HMRC - IPT07765 - Effect Of Aps And Rps On De Minimis Contracts

As is explained in IPT07670 and IPT07675, both APs and RPs can change the treatment of premiums - making policies previously denied de minimis treatment eligible for such treatment or vice versa. Broadly speaking, the effect of adjustments (accounted for under the cash receipt basis) on the de minimis provisions mirrors the situation that exists under the special accounting scheme.

Where, as a result of the insurer receiving an AP, or because they pay a RP to the insured, a policy previously treated as exempt no longer comes within the de minimis limits, tax becomes due on the taxable portion of the whole premium.

Where a policy becomes partly taxable, the insurer may call for the tax due on the initial premium by including it in the amount of any AP, or by retaining an amount of money refunded by way of any RP. They may account for the tax which is due on the entire premium when the AP, or retained money, is received. If the insurer does not call for and receive any extra tax which becomes due, the tax point remains the date of receipt of the initial premium.

Previous page

Next page