HMRC - IPT07605 - Purpose And Outline Of This Section

IPT07200 explains the general legislative background to the IPT accounting arrangements. The legislative provisions relating to the written premium basis of IPT accounting (the “Special Accounting Scheme”) are found in the IPT Regulations 1994, Regulations 20 to 28 (Part V).

In addition, an ESC dealt with introductory provisions for the scheme at the start of the tax. This has now been withdrawn as it is no longer required.

Why we have the special accounting scheme

The special accounting scheme acknowledges the difficulty many insurers would have if they had to account for tax on a premium under the cash receipt scheme. It often takes time for the premium to pass through a chain of intermediaries to an insurer, and so the insurer may find it impossible to know what premiums had been received on their behalf at the correct date.

Special accounting scheme - users

Any insurer or IPT Group can use the scheme, as long as they do not, at the same time, use the cash receipt scheme.

Regulation 21(1) states:

An insurer who is a registrable person … may notify the Commissioners in writing that the special accounting] scheme should apply to him as regards accounting periods beginning on or after a date specified in the notification, being a date falling after the date the notification is made.

An insurer who wishes to use the special accounting scheme must therefore give written notification in advance, and they must start to use the scheme from the start of an accounting period.

In principle an insurer who does not give this written notification is required to use the cash receipt method of accounting for tax. IPT08490 explains how to deal with insurers that have used the premium written scheme without having given written notification. The IPT Registration Application, IPT 1, gives insurers the opportunity - at question 5 - to notify their intention to use the special accounting scheme.

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