

EXPLANATORY MEMORANDUM TO
THE TAXES (FEES FOR PAYMENT BY INTERNET) REGULATIONS 2008

2008 No.2991

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

2.1. These Regulations, which come into force on [xx December 2008], are made in exercise of the powers conferred by section 136 of the Finance Act 2008. Section 136(1) permits the Commissioners for HM Revenue & Customs to charge a fee in respect of using a method of payment where the Commissioners expect that they will be required to pay a fee or charge in connection with amounts paid using that method of payment

2.2. These Regulations specify that a fee must be paid in respect of payment by credit card made over the internet. The Regulations provide that the payer must pay a fee, equal to 1.25% of the payment.

3. Matters of special interest to the Select Committee on Statutory Instruments

None

4. Legislative Background

4.1. This Order is made in exercise of the powers conferred by section 136 of the Finance Act 2008.

4.2. Section 136(1) of the Act permits the Commissioners for HM Revenue and Customs to make Regulations that provide that, where a person makes a payment to the Commissioners (or their authorised person) using a specified method of payment, the person must also pay a fee.

4.3 Section 136(2) requires that before exercising the power, the Commissioners must expect that they will be required to pay a fee or charge in connection with payments made using the specified method of payment.

4.4 This instrument makes provision in respect of credit card payments which are authorised over the Internet.

4.5 Regulations to pass on the fee for credit card payments made by telephone came into force on 13 August 2008 (The Taxes (Fees for Payment by Telephone) Regulations 2008 - SI 1948/2008).

5. Extent

This instrument applies to all the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1. Legislation was introduced in section 136 of the Finance Act 2008 to allow HM Revenue and Customs (“HMRC”) to accept payment by credit card beyond the limited circumstances where it currently does so (ports, airports and roadside fuel testing units).

7.2 This followed initial consultation in June 2007 (*Payments, Repayments and Debt: The Developing Programme of Work*). It was made clear in that consultation that payments could only be accepted in this way if the cost to HMRC was passed on to the payer. Further consultation, including draft legislation, was published on 10 January 2008.

7.3. While there were some reservations about encouraging people into debt, overall the proposal was seen as sensible and reflecting choice and modern payment methods. HMRC has given undertakings that it would offer, but not press for, payment in this way and would give customers suitable warnings and advice before payment was accepted.

7.4. The composite fee HMRC will be charged for Internet payments, and which will be passed on to the payer, will initially be 1.25%. This fee ensures that HMRC recovers the whole cost of the transaction charge from the customer but no more. The amount differs from the fee for telephone payments, since telephone and internet payment service providers operate in different commercial environments and are exposed to different levels of risk.

7.5 The rate will be reviewed periodically in the light of the volume and value of transactions and the type of credit card used.

8. Impact

8.1. A Consultation Impact Assessment for section 136 was published on 10 January 2008, and a final Impact Assessment alongside the Finance Bill on 27 March 2008. Both can be found on the HMRC website at:

<http://www.hmrc.gov.uk/consultations/index.htm>

8.2. The impact on the public sector is negligible.

9. Contact

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