HMRC - IPT07210 - Purpose And Outline Of This Section

This part of the guidance explains how IPT returns are submitted on-line and completed by insurers. It also discusses how and when insurers should account for IPT.

When IPT was first introduced, it was envisaged that it would operate using a tax point based on the receipt of cash. Accordingly the Finance Act 1994, which is the primary legislation for IPT, was structured on that expectation.

However, it soon became apparent that this would not be practical for many insurers. Therefore we agreed to a new accounting scheme - the written premium basis or “special accounting scheme”.

A particular cause of concern was the treatment of policies which commenced before 1 October 1994 (the date the tax was introduced), with related premiums written on or after that date, which, in theory, would have been liable to the new tax. These transitional problems were dealt with by using an Extra Statutory Concession (ESC). As a result of this legislative history, the tax started against the background of primary and secondary legislation dealing with two separate accounting schemes, together with an ESC relating to the operation of one of those schemes. Note that the ESC covering the introductory arrangements when the tax was first introduced will be withdrawn as part of the 2009 Budget process as it is now no longer required.

Next page