

NEW MINIMUM RATE OF INTEREST ON OVERPAID TAX

HMRC has announced changes to the rules for calculating interest rates on unpaid and overpaid tax.

The highlight of this is that there will now be a new minimum interest rate of 0.5% on tax repayments. This means that in future, interest will still be payable even when the Bank of England base rate falls below 1.5%.

It was announced in the Budget 2009 that the Government would introduce legislation to harmonise interest rates. These regulations come into force on 12th August 2009.

The main points are as follows:

- Interest charged on late payments of tax will be at the Bank of England base rate plus 2.5
- Interest paid on overpayments of tax will be at the Bank of England base rate minus 1
- HMRC will recalculate its rates after the Bank of England Monetary Policy Committee meet in September
- This will result in a change to some of HMRC's interest rates even if no change in the base rate is announced at the meeting
- The new rates and minimum repayment rate will take effect 13 working days after the September MPC meeting
- Any changes to interest rates will be announced in a press release and will also be published on HMRC's website
- The new rates will apply until there is a change in the base rate
- The new rates will not be retrospective