HMRC - IPT06850 - Apportionment And De Minimis

Section 52A(4) of the Finance Act 1994, inserted by the Finance Act 1997, states that, for the purposes of taxable intermediaries and their fees, a contract is a higher rate contract if:

(a) it is a taxable insurance contract; and

(b) the whole or any part of a premium received under the contract by the insurer is ….liable to tax at the higher rate.

Thus any fee which relates to a contract liable to IPT at the standard and higher rate, and which meets the conditions set out in paragraph IPT06840, will be liable to IPT at 20% (or 17.5% if the tax point falls before the 4 January 2011) in its entirety. There is no scope for apportionment on the grounds that the fee relates to a ‘mixed’ contract and there are no de minimis provisions.

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