

Order made by the Treasury, laid before the House of Commons under section 74(4) of the Finance Act 1994, for approval by a resolution of that House within twenty-eight days beginning with the day on which the Order was made, subject to extension for periods of dissolution, prorogation or adjournment for more than four days.

STATUTORY INSTRUMENTS

1997 No. 1627

INSURANCE PREMIUM TAX

**The Insurance Premium Tax (Taxable
Insurance Contracts) Order 1997**

<i>Made</i>	- - - -	<i>2nd July 1997</i>
<i>Laid before the House of Commons</i>	- - - -	<i>2nd July 1997</i>
<i>Coming into force</i>	- -	<i>1st October 1997</i>

The Treasury, in exercise of the powers conferred on them by section 71(1) of the Finance Act 1994⁽¹⁾ and of all other powers enabling them in that behalf, hereby make the following Order:

1. This Order may be cited as the Insurance Premium Tax (Taxable Insurance Contracts) Order 1997 and shall come into force on 1st October 1997 in relation to premiums received or treated as received on or after that date.

2. Paragraph 2 of Schedule 7A to the Finance Act 1994⁽²⁾ shall be amended as follows—

- (a) in sub-paragraph (1) for the words “A contract falls” there shall be substituted “Subject to sub-paragraph (3) below, a contract falls”;
- (b) after sub-paragraph (2) there shall be inserted—

“(3) A contract which would otherwise fall within this paragraph does not do so if it is for medical insurance.

(4) Subject to sub-paragraph (5) below, for the purposes of this paragraph a contract is a contract for medical insurance if it provides one or more of the following benefits,

whether or not their provision is subject to conditions or limitations—

- (a) medical, dental or optical, consultation, diagnosis or treatment;
- (b) alternative or complementary medical treatment or therapy;
- (c) convalescent care;

(1) 1994 c. 9.

(2) Schedule 7A was inserted by S.I.1994/1698.

- (d) goods or services related to any of the above;
 - (e) payment or reimbursement of, or a grant towards, the whole or part of the cost of any of the above;
 - (f) payment of a specified sum for optical, dental or medical appointments;
 - (g) payment of a specified sum for each specified period of treatment as a hospital in-patient;
 - (h) payment of a specified sum for each specified period of convalescent care; or
 - (i) payment of a specified sum, except one to which sub-paragraph (6) below applies, when a person is diagnosed as requiring or has undergone a specified medical procedure.
- (5) A benefit which would apart from this sub-paragraph fall within sub-paragraph (4) above shall not do so if, before he can become entitled to the benefit, the insured is required—
- (a) to be suffering from a disability which so impairs his ability to carry out normal activities of daily living that he requires long term care, supervision or assistance; and
 - (b) to have been suffering from the disability for a continuous period of not less than 4 weeks.
- (6) This sub-paragraph applies to a payment of a specified sum if the contract under which it is payable provides that only one such payment in relation to each specified medical procedure will be made in respect of each person in relation to whom benefit is payable under the contract.”.

2nd July 1997

Bob Ainsworth
Graham Allen
Two of the Lords Commissioners of Her
Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order, which comes into force on 1st October 1997, amends the exemption for long term insurance provided by paragraph 2 of Schedule 7A to the Finance Act 1994 so that “medical insurance” as defined in the new sub-paragraph (4) inserted by the Order is excluded from exemption. Under the existing law contracts of insurance providing benefits of the kind set out in the definition of medical insurance are taxable if written as general business but exempt when written as long term business. The amendments made by this Order mean that insurance which is commonly referred to as private medical insurance, hospital cash plan insurance and major medical insurance will be taxable whether it is written as general or long term insurance. Certain health insurance which is traditionally written as long term business (i.e. permanent health insurance, critical illness cover and insurance to meet the costs of continuing care for the elderly or chronically sick) will normally remain exempt.