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STATUTORY INSTRUMENTS

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**2003 No. 2682**

**The Income Tax (Pay As You Earn) Regulations 2003**

**PART 2**

**CODES**

*Determination of code*

**Flat rate codes**

**15.**—(1) The Inland Revenue may determine that the code for use by an employer in respect of an employee for a tax year is the higher rate code, if they have reason to believe that the employee will be chargeable at the higher rate on all or a substantial part of the employee's relevant payments.

(2) The Inland Revenue may determine that the code for use by an employer in respect of an employee for a tax year is the basic rate code, if they have reason to believe that the employee will be chargeable at the basic rate on all or a substantial part of the employee's relevant payments.

(3) The Inland Revenue may determine that the code for use by an employer in respect of an employee for a tax year is the nil tax code, if—

- (a) the employee's PAYE income will be taken into account as taxable income other than PAYE income in any assessment,
- (b) the Inland Revenue are not satisfied that the employee's income will be chargeable, or
- (c) the Inland Revenue have reason to believe that the employee will be entitled to a deduction under Chapter 6 of Part 5 of ITEPA (deductions from seafarers' earnings) in respect of the employee's PAYE income or so much of it as remains after any deductions under section 592(7) or 594(1) of ICTA(1) (exempt approved schemes and exempt statutory schemes).

(4) References in this regulation to an employee's relevant payments, PAYE income and income are references to the payments or income in respect of which the employee's code is being determined for the purposes of the employment in question.

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(1) Section 592(7) was substituted by paragraph 72 of Schedule 6 to ITEPA; section 594(1) was amended by paragraph 6(2) of Schedule 6 to the Finance Act 1989 (c. 26) and paragraph 73 of Schedule 6 to ITEPA.