

**2009 No. 199**

**INCOME TAX**

**The Taxes (Interest Rate) (Amendment) Regulations 2009**

*Made* - - - - *4th February 2009*

*Laid before the House of Commons* *5th February 2009*

*Coming into force* - - *1st March 2009*

The Treasury make the following Regulations in exercise of the powers in section 178(1) and (2)(s) of the Finance Act 1989(a) and section 181(2) of the Income Tax (Earnings and Pensions) Act 2003(b):

**Citation and commencement**

1. These Regulations may be cited as the Taxes (Interest Rate) (Amendment) Regulations 2009 and shall come into force on 1st March 2009.

**Amendment of the Taxes (Interest Rate) Regulations 1989**

2.—(1) Regulation 5 of the Taxes (Interest Rate) Regulations 1989(c) is amended as follows.

(2) For paragraph (1) substitute—

“(1) Subject to paragraph (2), the rate applicable under section 178 for the purposes of Chapter 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (“Chapter 7”) shall, on and after 1st March 2009, be 4.75 per cent per annum.”.

(3) In paragraph (2) for “section 181” substitute “Chapter 7”.

*Tony Cunningham*

*Frank Roy*

4th February 2009

Two of the Lords Commissioners of Her Majesty’s Treasury

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(a) 1989 c. 26. Paragraph (s) of subsection (2) of section 178 was inserted by paragraph 162(d) of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003.  
(b) 2003 c. 1.  
(c) S. I. 1989/1297; relevant amending instruments are S. I. 1994/1307, 1994/1567 and 2007/684.

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend regulation 5 of the Taxes (Interest Rate) Regulations 1989.

That regulation sets the applicable rate for the purposes of Chapter 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (“ITEPA 2003”). Chapter 7 sets out the circumstances in which employment related loans give rise to a taxable benefit on the amount by which the interest actually paid is less than the amount that would have been due if calculated at “the official rate of interest”. Section 181 of ITEPA 2003 defines the official rate of interest as, in effect, the rate specified in regulation 5.

The principal amendment made by these Regulations specifies, with effect from 1st March 2009, a new generally applicable rate of interest of 4.75 per cent per annum, in substitution for the rate of 6.25 per cent per annum. The rates of interest specified in relation to Japan and Switzerland in paragraph (2) of regulation 5 remain the same. There is a minor amendment to replace references to section 181 with Chapter 7 so as to confirm that the official rate is set for the purposes of the Chapter as a whole (as provided for by section 181(1)).

A full and final Impact Assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen.

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