HMRC - IPT04255 - Long-Term Business: Legal Provisions

Paragraph 2(1) of Schedule 7A to the Finance Act 1994 exempts a contract of long-term insurance:

… Subject to sub-paragraph (3) below, a contract falls within this paragraph if it is exclusively a contract of long-term insurance.

Paragraph 2(2) defines when contracts are treated as exclusively “long-term”, that is where a contract includes cover for risks that would normally be exempt from IPT, but also includes a minor element that would normally be taxable, as follows:

In deciding whether a contract is exclusively a contract of long-term insurance, as is mentioned in sub-paragraph (1) above, where:

(a) the contract includes cover for risks relating to accident or sickness;

(b) the contract contains related and subsidiary provisions such that it might also be regarded as a contract of general insurance, but is treated as a contract of long-term insurance for the purposes of any relevant order made under section 22 of the Financial Services and Markets Act 2000; and

(c) the contract was not entered into after 30th November 1993,

the inclusion of such cover shall be ignored.

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