
STATUTORY INSTRUMENTS

1996 No. 3187

INCOME TAX

INHERITANCE TAX

TAXES

The Taxes (Interest Rate) (Amendment No. 4) Regulations 1996

Made - - - - - 17th December 1996
Laid before House of Commons
- - - - - 18th December 1996
Coming into force - - - 31st January 1997

The Treasury, in exercise of the powers conferred on them by section 178 of the Finance Act 1989⁽¹⁾, hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Taxes (Interest Rate) (Amendment No. 4) Regulations 1996 and shall come into force on 31st January 1997.

Amendments to the Taxes (Interest Rate) Regulations 1989

2. In the Taxes (Interest Rate) Regulations 1989⁽²⁾ for regulation 3 there shall be substituted the following regulations—

“Applicable rates of interest on unpaid tax, tax repaid and repayment supplement

3.—(1) For the purposes of—

(a) sections 86 and 88 of the Taxes Management Act 1970⁽³⁾,

(1) 1989 c. 26. Section 178 was amended by paragraph 107 of Schedule 2 to the Social Security (Consequential Provisions) Act 1992 (c. 6), paragraph 19(4) of Schedule 10 to the Taxation of Chargeable Gains Act 1992 (c. 12), paragraph 5 of Schedule 11 to the Finance (No. 2) Act 1992 (c. 48), paragraph 44 of Schedule 19 to the Finance Act 1994 (c. 9); and by paragraph 30 of Schedule 7, paragraph 13 of Schedule 18, paragraph 8 of Schedule 29 and Part V(2) and (8) of Schedule 41, to the Finance Act 1996 (c. 8).

(2) S.I. 1989/1297; relevant amending instruments are S.I. 1992/2075, 1993/758 and 2212.

(3) 1970 c. 9. Section 86 was substituted by section 110(1) of the Finance Act 1995 (c. 4) and amended by section 131(2) of, and paragraph 3 of Schedule 18 to, the Finance Act 1996. Section 88 was amended by section 111 of, and paragraph 11 of Schedule 24 to, the Finance Act 1972 (c. 41), section 46(4) of the Finance (No. 2) Act 1975 (c. 45), section 41 of, and (for the purposes of development land tax only) paragraph 22(1) of Schedule 8 to, the Development Land Tax Act 1976 (c. 24), by section 61(4) of the Finance Act 1980 (c. 48), by paragraph 32 of Schedule 29 and Schedule 31 to, the Income and Corporation

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- (b) paragraph 6B of Schedule 3 to the Income and Corporation Taxes Act 1988(4), and
- (c) paragraph 6(2)(a) of Schedule 1 to the Social Security Contributions and Benefits Act 1992(5),

the rate applicable under section 178 shall, subject to paragraph (2), be 8.5 per cent. per annum.

(2) Where, on a reference date after 1st January 1997, the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes of the enactments referred to in paragraph (1) shall, on and after the next operative date, be the percentage per annum found by applying the formula specified in paragraph (3).

(3) The formula specified in this paragraph is—

$$RR + 2.5,$$

where

RR is the reference rate referred to in paragraph (2).

3AA.—(1) For the purposes of—

- (a) sections 86A and 87 of the Taxes Management Act 1970(6),
- (b) paragraph 3 of Schedule 16A to the Finance Act 1973(7),
- (c) paragraphs 15 and 16 of Schedule 2, and paragraph 8 of Schedule 5, to the Oil Taxation Act 1975(8),
- (d) paragraph 59 of Schedule 8 to the Development Land Tax Act 1976(9),
- (e) section 92 of the Finance Act 1986(10), and
- (f) section 825 of, and paragraph 3 of Schedule 19A to, the Income and Corporation Taxes Act 1988(11),

Taxes Act 1988 (c. 1) and by sections 159, 160(1) and 179(1)(b)(i) of the Finance Act 1989. Section 88 was repealed by paragraph 4(1) of Schedule 18 and Part V(8) of Schedule 41 to the Finance Act 1996 subject to the transitional provisions in paragraph 17(4) of Schedule 18 to that Act.

