

## 1981 No. 44

## INCOME TAX

**The Income Tax (Employments) (No. 11) Regulations 1981**

*Made* - - - - 14th January 1981

*Laid before the  
House of Commons* - 21st January 1981

*Coming into Operation* 6th April 1981

The Commissioners of Inland Revenue, in exercise of the powers conferred upon them by section 204 of the Income and Corporation Taxes Act 1970(a), hereby make the following Regulations:—

*Citation, commencement and interpretation*

1.—(1) These Regulations may be cited as the Income Tax (Employments) (No. 11) Regulations 1981, and shall come into operation on 6th April 1981: Provided that, in relation to emoluments paid before 6th April 1981, the Principal Regulations shall continue to apply as if these Regulations had not been made.

(2) In these Regulations “the Principal Regulations” means the Income Tax (Employments) Regulations 1973(b).

*Amendments of the Principal Regulations*

2. In Regulation 2(1) of the Principal Regulations—

(1) after the definition of “code” there shall be inserted:—

“ “code authorisation” means a notice given by an Inspector to an employer specifying the appropriate code;”

(2) the definition of “deduction card” shall be omitted and in its place there shall be inserted:—

“ “deductions working sheet” means any form of record on or in which are to be kept the matters required by these Regulations in connection with an employee’s emoluments and tax, or, in Regulations 21 and 51, the form issued by the Inspector for the purpose of keeping that record;”

3. For Regulation 6 of the Principal Regulations there shall be substituted:—

“6.—(1) Every employer, on making any payment of emoluments during any year to any employee in respect of whom a code authorisation has been issued to him for that year by the Inspector, shall—

(a) if he has not already done so, prepare a deductions working sheet for that employee, and

(b) deduct or repay tax in accordance with these Regulations by reference to the appropriate code, which shall be specified on the code authorisation.

(a) 1970 c. 10.

(b) S.I. 1973/334, amended by S.I. 1974/2102, 1975/728, 1976/381, 950, 1977/700, 1978/326, 1196, 1979/747, 1980/505.

(2) Where under Regulation 7 the Inspector determines that the appropriate code for any year is not different from the code for the preceding year he shall not be obliged to issue a code authorisation to the employer and if for any year the employer does not receive a code authorisation for an employee who was in his employment on the 5th April in the year preceding that year a code authorisation shall be deemed to have been issued by the Inspector specifying as the appropriate code the code which was appropriate on the said 5th April and the employer shall act in accordance with sub-paragraphs (a) and (b) of paragraph (1) of this Regulation."

4. In Regulation 9 of the Principal Regulations the words "before the deduction card is issued to the employer" shall be omitted.

5. For Regulation 10(5) of the Principal Regulations there shall be substituted:—

"(5) Notwithstanding that the appropriate code as determined by the Inspector may be the subject of an objection or appeal, the employer shall act in accordance with Regulation 6 and shall deduct or repay tax by reference to that code."

6. In Regulation 12(1) of the Principal Regulations for the words "the deduction card has been issued" there shall be substituted:—

"a code authorisation has been issued or is deemed under these Regulations to have been issued".

7. In Part III of the Principal Regulations there shall be inserted before Regulation 13:—

*"Preparation of deductions working sheets"*

12A. The employer shall record on each deductions working sheet which he is required to prepare under these Regulations the employee's name, the appropriate code and the year to which the working sheet relates."

8. In Regulation 18 of the Principal Regulations—

(1) in paragraph (1) for the words "a deduction card has been issued to him" there shall be substituted:—

"a code authorisation has been issued to him, or is deemed under these Regulations to have been issued to him";

(2) for the proviso to paragraph (3) there shall be substituted:—

"Provided that:

(i) if tax is repayable on the occasion of the first such payment and the amount repayable exceeds £50, the new employer shall forthwith notify the Inspector and shall not make the repayment until authorised to do so by the Inspector; and

(ii) where the certificate indicates that the provisions of Regulation 17 have been applied references in this paragraph to cumulative emoluments, cumulative free emoluments and cumulative tax shall be disregarded and the provisions of Regulation 17 shall apply to payments of emoluments made by the new employer."

(3) for paragraph (5) there shall be substituted:—

"(5) The delivery of the 2 copies of the certificate in accordance with paragraph (3) of this Regulation shall be treated for the purposes of this

Regulation as the issue of a code authorisation to the new employer in respect of the employee specifying the code contained in the certificate as the appropriate code.”

9. In Regulation 19(1) of the Principal Regulations for the words “deduction card has been either issued by the Inspector or prepared by the employer under paragraphs (3) or (4) of Regulation 18 or paragraph (2) of Regulation 20” there shall be substituted:—

“code authorisation has been issued by the Inspector, or is deemed under these Regulations to have been issued”.

10. For Regulation 20 of the Principal Regulations and the cross-heading thereto there shall be substituted:—

*“Employee for whom appropriate code not known*

20.—(1) If the employer makes any payment of emoluments—

(a) to an employee in respect of whom he has not received a code authorisation from the Inspector (and in respect of whom no code authorisation is deemed under paragraph (2) of Regulation 6 to have been issued by the Inspector), and that payment is equivalent to emoluments at a rate a week exceeding that prescribed in accordance with paragraph (2) of this Regulation (in this Regulation called “the prescribed weekly rate”) or

(b) to a new employee with other employment or a new employee who does not certify in the prescribed form either that he is taking up employment for the first time after a period of full-time education or that the employment is his only or main employment, at a rate exceeding £1 a week,

the employer, on the occasion of any such payment, shall forthwith render a return to the Inspector giving the name and address of the employee, the date on which his employment commenced, and such other particulars as may be necessary to enable the Inspector to determine the appropriate code in accordance with Regulation 7:

Provided that if the employer, having rendered such a return, makes any subsequent payment of emoluments to the employee he shall not be required to render any further return in the same year pursuant to this paragraph.

