HMRC - IPT04915 - Definition Of Domestic Appliances

Paragraph 3(6) of Schedule 6A, inserted by the Finance Act 1997, states:

In this paragraph “relevant goods” means any electrical or mechanical appliance of a kind-

(a) which is ordinarily used in or about the home; or

(b) which is ordinarily owned by private individuals and used by them for the purpose of leisure, amusement or entertainment.

Paragraph 3(7) of Schedule 6A, inserted by the Finance Act 1997, states:

In sub-paragraph (6) above-

“appliance” includes any device, equipment or apparatus;

“the home” includes any private garden and any private garage or private workshop appurtenant to a dwelling.

(In property law, an appurtenance is a minor right, interest or privilege).

‘Relevant goods’ (specified goods in this guidance) will then, be items such as videos, televisions, washing machines, refrigerators, ovens, personal computers, central heating systems, irons, power tools, vacuum cleaners, electrical musical instruments etc.

It makes no difference to the rate of IPT applicable if the relevant goods which the policy covers are to be used for business or non-business use. Provided that they are relevant goods and are of a type which fits the description in the Finance Act 1994, Schedule 6A paragraph 3(6), then the higher rate will apply to the associated insurance (provided it is sold in the circumstances described in paragraph) regardless of the use to which the goods are put.

Our interpretation of the word “ordinarily” in this context is simply the natural meaning of the word - that is, the state of affairs that is normally, commonly or usually so. Applying this to personal computers, for example, there is nothing extraordinary about their use in the home. Therefore the higher rate of IPT applies to insurance to cover the computer, when sold by a retailer of relevant goods (whether the purchaser of the goods intends to put them to business or private use). Insurance sold with mobile phones, is not currently covered by the higher rate.

Ordinary home contents insurance which relates to relevant goods was relieved from the higher rate of IPT by way of extra statutory concession. By “ordinary” home contents insurance we mean the type that householders usually take out to cover the full range of their possessions. Although the ESC was formally withdrawn in 2009, it is now accepted that this ESC was never actually required as “ordinary” home contents insurance does not fall within the Higher Rate of IPT.

Where a retailer sells mechanical breakdown insurance which also covers other risks such as theft in relation to the specific goods, this is not ordinary home contents insurance and will be subject to the Higher Rate in the normal way.

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