HMRC - IPT10400 - Procedure Tables: Applications To Use The Special Accounting Scheme

Routine requests to use the special accounting scheme

All requests to use the special accounting scheme (other than those made on the IPT 1) should be made in writing.

Under the terms of Regulation 21(1) of the IPT Regulations 1994, use of the scheme may only begin at the start of the insurer’s next accounting period after the date of notification. Usually this will not cause a problem as most insurers coming off the cash receipts scheme, or newly registering, will not want to use the special accounting scheme with effect from any other date.

Where an insurer changing from the cash receipts method of accounting, or a newly registered insurer, wishes to use the special accounting scheme from a date after notification, but before the start of his next tax period, you can agree to this provided there is no tax loss. This arrangement should be approved in writing and conditional on there being no tax loss.

Insurers using the special accounting scheme without having notified HMRC

If an insurer has been using the special accounting scheme but has not notified HMRC that he is using it, we will accept his use of it prior to notification provided the insurer has used it consistently and correctly. You should obtain a letter from the insurer confirming that they are using the special accounting scheme and requesting continuing use.

If the insurer has not been using the date as at which a premium is written as the tax point (see IPT07620) you should issue approval for any alternative tax point in writing.

Requests to use the special accounting scheme with retrospective effect

In situations where an insurer has been receiving taxable premiums but has used no method to date but they would, on the commercial facts available to them at the time they should have made the election (i.e. at the time they should have registered), have clearly chosen to use the special accounting scheme, then you should usually allow retrospective use. However it is not acceptable for an insurer to use a combination of the cash receipts method and the special accounting method.

Where the insurer has been using the cash receipts method but feels that they have made the wrong choice, official misdirection and (possibly) misunderstanding may be factors to take into account in considering retrospective use of the special accounting scheme. However, you should not usually allow requests for retrospective use where the insurer is motivated solely by unexpected changes in trade patterns (you may, of course, allow use of the scheme from a future date).

If your insurer does not qualify under these guidelines for retrospective use of the special accounting scheme, but any tax involved in allowing such a move is negligible, you may wish to allow retrospective use of the special accounting scheme.

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