HMRC - IPT07620 - Tax Points Under The Special Accounting Scheme

Regulation 20(1) provides that the definition of premium written date refers to the date at which the insurer shows the premium to be due to them. For example, where an insurer makes an entry in his books on 10 July showing the premium as due on 7 July, the tax point is 7 July.

Example 1

Entry made on 10 July.

Premium shown as due on 7 July.

Tax point - 7 July. In this guidance, the date as at which a premium is due to the insurer is referred to as the “legal tax point”.

An insurer can also meet their obligation to account for tax at the right time by using the date on which they physically make an entry into their records as the tax point. This is because of the effect of regulation 23(9), which provides that, if an insurer makes an entry in their accounts showing the date as at which the premium was due to them (the legal tax point), and that date was in an earlier tax period, the tax point for that premium is the actual date of entry of the premium. Regulation 23(9) was created so that an insurer who was genuinely unaware that they had gone on risk and that a premium was due to them would not be in the position of making a technical underdeclaration (which might be the case if a broker was operating under a delegated authority, for example). An insurer using the date of entry as their tax point for all his business will, then, account for tax in the right period because:

if the date of entry and the date as at which the premium is due (the legal tax point) are in the same period, the tax is due in the same tax period whatever tax point the insurer is using;

if a premium is entered into the insurer’s records in a tax period later than that in which fell the date as at which the premium was due, the tax point is the date of entry and so there is no delay in bringing tax to account. In example 1, if an insurer had adopted the date on which the entry was made as their tax point, tax would be due on 10 July.

Therefore, where an insurer uses either

the date as at which premium is due to him (the legal tax point), or

the date of entry into their records as the tax point under the special accounting scheme, they are meeting their obligation to account for tax in the correct period. However, if your insurer finds it difficult to account for tax using either of these tax points you may agree an alternative with that insurer. For example, the insurer may wish to use the inception date of a policy. Note that the use of anything other than the legal tax point or date of entry must be approved in writing.

Whichever tax point is used, it must be applied consistently across all of the insurer’s business.

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