
STATUTORY INSTRUMENTS

1998 No. 3176

INCOME TAX

INHERITANCE TAX

TAXES

The Taxes (Interest Rate) (Amendment No. 2) Regulations 1998

Made - - - - 17th December 1998
Laid before the House of
Commons - - - - 17th December 1998
Coming into force - - 7th January 1999

The Treasury, in exercise of the powers conferred on them by section 178 of the Finance Act 1989⁽¹⁾, hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Taxes (Interest Rate) (Amendment No. 2) Regulations 1998 and shall come into force on 7th January 1999.

Interpretation

2. In these Regulations “the principal Regulations” means the Taxes (Interest Rate) Regulations 1989⁽²⁾ and “regulation” means a regulation of the principal Regulations.

Amendments to the principal Regulations

3. In regulation 2(1)–

(a) immediately before the definition of “established rate” there shall be inserted the following definition–

““the 1998 Regulations” means the Corporation Tax (Instalment Payments) Regulations 1998⁽³⁾”;

(1) 1989 c. 26. Section 178 was amended by paragraph 44 of Schedule 19 to the Finance Act 1994 (c. 9) and by paragraph 1(3) of Schedule 4 to the Finance Act 1998 (c. 36).
(2) S.I. 1989/1297; a relevant amending instrument is S.I. 1993/2212.
(3) S.I. 1998/3175.

- (b) in the definition of “operative date” there shall be added at the end “or, where regulation 3ZA or 3BA applies, means the day of each month which is the Monday next following the day referred to in the definition of “reference date” below as “the first Tuesday”, and the day of each month which is the Monday next following the day referred to in that definition as “the second Tuesday””;
- (c) in the definition of “reference date” there shall be added at the end “or, where regulation 3ZA or 3BA applies, means the day of each month which is the Tuesday next following the day on which the most recent meeting of the Monetary Policy Committee of the Bank of England took place (“the first Tuesday”), and the day of each month which is the Tuesday (“the second Tuesday”) occurring two weeks after the first Tuesday”.
4. In regulation 2(2) for the words from “and, if the result” to the end there shall be substituted “and—
- (i) where regulation 3ZA applies, if the result is not a multiple of one-quarter, rounding the result up to the nearest amount which is such a multiple,
- (ii) where regulation 3BA applies, if the result is not a multiple of one-quarter, rounding the result down to the nearest amount which is such a multiple,
- (iii) in any other case, 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.”
5. In paragraph (1) of regulation 3A(4) after the word “shall,” there shall be inserted “except where regulation 3ZA or 3ZB applies and”.
6. After regulation 3A there shall be inserted—

“**3ZA.**—(1) For the purposes of section 87A of the Taxes Management Act 1970(5) in so far as it relates, by virtue of subsection (1A) of that section, to an amount or amounts treated as becoming due and payable in respect of the total liability of a large company for an accounting period ending on or after 1st July 1999 in accordance with regulation 5 of the 1998 Regulations, the rate applicable under section 178 shall, subject to paragraph (2), be 8.25 per cent. per annum.

(2) Where on a reference date after 7th January 1999 the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes mentioned in paragraph (1) shall, on and after the next operative date and as respects the period specified in paragraph (3), be the percentage per annum found by applying the formula specified in paragraph (4).

(3) The period specified in this paragraph is any period falling between—

- (a) the date on which the first instalment payment is treated as becoming due and payable for the accounting period concerned under regulation 5 of the 1998 Regulations, and
- (b) the day following the expiry of nine months from the end of that accounting period,

during which any amount treated as becoming due and payable in accordance with regulation 5 of those Regulations for that accounting period remains unpaid.

(4) The formula specified in this paragraph is—

(4) Inserted by S.I. 1993/2212.

(5) 1970 c. 9. Section 87A was inserted by section 85 of the Finance (No. 2) Act 1987 (c. 51), and the inserted section was amended by paragraph 10(4) of Schedule 29 to the Income and Corporation Taxes Act 1988 (c. 1), section 179(1)(b) of the Finance Act 1989, paragraph 2(9) of Schedule 10 to the Taxation of Chargeable Gains Act 1992 (c. 12), paragraph 4 of Schedule 14 and paragraph 1 of Schedule 18 to the Finance Act 1993 (c. 34), paragraph 24 of Schedule 19 to the Finance Act 1994, paragraphs 8 and 9 of Schedule 24 to the Finance Act 1995 (c. 4), paragraph 1 of Schedule 14 to the Finance Act 1996 (c. 8), paragraph 4 of Schedule 4 to the Finance Act 1998 and regulation 7 of the Corporation Tax (Instalment Payments) Regulations 1998.

RR + 2,

where

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

3ZB.—(1) For the purposes of section 87A of the Taxes Management Act 1970 in so far as it relates to an unpaid amount in respect of the total liability of a company for an accounting period ending on or after 1st July 1999, other than an amount to which regulation 3ZA applies, the rate applicable under section 178 shall, subject to paragraph (2), be 8.5 per cent. per annum.

(2) Where on a reference date after 7th January 1999 the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes mentioned in paragraph (1) shall, on and after the next operative date, be the percentage per annum found by applying the formula specified in paragraph (3).

