HMRC - IPT08475 - De Minimis ESC

A condition of the ESC is that insurers make clear which premiums they have applied the de minimis concession. You should establish if an insurer is using the de minimis concession and that the associated premiums are clearly identifiable.

You should also ensure that the concession is correctly applied. This entails checking any adjustments to the premium in relation to which the insurer applied the de minimis concession, to ensure that the concession still applies. Changes in the risk or conditions attaching to the policy that result in an adjustment to a premium through the charging of an additional premium or the refund of premium (termed a ‘return premium’) will require the insurer to review the application of the de minimis concession. It may be that the change will result in the revised premium exceeding the de minimis levels - in which case the insurer must declare the appropriate amount of tax.

Further details on this particular point are in IPT07765. If your insurer is not identifying or operating the concession correctly you should draw their attention to the unsatisfactory situation in writing and inform the Deductions & Financial Services Team (see IPT08100).

Details of the de minimis ESC are in IPT05900. The de minimis ESC will be formalised into the IPT legislation from 1st December 2011. Once that is complete the ESC will be withdrawn. The new legislation is intended to exactly replicate the ESC, and so an insurer will not have to alter any of their current practices in this area.

Previous page

Next page