

Good News in the Budget for UK-based Satellite Operators

20 March 2014

Yesterday's Budget announced that the Government will legislate to exempt space satellite insurance from the onerous and anti-competitive insurance premium tax (IPT).

This is excellent news for UK-based satellite operators who have had to pay IPT at 6% on general insurance premiums on satellites. This has previously put UK companies at a competitive disadvantage compared with those based in other space-faring countries.

Secondary legislation will be introduced, after an informal consultation, to bring the exemption into effect by the end of 2014.

Insurance Premium Tax (IPT)

IPT is a tax on premiums received under taxable insurance contracts. All types of insurance risk located within the UK are taxable unless they are made tax-exempt. Satellites are not currently exempt.

Policies relating to the construction of a satellite, or to a satellite being launched or in orbit, will therefore be liable to IPT if the insured party is a company in the UK to which the risk attaches.

The rate of IPT is currently 6% and adds approximately 0.5% to the insurance cost of a satellite. This is a significant cost to bear, which is not borne by many companies located in other countries.

Recent Activities

The Satellite Finance Network (SFN) (www.satellitefinancenetwork.org) has been pushing for this to be removed for the last three years.

The majority of respondents to the recent regulatory consultation of the Innovation and Growth Strategy also agreed that this was an area where reform, to make satellite risks exempt from IPT, would benefit the UK space industry.

It was also an issue raised in the recent Government Challenger Business work run by BIS.

Good News for UK-based Satellite Operators

This is excellent news for UK-based satellite operators. The Government has listened to the concerns of the space sector and has taken welcome positive action. This is a further example of the Government's commitment to attracting more investment into and growing the UK space sector.



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"I'm delighted that the Government has made this important announcement yesterday, something I've raised with ministers as PSC Vice Chair for regulatory reform. Space is one of the fastest growing sectors in our economy, with ambitions to create 100,000 new jobs by 2030. This is a vital step in helping the UK become the best place in the world to do space business. This Government has already done more than any other to help this industry in its ambitions to create 100,000 new jobs by 2030."

Mark Garnier, MP, Wyre Forest.

Further information

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