



Finance Act 1997

1997 CHAPTER 16

PART II

INSURANCE PREMIUM TAX

Taxable intermediaries and their fees

25 Certain fees to be treated as premiums under higher rate contracts.

(1) After section 52 of the Finance Act 1994 there shall be inserted—

“52A Certain fees to be treated as premiums under higher rate contracts.

- (1) This section applies where—
- (a) at or about the time when a higher rate contract is effected, and
 - (b) in connection with that contract,
- a fee in respect of an insurance-related service is charged by a taxable intermediary to a person who is or becomes the insured (or one of the insured) under the contract or to a person who acts for or on behalf of such a person.
- (2) Where this section applies—
- (a) a payment in respect of the fee shall be treated for the purposes of this Part as a premium received under a taxable insurance contract by an insurer, and
 - (b) that premium—
 - (i) shall be treated for the purposes of this Part as so received at the time when the payment is made, and
 - (ii) shall be chargeable to tax at the higher rate.
- (3) Tax charged by virtue of subsection (2) above shall be payable by the taxable intermediary as if he were the insurer under the contract mentioned in paragraph (a) of that subsection.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1997, Section 25. (See end of Document for details)

- (4) For the purposes of this section, a contract of insurance is a “higher rate contract” if—
- (a) it is a taxable insurance contract; and
 - (b) the whole or any part of a premium received under the contract by the insurer is (apart from this section) liable to tax at the higher rate.
- (5) For the purposes of this Part a “taxable intermediary” is a person falling within subsection (6) below who—
- (a) at or about the time when a higher rate contract is effected, and
 - (b) in connection with that contract,
- charges a fee in respect of an insurance-related service to a person who is or becomes the insured (or one of the insured) under the contract or to a person who acts for or on behalf of such a person.
- (6) A person falls within this subsection if—
- (a) he is a supplier of goods or services falling within subsection (7) below; or
 - (b) he is connected with a supplier of goods or services falling within that subsection; or
 - (c) he is a person who pays—
 - (i) the whole or any part of the premium received under that contract, or
 - (ii) a fee connected with the arranging of that contract,
 to a supplier of goods or services falling within subsection (7) below or to a person who is connected with a supplier of goods or services falling within that subsection.
- (7) A person is a supplier of goods or services falling within this subsection if—
- (a) he is a supplier of motor cars or motor cycles, within the meaning of paragraph 2 of Schedule 6A to this Act;
 - (b) he is a supplier of relevant goods, within the meaning of paragraph 3 of that Schedule; or
 - (c) he is a tour operator or travel agent.
- (8) For the purposes of this section, any question whether a person is connected with another shall be determined in accordance with section 839 of the Taxes Act 1988.
- (9) In this section—
- “insurance-related service” means any service which is related to, or connected with, insurance;
- “tour operator” and “travel agent” have the same meaning as in paragraph 4 of Schedule 6A to this Act.”
- (2) The amendment made by subsection (1) above has effect in relation to payments in respect of fees charged on or after the day on which this Act is passed.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 1997, Section 25.