

Explanatory Note

Clause: Setting of rates of interest

Summary

1. This clause removes the need for an Appointed Day Order to be made in order to charge or pay interest on tax and other amounts provided for by section 178 Finance Act 1989. It also sets interest rates for certain purposes. The change has effect from the date a rate was set for the relevant purpose. The rates of interest provided by the clause are effective from the date the Bill is passed or, in the case of Diverted Profits Tax, from 1 October 2015.

Details of the clause

2. Subsection 1 provides that where, for the purposes of a particular enactment listed in section 178(2) Finance Act 1989, no Appointed Day Order has been made under section 178(7) Finance Act 1989, interest may be charged or paid from the date a rate was prescribed for the particular enactment in the Taxes (Interest rate) Regulations 1989.
3. Subsection 2 amends section 178 Finance Act 1989 in the following way:
 - The section no longer applies to penalties for promoters of tax avoidance schemes
 - The requirement for an Appointed Day Order for each rate is removed, without affecting any existing such order.
4. Subsection 3 applies the interest provisions of section 101 Finance Act 2004 for the purposes of penalties for promoters of tax avoidance schemes.
5. Subsection 4(a) inserts rates in the Taxes (Interest rate) Regulations 1989 for the purposes of late payment of the levy on sale of securities under the Ports Act 1991 and of penalties for failure to comply with disclosure under the Employment Act 2002.
6. Subsection 4(b) inserts a rate in the Taxes (Interest rate) Regulations 1989 for the purposes of calculating the Diverted Profits Tax contained in Finance Act 2015.
7. Subsection (5) allows for the rates set by this clause to be changed by regulation
8. This clause ensures that certain interest rate provisions are implemented correctly. It allows HM Revenue & Customs to charge late payment interest and pay repayment interest and calculate Diverted Profits Tax correctly. It has retrospective effect where necessary.

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9. If you have any questions about this change, or comments on the legislation, please contact Gary Cummins on 03000 586798 (email: gary.cummins@hmrc.gsi.gov.uk)

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