



UK Tax Bulletin

May 2026



FIELD COURT TAX CHAMBERS



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Latest Rates of Interest

I have discontinued the rates of inflation chart on the grounds that the Retail Price Index is not particularly helpful. The CPI tends to be used more often.

The following are the latest rates of interest on overdue (and overpaid) tax:

Interest on overdue tax

Interest on all unpaid tax is charged at the same rate.

The formula is Bank base rate plus 4% which gives a rate of 7.75% which applies from 9th January 2026.

There is one exception: Quarterly instalments of corporation tax bear interest at 6.25% from 29th December 2025 and interest on overpaid instalments is 3.50%.

Repayment supplement

Interest on overpaid tax is paid at Bank base rate minus 1% which gives a rate of 2.75% from 9th January 2026

Official rate of interest:

From 6th April 2025: 3.75%



Statutory Residence Test: Days in Transit

Nearly everybody will be aware that since the introduction of the SRT in 2013, UK residence is determined mainly by how many days are spent in the UK. Accordingly, what is meant by “a day spent in the UK” is of supreme importance.

Unfortunately, the multiplicity of different day count tests makes your eyes water. There has been detailed (but not entirely conclusive) litigation about “exceptional” days which are days spent in the UK which can be disregarded because of exceptional circumstances. There are numerous other rules which enable days to be counted or disregarded – but I am concerned here with the rules relating to days in transit.

There is no statutory reference to days “in transit”; it is a convenient shorthand, but that is all.

Schedule 45(22)(3) FA 2013 provides that a day can be disregarded if:

- (a) The taxpayer arrives in the UK as a passenger on that day;
- (b) He leaves the UK the next day; and
- (c) Between arrival and departure, he does not engage in activities that are to a substantial extent unrelated to his passage through the UK.

HMRC explain their view about what this means in the RFIG Manual at paragraph 20730:

“Transit days do not count towards the total day count for SRT. A transit day is a day when the individual is travelling from 1 country outside the UK on a through ticket, to a final destination to another country outside the UK, and whilst on route:

- they arrive as a passenger.
- they leave the UK the next day, as a passenger

Provided that, between their arrival and departure, they do not engage in any activities that are to a substantial extent unrelated to their



passage through the UK. Merely taking dinner or breakfast at their hotel, in the normal course of events, would be related to their passage.

In contrast, enjoying a film at a local cinema, spending any time in your home in the UK or catching up with friends or relations would be considered substantially unrelated to their passage through the UK.

The individual's day of arrival, when in transit, does not count as a day spent in the UK for SRT purposes."

It is a feature of the HMRC SRT Manual that they introduce various additional conditions which are not contained in the legislation and this tradition is continued in connection with transit days. For example, there is no requirement for the taxpayer to have a "through ticket"; nor is it necessary that they are travelling to their "final destination"; nor is there any requirement that he has to leave the UK as a passenger. There is more.

In the recent case of *Parker v HMRC TC 9868* the Tribunal had to consider all of these things. Mr Parker was claiming a number of transit days and on each occasion that he arrived in the UK, he went to the airport hotel for the night, had all his meals in the hotel and left the following day.

HMRC rejected his claim because his wife and stepdaughter joined him at the hotel on one or more occasions and they regarded this as an activity unrelated to his passage through the UK.

HMRC also had some interesting views on what is meant by "a passenger". In their view, if the taxpayer has separate tickets for each part of his journey in and out of the UK, he would not be arriving as a passenger – so he would not satisfy the condition in paragraph 22(3)(a).

The tribunal rejected all of these arguments. However, the approach of HMRC shows just how hard that claims for relief for transit days are going to be.

If we look at the key test in 3(c) that "between arrival and departure, he does not engage in activities that are to a substantial extent unrelated to his passage through the UK" there is huge scope for argument. On one view almost everything is unrelated to his passage through the UK. Eating, sleeping, having a



bath; what have they got to do with his passage through the UK? However, it can also be argued with some force that if you arrive one day and leave the next morning, nearly everything will be related to your passage through the UK – unless visit was planned in order to do something specific during the stopover.

