HMRC - IPT04450 - Commercial Aircraft

The Finance Act 1994, Schedule 7A, paragraph 7(1) exempts a contract:

… if it relates only to a commercial aircraft and is a contract of a relevant class.

Paragraph 7(2) of Schedule 7A, defines a relevant class:

.. if it insures against risks arising from or in relation to

(a) accidents,

(b) aircraft, or

(c) aircraft liability,

(and no other risks).

‘Accidents’ includes accidents to persons, the aircraft structure (hull), machinery, furniture or equipment of the aircraft, and damage arising from or in connection with, the use of the aircraft, including third-party risks and carriers liability (cargo).

The purpose of the relief is, broadly, to reflect that available for the commercial shipping sector.

Definition of ‘commercial aircraft’

Paragraph 7(3) a) and (b) of Schedule 7A defines a ‘commercial aircraft’ as:

… an aircraft which is-

(a) of a weight of 8,000 kilograms or more; and

(b) not designed or adapted for use for recreation or pleasure.

The weight limit is the authorised maximum take-off weight (sometimes referred to as MTOW) as specified in the certificate of air-worthiness for civil aircraft. The MTOW is the heaviest weight a plane is allowed to be, including cargo; fuel; passengers etc., at the time of take-off. The exclusion for aircraft “designed or adapted for recreation or pleasure” does not apply to aircraft, which are of 8,000 kg or more and are designed or adapted for the business of recreation or pleasure. Helicopters are aircraft for this purpose. The relief also covers military aircraft over 8,000 kg.

What the exemption does not cover

This exemption does not cover:

recreation or pleasure aircraft regardless of their weight;

aircraft under construction;

aircraft parts insured for a period for which they do not form part of a specific aircraft (e.g. engines or wings in store, undergoing repair or overhaul, or in transit, etc);

satellites. You should note, however, that this does not automatically mean that satellite insurance is taxable. To determine the IPT liability you will need to find the location of the establishment of the policyholder to which the policy relates, as per IPT04320, and consider whether the spacecraft exemption applies as per IPT04455.

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