HMRC - IPT04955 - Corporate Travel Policies

Under the legislation, the risks covered by the policies must be those of the person travelling. Many corporate policies are - in effect - employer liability contracts, where an employer sending an employee on business owes that employee a duty of care. Therefore if, for example, the employee loses their baggage, the employer has a duty to compensate for the loss and may take out a policy to cover their own risk. In these circumstances, it is the employer’s risk that is covered and the employee has no right to make a claim under the policy. This would be the case even if the policy continued to provide cover where the employee extends a business trip into a holiday. These are effectively “liability” policies and, as such, do not fall within the definition of travel insurance and will be not be subject to the higher rate.

Where, in corporate travel policies, it is the employees’ own risks that are covered and they have a right to make a claim under the policy, it is the traveller’s risk which is being covered. Such policies fall within the scope of the higher rate.

A sole proprietorship or partnership that has employees may take out a corporate policy, which covers itself and its employees. Such a policy will normally be treated as corporate cover and subject to the standard rate in its entirety, regardless of the proportion relating to the employer. A sole proprietor without employees is not likely to take out such a policy, because a normal business travel policy is likely to be cheaper, but where they do so the premium will be liable to the higher rate. Insurers should have in place systems which adequately distinguish between higher rate and standard rate policies.

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