HMRC - IPT07680 - Insurance Premium Tax: Tax Credits

As observed in IPT07675, Return Premiums (RPs) may result in refunds of tax from the insurer to the policyholder and from HMRC to the insurer. Regulation 17, which applies to insurers using either accounting scheme, states that claims in respect of credit may only be made where:

…all or part of the premium on which the tax was charged is repaid…

Regulation 25 deals with credit in respect of the special accounting scheme and addresses situations where a premium has been written, but not received from the insured, either in full or in part. Here, of course, there is no requirement that a premium should be repaid before a tax credit is claimed, and, provided the premium is not later received, the insurer may treat the premium which he did not receive as if it had been repaid, and he becomes entitled to credit under Regulation 17.

However, where an insurer using the special accounting scheme receives and writes a premium, and then enters a RP in their records they must, under the provisions of Regulation 17, repay the tax before they can reclaim a tax credit (see example 12(b) in IPT07675).

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