

Insurance Premium Tax

The standard rate of IPT is to be increased from 5% to 6%, and the higher rate from 17.5% to 20%, with effect from 4 January 2011.

Anti-forestalling provisions already exist in s 67A-C of Finance Act 1994, which deal with premiums received after the date of announcement of the increase in rate where that premium relates to a period of cover commencing after the date of the change in rate.

The legislation providing for the increase in rates will be included in the Finance Bill 2010 although draft legislation is already published on HMRC's website and is available from this [link](#).

Further details are available in [BN 19: Insurance Premium Tax: Increase in the standard rate and higher rate](#).

Comment

The higher rate was introduced as an anti-avoidance measure to prevent value shifting away from VATable goods and services. Therefore it is to be expected that the higher rate should be increased in line with the VAT rate.

The 1% rise in the basic rate is less than many predicted but is nonetheless a significant rise, expected to raise almost £500m annually.

Between now and 4 January 2011, insurers and their intermediaries will need to effect the systems and pricing changes that are required to deal with the rate rise.

As a general compliance point, all businesses should ensure that they do not inadvertently recover IPT through confusing it as VAT.

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