



Important Information

IPT Rate Change

As we are sure you are aware, the 2016 Autumn Statement announced the standard rate of IPT will rise from 10% to 12% effective 1st June 2017.

As one of our Customers, it is very important to us that you understand the changes.

View our 'IPT Rate Change' document below which sets out our approach, and clearly states your role and responsibilities in ensuring all your customers with policies placed with NIG are properly informed about the change and its implications.

Should you have any queries relating to this change, please contact Sonya Bryson or Andrew Brock @ FarmWeb.

NIG policies are underwritten by U K Insurance Limited, Registered office: The Wharf, Neville Street, Leeds LS1 4AZ. Registered in England and Wales No 1179980. U K Insurance Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Calls may be recorded.

IPT Rate Change

1.0 HMRC Rules

For previous rate rises, when to apply the new rate depended mainly on what tax point method the insurer chose to operate - the cash receipt method or the special accounting scheme (SAS).

For this rate rise, the most important consideration is when the cover for the risk(s) contained in the insurance policy begins and whether it begins before or after the date of the change in rate (i.e. 1 June 2017). It is also necessary to consider whether the premium in respect of that cover is treated as received (i.e. has a tax point under either the SAS or cash method) on or after 1 June 2017. Unless the anti-forestalling rules apply, premiums with tax points falling before that date will be taxed at the existing rate regardless of when the cover under the policy commences.

Policies incepting prior to 1 June will be charged at the existing rate. These charges apply regardless of when payment is made.

In addition, any mid term adjustment (MTA) will continue to be calculated at the existing rate, for cases incepting prior to 1 June 2017.

There is no change to the higher rate of IPT.

2.0 IPT Calculation

In line with HMRC guidance, NIG will be applying the standard rate of IPT as follows:

Policy period begins prior to 1 June 2017

- New Business incepting prior to 1 June 2017 at 10%.
- Renewals effective prior to 1 June 2017 at 10%.
- MTAs generating additional premium at any point on a policy effective prior to 1 June 2017 at 10%.
- MTAs or Cancellations generating a return premium at any point on a policy effective prior to 1 October 2016 at 9.5% - regardless of whether there have already been MTAs attracting additional premium at 10% IPT.
- MTAs or Cancellations generating a return premium at any point on a policy effective prior to 1 June 2017 but on or after the 1 October 2016 at 10%.

Policy period begins on or after 1 June 2017

- New Business incepting on or after 1 June 2017 at 12%.
- Renewals effective on or after 1 June 2017 at 12%
- MTAs generating additional premium at any point on a policy effective on or after 1 June 2017 at 12%
- MTAs or Cancellations generating a return premium at any point on a policy effective on or after 1 June 2017 at 12%

3.0 Customer Communication – Your Responsibilities

As you can see from the above, there is no transitional period this year. We have again highlighted the return premium policy for those risks that renewed or incepted prior to 1 October 2016.

Any requests that result in a policy having to be reissued will result in the new policy attracting a 12% level of tax (if occurring on or after the 1 June 2017).

3.0 Customer Communication – Your Responsibilities

At quotation stage, it is important that you supply us with an accurate inception date wherever possible. The IPT within our quotations could be subject to change if the inception date used to calculate the IPT rate changes, and you must ensure the Customer is aware as appropriate.

4.0 Customer Documentation

All letters and schedules NIG is responsible for supplying, either direct or via Software houses, will be updated with the correct IPT rate.

If you are responsible for producing and supplying customer documentation, you must ensure that they reflect the correct IPT charges.

5.0 Software House Transactions

If you transact business using a major Software house, the associated calculations and documentation will be amended to calculate and display the correct IPT. This includes:

Acturis	CDL
Data Matters	Insure Com
Open GI	SSP
TGSL	NIG Network
CETA	BGL

6.0 Delegated Premium Calculation

If you are responsible for calculating policy premiums on behalf of NIG, it is important that you make us aware as soon as possible if you believe you will be unable to comply with any element of the rate change. You should be able to:

- Calculate which rate of IPT is applicable to a new policy based on the inception date, and reflect the correct IPT amount in any quotation offered.
- Calculate which rate of IPT is applicable to a renewal based on the renewal date, and reflect the correct IPT amount in any renewal notice supplied.
- Apply the increased rate of IPT to any Mid Term Adjustment effective on or after 1 June 2017 which results in an additional section being made operative.
- Apply the correct rate of IPT to any Return Premium, as originally applied to the Policy. Where multiple IPT rates have been applied to a policy, any refund following a reduction in cover or a cancellation will attract the IPT rate applied at the beginning of the period of insurance.

7.0 Bordereau Submissions

If you are responsible for providing NIG with a bordereau of transactions in a spreadsheet, this bordereau must clearly identify the rate of IPT in GBP and also as a percentage applied to each transaction.

You should also note that NIG reserves the right to audit your submissions to ensure they are compliant with HMRC's requirements.