



Insurance Premium Tax: Exemption for Spacecraft

Who is likely to be affected?

Anyone in the UK based spacecraft industry who takes out any insurance policy for spacecraft (including satellites) and any insurer or broker who accounts for the Insurance Premium Tax.

General description of the measure

The measure will exempt insurance premiums paid under policies covering risks arising directly from the operation of a spacecraft during its launch, whilst in flight, in orbit or on re-entry. That includes physical damage to a spacecraft, its equipment or cargo; third party liability; and carrier's liability, but no other risks including to third parties.

Policy objective

This measure is aimed at attracting more businesses involved in the spacecraft industry to the UK. It will also bring insurance for the spacecraft industry into line with the other existing IPT exemptions for commercial aircraft and shipping, which are similarly internationally competitive.

Background to the measure

This measure was announced at Budget 2014. The Government is promoting growth in the space industry and wants to develop the UK as a centre for satellite technology. As part of this aim it has introduced an IPT exemption for certain insurance risks relating to spacecraft in order to attract business. The draft legislation will be published on HM Revenue and Customs website on 8 September with a four week consultation period.

Detailed proposal

Operative date

This measure will exempt from IPT any premiums with tax points falling after [1 December 2014] for insurance covering risks arising directly from the operation of a spacecraft during its launch, whilst in flight, in orbit or on re-entry.

Current law

Under Finance Act 1994 Part III IPT sections 48-74 and Schedule 7, tax shall be charged on receipt of premiums by an insurer if the premium is received under a taxable insurance contract.

Proposed revisions

Secondary legislation which we intend to lay before Parliament in October will amend Schedule 7A to the Finance Act 1994 to introduce an IPT exemption for insurance contracts for spacecraft.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	Negligible	Negligible	Negligible	Negligible	Negligible
	Of which Barnett consequential:				
	N/A	N/A	N/A	N/A	N/A
This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	This measure is not expected to have any significant economic impacts.				
Impact on individuals and households	The measure is expected to have no impact on individuals or households.				
Equalities impacts	This measure is expected to have no equalities impact.				
Devolution impacts	None.				
Impact on business, including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. Consultation with the insurance industry has confirmed that only a handful of businesses offer this type of insurance. These insurers will incur negligible one-off costs, as they familiarise themselves with this policy.				
Operational impact (£m)	The additional costs for HMRC in implementing these changes are anticipated to be negligible.				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The policy will be kept under review through regular communication with taxpayer groups affected by the measure.

Further advice

If you have any questions about this change please contact Helen West on 03000 585 836 (email: helen.west@hmrc.gsi.gov.uk).

Declaration

[Andrea Leadsom MP, Economic Secretary to the Treasury has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure].