Order made by the Treasury, laid before the House of Commons under section 74(4) of the Finance Act 1994, for approval by resolution of that House within twenty-eight days beginning with the day on which the Order was made, subject to extension for periods of dissolution, prorogation or adjournment for more than four days.

STATUTORY INSTRUMENTS

2011 No. 661

INSURANCE PREMIUM TAX

The Insurance Premium Tax (Discounted Insurance Premiums: Higher Rate) Order 2011

Made - - - -	*7th March 2011*
Laid before the House of Commons - - - -	*8th March 2011*
Coming into force - -	*1st April 2011*

The Treasury make the following Order in exercise of the powers conferred by section 51A(3) of the Finance Act 1994(**1**):

Citation, commencement and effect

1.—(1) This Order may be cited as the Insurance Premium Tax (Discounted Insurance Premiums: Higher Rate) Order 2011 and shall come into force on 1st April 2011.

(2) This Order has effect in relation to a premium which falls to be regarded, for the purposes of Part 3 of the Finance Act 1994, as received under a taxable insurance contract by an insurer on or after 1st April 2011.

Amendment of Schedule 6A to the Finance Act 1994

2. Schedule 6A (premiums liable to tax at the higher rate) to the Finance Act 1994(**2**) is amended in accordance with this Order.

Amendment of paragraphs 2 and 3

3. In paragraphs 2(1) and 3(1), for "A premium" substitute "Subject to paragraph 5, a premium".

(1) 1994 c. 9. Section 51A was inserted, in relation to a premium which falls to be regarded for the purposes of Part 3 of the Finance Act 1994 as received under a taxable insurance contract by an insurer on or after 1st April 1997, by sections 22(1) and 24(1) of the Finance Act 1997 (c. 16).

(2) Schedule 6A was inserted by section 22(3) of, and Schedule 4 to, the Finance Act 1997 and was amended by section 146(2) of the Finance Act 1998 (c.36), paragraph 284 of Schedule 1 to the Corporation Tax Act 2010 (c.4) and S.I. 2009/219.

Insertion of paragraph 5

4. After paragraph 4 insert—

"**Insurance relating to motor cars, motor cycles, domestic appliances, etc provided at a discount**

5. This paragraph applies where (apart from this paragraph) a premium would fall within paragraph 2 or 3 but the insurance is provided to the insured at less than its full cost.

(2) For the purposes of this paragraph the cases where the insurance is provided to the insured at less than its full cost are those cases where the amount charged in respect of the taxable insurance contract by any person falling within sub-paragraph (2) of paragraph 2 or 3 to any person who is or becomes the insured under the contract is less than the premium.

(3) Only so much of the premium as does not exceed the amount charged falls within paragraph 2 or 3.".

Jeremy Wright
Brooks Newmark
Two of the Lords Commissioners of Her Majesty's Treasury

7th March 2011

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends paragraphs 2 and 3 of, and inserts a new paragraph 5 into, Schedule 6A to the Finance Act 1994. Schedule 6A specifies the insurance premiums which are liable to insurance premium tax at the higher rate (20% of the taxable premium) rather than the standard rate (6% of the taxable premium).

Insurance premium tax is payable at the higher rate on insurance premiums relating to motor cars, motorcycles and domestic appliances. The new paragraph 5 ensures that, where the insurance is provided to the insured for less than it actually costs to provide it, only the amount of the premium that does not exceed the amount charged by the person mentioned in either paragraph 2(2) or 3(2) is charged at the higher rate of IPT. The rest of the premium is charged at the standard rate of IPT.

This Order replicates the effect of ESC 4.5 (IPT: Arrangements for discounted insurance) of Notice 48 "Extra Statutory Concessions" published by Her Majesty's Customs and Excise in March 2002 which is available at: http://www.hmrc.gov.uk/thelibrary/esc.htm.

A full Impact Assessment has not been produced for this instrument as no impact on the private or voluntary sectors is foreseen.