

RWA comment on pre budget statement re IPT

You will by now have heard of the Chancellor's piece of legislation which appears to levy IPT on fees charged by intermediaries in connection with consumer (personal lines) contracts. It is difficult to make sensible comment as further clarification is needed. It appears that the legislation has been badly drafted as it was (apparently) intended to close a loophole to stop firms like Homeserve avoiding IPT by raising a separate invoice alongside an insurance charge. You may be familiar with the Homeserve case but if not, you can read about it via this link.

<http://www.out-law.com/page-9371>

However, it appears that all new/renewal transactions involving consumers (not commercial) and apparently excluding MTA's will be affected. Situations where a broker charges a notional fee (where there is no premium as such), for instance a fee for third party legal recovery will also, we understand, be caught.

Before we can be absolutely certain, we need clarification and BIBA are in discussion with HMRC. As it stands, the change is effective from 9th December and that in itself begs some fairly obvious questions. The only interim suggestion it is possible to make is that anyone who is charging a fee under any of the scenarios above should make provision for potential payment of IPT on these amounts.

The BIBA website suggests insurers will be responsible for collecting the IPT but how this will work in practice we are not sure, as it will be brokers' (sometimes discretionary or negotiable) charges that are being levied.

This in turn raises software questions and the more you look at it, the more questions it begs. Unfortunately, we are no better placed to make comment, but as soon as we know more, we will issue a further statement.

The BIBA website invites comment which they can pass on to HMRC so feel free to address your concerns in that direction.

Please also feel free to speak to your usual RWA contact but please bear in mind that until we know more, it will be difficult to express an opinion on many scenarios.

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