HMRC - IPT07845 - Contracts Providing Cover For A Period Exceeding 12 Months

Contracts providing cover for a period exceeding 12 months

If a taxable premium is received or written after the date of announcement of a rate change but before the implementation date and the period of cover begins before the implementation date and ends on or after the first anniversary of the change, then an apportionment must be made to calculate the correct IPT due.

The IPT due on that proportion of the premium attributable to the period from the inception date to the anniversary of the rate change can be calculated at the old rate. The IPT due on that proportion of the premium attributable to the period from the anniversary of the rate change must be accounted for at the new rate. The tax point for the second element of the premium will be deemed to be the implementation date.

Example (2017)

The announcement of a rate change is made on 8 March 2017. Implementation date is 1 June 2017.

A premium relating to a contract incepting on 1 May 2017 and providing cover until 31 December 2018 is treated as received by the insurer on 25 May 2017.

The insurer can account for IPT of 10% on the proportion of the premium attributable to the period 1 May 2017 to 31 May 2018. The tax point will be 25 May 2017. The insurer is liable to account for IPT at 12% on the proportion of the premium attributable to the period 1 June 2018 to 31 December 2018. The tax point for that proportion of the premium will be 1 June 2017.

NOTE: Again, this anti-forestalling provision will not apply where it is normal practice for cover to be provided for a period exceeding 12 months.

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