

HMRC late payment interest rates to be revised after Bank of England increases base rate

News story

HMRC interest rates for late payments will be revised following the Bank of England interest rate rise to 1.75%.



The Bank of England Monetary Policy Committee voted on 4 August 2022 to increase the Bank of England base rate to 1.75% from 1.25%.

HMRC interest rates are linked to the Bank of England base rate.

As a consequence of the change in the base rate, HMRC interest rates for the late payment will increase.

These changes will come into effect on:

- 15 August 2022 for quarterly instalment payments
- 23 August 2022 for non-quarterly instalments payments

The repayment interest rate will increase to 0.75%. The repayment rate is set at Bank Rate minus 1%, with a 0.5% lower limit.

[Information on the interest rates for payments](#) will be updated shortly.

HMRC interest rates are set in legislation and are linked to the Bank of England base rate.

Late payment interest is set at base rate plus 2.5%. Repayment interest is set at base rate minus 1%, with a lower limit – or ‘minimum floor’ – of 0.5%.

The minimum floor ensured that taxpayers continued to receive 0.5% repayment interest even when base rate fell to 0.1%. Repayment interest will continue to be paid at 0.5% until the Bank of England raises base rate above 1.5%, after which repayment interest will increase with base rate.

The differential between late payment interest and repayment interest is in line with the policy of other tax authorities worldwide and compares favourably with commercial practice for interest charged on loans or overdrafts and interest paid on deposits.

The rate of late payment interest encourages prompt payment and ensures fairness for those who pay their tax on time, while the rate of repayment interest fairly compensates taxpayers for loss of use of their money when they overpay or pay early.

Published 5 August 2022