HMRC - IPT05910 - Purpose And Outline Of This Section

Apportionment may require an insurer to obtain more information about the insured than they did before the introduction of IPT. As there is no registration threshold in IPT, a policy containing only a small taxable proportion would still need to be investigated and apportioned, involving a possibly disproportionate level of work and expense. To minimise this an Extra Statutory Concession (ESC) was introduced, stating:

This ESC caters for circumstances in which a single contract covers both taxable and exempt risks such as risks located in the UK (taxable) and risks located elsewhere (exempt). The concession allows insurers to treat such policies as exempt policies (and so not account for tax) where:

\* ten per cent or less of the premium relates to a taxable risk; and \* the premium for the policy as a whole is £500,000 or less.

The de minimis \_\_ESC is formalised into the IPT legislation from 1st December 2011, and the ESC withdrawn. The new legislation is intended to exactly replicate the ESC, and so an insurer will not have to alter any of their current practises in this area.

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