

2020 No. 194

INCOME TAX

The Taxes (Interest Rate) (Amendment) Regulations 2020

Made - - - - 27th February 2020

Laid before the House of Commons 2nd March 2020

Coming into force - - 6th April 2020

The Treasury make the following Regulations in exercise of the powers conferred by section 178(1) and (2)(s) of the Finance Act 1989(a).

Citation and commencement

1. These Regulations may be cited as the Taxes (Interest Rate) (Amendment) Regulations 2020 and come into force on 6th April 2020.

Amendment of the Taxes (Interest Rate) Regulations 1989

2. In regulation 5(1) of the Taxes (Interest Rate) Regulations 1989(b), for “on and after 6th April 2017, be 2.50 per cent per annum” substitute “on and after 6th April 2020, be 2.25 per cent per annum”.

Iain Stewart

Rebecca Harris

27th February 2020

Two of the Lords Commissioners for Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Taxes (Interest Rate) Regulations 1989 (S.I. 1989/1297) (“the 1989 Regulations”).

The 1989 Regulations set the official rate of interest for the purposes of Chapter 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (“ITEPA”). Chapter 7 provides that tax is chargeable on an employment-related loan to the extent that the interest rate that it carries is lower than the official rate of interest. Calculation of the cash equivalent of the benefit of the loan for any tax year, which is generally the amount of the benefit that will be treated as earnings from the employment, is the difference between the amount of interest on the loan at the official rate and the amount of interest paid on the loan for that year. Section 181 of ITEPA in effect defines “the official rate of interest” as the rate prescribed in regulation 5 of the 1989 Regulations.

(a) 1989 c. 26; paragraph (s) of section 178(2) was inserted by paragraphs 156 and 162(d) of Schedule 6 to the Income Tax (Earnings and Pensions) Act 2003 (c. 1).

(b) S.I. 1989/1297; relevant amending instruments are S.I. 1994/1307, 2009/199 and 2017/305.

Regulation 2 reduces the generally applicable official rate of interest from 2.50 to 2.25 per cent per annum with effect from 6th April 2020. It does not affect the modified official rates that apply in relation to Japan and Switzerland, which are prescribed in regulation 5(2) of the 1989 Regulations.

A Tax Information and Impact Note has not prepared for this instrument as it contains no substantive changes to tax policy.

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