
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, made under powers contained in section 178 of the Finance Act 1989 (“section 178”), make provision for the rate of interest applicable for the purposes of section 118F of the Income and Corporation Taxes Act 1988 (“section 118F” and “the Taxes Act” respectively). Sections 118A to 118K of the Taxes Act were inserted by paragraph 1 of Schedule 29 to the Finance Act 1996.

Subsection (1) of section 178 provides that the rate of interest applicable for the purposes of the enactments to which that section applies is to be the rate provided for by regulations made by the Treasury under that section. The Regulations so made are the Taxes (Interest Rate) Regulations 1989 (S.I.1989/1297, amended by S.I. 1996/3187) (“the Interest Rate Regulations”). Regulation 3 of the Interest Rate Regulations (as amended) specifies the interest rate applicable under section 178 of the 1989 Act in relation to various enactments. It also makes provision for changes in the applicable interest rate and for the formula to be used in calculating the new rate.

These Regulations provide for section 118F to be added to the enactments to which regulation 3 of the Interest Rate Regulations applies.

Subsection (1) of section 118F makes provision as regards the day on which income tax in respect of United Kingdom public revenue dividends for which the Bank of England, the Bank of Ireland, the National Debt Commissioners or any public office or department of the Crown are liable to account pursuant to section 118E(1) or (2) of the Taxes Act becomes due and payable. Subsection (2) of section 118F makes provision as regards the day on which any other income tax for which a paying agent is liable to account under section 118E(1) of the Taxes Act, and any income tax for which a collecting agent is liable to account under section 118E(3) of the Taxes Act, becomes due and payable. Subsection (3) of section 118F provides that any tax due under subsection (1) or (2) of that section shall carry interest, at the rate applicable under section 178, from the date on which it becomes due until it is paid.