(3) The formula specified in this paragraph is—

RR + 2.5,

where

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

7. In regulation 3B after the word “shall,” there shall be inserted “except where regulation 3BA or 3BB applies and”.

8. After regulation 3B there shall be inserted—

3BA.—(1) For the purposes of section 826 of the Income and Corporation Taxes Act 1988(6) in so far as it relates to an amount paid by a company in respect of its total liability for an accounting period ending on or after 1st July 1999, being an amount falling within paragraph (d) of subsection (1) of that section (overpayment of instalment by large company under regulation 5 of the 1998 Regulations) or an amount falling within paragraph (e) of that subsection (payment by company other than large company prior to the day following the expiry of nine months from the end of the accounting period concerned), the rate applicable under section 178 shall, subject to paragraph (2), be 6 per cent. per annum.

(2) Where on a reference date after 7th January 1999 the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes mentioned in paragraph (1) shall, on and after the next operative date and as respects the period specified in paragraph (3), be the percentage per annum found by applying the formula specified in paragraph (4).

(3) The period specified in this paragraph is any period falling between—

- (a) the date on which the first instalment payment is treated as becoming due and payable for the accounting period concerned under regulation 5 of the 1998 Regulations or, in the case of a company other than a large company, the date on which the first instalment payment would be so treated if the company were a large company, and
- (b) the day following the expiry of nine months from the end of that accounting period,

(6) 1988 c. 1. Section 826 was amended by section 180(6) of the Finance Act 1989, paragraph 23 of Schedule 15 to the Finance Act 1991 (c. 31), paragraph 10(1) to (4) of Schedule 14 and paragraph 5 of Schedule 18 to the Finance Act 1993, paragraph 20 of Schedule 16 and paragraph 42 of Schedule 19 to the Finance Act 1994, paragraphs 11 and 12(1) and (2) of Schedule 24 to the Finance Act 1995, section 173(5) of, and paragraph 48 of Schedule 14 to, the Finance Act 1996, Part II(4) of Schedule 8 to the Finance (No. 2) Act 1997 (c. 58), section 34 of, and paragraphs 1(1) and (2) and 3(1) of Schedule 4 to, the Finance Act 1998, and regulation 8 of the Corporation Tax (Instalment Payments) Regulations 1998.

during which there exists an amount paid by the company in respect of its total liability to which paragraph (1) applies.

(4) The formula specified in this paragraph is—

$$RR - 0.25,$$

where

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

3BB.—(1) For the purposes of section 826 of the Income and Corporation Taxes Act 1988 in so far as it relates to an amount overpaid by a company in respect of its total liability for an accounting period ending on or after 1st July 1999, being an amount paid on or after the day following the expiry of nine months from the end of that period, the rate applicable under section 178 shall, subject to paragraph (2), be 5 per cent. per annum.

(2) Where on a reference date after 7th January 1999 the reference rate found on that date differs from the established rate, the rate applicable under section 178 for the purposes mentioned in paragraph (1) shall, on and after the next operative date, be the percentage per annum found by applying the formula specified in paragraph (3).

(3) The formula specified in this paragraph is—

$$RR - 1,$$

where

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

17th December 1998

Jane Kennedy
David Jamieson
Two of the Lords Commissioners of Her
Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Taxes (Interest Rate) Regulations 1989 (“the principal Regulations”) so as to provide for the rates of interest on unpaid and overpaid amounts of corporation tax in respect of accounting periods of companies ending on or after 1st July 1999 (corporation tax self-assessment).

Regulation 1 provides for citation and commencement, and regulation 2 for interpretation.

Regulation 3 amends regulation 2(1) of the principal Regulations (definitions) by defining the Corporation Tax (Instalment Payments) Regulations 1998 (S.I.1998/3175) (“the 1998 Regulations”) and amending the definitions of “operative date” and “reference date” in relation to interest on unpaid or overpaid amounts of tax arising prior to the day following the expiry of nine months from the end of the accounting period concerned (“the normal due date”).

Regulation 4 amends regulation 2(2) of the principal Regulations (definition of “reference rate”) so as to provide for rounding the result found by averaging base lending rates up to the nearest quarter where regulation 3ZA (inserted by regulation 6) applies, or down to the nearest quarter where regulation 3BA (inserted by regulation 8) applies.

Regulation 5 amends regulation 3A of the principal Regulations in consequence of the new regulations inserted by regulation 6 of these Regulations.

Regulation 6 inserts regulations 3ZA and 3ZB in the principal Regulations. Regulation 3ZA provides for the rate of interest arising on unpaid amounts of corporation tax payable by instalments by large companies prior to the normal due date in accordance with regulation 5 of the 1998 Regulations, and regulation 3ZB provides for the rate of interest arising on unpaid amounts of corporation tax payable by any company on or after that date.

Regulation 7 amends regulation 3B of the principal Regulations in consequence of the new regulations inserted by regulation 8 of these Regulations.

Regulation 8 inserts regulation 3BA and 3BB in the principal Regulations. Regulation 3BA provides for the rate of interest arising on overpaid amounts of corporation tax prior to the normal due date, and regulation 3BB provides for the rate of interest arising on overpaid amounts of corporation tax on or after that date.