HMRC - IPT05840 - Methods Of Apportionment

Section 13 of Notice IPT1 provides guidance on apportionment in cases involving taxable and exempt supplies. Section 13.2 of Notice IPT1 suggests possible methods of apportionment in particular circumstances, which are reproduced below. These are only examples and deal with policies which relate to both UK and non-UK risks. Insurers should only use these formulae where they produce a just and reasonable apportionment. Insurers are free to use any other formula as long as the method they use produces a just and reasonable result. We would expect there to be a close relationship between the risk covered and the apportionment method used. However, where an individual premium is quoted for each risk covered under the policy then an apportionment is not required.

product and public liability;

business interruption, professional indemnity and product tamper.

This formula can also be used for policies covering:

directors’ and officers’ and employers’ liability;

errors and omissions;

employers’ policies covering employees for personal accident;

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