

Interest on Tax Reserve Certificates

The Government Gazette published today (April 1) 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 April 7, 2021, the new annual rate of interest will be 0.1167 per cent against the current rate of 0.15 per cent, i.e. the new rate will be \$0.0097 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 April 7, 2021. Certificates purchased before April 7, 2021, 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 November 5, 2018, and before January 17, 2020:	0.2500 per cent per annum
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For certificates purchased on or after January 17, 2020, and before February 3, 2020:	0.3667 per cent per annum
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For certificates purchased on or after February 3, 2020, and before May 4, 2020:	0.3167 per cent per annum
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For certificates purchased on or after May 4, 2020, and before June 1, 2020:	0.2333 per cent per annum
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For certificates purchased on or after	0.2000 per cent per annum
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June 1, 2020, and before December 7, 2020:

For certificates purchased on or after
December 7, 2020, and before April 7, 2021:

0.1500 per cent per
annum

For certificates purchased on or after
April 7, 2021, until further notice:

0.1167 per cent per
annum

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