- (4) 1988 c. 1. Paragraph 6B was inserted in Schedule 3 by paragraph 2 of the Finance (No. 2) Act 1992; and Schedule 3 was repealed by paragraph 27 of Schedule 7 and Part V(2) of Schedule 41 to the Finance Act 1996 subject to the transitional provisions in paragraph 33 of Schedule 7 to that Act.
- (5) 1992 c. 4.
- (6) Section 86A was inserted (for the purposes of development land tax only) by section 41 of, and paragraph 21(2) of Schedule 8 to, the Development Land Tax Act 1976 and amended by section 115(2) and section 122(4) of, and Part XIV of Schedule 20 to, the Finance Act 1980, by section 123(4) of the Finance Act 1984 (c. 43) and by section 179(1)(b)(i) of the Finance Act 1989. (The Development Land Tax Act 1976 was repealed by section 98(6) of, and Part X of Schedule 27 to, the Finance Act 1985 (c. 54)). Section 87 was substituted by section 111 of, and paragraph 10 of Schedule 24 to, the Finance Act 1972 and the section as substituted was amended by section 46(3) of the Finance (No. 2) Act 1975, section 62(1) and (2) of the Finance Act 1980, paragraph 32 of Schedule 29 to the Income and Corporation Taxes Act 1988 and by section 179(1)(b)(i) of, and Part VIII of Schedule 17 to, the Finance Act 1989.
- (7) 1973 c. 51. Schedule 16A was inserted by section 58(4) of the Finance Act 1988 (c. 39) and amended by section 179(1)(b)(ii) of the Finance Act 1989.
- (8) 1975 c. 22. Paragraph 15 of Schedule 2 was amended by section 2(1) of the Petroleum Revenue Tax Act 1980 (c. 1) and by section 179(1)(a)(v) of the Finance Act 1989. Paragraph 16 of Schedule 2 was amended by section 2(2) of the Petroleum Revenue Tax Act 1980, section 179(1)(a)(v) of the Finance Act 1989 and by section 121(2) of the Finance Act 1990 (c. 29). Paragraph 8 of Schedule 5 was amended by section 2(1) of the Petroleum Revenue Tax Act 1980, section 179(1)(a)(v) of the Finance Act 1989 and by S.I. 1994/1813, Schedule 1 paragraph 19.
- (9) 1976 c. 24; paragraph 59 of Schedule 8 was amended by sections 179(1)(c)(i) and 180(3) of the Finance Act 1989.
- (10) 1986 c. 41. Section 92 was amended by paragraph 7 of Schedule 7 to the Finance Act 1987 (c. 16), sections 179(1)(f) and 180(5) of, and Part X of Schedule 17 to, the Finance Act 1989 and by sections 188(4) and 192(3) to (5) of the Finance Act 1996. Section 92 was repealed by sections 100 and 111 of, and by Part VII of Schedule 19 to, the Finance Act 1990 from a date to be appointed.
- (11) Section 825 was amended by sections 158(2) and 179(1)(a)(vii) of, and Parts V and VIII of Schedule 17 to, the Finance Act 1989 and by paragraph 22 of Schedule 15 to the Finance Act 1991 (c. 31). Schedule 19A was inserted by section 58(4) of the Finance Act 1988 and paragraph 3 was substituted by S.I. 1990/2524 regulation 5. Schedule 19A was repealed by Part III(12) of Schedule 23 to the Finance Act 1993 (c. 34).

the rate applicable under section 178 shall, subject to paragraph (2), be 6.25 per cent. per annum.

(2) Where, on a reference date after 1st January 1997, the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes of the enactments referred to in paragraph (1) shall, on and after the next operative date, be the percentage per annum found by applying the formula specified in paragraph (3) and, if the result is not a multiple of one-quarter, rounding the result down to the nearest amount which is such a multiple.

(3) The formula specified in this paragraph is—

$$(RR + 2.5) \frac{(100 - BR)}{100},$$

where

RR is the reference rate referred to in paragraph (2) and BR is the percentage at which income tax at the basic rate is charged for the year of assessment in which the reference date referred to in that paragraph falls.

3AB.—(1) For the purposes of—

- (a) section 824 of the Income and Corporation Taxes Act 1988(12),
- (b) paragraph 6(2)(b) of Schedule 1 to the Social Security Contributions and Benefits Act 1992, and
- (c) section 283 of the Taxation of Chargeable Gains Act 1992(13),

the rate applicable under section 178 shall, subject to paragraph (2), be 4 per cent. per annum.

(2) Where, on a reference date after 1st January 1997, the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes of the enactments referred to in paragraph (1) shall, on and after the next operative date, be the percentage per annum found by applying the formula specified in paragraph (3) and, if the result is not a multiple of one-quarter, rounding the result down to the nearest amount which is such a multiple.

(3) The formula specified in this paragraph is—

$$(RR - 1) \frac{(100 - LR)}{100},$$

where

RR is the reference rate referred to in paragraph (2) and LR is the percentage at which income tax at the lower rate is charged for the year of assessment in which the reference date referred to in that paragraph falls.”

Richard Ottaway
Roger Knapman
Two of the Lords Commissioners of Her
Majesty’s Treasury

17th December 1996

(12) Section 824 was amended by paragraph 7 of Schedule 13 to the Finance Act 1988, sections 110(5), 111(4) and 179(1)(a)(vii) of, and Parts IV, VIII and X of Schedule 17 to, the Finance Act 1989, by paragraph 14(52) of the Taxation of Chargeable Gains Act 1992 and by paragraph 41 of Schedule 19 and Part V(23) of Schedule 26 to the Finance Act 1994.

(13) 1992 c. 12. Section 283 was amended by paragraph 46 of Schedule 19 and Part V(23) of Schedule 26 to the Finance Act 1994.

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EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Taxes (Interest Rate) Regulations 1989 (S.I.1989/1297) by substituting three new regulations for regulation 3 of the 1989 Regulations. The new regulations specify different interest rates applicable under section 178 of the Finance Act 1989 in relation to unpaid income tax, capital gains tax, corporation tax (including advance corporation tax), petroleum revenue tax and development land tax, repayments of petroleum revenue tax, overpaid development land tax and stamp duty reserve tax and repayment supplement. The new regulations also make provision for changes in the applicable interest rate and for the formula to be used in calculating the new rate.