HMRC - CTM81235 - Interest On Unpaid Tax Pre CT Pay And File (CTPF)

FA89/S157 amends the interest charge provisions of TMA70/S86 in connection with claims made on or after 14 March 1989 to carry back or surrender ACT. FA89/S157 corrects an imbalance in the rules. There were two problem areas that led to an imbalance.

The first problem area was where a company had paid ACT, which had been set against its CT liability, and at some later date it claimed to surrender the ACT to a subsidiary (CTM81260). The surrender meant the subsidiary would receive a repayment if it had already paid its CT, and this could carry repayment supplement. The company that surrendered the ACT had to pay more CT because of its own reduced ACT set-off. But only if the existing assessment were under appeal would this additional tax carry Section 86 interest broadly corresponding to the other company’s repayment supplement. If the assessment was final then a further assessment could be made under ICTA88/S252 (1) (see CTM20260), but the interest would not run until 30 days from the issue of the assessment.

The second problem area was where a company claimed under ICTA88/S239 (3) to carry back surplus ACT against CT liabilities of earlier periods (CTM20220).

FA89/S157 provides, in respect of claims to surrender ACT made on or after 14 March 1989,that an amount chargeable under ICTA88/S252 to recover tax due as a result of the surrender of ACT previously set-off shall carry Section 86 interest from the date six months after the earliest due date of the accounting period in respect of which the Section 252 liability is payable. This interest charge is not affected by any matching ACT carry back which reduces or cancels the need for a Section 252 charge until after nine months and one day from the end of the period from which the ACT is carried back. Interest runs even if an assessment is not made.

You should use form CT250 to notify the Collector of the details needed to compute Section 86 interest correctly.

Previous page

Next page