directly with HMRC. This option is available both to newly registered insurers and those already registered and currently using a tax representative.

In the case of new registrations, insurers need to inform HMRC of their planned IPT arrangements using the IPT1 registration form. Previously registered companies that now wish to deal directly must simply confirm this by writing to HM Revenue & Customs, Central Collection Unit (IPT), 21 Victoria Avenue, Southend on Sea X, SS99 1AS, stating the date from which they will handle their own IPT affairs.

Insurers preferring to continue with a fiscal representative also benefit from additional flexibility under the new rules. While HMRC has a preference for tax representatives to be based in the UK, it will now allow non-UK based insurers to appoint an agent based anywhere in the EU.

However, whether or not they use a representative, overseas insurers writing business in the UK must still register for IPT with HMRC.

A final change is that representatives are no longer held to be jointly and severally liable for any IPT due by an insurer. However, HMRC has said that, in the future, agents may become liable to civil penalties in respect of certain errors on returns or other documents.

Consequences for Local Policyholders

HMRC will no longer be able to pursue UK policyholders for IPT that is due from their EU-resident insurers. Instead, HMRC will have to seek IPT from the EU insurer itself, either directly or using the Mutual Assistance Directive.

UK policyholders who purchase insurance from non-EU resident insurers will still remain potentially liable to HMRC for IPT that is due.

Potential Compliance Benefits

The removal of the need for a local fiscal representative may result in cost savings for overseas insurers. However, this potential benefit must be weighed against the additional costs of bringing IPT reporting and compliance procedures in-house.

In particular, HMRC specifically states that insurers will need to ensure there are suitable arrangements in place for the relevant business records to be made available in the UK should HMRC wish to see them. Should an insurer not already have an appropriate capability or resource, the investment required to establish this may prove greater than the cost of continuing with existing filing arrangements.

How FiscalReps Can Help

Whether you choose to deal with HMRC directly or through a representative, FiscalReps can provide a compliance solution to meet your needs.



We can act as your fiscal representative, preparing and submitting IPT returns on your behalf and ensuring that your compliance obligations are met in full. Alternatively, should you choose to take the process in-house, FiscalReps can assist in setting up suitable procedures to ensure your continued IPT compliance.

Whatever your preference, we are here to make IPT compliance simple, assured and cost effective.

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