HMRC - IPT03760 - Extended Warranties

Here a person enters into a contract and pays a premium for financial protection against the risk that an item will unexpectedly break or prematurely wear out. The contract provides that the insurer will cover the costs incurred by the insured for repair or replacement and possibly for consequential losses. In these circumstances the extended warranties are contracts of insurance.

However, a retailer/or manufacturer may provide a warranty themselves against a product unexpectedly failing. In those circumstances, the warranty is not seen as insurance because the provider (retailer/manufacturer) has some control over the ‘risk’ (the quality of the product).

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