
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Income Tax (Pay as You Earn) Regulations 2003 (S.I. 2003/2682: “the PAYE Regulations”) to define the additional rate of income tax as well as the 0T and additional rate income tax codes and also require employers to deduct income tax using the 0T rate code instead of the basic rate tax code in specified circumstances. The Regulations also clarify the meaning of “a specified date” for the purpose of regulation 198A of the PAYE Regulations.

Regulation 3 inserts the definition of “additional rate” into regulation 2 of the PAYE Regulations and amends the definition of “notice” in regulation 2 of the PAYE Regulations.

Regulation 4 inserts into regulation 7(3) of the PAYE Regulations definitions of the additional rate code and the 0T code. It also amends the definition of the emergency code.

Regulation 5 inserts a new regulation 15(A1) which allows Her Majesty’s Revenue and Customs in appropriate circumstances to determine that an employer should deduct income tax at the additional rate.

Regulations 6 and 11 make consequential amendments to headings.

Regulation 7 amends regulation 32 of the PAYE Regulations. Amended regulation 32 requires the employer to deduct income tax at the additional rate in the event the employee’s code is the additional rate tax code.

Regulation 8 amends regulation 37 of the PAYE Regulations, by substituting the 0T code for the basic rate code at which deduction is to be made from PAYE income paid after employment has ceased.

Regulation 9 amends regulation 37A of the PAYE Regulations, by substituting the additional tax rate for the higher tax rate at which deduction is to be made from PAYE income paid after employment has ceased and which subsequently becomes subject to PAYE.

Regulation 10 amends regulation 46(2C) of the PAYE Regulations, by substituting code 0T on the non-cumulative basis for the basic rate as the rate at which tax is deducted. Regulation 46(2C) applies where an employee commences employment without providing a P45 to the employer and where a code has not been issued by HMRC and the employee fails to provide specified information required in a P46 form.

Regulation 12 amends regulation 54 of the PAYE Regulations to extend the scope of Chapter 3 of Part 3 to the scenario where an employee receives a pension in addition to payment for employment from the same employer.

Regulation 13 inserts regulations 54A and 54B into the PAYE Regulations as a result of the extension of the scope of Chapter 3 of Part 3 of the PAYE Regulations. Regulation 54A requires tax to be deducted from the pension using the 0T tax code on the non-cumulative basis and requires the pensioner to provide specified information in the Form P46(Pen). The regulation also requires the pension payer to indicate on the form that tax is being deducted using that Code on a non-cumulative basis. Regulation 54B treats the 0T code used by the employer to be treated as being issued by HMRC for specific purposes outlined in the regulation.

Regulation 14 amends regulation 108 of the PAYE Regulations to make an employer accountable for income tax at the basic, higher and additional rate as appropriate in respect of an employee who is covered by a PAYE settlement agreement.

Regulation 15 amends regulation 198A(3) of the PAYE Regulations in order to clarify the meaning of “specified date” for the purpose of regulation 198A.

Status: *This is the original version (as it was originally made). This item of legislation is currently only available in its original format.*

An impact assessment has not been prepared for this instrument as no impact on the public, private or voluntary sector is foreseen.