



Finance Act 1989

1989 CHAPTER 26

PART III

MISCELLANEOUS AND GENERAL

Interest etc.

178 Setting of rates of interest

- (1) The rate of interest applicable for the purposes of an enactment to which this section applies shall be the rate which for the purposes of that enactment is provided for by regulations made by the Treasury under this section.
- (2) This section applies to—
 - (a) section 8(9) of the Finance Act 1894,
 - (b) section 18 of the Finance Act 1896,
 - (c) section 61(5) of the Finance (1909-10) Act 1910,
 - (d) section 17(3) of the Law of Property Act 1925,
 - (e) section 73(6) of the Land Registration Act 1925,
 - (f) sections 86, 86A, 87, 87A and 88 of the Taxes Management Act 1970,
 - (g) paragraph 3 of Schedule 16A to the Finance Act 1973,
 - (h) paragraphs 15 and 16 of Schedule 2, and paragraph 8 of Schedule 5, to the Oil Taxation Act 1975,
 - (i) section 47 of the Finance (No.2) Act 1975,
 - (j) paragraph 59 of Schedule 8 to the Development Land Tax Act 1976,
 - (k) sections 233 and 236(3) and (4) of the Inheritance Tax Act 1984,
 - (l) section 92 of the Finance Act 1986, and
 - (m) sections 160, 824, 825 and 826 of, and paragraph 3 of Schedule 19A to, the Taxes Act 1988.
- (3) Regulations under this section may—

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- (a) make different provision for different enactments or for different purposes of the same enactment,
 - (b) either themselves specify a rate of interest for the purposes of an enactment or make provision for any such rate to be determined by reference to such rate or the average of such rates as may be referred to in the regulations,
 - (c) provide for rates to be reduced below, or increased above, what they otherwise would be by specified amounts or by reference to specified formulae,
 - (d) provide for rates arrived at by reference to averages to be rounded up or down,
 - (e) provide for circumstances in which alteration of a rate of interest is or is not to take place, and
 - (f) provide that alterations of rates are to have effect for periods beginning on or after a day determined in accordance with the regulations in relation to interest running from before that day as well as from or from after that day.
- (4) The power to make regulations under this section shall be exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of the House of Commons.
- (5) Where—
- (a) the rate provided for by regulations under this section as the rate applicable for the purposes of any enactment is changed, and
 - (b) the new rate is not specified in the regulations,
- the Board shall by order specify the new rate and the day from which it has effect.
- (6) In section 828(2) of the Taxes Act 1988 (powers to make orders which are not exercisable by statutory instrument) the words “or section 178(5) of the Finance Act 1989” shall be added at the end.
- (7) Subsection (1) shall have effect for periods beginning on or after such day as the Treasury may by order made by statutory instrument appoint and shall have effect in relation to interest running from before that day as well as from or from after that day; and different days may be appointed for different enactments.

179 Provisions consequential on section 178.

- (1) The words “rate applicable under section 178 of the Finance Act 1989” shall be substituted—
- (a) for the words from “rate” to “annum” in—
 - (i) section 18(1) of the Finance Act 1896,
 - (ii) section 61(5) of the Finance (1909-10) Act 1910,
 - (iii) section 17(3) of the Law of Property Act 1925,
 - (iv) section 73(6) of the Land Registration Act 1925,
 - (v) paragraphs 15(1) and 16 of Schedule 2, and paragraph 8(4) of Schedule 5, to the Oil Taxation Act 1975,
 - (vi) section 47(1) of the Finance (No.2) Act 1975, and
 - (vii) sections 824(1) and 825(2) of the Taxes Act 1988,
 - (b) for the words “prescribed rate” in—
 - (i) sections 86(1), 86A(1), 87(1), 87A(1) and (5) and 88(1) of the Taxes Management Act 1970,
 - (ii) paragraph 3(4) of Schedule 16A to the Finance Act 1973, and

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- (iii) paragraph 3(4) of Schedule 19A to the Taxes Act 1988,
 - (c) for the words “rate which” onwards in—
 - (i) paragraph 59(1) of Schedule 8 to the Development Land Tax Act 1976, and
 - (ii) section 826(1) of the Taxes Act 1988,
 - (d) for the words “rate applicable under subsection (2) below” in section 233(1) of the Inheritance Tax Act 1984,
 - (e) for the words “rate for the time being applicable under section 233(2)(b) above” in subsection (3), and the words “rate for the time being applicable under section 233(2)(a) above” in subsection (4), of section 236 of that Act,
 - (f) for the words “appropriate rate” in section 92(2) of the Finance Act 1986, and
 - (g) for the words “rate prescribed from time to time by the Treasury by order” in section 160(5)(d) of the Taxes Act 1988.
- (2) In section 8(9) of the Finance Act 1894, for the words from “such interest” to “per cent.” there shall be substituted the words “interest at such rate not exceeding that applicable under section 178 of the Finance Act 1989”.
- (3) In section 236(4) of the Inheritance Tax Act 1984, for the words “as if section 233(1)(b) above had applied” there shall be substituted the words “from the end of the period mentioned in section 233(1)(b) above”.
- (4) Any amendment made by subsection (1), (2) or (3) above shall have effect in relation to any period for which section 178(1) above has effect for the purposes of the enactment concerned.
- (5) Section 146(11) of the Taxes Act 1988 shall have effect in relation to any year of assessment beginning after the day on which section 178(1) above has effect for the purposes of section 160 of that Act with the substitution of the words “applicable for the purposes of section 160” for the words “prescribed by the Treasury under section 160(5)”.

180 Repayment interest: period of accrual.

- (1) In section 48(1) of the Finance Act 1975, after the words “carry interest” there shall be inserted the words “from the date on which the sums were paid until the order for repayment is issued”.
- (2) In—
 - (a) paragraph 16 of Schedule 2 to the Oil Taxation Act 1975,
 - (b) section 105(7) of the Finance Act 1980,
 - (c) paragraph 13(4) and (5) of Schedule 16 to the Finance Act 1981, and
 - (d) paragraph 10(4) of Schedule 19 to the Finance Act 1982,for the word “repayment” there shall be substituted the words “the order for repayment is issued”.
- (3) In paragraph 59(1) of Schedule 8 to the Development Land Tax Act 1976, after the word “later,” there shall be inserted the words “until the order for repayment is issued”.
- (4) In section 235(1) of the Inheritance Tax Act 1984 (and paragraph 19(3) of Schedule 4 to the Finance Act 1975), after the word “made” there shall be inserted the words “until the order for repayment is issued”.

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- (5) In section 92(2) of the Finance Act 1986, for the words “the time it was paid” there shall be substituted the words “the date on which the payment was made until the order for repayment is issued”.
- (6) In section 826(1) of the Taxes Act 1988, for the words “that repayment or payment is made” there shall be substituted the words “the order for repayment or payment is issued”.
- (7) The amendments made by this section shall be deemed always to have had effect.