HMRC - IPT07810 - Cash Receipt Method

Cash receipt method

Before the rate rise contained in Finance Act 2017, there were no transitional accounting arrangements for insurers using the cash receipt method. If a premium, including an additional premium (AP), was received on or after the implementation date of the change in rate in respect of a taxable risk, IPT was due at the new rate. This would be the case even if the premium or AP related to a policy which related wholly to a period prior to that date.

Rate Rise from 1 June 2017

Following consultation with the industry, the rate rise on 1 June 2017 marked a change in approach to transitional arrangements. The rise should now apply in the same way to both cash receipt and special accounting scheme businesses.

The key determinants of whether the new rate applies to any premium received on after the date of the rate rise are:

Does the premium relate to a risk for which the cover commenced on or after the rate rise date; or

Notwithstanding the above test, is the premium received on or after the first anniversary of the rate rise date.

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