HMRC provide some examples of what they consider is allowed. For example, if the flight arrives on Monday afternoon and the outbound flight leaves on Tuesday morning, the taxi to airport hotel, sleeping and having breakfast before returning to the airport will all be OK. They accept that watching a film in your hotel room is OK - but not watching a film at a local cinema. Obviously.

They also accept that it will be OK if a friend or colleague joins you for breakfast before leaving for the airport in the morning. But ONLY if this meeting was pure chance; and furthermore there must have been no discussion about work matters over breakfast.

Where does this work focus and conditionality come from? Certainly not from the legislation. It will be interesting to see if any of this is accepted by the Courts, because it seems clear that we are going to have some serious litigation here.

In my experience, when in transit on business, you go to the hotel, have some food and spend the rest of the evening on your laptop (or phone) confirming or arranging your plans for the following day and doing all the prep you need for the next part of your trip, by sending emails, reviewing and/or drafting various paperwork. And ringing home. Does this sound familiar? It seems clear from the HMRC approach that this would (absurdly) be fatal to any claim to a transit day.

And this is all very aeroplane-centric. What if you arrive by car on Monday afternoon by ferry and you drive to the airport or another ferry terminal to leave the following day? HMRC would not regard you as a passenger at all because you would be contributing to the carriage yourself. But I guess they would regard you as being a passenger if instead of driving yourself, you took a taxi. The permutations are endless – especially when they make up their own rules.

Aren't we lucky that the SRT has made the determination of residence so much simpler.



Statutory Residence Test: Exceptional Days

The case of *Parker* also considered the rule relating to exceptional days. I have written about this before (quite a bit) following the decisions in *A Taxpayer*, but the judgment in *Parker* reveals a clearer approach of HMRC to this subject.

It may be remembered that in counting the days spent in the UK some days can be left out of account if the individual remains in the UK because of exceptional circumstances which prevent him from leaving the country.

The legislation is found in Schedule 13(22)(4) FA 2013 as under:

- (a) P would not be present in the UK at the end of that day but for exceptional circumstances beyond P's control that prevent P from leaving the UK, and
- (b) P intends to leave the UK as soon as those circumstances permit.

In *Parker* what happened is that Mr Parker boarded a flight from Heathrow to Dublin. After a number of hours sitting on the plane waiting to take off, the flight was cancelled because Storm Jorge had closed Dublin airport. The passengers were all taken to an airport hotel for food and accommodation, and Mr Parker was told that he would be booked on another flight the following day. The airline kept his luggage which was put on the rescheduled flight the next day. The following day he returned to the terminal and flew to Dublin.

He claimed that his overnight stay should not be counted because it was the result of exceptional circumstances within the meaning of the legislation. Well yes. Why am I even mentioning this? Surely HMRC would not have said this did not qualify.

Well they did. HMRC said that adverse weather conditions and flight cancellation are not exceptional, so the provisions did not apply to Mr Parker.

HMRC also said that Mr Parker was not prevented from leaving the UK because



he took no steps to leave as soon as the adverse weather conditions had abated. He could have sought another flight or other means of transport from the UK.

The Tribunal would have none of this either. They held that the circumstances were exceptional and that the legislation did not require Mr Parker to disregard the airline arrangements, abandon his checked in luggage or attempt speculative alternative travel arrangements.

I have said many times before that the legislation relating to exceptional circumstances is so strict that it is hardly an exaggeration to say that the statutory test can rarely, if ever, be satisfied for all practical purposes.

Certainly, it gives HMRC lots of arguments to deny any claim for disregarding exceptional days (unless you are in a coma, or in prison – although maybe if you are in prison you would probably have to show that you least made an attempt to escape!) The judge noted that HMRC did not concede that the circumstances were beyond Mr Parker's control or that Mr Parker would not have been in the UK at the end of the day but for these circumstances.

This case demonstrates that anybody making a claim for exceptional days will be in for a very hard time.

Information Notices: Schedule 36 FA 2008

Everybody will be familiar with information notices issued by HMRC under Schedule 36 FA 2008. These are really important as they are statutory notices and must be complied with – and of course there are penalties for non compliance.

However, an information notice can only be issued by HMRC “if the information or document is reasonably required by the officer for the purpose of checking the taxpayer's tax position”: Sch 36(1)

If the notice seeks information which is not reasonably required for the purposes of checking the taxpayers tax position there is a right of appeal to the FTT –



although not where the documents sought are part of the taxpayers “statutory records” which are records that the taxpayer has a legal requirement to keep and preserve for tax purposes.

