



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 8

FORMER EMPLOYEES: DEDUCTIONS FOR LIABILITIES

Interpretation

560 Meaning of “qualifying insurance contract”

- (1) In section 558 “qualifying insurance contract” means a contract of insurance which meets conditions A, B, C and D.
 - (2) Condition A is that, so far as the risks insured against are concerned, the contract only relates to one or more of the following—
 - (a) the indemnification of a former employee against a liability related to the former employment,
 - (b) the indemnification of a person against vicarious liability in respect of a liability related to another person’s employment,
 - (c) the payment of costs or expenses incurred—
 - (i) in connection with a claim that a person is subject to a liability to which the insurance relates, or
 - (ii) in connection with any proceedings relating to or arising out of a claim that a person is subject to a liability to which the insurance relates,
- [^{F1}(ca) the payment of costs or expenses incurred in connection with a former employee giving evidence about matters related to the former employment in, or for the purposes of—
- (i) a proceeding or other process (whether or not involving the former employee), or
 - (ii) an investigation (whether or not likely to lead to any proceeding or other process involving the former employee).

Changes to legislation: *There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 560. (See end of Document for details)*

- (cb) the payment of any costs or expenses incurred in connection with a proceeding or other process, or an investigation, in which—
 - (i) acts of a former employee related to the employment, or
 - (ii) any other matters related to the former employment of a former employee,
 are being or are likely to be considered,]
- (d) the indemnification of an employer against loss from a payment made by the employer to a former employee in respect of—
 - (i) a liability related to the former employment, or
 - (ii) any costs or expenses incurred as mentioned in paragraph (c) [^{F2}, (ca) or (cb)] .
- (3) Condition B is that—
 - (a) the period of insurance under the contract does not exceed 2 years or, if it does, it does so only because of one or more renewals, each for a period of 2 years or less, and
 - (b) the insured is not required to renew the contract for any period.
- (4) Condition C is—
 - (a) that the insured is not entitled under the contract to receive any payment or other benefit in addition to—
 - (i) cover for the risks insured against, and
 - (ii) any right to renew the contract, or
 - (b) if the insured is so entitled, that the part of the premium reasonably attributable to the entitlement is not a significant part of the whole premium.
- (5) Condition D is that the contract is not connected with another contract.

Textual Amendments

- F1** S. 560(2)(ca)(cb) inserted (with effect in accordance with s. 4(8) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 4\(7\)\(a\)](#)
- F2** Words in s. 560(2)(d) inserted (with effect in accordance with s. 4(8) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 4\(7\)\(b\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 560.