HMRC - IPT07830 - Premiums Paid On A Monthly Or Other Regular Basis

Premiums paid on a monthly or other regular basis

Please note this guidance is for rate rises from 1 June 2017. Please see IPT07865 for guidance relating to rate rises before 1 June 2017.

From 1 June 2017, there are no concessionary periods and insurers are treated similarly regardless of which accounting scheme they use. Therefore the tests outlined below apply to determine whether tax at the new rate is due on a premium:

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.

If the insured party chose to prepay the instalments before the rate change to avoid paying the new rate of tax you should check that the anti-forestalling provisions (at IPT07840) do not apply and, in particular that:

the contract incepts before the rate change;

the contract is for a period of not more than 12 months;

the premiums are paid in advance in their entirety, rather than just the tax.

Tax credits

Tax credit on returned premiums should be claimed at the IPT rate applicable to the original premium.

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