

Departmental interest rates

Default and statutory interest

Under what conditions are default and statutory interest applied?

Default interest

HM Revenue & Customs (HMRC) charge interest on underdeclared VAT, air passenger duty, insurance premium tax, landfill tax, climate change levy and aggregates levy. We also charge Interest on late payments of customs duty.

Statutory interest

We pay interest in official error cases concerning all of the above taxes and duties except customs duties. We also pay interest where we have unduly delayed a repayment of excise or customs duty.

How are these rates calculated?

We are required to apply a formula to calculate the rates for default and statutory interest. The formula applied is contained in Statutory Instrument 1998 No 1461 that came into force on 6 July 1998.

We include in the formula the average of the base-lending rate applied by the Bank of Scotland, Barclays Bank, HSBC Bank, Lloyds TSB Bank, National Westminster Bank and The Royal Bank of Scotland at the close of business on reference day. Reference day is the twelfth working day before the next operative day. The operative day is the sixth day of the month.

What are the current rates and when do they come into effect?

Changes to the rate applied by the banks are triggered by the decision of the monthly meeting of the Bank of England's Monetary Policy Committee.

Our rates for default interest and statutory interest will change to 5.5 per cent and 2.0 per cent respectively to take effect on the 6 December 2008. Our rates were last changed in October 2008 to take effect on the 6 November 2008.

What are the old rates?

The rates that have been applied in the past are included with the current rates in the tables below:

Default interest

Start date	End date	Rate applicable
06.07.98	05.01.99	9.50%
06.01.99	05.03.99	8.50%
06.03.99	05.02.00	7.50%
06.02.00	05.05.01	8.50%
06.05.01	05.11.01	7.50%
06.11.01	05.08.03	6.50%
06.08.03	05.12.03	5.50%
06.12.03	05.09.04	6.50%
06.09.04	05.09.05	7.50%
06.09.05	05.09.06	6.50%
06.09.06	05.08.07	7.50%
06.08.07	05.01.08	8.50%
06.01.08	05.11.08	7.50%
06.11.08	05.12.08	6.50%
06.12.08		5.50%

Statutory interest

Start date	End date	Rate applicable
06.07.98	05.01.99	6%
06.01.99	05.03.99	5%
06.03.99	05.02.00	4%
06.02.00	05.05.01	5%
06.05.01	05.11.01	4%
06.11.01	05.08.03	3%
06.08.03	05.12.03	2%

06.12.03	05.09.04	3%
06.09.04	05.09.05	4%
06.09.05	05.09.06	3%
06.09.06	05.08.07	4%
06.08.07	05.01.08	5%
06.01.08	05.11.08	4%
06.11.08	05.12.08	3%
06.12.08		2%