

EXPLANATORY NOTE

CLAUSE 104: MISCELLANEOUS AMENDMENTS

AMENDMENT 307

SUMMARY

1. Amendment 307 provides that the rate of interest paid on repayments of Estate Duty, Capital Transfer Tax and Inheritance Tax is the same as the rate paid for other taxes. This amendment also clarifies the link between interest on repayments of Inheritance Tax and the Interest Rate setting legislation in section 178 of the Finance Act 1989.

DETAILS OF THE CLAUSE

2. Subsection (4)(a) makes amendments to section 48(1) of the Finance Act 1975 so that the interest paid on repayments of Estate Duty will be paid at the applicable rate under section 178 of the Finance Act 1989.
3. Subsection (4)(b) makes amendments to section 235(1) of the Inheritance Tax Act 1984 so that the interest paid on repayments of Inheritance Tax and Capital Transfer Tax will be paid at the applicable rate prescribed under section 178 of the Finance Act 1989.
4. Subsection (5)(a) makes amendment to section 178(2) of the Finance Act 1989 so that the rate for interest paid on Estate Duty repayments is directly linked to the rate setting legislation.
5. Subsection (5)(b) makes amendments to section 178(2) of the Finance Act 1989 so that the rate for interest paid on Inheritance Tax and its predecessor Capital Transfer Tax is directly linked to the interest rate setting legislation.

BACKGROUND NOTE

6. Amendment 307 is designed to bring Inheritance Tax, Capital Transfer Tax and Estate Duty in line with all other taxes where HMRC charge and pay interest so that the new harmonised interest rates can be applied across all taxes.

Mr Stephen Timms

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Clause **104**, page **52**, line **17**, at end insert—

- () In the following provisions, for the words from “the same rate” to the end substitute “the rate applicable under section 178 of the Finance Act 1989”—
 - (a) section 48(1) of FA 1975 (interest on repayment of estate duty),
and
 - (b) section 235(1) of IHTA 1984 (interest on overpaid inheritance tax).
- () In section 178(2) of FA 1989 (setting of rates of interest)—
 - (a) after paragraph (g) insert—
 - “(ga) section 48(1) of the Finance Act 1975,” and
 - (b) in paragraph (k), after “sections 233” insert “, 235(1)”.