

Interest on Tax Reserve Certificates

The Government Gazette published today (April 29) contains a Legal Notice to the effect that the Secretary for Financial Services and the Treasury has authorised a change in the rate of interest payable on Tax Reserve Certificates. From May 4, 2020, the new annual rate of interest will be 0.2333 per cent against the current rate of 0.3167 per cent, i.e. the new rate will be \$0.0194 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 12-month time deposit for \$100,000 to \$499,999 offered by the three note-issuing banks.

The new rate will apply to all certificates purchased on or after May 4, 2020. Certificates purchased before May 4, 2020, will continue to earn interest at the rates prevailing on their respective purchase dates. Below is a summary of the interest rates for the past periods:

For certificates purchased on or after per cent per annum December 7, 2009, and before January 4, 2010:	0.0667
For certificates purchased on or after per cent per annum January 4, 2010, and before August 6, 2018:	0.0433
For certificates purchased on or after per cent per annum August 6, 2018, and before November 5, 2018:	0.0767
For certificates purchased on or after per cent per annum November 5, 2018, and before January 17, 2020:	0.2500
For certificates purchased on or after per cent per annum January 17, 2020, and before February 3, 2020:	0.3667
For certificates purchased on or after per cent per annum February 3, 2020, and before May 4, 2020:	0.3167

For certificates purchased on or after
per cent per annum
May 4, 2020, until further notice:

0.2333

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