
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend regulation 5 of the Taxes (Interest Rate) Regulations 1989 ([S.I. 1989/1297](#)) (“the 1989 Regulations”).

Chapter 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 ([c. 1](#)) (“ITEPA”) provides that tax is chargeable on an employment-related loan to the extent that the interest rate it carries is lower than the official rate. Section 181 of ITEPA in effect defines that official rate as the rate prescribed in regulation 5 of the 1989 Regulations.

Regulation 2 of these Regulations reduces the generally applicable official rate of interest from 3.25 per cent per annum to 3 per cent per annum with effect from 6th April 2015. It does not affect the rates which 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 been prepared for this instrument as it contains no substantive changes to tax policy.