EXPLANATORY MEMORANDUM TO

THE TAXES, ETC. (FEES FOR PAYMENT BY INTERNET) (AMENDMENT) REGULATIONS 2015

2015 No. 1777

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument, with effect from 2 November 2015, amends existing regulations, The Taxes, etc. (Fees for Payment by Internet) Regulations 2011 ("the 2011 Regulations"), which provide that a fee must be paid in respect of any payment made to the Commissioners for HMRC ("the Commissioners") by credit card where internet authorisation is given to make the payment.

2.2 Regulation 2(1) sets the fee that must be paid in respect of a credit card payment, where internet authorisation is given to make that payment, as 1.5% (it was 1.4% under the 2011 Regulations).

3. Matters of special interest

3.1 None

4. Legislative Context

4.1 These Regulations are made in exercise of the powers conferred by section 136 of the Finance Act 2008.

4.2 Section 136(1) of that Act permits the Commissioners to make Regulations to provide that, where a person makes a payment to the Commissioners (or their authorised person) using a specific method of payment, the person must also pay a fee.

4.3 Section 136(2) of that Act requires that before exercising that power, the Commissioners must expect that they will be required to pay a fee or charge in connection with payments made using the specified method of payment.

4.4 This instrument makes provision only in respect of credit card payments where internet authorisation is given to make that payment.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 Legislation was introduced in section 136 of the Finance Act 2008 to allow HMRC to accept payment by credit card beyond the limited circumstances where HMRC had previously done so (ports, airports and roadside fuel testing units).

7.2 From December 2008, the Commissioners accepted credit card payments where authorisation is given by internet and charged the payer a fee of 1.25%. The fee rate was calculated on the basis of the commission rate charged by credit card issuers and ensures that the Commissioners recover the cost of processing credit card transactions, but no more than this.

7.3 From 1 April 2011 the fee rate was increased from 1.25% to 1.4% of the payment.

7.4 The current rate of 1.4% has been reviewed again in light of the volume and value of transactions, the type of credit card used and the commission fee charged by the credit card issuers. The composite fee that the Commissioners will be charged for internet payments, which is passed on to the person making the payment, has been increased from 1.4% to 1.5%.

7.5 The fee increase ensures that the Commissioners continue to recover the cost of processing credit card payments where authorisation is given by the internet and reflects the increase in costs faced by the Commissioners for accepting such payments.

7.6 The fee rate will be periodically reviewed by the Commissioners.

8. Consultation outcome

8.1 A consultation Impact Assessment for section 136 of FA 2008 was published on 10 January 2008 and a final Impact Assessment was published alongside the Finance Bill on 27 March 2008.

9. Guidance

9.1 Customers choosing to make a payment by credit card using the internet payment service, are advised of the fee charged before payment is made.

10 Impact

10.1 The impact on business, charities or voluntary bodies is negligible.

10.2 The impact on the public sector is negligible.

10.3 A Tax Information and Impact Note has not been prepared for these Regulations as they contain no changes to tax policy.

11. Regulating small business

11.1 The legislation applies to small business.

12 Monitoring & review

12.1 The intended outcome of the change to the fee for credit card payments made to the Commissioners where authorisation is given by internet, which is provided for in this instrument, is that the Commissioners will recover the cost of administering this method of payment.

13. Contact

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