HMRC - IPT04916 - Definition Of Certain Circumstances

The higher rate will apply to premiums where insurance relating to the specified goods is procured or supplied by:

a supplier of such goods (whether leased or hired);

a person connected to a supplier of such goods;

a person who passes all or part of the premium for that insurance, or a fee connected with the procuring of such insurance, to a supplier of such goods or a person connected to that supplier.

In the main, the higher rate will apply where insurance relating to the specified goods is purchased in one of the ways described here (but see IPT04920 for details about who is regarded as a supplier of specified goods), whether or not goods or services are also purchased.

For example, a customer owns a television, which they bought two years ago. They later buy insurance, which covers them in the event of their television breaking down, and they purchase it through a retailer of electrical goods (not necessarily the same retailer as the one who sold them the TV). The insurance they purchase will be liable to IPT at the higher rate.

Insurance relating to specified goods, sold by a broker or insurer who is connected to a supplier of such goods, will be subject to the higher rate when it relates to the specified goods sold by the supplier to whom the broker or insurer is connected (see paragraphs 2(3) and 2(4), 3(3) and 3(4) of Schedule 6A to the Finance Act 1994, as inserted by the Finance Act 1997). The way we administer this is set out in a Statement of Practice, in IPT04925.

Guaranteed Asset Protection (GAP) Insurance relating to domestic appliances

Whilst Credit Protection and financial GAP insurance is most common in the motor industry, it can also be sold with other goods liable to the higher rate such as some electrical goods or domestic appliances. In these circumstances the same principle, as explained in IPT04910 will apply that the higher rate of IPT does not apply to this type of GAP insurance, but does apply to non-financial GAP insurance. If the insurance relates to a financial agreement, for example a hire purchase agreement, then the insurance remains at the standard rate of IPT. However, where the insurance relates to the goods sold then the higher rate will apply. If you have any doubts about the liability of a contract contact the UoE or Deductions & Financial Services Team (see IPT08100).

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