HMRC - IPT05850 - What ‘Establishment’ Means

The suggested apportionment formula for contracts covering world-wide risks such as public, employers’ and product liability taken out by insured businesses involves identifying UK and non-UK establishments. Where world-wide risks and insured businesses are concerned, this concept of establishment is crucial. Only the location abroad of an establishment of the policyholder will create a non UK location for a risk - provided, of course, that the policyholder has a clearly identifiable risk attaching to that establishment.

IPT04340 describes our interpretation of ‘establishment’. This has been deliberately designed as a liberal definition, so that most businesses with economic activity abroad may, for the purposes of IPT, be deemed to have an establishment abroad. Notwithstanding this broad definition, the concept of establishment remains important. This means that a business insuring, for example, their product liability, is not treated as having a risk located outside the UK if they do not have an establishment abroad, even though the product is sold around the world. The related premium may only be apportioned to reflect UK and non-UK risks if part of the risk under a world-wide policy attaches to an establishment which is located outside the UK.

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