

What's the value of...

The AFM Taxation Committee

This note provides an overview of the considerable value that the Taxation Committee produces for AFM members and other mutual insurers.

The AFM Taxation Committee provides significant benefit to the sector, and whilst this is recognised at an operational level, the value may not always be apparent to the Chief Executive and other senior staff.

Members of the AFM Tax Committee:

industry

Elaine Fairless, Compass Friendly (Chairman)
Graham Wilson, LV= (Secretary)
Elizabeth Armstrong, Royal London
Stuart Bell, Metfriendly
Mike Smith, Equitable Life
Kay Wilkinson, Paycare
Martin Shaw, AFM

consultancy

Dan Gallon, KPMG
Jon Garrett, Deloitte
Philip Govan, consultant
Philip Lewis, consultant
Alistair Nichol, EY
Nigel Silby, consulting actuary

Sources of value: general

- Training costs saved: the annual AFM training day attracts around 50 attendees. There is very little alternative training available and the cost of an external provider would be too high for many of our members (the typical cost is from £500 to £1,500 per person per day), and the content would not be suitably tailored to a mutual audience.
- Other consultancy costs saved: whilst the Committee does not seek to offer advice on individual issues, the range of representation provides a strong pool of talent for exploring solutions to sector issues.
- Value of engagement with HMRC: the mutual insurance sector enjoys dedicated support from HMRC, including quarterly meetings and regular engagement, as well as the maintenance of sector specific rules.
- HMRC's focus is on retaining proportionality for small mutuals, though the concessions we achieve often provide value to larger mutuals too.
- The series of regular meetings and the annual training day allow for regular opportunities for soft skills transfer, for networking, and for information sharing.
- The nature of intelligence and the positive relationship with HMRC contribute to reducing the risk of fines or censure across the sector as well as any wider reputational risk that might result.

Sources of value: specific

- Some of the specific mutual concessions that have been achieved, or maintained in recent times include:
 - Things mutuals don't need to do, for example:
 - we successfully argued for the introduction of an exemption from regular reporting for FATCA
 - We petitioned HMRC for smaller mutuals to be excluded from providing a tax strategy in their report and accounts. HMRC set a threshold of £200M turnover in response.
 - Streamlined requirements, for example:
 - The Insurance Policyholder Tax Manual
 - The Mutual Deferred Shares Act 2015 was the first legislation dedicated to our sector for 20 years. The Tax Committee continues to lead discussions with HMT and HMRC on the tax status of the shares and the way HMRC will treat mutuals that issue them.
 - Safeguards retained for the sector; where HMRC work on Tax Simplification created a risk that previously enjoyed concessions might be cut, the Committee has explained and justified retention, this includes:
 - Tax Exempt Savings Plan retained its tax concessions;
 - Potential erosion of the differential tax treatment of PHI and the consequences for Holloway contracts;
 - The impact of Insurance Premium Tax on small cash plan and PMI providers;
 - New life tax regime: HMRC accepted petitions from the Tax Committee that a workable set of tax rules for mutuals would be lost if its original approach was followed;
 - Without the special mutuals working group, many of the same points might have been made in discussions with HMRC, but they would have been outweighed by the different expectations of PLCs. This would have affected non-BLAGAB rules, ESC A32 and LAPR.

In summary, the mutual sector punches above its weight on tax matters. There are only a small number of tax specialists in the sector, so the AFM Taxation Committee provides a very effective source of support to the mutual sector. Without their dedicated support the tax regime might be quite different now, and mutuals would potentially be unfairly burdened with much higher costs or reduced concessions.

The AFM Taxation Committee continues to provide expertise on behalf of the wider sector, and its many successes provide tangible benefits of working together.