

GENERAL SYNOD**BACKGROUND NOTE: INSURANCE PREMIUM TAX**

1. The following motion has been proposed for consideration by General Synod at the forthcoming Session:

“That this Synod, noting:

- (a) the various public goods that are delivered by charities, including in the case of churches through their care of nationally valued heritage assets and their provision of community services; and
- (b) the fact that the money needed by charities to meet their liabilities, including Insurance Premium Tax, has to be raised by them, including in the case of churches through fund raising in their local communities

call on Her Majesty’s Government to exempt charities, including churches, from liability for Insurance Premium Tax.”

Insurance Premium Tax

2. Insurance Premium Tax (“IPT”) is levied at 12% on most insurance premia although there is a higher rate of 20% on a limited number of types of insurance. Some types of insurance such as life assurance are exempt from IPT. Value Added Tax is not levied on insurance premia.
3. IPT was introduced in by the Government in 1994 to raise revenue from the insurance sector, which was viewed as being under-taxed, and not subject to Value Added Tax. It is, therefore, a long standing tax.
4. IPT raised c.£6.6bn for the Government in 2021/22 and is, therefore, an important part of the suite of taxes that the Government uses to raise revenue. Officers from the NCIs have raised this issue with the Department for Culture, Media and Sport, and been advised that the revenue generation aspect of this tax is valued by the Government.

Charities and Tax

5. The Charity Sector is already the beneficiary of a number of valuable tax reliefs. In an House of Commons Treasury Committee report published in September 2020, the value of these reliefs was estimated to be at least £3.2bn in 2018/19.
6. In recent years Ecclesiastical Insurance and several umbrella organisations such as the Charity Tax Group and Charity Finance Group have lobbied for charities to be exempt from IPT or to pay a reduced rate. In 2018 it was estimated that the average charity was paying £300 in IPT, although this will be significantly more for larger charities. The Government has long recognised that charities should be treated differently to commercial businesses by granting reductions and exemptions from other taxes, including business rate relief, income and corporation tax and Gift Aid, so there is an argument that IPT is an exception to that rule.
7. With the core IPT rate having increased from 6% in 2015 to the current level of 12% in 2017 charities’ expenditure on IPT has increased substantially in recent years which

has reduced the sums they can spend on delivering their charitable objectives and assisting beneficiaries.

Impact of IPT on the Church

8. The National Church Institutions paid approximately £80,000 of IPT during 2021 and the figure for the Church of England as a whole will be significantly higher. In 2017 the figure across the Church of England was estimated at in the region of £5m p.a..

Proposal

9. Should Synod pass the motion, it is recommended that any representations to the Government concerning this matter not be made by the NCIs directly, so that they aren't perceived to be special pleading by the Church, but through relevant representative bodies such as the Charity Tax Group and Charity Finance Group.

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Secretary General
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