HMRC - IPT05580 - Intermediaries: Credit Charges Which Are Not Part Of The Premium

When the intermediary negotiates the premium with the customer, they may themselves arrange credit facilities, which allow the insured to pay by instalments. The insurer will therefore receive the premium in one lump sum, whereas the insured will pay in instalments. The amount paid by the customer will include payment for the credit facility.

If the credit facility is arranged with a finance arm of the intermediary or another finance company, any amount paid to the broker for the credit provided or arranged with a party other than the insurer is not part of the taxable premium and is not liable to IPT.

Some insurers have finance companies that provide credit facilities to customers of the insurance company. Once again, the customer will pay an amount for this facility which is payment under a separate contract, although it all appears to go to the insurer. The payment for the separate supply of credit is not subject to IPT. As before, the insured will pay in instalments whereas the insurer receives the premium in a lump sum.

The audit assurance considerations applying to these arrangements can be found in IPT08455.

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