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STATUTORY INSTRUMENTS

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**1998 No. 1461**

**CUSTOMS AND EXCISE  
INSURANCE PREMIUM TAX  
VALUE ADDED TAX  
LANDFILL TAX**

**The Air Passenger Duty and Other Indirect  
Taxes (Interest Rate) Regulations 1998**

<i>Made</i>	- - - -	<i>15th June 1998</i>
<i>Laid before the House of Commons</i>	- - - -	<i>15th June 1998</i>
<i>Coming into force</i>	- -	<i>6th July 1998</i>

The Treasury, in exercise of the powers conferred on them by section 197 of the Finance Act 1996<sup>(1)</sup> and of all other powers enabling them in that behalf, hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Air Passenger Duty and Other Indirect Taxes (Interest Rate) Regulations 1998 and shall come into force on 6th July 1998.

**Interpretation**

2.—(1) In these Regulations unless the context otherwise requires—

“established rate” means—

- (a) on the coming into force of these Regulations, 7 per cent. per annum; and
- (b) in relation to any day after the first reference day after the coming into force of these Regulations, the reference rate found on the immediately preceding reference day;

“operative day” means the sixth day of each month;

“reference day” means the twelfth working day before the next operative day;

“section 197” means section 197 of the Finance Act 1996;

the “relevant enactments” are those referred to in regulations 4(1) and 5(1) below;

“working day” means any day other than a non-business day within the meaning of section 92 of the Bills of Exchange Act 1882(2).

(2) In these Regulations the reference rate found on a reference day is the percentage per annum found by averaging the base lending rates at close of business on that day of—

- (a) Bank of Scotland,
- (b) Barclays Bank p.l.c.,
- (c) Lloyds Bank p.l.c.,
- (d) Midland Bank p.l.c.,
- (e) National Westminster Bank p.l.c., and
- (f) The Royal Bank of Scotland p.l.c.,

and, if the result is not a whole number, rounding the result to the nearest such number, with any result midway between two whole numbers rounded down.

3. The Air Passenger Duty and Other Indirect Taxes (Interest Rate) Regulations 1997(3) are hereby revoked.

**Applicable rate of interest payable to the Commissioners of Customs and Excise in connection with air passenger duty, insurance premium tax, VAT recovered or recoverable by assessment and landfill tax**

4.—(1) For the purposes of—

- (a) paragraph 7 of Schedule 6 to the Finance Act 1994(4),
- (b) paragraph 21 of Schedule 7 to that Act,
- (c) section 74 of the Value Added Tax Act 1994(5), and
- (d) paragraph 26 of Schedule 5 to the Finance Act 1996,

the rate applicable under section 197 shall, subject to paragraph (2) below, be 9.5 per cent. per annum.

(2) Where on any reference day after the coming into force of these Regulations, the reference rate found on that day differs from the established rate, the rate applicable under section 197 of the Finance Act 1996 for the purposes of the enactments referred to in paragraph (1) above shall, from the next operative day, be the percentage per annum determined in accordance with the formula specified in paragraph (3) below.

(3) The formula specified in this paragraph is—

$$RR + 2.5,$$

where

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

**Applicable rate of interest payable by the Commissioners of Customs and Excise in connection with air passenger duty, insurance premium tax, cases of official error in relation to VAT and landfill tax**

5.—(1) For the purposes of—

- (a) paragraph 9 of Schedule 6 to the Finance Act 1994,

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(2) 1882 c. 61; section 92 was amended by sections 3(1) and (3) and 4(4) of the Banking and Finance Dealings Act 1971 (c. 80).

(3) S.I.1997/1016.

(4) 1994 c. 9.

(5) 1994 c. 23.

- (b) paragraph 22 of Schedule 7 to that Act,
- (c) section 78 of the Value Added Tax Act 1994, and
- (d) paragraph 29 of Schedule 5 to the Finance Act 1996,

the rate applicable under section 197 of the Finance Act 1996 shall be 6 per cent. per annum.

(2) Where, on a reference day after the coming into force of these Regulations, the reference rate found on that date differs from the established rate, the rate applicable under section 197 for the purposes of the enactments referred to in paragraph (1) above shall, from the next operative day, be the percentage per annum determined in accordance with the formula specified in paragraph (3) below.

(3) The formula specified in this paragraph is—

$$RR - 1,$$

where

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

### **Effect of change in applicable rate**

6. Where the rate applicable under section 197 for the purposes of any of the relevant enactments changes on an operative day by virtue of these Regulations, that change shall have effect for periods beginning on or after the operative day in relation to interest running from before that day as well as in relation to interest running from, or from after that day.

7. Where the rate applicable under section 197 for the purposes of any of the relevant enactments changes on an operative day by virtue of these Regulations, the rate in force immediately prior to any change shall continue to have effect for periods immediately prior to the change and so on in the case of any number of successive changes.

### **Applicable rate of interest prior to the coming into force of these Regulations**

8. The rate applicable under section 197 for interest running from before the date these Regulations come into force in relation to periods prior to that date shall be that specified for the relevant enactments in the following Tables—

**Table 1**

Paragraph 7 of Schedule 6 to the Finance Act 1994

<i>Interest for any period</i>	<i>Rate</i>
from 1st November 1994 and before 6th February 1996	5.5 per cent.
after 5th February 1996 and before 6th July 1998	6.25 per cent.

**Table 2**

Paragraph 21 of Schedule 7 to the Finance Act 1994

<i>Interest for any period</i>	<i>Rate</i>
from 1st October 1994 and before 6th February 1996	5.5 per cent

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*Status:* This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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<i>Interest for any period</i>	<i>Rate</i>
after 5th February 1996 and before 6th July 1998	6.25 per cent.

