

INCREASE IN INSURANCE PREMIUM TAX AND VALUE ADDED TAX

As part of the Government's emergency budget back in June 2010 came the announcement that an increase in rates for both Insurance Premium Tax (IPT) and Value Added Tax (VAT) would come into effect from 4 January, 2011.

This bulletin is designed to highlight the implications for clients and prospects operating in the U.K. market.

The changes in rate, which apply to all new business, renewals and additional premiums, are:

- The standard rate of IPT increases from 5% to 6%.
- The higher rate of IPT increases from 17.5% to 20%.
- The standard VAT rate increases from 17.5% to 20%.

The higher rate of IPT relates to travel insurance and insurance sold with certain goods e.g. some vehicles and domestic appliances. For property owners, the standard rate of IPT will apply in the majority of cases.

WHAT DOES THIS MEAN FOR YOU?

From 4 January, 2011, you can expect this headline rate to increase by 1% on all renewal, additional and new business premiums. As a property owner this is of significant relevance if you make regular acquisitions or increases to your portfolio, as the new rate will apply to all additional premiums from 4 January, regardless of the renewal date of your policy.

Brendan McManus Chief Executive, Willis U.K. and Ireland commented

"We take some comfort in the fact that the government listened to the industry by keeping the increase small relative to market expectations. To put this into perspective, this is the first rate increase in IPT for more than a decade and the U.K. still has one of the lowest rates in Europe. Something we continue to fight for on behalf of our clients."



If you have any queries on this issue, please do not hesitate to contact your usual Account Director or any member of your Willis Service Team.

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