HMRC - IPT08480 - Add-Ons

‘Add-ons’ are additional services supplied with a contract of insurance. The additional services may also be provided under a contract of insurance underwritten by a different insurance company to that providing the main contract of insurance. However this is not always the case as some add-ons are not insurance products. The add-on element is provided as part of a package with the main supply of insurance.

Add-on services may be supplied in the following ways.

The service may be supplied to the policyholder under a contract of insurance provided by the insurer or insurers underwriting the main supply of insurance. IPT is calculated on the gross premium due for the entire cover

The service may be supplied to the policyholder as insurance provided by an insurer who has not underwritten the main supply of insurance. Here, as above, IPT is calculated on the gross premium due for the entire cover (where the insurance contracts are both/all subject to IPT). Where the main supply of insurance and the add-on are supplied under separate contracts, each insurer would be responsible for accounting for the tax on their own contracts. Where an add-on involves two or more insurers covering separate risks under one contract with a policyholder, each insurer is responsible for accounting to HMRC for the IPT chargeable on the element of the premium they receive, subject to the apportionment agreed between them.

The service may be supplied under a contract of insurance provided by an insurer (the add-on insurer) to the primary insurer who has a contract with a policyholder. The add-on in this scenario is a cost component of the primary insurer. IPT is due on the premium payable by the primary insurer to the add-on insurer, unless the contract between them is not taxable. IPT is also due on the gross premium due under the contract of insurance between the direct insurer and the policyholder where the insurance contract is taxable.

Add-ons can include services that are not provided under a contract of insurance to the insurer underwriting the contract of insurance, for integration into the supply of insurance. One example is a free hire car provided following an accident, supplied by an insurer underwriting comprehensive motor insurance. The insurer underwriting the contract of insurance must account for IPT on the gross premium due under the contract of insurance, which will include the cost of the non-insurance element to the insurer. The add-on service in this scenario is a cost component of the insurer.

The service may be supplied under a separate contract for services provided by a person other than an insurer, to the policyholder. The payment for the non-insurance service does not attract a liability to IPT, even though the add-on is supplied as part of a package with insurance, since the add-on is not a contract of insurance and is supplied under a separate contract. The premium for the insurance element of the package will be liable to IPT if the contract is a taxable insurance contract.

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