

Interest on Tax Reserve Certificates

The Government Gazette published today (November 2) contains a Legal Notice to the effect that the Secretary for Financial Services and the Treasury have authorised a change in the rate of interest payable on Tax Reserve Certificates. From November 5, 2018, the new annual rate of interest will be 0.25% against the current rate of 0.0767%, i.e. the new rate will be \$0.0208 per month per \$100.

Tax Reserve Certificates bear simple interest and interest is calculated monthly (including part of a month) from the date of purchase to the date of payment of tax.

Interest is only credited when certificates are used to pay tax and no interest is due where the principal value of a certificate is repaid to its holder.

The rate of interest payable on Tax Reserve Certificates is periodically revised in line with the market trend. Currently, it is reviewed every month based on the average prevailing interest rate for the six-month time deposit below \$100,000 offered by the three note-issuing banks.

The new rate will apply to all certificates purchased on or after November 5, 2018. Certificates purchased before November 5, 2018 will continue to earn interest at the rates prevailing on their respective purchase dates. More interest rate information can be found in the Inland Revenue Department website (www.ird.gov.hk). The public can also obtain a copy of Tax Reserve Certificate Interest Rate Table from the 24-hour information hotline at 1878033. Below is a summary of the interest rates for past periods:

For certificates purchased on or after 0.2667% per annum
February 2, 2009 and before June 1,
2009;

For certificates purchased on or after 0.1167% per annum
June 1, 2009 and before August 3, 2009;

For certificates purchased on or after 0.0833% per annum
August 3, 2009 and before December 7,
2009;

For certificates purchased on or after 0.0667% per annum
December 7, 2009 and before January 4,
2010;

For certificates purchased on or after 0.0433% per annum
January 4, 2010 and before August 6,
2018;

For certificates purchased on or after 0.0767% per annum
August 6, 2018 and before November 5,
2018; and

For certificates purchased on or after 0.2500% per annum
November 5, 2018, until further notice.

This is always subject to the general rule that interest ceases to
accrue after 36 complete months.