HMRC - IPT07640 - Insurance Premium Tax: Payments In Instalments

Two straightforward examples illustrate the different effects of how an insurer might choose to deal with a policy where payments are made in instalments. Generally insurers will either write such policies as having premiums due as at a single date (e.g. the inception date or that of the first instalment) or they will write the separate instalments as due as at the expected payment dates or some other series of dates. The tax point treatment depends on how the insurer deals with such transactions in his records.

Example 6

ABC Insurance sells a policy.

Payment terms 10 monthly instalments of £50.

Insurer writes whole premium into his books as £500 due as at 1 July.

Tax point(s): 1 tax point in respect of £500 - 1 July.

Example 7

ABC Insurance sells a policy.

Payment terms 10 monthly instalments of £50.

Insurer writes premium into his books as separate instalments of £50 due as at 1 July, 1 August, and 1 September etc.

Tax point(s): 10 tax points in respect of £50 - 1 July, 1 August, 1 September etc.

Previous page

Next page