

PRESS RELEASE

FISCALREPS FORUM HEARS CALL FOR INSURANCE PREMIUM TAX “SELF-REGULATION”

London, England, November 17, 2009 – The insurance industry needs to consider self-regulation in the field of [insurance premium tax \(IPT\)](#), or risk draconian legislation and public disapproval.

That’s the personal opinion of Nick Warner, director of VAT with accountants and business advisers PKF (UK) LLP, speaking at [FiscalReps’](#) fourth annual IPT Forum in London.

Warner believes HM Revenue & Customs (HMRC) is determined to strike hard against perceived IPT avoidance. He says the insurance industry should therefore take a unified, voluntary stand to cooperate with HMRC and ensure the proper and correct payment of IPT.

Warner explains: “We only need to look at the reaction to the Homeserve case, which was not as artificial as HMRC contended, to see their level of conviction on this subject.” Homeserve arranged home insurance contracts to provide cover for matters such as plumbing and drainage emergencies. However, for each customer, an insurance contract, on which IPT was paid, was issued alongside a separate contract for administration, on which IPT was not paid. HMRC considered this arrangement to be an artificial avoidance tactic and sought IPT payments for both contracts. Initially, the tribunal backed HMRC, but Homeserve’s appeal was successful.

Warner continues: “HMRC then simply declared an intention to change the law. That’s a clear statement that what HMRC perceives as IPT avoidance will not be tolerated and that loopholes will be closed. There will always be collateral damage because legislation usually caters for the worst-case scenario.”

Warner continues: “Particularly in the present climate, with such negative public sentiment toward financial services, the insurance industry needs to take a long-term view. If industries are felt to be taking advantage of loopholes, they are encouraging government and legislators to act against them. The risk is that resulting laws can be unduly heavy-handed and more harmful to business prospects than intended. Often, it is far better to voluntarily adopt a code of conduct that reconciles the industry’s wider interests with those of both the Exchequer and public opinion on the matter in question.

“In my view, the insurance industry may now be at this point with IPT. HMRC is clearly determined to eliminate what it sees as IPT avoidance and will set out to recover IPT payments wherever possible. Many companies already have an established corporate social responsibility policy in respect of what they consider to be the line between acceptable tax planning and artificial avoidance, and there is almost certainly a general convergence as to where such a line should be drawn. Perhaps it is time to restate this position as an industry?”

“I’m delighted that FiscalReps allowed me the opportunity to speak at this forum. IPT compliance is a serious matter, particularly for a company’s senior accounting officer. The insurance industry could take the lead with self-regulation and demonstrate that its house is in order.”