2020 No. 194

INCOME TAX

The Taxes (Interest Rate) (Amendment) Regulations 2020

Made	27th February 2020
Laid before the House of Commons	2nd March 2020
Coming into force	6th April 2020

The Treasury make the following Regulations in exercise of the powers conferred by section 178(1) and (2)(s) of the Finance Act $1989(\mathbf{a})$.

Citation and commencement

1. These Regulations may be cited as the Taxes (Interest Rate) (Amendment) Regulations 2020 and come into force on 6th April 2020.

Amendment of the Taxes (Interest Rate) Regulations 1989

2. In regulation 5(1) of the Taxes (Interest Rate) Regulations 1989(**b**), for "on and after 6th April 2017, be 2.50 per cent per annum" substitute "on and after 6th April 2020, be 2.25 per cent per annum".

Iain Stewart Rebecca Harris Two of the Lords Commissioners for Her Majesty's Treasury

27th February 2020

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Taxes (Interest Rate) Regulations 1989 (S.I. 1989/1297) ("the 1989 Regulations").

The 1989 Regulations set the official rate of interest for the purposes of Chapter 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) ("ITEPA"). Chapter 7 provides that tax is chargeable on an employment-related loan to the extent that the interest rate that it carries is lower than the official rate of interest. Calculation of the cash equivalent of the benefit of the loan for any tax year, which is generally the amount of the benefit that will be treated as earnings from the employment, is the difference between the amount of interest on the loan at the official rate and the amount of interest paid on the loan for that year. Section 181 of ITEPA in effect defines "the official rate of interest" as the rate prescribed in regulation 5 of the 1989 Regulations.

⁽a) 1989 c. 26; paragraph (s) of section 178(2) was inserted by paragraphs 156 and 162(d) of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 (c. 1).

⁽b) S.I. 1989/1297; relevant amending instruments are S.I. 1994/1307, 2009/199 and 2017/305.

Regulation 2 reduces the generally applicable official rate of interest from 2.50 to 2.25 per cent per annum with effect from 6th April 2020. It does not affect the modified official rates that apply in relation to Japan and Switzerland, which are prescribed in regulation 5(2) of the 1989 Regulations.

A Tax Information and Impact Note has not prepared for this instrument as it contains no substantive changes to tax policy.

£4.90

UK202002271022 03/2020 19585

http://www.legislation.gov.uk/id/uksi/2020/194



[©] Crown copyright 2020

Printed and published in the UK by The Stationery Office Limited under the authority and superintendence of Jeff James, Controller of Her Majesty's Stationery Office and Queen's Printer of Acts of Parliament.