HMRC - IPT05950 - Effect Of The De Minimis Limits On Group Life Policies

Insurers may write long-term group insurance policies which contain a small element of taxable general insurance. An example is a group policy covering a large number of employees for life and incidental health risks. On an individual by individual basis the related premiums would normally be de minimis, but because a group policy contains so many members the premium may exceed £500,000. Therefore the de minimis rules would not apply and the premium would have to be apportioned. However, in cases where the total group premium exceeds £500,000, the de minimis provision can be applied on a ‘premium by participant’ basis, i.e.: the de minimis rules are applied to the premium paid in respect of each employee.

This treatment applies only to group life policies which contain a small element of general insurance. The treatment for all other ‘block’ policies is that a block policy is one policy and the de minimis limits apply to the policy as a whole.

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