



HM Treasury

Information Rights Unit  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Mr Danish Ahmad  
request-228852-2f5a3604@whatdotheyknow.com

T 020 7270 5000  
E [FOI.responses@hmtreasury.gsi.gov.uk](mailto:FOI.responses@hmtreasury.gsi.gov.uk)  
W [www.gov.uk/hm-treasury](http://www.gov.uk/hm-treasury)

22 January 2015

*Dear Mr Ahmad*

Ref: IR60-14

**Freedom of Information Act Internal Review: Interest rate for beneficial loans for income tax purposes**

Thank you for your email of 11 October, which we received on 13 October, requesting an internal review of our response to your FOI request of 10 September, our ref 21188/2014.

We have now completed our internal review and I am writing to inform you of its conclusions. The review was conducted by officials not involved with your original request, and the conclusions contained within this letter have been endorsed by a Treasury Team Leader. I am sorry that we have not been able to respond sooner.

**Your Internal Review request**

You asked:

*"I am writing to request an internal review of Her Majesty's Treasury's handling of my FOI request 'Taxable benefit in kind for staff based mortgages'.*

*You have partially answered some of the questions while avoiding the others, including whether the rate will be revised again soon.*

*Pls answer all the questions.*

*A full history of my FOI request and all correspondence is available on the Internet at this address:  
[https://www.whatdotheyknow.com/request/taxable\\_benefit\\_in\\_kind\\_for\\_staf](https://www.whatdotheyknow.com/request/taxable_benefit_in_kind_for_staf)"*

**The review**

Your original request asked the following questions:

- *"Who is responsible for overlooking this flawed policy i.e. which team within the Treasury and the name of the person or team heads?"*
- *How often is it reviewed?*
- *Is it currently tabled to be reviewed again, and if so when will it next be reviewed and what rate will it change to?*
- *What is the actual policy in setting and reviewing the reference rate i.e. methodology?*
- *Are there plans to change this methodology of setting reference rates to something a) more realistic and b) something more equitable? If so, when?"*

In our response we explained that:

- the policy on the official rate of interest against which beneficial loans are assessed is overseen, in general terms, by HM Treasury.
- the methodology is the responsibility of HM Revenue and Customs (HMRC) and provided an outline of the way the methodology works.
- The official was reduced from 4.0% to 3.25% with effect from April 2014. The rate is kept under regular reviews and is published on HMRC's website.

We have identified some further information that may be helpful to you.

In relation to your first question, within HMRC, this policy sits in the Employment Income Team. The policy is overseen by the Personal Tax Team in HM Treasury. Please refer to our organisation chart for further information regarding this team <http://data.gov.uk/organogram/hm-treasury>

On your second question, we advised previously that the official rate is reviewed on a quarterly basis. An announcement on the official rate for 2015-16 will be made in February.

With regard to your request about the methodology used, we previously advised you that the methodology is the responsibility of HMRC. To be helpful we can advise that HMRC uses Bank of England data on average rates for commercial loans secured on dwellings to inform decisions on the level of the official rate. This means that the official rate will not be equal to the lowest rate that is available.

HMRC make a calculation of the proposed rate based on the Bank of England data on average rates for commercial loans secured on dwellings, rounded down to the nearest 0.25%. If this differs from the rate in the previous tax year HMRC makes a recommendation to the Financial Secretary to the Treasury, who takes the final decision on the rate that will apply from the start of the new tax year.

HMRC review the rate on a quarterly basis but two of the important principles of the current system are stability and keeping administrative burdens on employers to a minimum. Therefore, the official rate will not be changed in-year in response to minor interest rate fluctuations as to do so would undermine these two principles. For this reason, an in-year tolerance level of 0.5 percentage points is used. If the average rate has changed by more than 0.5 percentage points (either an increase or a decrease), HMRC will make an appropriate recommendation to the Financial Secretary to the Treasury.

In relation to your final question, there are no plans to change the current methodology.

## Conclusion

I hope that by setting out the basis of the review, its findings and conclusions above, you will be assured that the Treasury has, on your behalf, carried out a thorough and considered review of the request you made and the responses that the Treasury gave under the FOI Act.

If you are not content with the outcome of this internal review you have the right to apply directly to the Information Commissioner for a decision. The Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow SK9 5AF.

*Yours Sincerely*

Kate Jenkins  
Head of Information Rights Unit

