
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, made under powers contained in section 197 of the Finance Act 1996 (c. 8), specify the interest rates applicable under that section. The Regulations come into force on 6th July 1998.

The Regulations specify the rates of interest payable to the Commissioners in connection with air passenger duty, insurance premium tax, VAT recovered or recoverable by assessment and landfill tax; and payable by the Commissioners in connection with air passenger duty, insurance premium tax, landfill tax and cases of official error in relation to VAT.

Regulation 2(2) makes provision for the interest rates to change on the sixth day of any month, in accordance with formulae specified in the Regulations, when the rounded average of the base lending rates of six clearing banks at the close of business 12 working days prior to that day, changes from the rounded average of those rates at the close of business on the corresponding day in the previous month.

Regulation 4 specifies the interest rate applicable under section 197 of the Finance Act 1996 in relation to interest payable to the Commissioners. It makes provision for changes in the applicable interest rate and for the formula to be used in calculating the new rate.

Regulation 5 specifies the rate applicable under section 197 of the Finance Act 1996 in relation to interest payable by the Commissioners in connection with air passenger duty, insurance premium tax, landfill tax and in cases of official error in relation to VAT. Provision is made for changes in the applicable interest rate and for the formula to be used for calculating the new rate.

Regulation 6 provides that, in respect of interest payable both by and to the Commissioners, changes in interest rates by virtue of the Regulations have effect for periods beginning on or after the operative day.

Regulation 7 preserves the rate currently in force at the time of any change in rate in relation to periods prior to the change.

Regulation 8 provides Tables for determining the rate of interest applicable prior to the coming into force of these Regulations.