

To: All Broker Contacts  
All Company Contacts  
Lloyd's Managing Agents  
Software Providers

Date: 26 January 2016  
Reference: 2016/011  
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market communication

**RE: UK INSURANCE PREMIUM TAX RATE CHANGE – XCHANGING PROCESSING  
ARRANGEMENTS FOR ITEMS PROCESSED ON OR AFTER 1 MARCH 2016**

In the July 2015 UK budget the rate of standard UK Insurance Premium Tax (UKIPT) increased from 6% to 9.5% with effect from 1 November 2015. The transition arrangements allowed by HMRC run until 1 March 2016 at which time all premiums subject to the standard rate of UK IPT must be accounted for by insurers at a rate of 9.5%.

The tax accounting point is the date at which tax should be reported to HMRC on the IPT return. For those underwriters who use the SPECIAL ACCOUNTING SCHEME (SAS) the agreed tax accounting point is the signing date issued by Xchanging.

It is strongly recommended that underwriters and brokers ensure that 6% business, particularly bordereaux business is presented for processing by Xchanging in a timely manner, to avoid the premium being subjected to the new 9.5% rate of tax.

**Open market (non-binder business)**

Xchanging have been advised that all transactions submitted where the slip documentation shows the old rate of 6% (which will receive a signing date on or after 1 March 2016) will require the explicit agreement of the party taking the responsibility for funding the shortfall in tax. Where the carrier is suffering the cost the agreement must clearly state they will be responsible for the additional 3.5% UK IPT.

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This does not apply to a return of premium where the rate of tax paid on the premium it relates to was the old rate or to certain corrections of pre 1 November 2015 inceptions/amendments as these should be signed at the old rate.

In instances where the broker has chosen to take financial responsibility themselves Xchanging will accept the LPAN showing the new rate as authority.

Brokers are advised that transactions presented to Xchanging on or after 22 February 2016 may not be allocated a February signing number and date and, if the old rate of tax has been used, will be queried to obtain confirmation of responsibility for the shortfall in tax.

### **Binder Business**

To allow cover-holders time to submit Bordeaux business, where the rate of tax which applies is 6%, Underwriters have agreed to extend the concessionary period for a further 3 months to 31 May 2016. Brokers are advised that transactions presented to Xchanging on or after 23 May 2016 may not be allocated a May signing number and date and, if the old rate of tax has been used, will require the explicit agreement of the party taking the responsibility for funding the shortfall in tax. Where the carrier is suffering the cost the agreement must clearly state they will be responsible for the additional 3.5% UK IPT.

### **All Business**

Brokers are reminded that LPANs must only reflect a single rate of tax. Consequently bulked entries, in instances where both premium and return premium is included, will require 2 LPANs, where the returns should be at the old rate and the premium is at the new rate.

Should you have any questions for Xchanging premium submissions regarding this communication please contact the Xchanging Service Desk, details as above.

ANTHONY CROYDON  
HEAD OF SERVICE  
XCHANGING INSURANCE SECTOR