Information sought by HMRC can be very wide ranging and there are lots of arguments about whether the information is “reasonably required”.

A useful summary of the position was recently provided by the FTT in the case of *Lifepius Europe Ltd v HMRC TC 9897*. I hesitate to set it all out here but the decision (particularly paragraphs 180 to 190) is well worth a read if you are faced with a statutory information notice.

I will just mention a few extracts to whet your appetite (or put you off completely, if you are (inexplicably) not excited by the reading of tax cases):

“In determining the issue of whether the documents are reasonably required, our consideration should be focused on whether there is a “rational connection” between the information and documents sought, and the underlying investigation [or enquiry]”: Kotton, at [62]. It is for HMRC to establish a rational connection with the request, and the underlying tax position being considered. Documents that are merely ‘informative’ and / or ‘useful context’ to an enquiry are not ‘reasonably required’.

“It is common ground that a document which is not “relevant” to a purpose identified by the Information Notice would not be ‘reasonably required’. A mere desire for background information is insufficient to justify the issuing of a notice. HMRC can only reasonably require information which relates to “identified tax issues”. That principle recognises that HMRC cannot go on “fishing expeditions”.

“In *Avonside*, at [68], Judge Nicholl referred to Simler J’s judgment in *Derrin*, and said this: “68. ... I have also taken account of the caselaw that provides that HMRC’s request must be “genuinely directed to the purpose for which the notice may be given” (Simler J in *Derrin* at [20]).



A request for information or documents “cannot be unreasonable, or entirely without foundation” and while “that does not rule out an element of uncertainty or speculation on HMRC’s part” (...), it does not allow mere speculation or allow HMRC to use Schedule 36 “to “fish” for possible issues” (...).”

These extracts need to be read in their full context, but they do show that such requests for information do need to be justified on rational (and not speculative) grounds.

Careless Conduct

Where there has been a loss of tax by reason of the careless conduct of the taxpayer, a penalty may arise under Schedule 24 FA 2008. (Much worse penalties arise if the loss of tax arose from a deliberate attempt to mislead HMRC).

Carelessness is essentially the failure to take reasonable care or to have a reasonable excuse, as explained in detail in *Perrin v HMRC [2028] UKUT 156* and in *Hextall v HMRC TC 8804* - and numerous other cases. It was described in the following terms by Judge Medd in the *Clean Car Company (LON/90/138X)*:

“One must ask oneself: was what the taxpayer did a reasonable thing for a responsible trader conscious of and intending to comply with his obligations regarding tax, but having the experience and other relevant attributes of the taxpayer and placed in the situation that the taxpayer found himself at the relevant time, a reasonable thing to do?”

In the recent case of *Krason v HMRC TC 9876* Mr Krason had not paid the right amount of tax and HMRC took the view that this was due to Mr Krason’s deliberate conduct (which is pretty serious allegation giving rise to equally serious penalties). No it was not, said the Tribunal.

So HMRC then claimed he must have been careless – but the Tribunal did not agree with that either. They found that every one of HMRC’s reasons was wrong.

These reasons put forward by HMRC were:



- (1) he did not obtain any written advice concerning the transactions, and the reasonable person would have done this “to protect his position” or “to cover himself”; *Wrong – no need.*
- (2) he did not consult a lawyer when [his accountant] gave him details of the scheme; *Wrong- no need.*
- (3) he did not attempt to understand what he was doing so he could satisfy himself that it was a legitimate scheme, and in particular:
 - (a) did not compare the 11% he was paying, to other information about the scheme, and had he done so this would have shown that he had misunderstood the term “contributions”; *Wrong – no need.*
 - (b) he did not question how the scheme could possibly work when no monies existed within the PMC which could be loaned to him; he should have questioned how it was still a trust contribution if one immediately withdrew the money back after making the payment to the PMC; *Wrong – no need*
- (4) he should have checked his SA returns and asked questions about the other business expenses. *Wrong – no need*

No two cases are the same and the facts will always be important – but when faced with these arguments by HMRC (which many advisers and taxpayers will be) the taxpayer clearly does have some good reasons to stand his ground.

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