

HMRC reduces late payment and repayment interest rates from 28 May 2025

Synopsis: HMRC's changes to payment and repayment interest rates, following the latest reduction in the base rate recently announced by the Bank of England.

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The Bank of England Monetary Policy Committee announced on 8 May 2025 to reduce the Bank of England base rate to 4.25% from 4.5%. 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 late payment and repayment will reduce.

These changes will come into effect on...

- 19 May 2025 for quarterly instalment payments;
- 28 May 2025 for non-quarterly instalments payments.

HMRC will decrease the current late payment interest rate applied to the main taxes and duties from 8.5% to 8.25%, effective from 28 May 2025.

The corporation tax pay and file interest rate has also been decreased in line with the general interest rate reduction to 8.25% from 28 May 2025.

The reduction applies to all other HMRC late payment rates, with an across the board decrease of 0.25% to 8.25%.

The exception is interest charged on underpaid quarterly corporation tax instalment payments, which decreases to 6.75% (from 7%) from 19 May 2025.

The repayment interest rate of 3.5% will decrease to 3.25%, from 28 May 2025.

Please see [HMRC interest rates for late and early payments](#).

How HMRC interest rates are set

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

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