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PRACTICE NOTE

PN 152/08

Date: 7 August 2008

PRIVATE MEDICAL INSURANCE RELIEF – NEW NIGHTLY CASH BENEFIT LIMIT

Background

The Income Tax Division grants tax relief in respect of private medical insurance (PMI) premiums paid providing that certain criteria are met.

The maximum amount of premiums that an individual over the age of 60 may claim relief on is currently £1,800 per year.

PMI contracts may provide benefits other than medical care, including cash payments in certain circumstances.

Nightly cash benefits

Nightly cash benefits are paid when the insured person is an in-patient in an NHS hospital (often known as an 'NHS cash benefit').

An example would be where the person requires emergency treatment and is taken to the nearest NHS hospital rather than the nearest private hospital.

Currently, where the cash benefit exceeds £50 per night, the PMI premiums are not eligible for tax relief.

Increased limit

Taking into account that the majority of policies now provide for nightly cash benefits of £100 per night, the eligibility limit has been increased to £100 with effect from 6 April 2008.

Future review

The Income Tax Division will review all of the rules relating to PMI relief in the near future to ensure that they reflect current Treasury policy and market circumstances.

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Assessor of Income Tax

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax. Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.