HMRC - IPT05920 - General Effect Of The Provision

If it becomes apparent to an insurer that the taxable element of any premium is below the de minimis limits, the insurer may treat the entire premium as exempt, and need not go to the trouble of making an apportionment. It is worth remembering that there is no requirement for a concession to be applied by insurers.

Where an insurer can easily apportion a mixed policy, with a small taxable element, they may choose not to use the provision. Some insurers have also indicated that where 90% (or more) of a policy is taxable they will charge tax on the whole policy, to avoid extra work that apportionment may involve. Should an insurer choose to charge tax on all of a premium, a small part of which relates to an exempt risk, that is entirely a commercial decision for that insurer. HMRC can only require that insurers account for tax on the chargeable amount in accordance with the law.

If an insurer only writes policies where the taxable elements fall below the de minimis limits, they may not be required to submit IPT returns. While they must still notify their liability to be registered, in practice they are not registered for the tax. There is more about this in IPT06250.

Previous page

Next page