**Table 3**

## Section 74 of the Value Added Tax Act 1994

<i>Interest for any period</i>	<i>Rate</i>
from 1st April 1990 and before 6th November 1990	13 per cent.
after 5th November 1990 and before 6th March 1991	12.25 per cent.
after 5th March 1991 and before 6th May 1991	11.5 per cent.
after 5th May 1991 and before 6th July 1991	10.75 per cent.
after 5th July 1991 and before 6th October 1991	10 per cent.
after 5th October 1991 and before 6th November 1992	9.25 per cent.
after 5th November 1992 and before 6th December 1992	7.75 per cent.
after 5th December 1992 and before 6th March 1993	7 per cent.
after 5th March 1993 and before 6th January 1994	6.25 per cent.
after 5th January 1994 and before 6th October 1994	5.5 per cent.
after 5th October 1994 and before 6th March 1995	6.25 per cent.
after 5th March 1995 and before 6th February 1996	7 per cent.
after 5th February 1996 and before 6th July 1998	6.25 per cent.

**Table 4**

## Paragraph 26 of Schedule 5 to the Finance Act 1996

<i>Interest for any period</i>	<i>Rate</i>
from 1st April 1997 and before 6th July 1998	6.25 per cent.

**Table 5**

## Paragraph 9 of Schedule 6 to the Finance Act 1994

<i>Interest for any period</i>	<i>Rate</i>
from 1st November 1994 and before 1st April 1997	8 per cent.
after 31st March 1997 and before 6th July 1998	6 per cent.

**Table 6**

## Paragraph 22 of Schedule 7 to the Finance Act 1994

<i>Interest for any period</i>	<i>Rate</i>
after 1st October 1994 and before 1st April 1994	8 per cent.
after 31st March 1997 and before 6th July 1998	6 per cent.

**Table 7**

## Section 78 of the Value Added Tax Act 1994

<i>Interest for any period</i>	<i>Rate</i>
from 1st April 1973 and before 1st March 1974	8 per cent.
after 28th February 1974 and before 1st February 1977	9 per cent.
after 31st January and before 1st March 1979	10 per cent.
after 28th February 1979 and before 1st January 1980	12.5 per cent.
after 31st December 1979 and before 1st January 1981	15 per cent.
after 31st December 1980 and before 1st December 1981	12.5 per cent.
after 30th November 1981 and before 1st March 1982	15 per cent.
after 28th February 1982 and before 1st July 1982	14 per cent.
after 30th June 1982 and before 1st April 1983	13 per cent.
after 31st March 1983 and before 1st April 1984	12.5 per cent.
after 31st March 1984 and before 1st August 1986	12 per cent.
after 31st July 1986 and before 1st January 1987	11.5 per cent.

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<i>Interest for any period</i>	<i>Rate</i>
after 31st December 1986 and before 1st April 1987	12.25 per cent.
after 31st March 1987 and before 1st November 1987	11.75 per cent.
after 31st October 1987 and before 1st December 1987	11.25 per cent.
after 30th November 1987 and before 1st May 1988	11 per cent.
after 30th April 1988 and before 1st August 1988	9.5 per cent
after 31st July 1988 and before 1st November 1988	11 per cent.
after 31st October 1988 and before 1st January 1989	12.25 per cent.
after 31st December 1988 and before 1st November 1989	13 per cent.
after 31st October 1989 and before 1st April 1991	14.25 per cent.
after 31st March 1991 and before 16th October 1991	12 per cent.
after 15th October 1991 and before 6th February 1993	10.25 per cent.
after 5th February 1993 and before 1st April 1997	8 per cent.
after 31st March 1997 and before 6th July 1998	6 per cent.

**Table 8**

Paragraph 29 of Schedule 5 to the Finance Act 1996

<i>Interest for any period</i>	<i>Rate</i>
from 1st April 1997 and before 6th July 1998	6 per cent.

15th June 1998

*Graham Allen*  
*Bob Ainsworth*  
 Two of the Lords Commissioners of Her Majesty's Treasury

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## EXPLANATORY NOTE

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

These Regulations, made under powers contained in section 197 of the Finance Act 1996 (c. 8), specify the interest rates applicable under that section. The Regulations come into force on 6th July 1998.

The Regulations specify the rates of interest payable to the Commissioners in connection with air passenger duty, insurance premium tax, VAT recovered or recoverable by assessment and landfill tax; and payable by the Commissioners in connection with air passenger duty, insurance premium tax, landfill tax and cases of official error in relation to VAT.

Regulation 2(2) makes provision for the interest rates to change on the sixth day of any month, in accordance with formulae specified in the Regulations, when the rounded average of the base lending rates of six clearing banks at the close of business 12 working days prior to that day, changes from the rounded average of those rates at the close of business on the corresponding day in the previous month.

Regulation 4 specifies the interest rate applicable under section 197 of the Finance Act 1996 in relation to interest payable to the Commissioners. It makes provision for changes in the applicable interest rate and for the formula to be used in calculating the new rate.

Regulation 5 specifies the rate applicable under section 197 of the Finance Act 1996 in relation to interest payable by the Commissioners in connection with air passenger duty, insurance premium tax, landfill tax and in cases of official error in relation to VAT. Provision is made for changes in the applicable interest rate and for the formula to be used for calculating the new rate.

Regulation 6 provides that, in respect of interest payable both by and to the Commissioners, changes in interest rates by virtue of the Regulations have effect for periods beginning on or after the operative day.

Regulation 7 preserves the rate currently in force at the time of any change in rate in relation to periods prior to the change.

Regulation 8 provides Tables for determining the rate of interest applicable prior to the coming into force of these Regulations.