

Interest and Tax Payments

HM Revenue & Customs charges interest on underpayments of tax, and pays interest (*repayment supplement*) on overpayments. The rate of interest paid on overpaid tax is lower than the rate charged on underpayments, and interest rates are adjusted in line with commercial interest rates.

Detailed calculation of interest and supplement are not shown on Statements of Account, so it is worth checking when these items are large. These items may be viewed in your HMRC online account.

Income Tax and Capital Gains Tax – Self Assessment

Interest is charged on underpaid payments on account and balancing payments from the due date to the date of payment. Repayment supplement is paid from the date of overpayment to the date the repayment is issued. The interest or supplement is based on the final amount of tax and Class 4 national insurance contributions, taking into account all later adjustments.

Interest is also payable on late-paid penalties and surcharges (but not on interest!).

For individual taxpayers interest charged by HM Revenue & Customs is not tax-deductible, but neither is interest paid by HM Revenue & Customs taxable income.

Corporation Tax - Self Assessment

Similar principles apply with regard to corporation tax. However, interest rates are not necessarily the same as those applying to income tax and capital gains tax. In addition, there are different rates of interest for companies required to make quarterly payments of corporation tax.

In contrast to the position with personal taxpayers, under corporation tax self assessment interest charged is allowed against company profits and interest received is treated as taxable income.

Typical Interest Rates

As mentioned above, interest rates move with commercial rates. The rates for all main taxes and duties since 29 September 2009 have been as follows:

Late payment	3.0% pa
Repayment	0.5% pa