



Finance Act 2003

2003 CHAPTER 14

PART 8

OTHER TAXES

Insurance premium tax

194 Higher rate of tax: divided companies

- (1) In Schedule 6A to the Finance Act 1994 (c. 9) (insurance premium tax: premiums liable to tax at higher rate), insert after paragraph 3—

“Insurance provided by divided company

- 3A (1) A premium under a taxable insurance contract relating to a motor car or motor cycle also falls within paragraph 2 above if—
- (a) the insurance to be provided under the contract is provided by a divided company, and
 - (b) any division of that company would, if it were a separate company, be a person connected with a supplier of motor cars or motor cycles.
- (2) A premium under a taxable insurance contract relating to relevant goods also falls within paragraph 3 above if—
- (a) the insurance to be provided under the contract is provided by a divided company, and
 - (b) any division of that company would, if it were a separate company, be a person connected with a supplier of relevant goods.
- (3) Sub-paragraph (1) or (2) above does not apply if the insurance is provided to the insured free of charge.
- (4) A premium falls within paragraph 2 above by virtue of this paragraph only to the extent that it is attributable to cover for a risk which relates to

Status: This is the original version (as it was originally enacted).

a motor car or motor cycle supplied by a supplier of motor cars or motor cycles with whom the division in question would, if it were a separate company, be connected.

(5) A premium falls within paragraph 3 above by virtue of this paragraph only to the extent that it is attributable to cover for a risk which relates to relevant goods supplied by a supplier of relevant goods with whom the division would, if it were a separate company, be connected.

(6) For the purposes of this paragraph—

(a) a company is a “divided company” if under the law under which the company is formed, under the company’s constitution or under arrangements entered into by or in relation to the company—

(i) some or all of the assets of the company are available primarily, or only, to meet particular liabilities of the company, and

(ii) some or all of the members of the company, and some or all of its creditors, have rights primarily, or only, in relation to particular assets of the company;

(b) a “division” of such a company means an identifiable part of it (by whatever name known) that carries on distinct business activities and to which particular assets and liabilities of the company are primarily or wholly attributable.

(7) In this paragraph “provided to the insured free of charge” has the meaning given by sub-paragraph (5) of paragraph 2 or 3 above.

In determining for this purpose whether a divided company by whom insurance is provided is a person falling within sub-paragraph (2) of paragraph 2 or 3 above, the company shall be treated as connected with any person with whom a division of that company would be connected if it were a separate company.

(8) Other expressions defined for the purposes of paragraph 2 or 3 above have the same meaning in this paragraph.”.

(2) Subsection (1) applies in relation to a premium that falls to be regarded for the purposes of Part 3 of the Finance Act 1994 (c. 9) (insurance premium tax) as received under a taxable insurance contract by an insurer on or after the day on which this Act is passed.