(2) The prescribed weekly rate shall be such sum as may be prescribed from time to time by the Commissioners of Inland Revenue as representing one fifty-second part of the relief for the time being allowable under section 8(1)(b) of the Income and Corporation Taxes Act 1970(a) or as being greater or less than that said part by an amount not exceeding £1.

(3)(a) If any payment made as described in paragraph (1) of this Regulation is the first payment of emoluments made by the employer during the year to an employee who certifies, in a form prescribed by the Commissioners of Inland Revenue, that he is taking up employment for the first time after a period of full-time education and the said payment is equivalent to emoluments at a rate a week exceeding the prescribed weekly rate, the employer on making it shall, on a deductions working sheet which he shall prepare for the purpose, enter cumulative emoluments and cumulative tax before the first payment as nil and deduct tax in accordance with Regulation 13 applying the code prescribed by the Commissioners of Inland Revenue as the appropriate code;

- (b) if any payment made as described in paragraph (1) of this Regulation is the first payment of emoluments made by the employer during the year to an employee who is not within sub-paragraph (a) of this paragraph and who certifies in a form prescribed by the Commissioners of Inland Revenue that the employment is his only or main employment and the said payment is equivalent to emoluments at a rate a week exceeding the prescribed weekly rate, the employer on making it shall deduct tax and keep records on a deductions working sheet which he shall prepare for the purpose as if the payment were one to which Regulation 17 applied, applying the code prescribed by the Commissioners of Inland Revenue as the appropriate code;
- (c) if any payment made as described in paragraph (1) of this Regulation is the first payment of emoluments made by the employer during the year and is made to an employee who does not certify in accordance with either sub-paragraph (a) or sub-paragraph (b) of this paragraph and the said payment is at a rate exceeding £1 a week, the employer on making it shall, on a deductions working sheet which he shall prepare for the purpose, enter cumulative emoluments and cumulative tax before the first payment as nil and deduct tax in accordance with Regulation 13 applying the code which effects deduction of tax at the basic rate as the appropriate code:

Provided that if the payment is a payment of pension emoluments then, subject to paragraph (9) of this Regulation, the employer on making it shall deduct tax and keep records on a deductions working sheet which he shall prepare for the purpose as if the payment were a payment to which sub-paragraph (b) of this paragraph applied and for the purposes of paragraph (5) of this Regulation that sub-paragraph shall be treated as having applied to the payment.

- (4)(a) Whenever in accordance with paragraph (3) of this Regulation the employer uses the code prescribed by the Commissioners of Inland Revenue or the code which effects the deduction of tax at the basic rate, a code authorisation shall, for the purposes of Regulation 6, paragraph (1) of Regulation 12, paragraph (1) of Regulation 18 and paragraph (2) of Regulation 19, be deemed to have been issued to the employer by the Inspector specifying whichever of those codes applies as the appropriate code;
- (b) whenever the employer makes any payment to which paragraph (3) of this Regulation applies he shall also hand to the employee a form prescribed by the Commissioners of Inland Revenue for the purpose of assisting the employee to establish the reliefs to which he is entitled and of securing the determination of the appropriate code in accordance with Regulation 7.
- (5)(a) On making any subsequent payment to an employee where either sub-paragraph (a) or sub-paragraph (c) of paragraph (3) of this Regulation applied to the first payment and where a code authorisation has not been issued in respect of the employee, the employer shall deduct or repay tax in accordance with Regulation 13, continuing to apply the code prescribed by the Commissioners of Inland Revenue or the code which effects the deduction of tax at the basic rate as the case may be as the appropriate code, and shall keep the records required by that Regulation;
- (b) on making any subsequent payment of emoluments to an employee where sub-paragraph (b) of paragraph (3) of this Regulation applied

to the first payment and where a code authorisation has not been issued in respect of the employee, the employer shall deduct tax as if such subsequent payment were one to which Regulation 17 applied, applying the code prescribed by the Commissioners of Inland Revenue as the appropriate code, and shall keep the records required by that Regulation;

- (c) on making any payment of emoluments to the employee after a code authorisation has been issued in respect of the employee the employer shall deduct or repay tax by reference to the appropriate code specified thereon in accordance with Regulation 13, and shall keep the records required by that Regulation, and for those purposes
  - (i) any cumulative emoluments notified to the employer by the Inspector shall be treated as if they represented emoluments paid by the employer; and
  - (ii) the cumulative tax before the first payment made in accordance with this sub-paragraph shall be taken to be the sum of any cumulative tax notified to the employer by the Inspector and any tax which the employer was liable to deduct from the employee's emoluments under paragraph (3) of this Regulation or sub-paragraphs (a) or (b) of this paragraph.

(6) Where, after the employer has acted in accordance with paragraph (3) or paragraphs (3) and (5) of this Regulation, the employee delivers to the employer the two copies of a certificate received by him in accordance with paragraph (2) of Regulation 18, and a code authorisation has not been issued to the employer in respect of the employee:

- (a) if the certificate relates to an employment in respect of which the last payment of emoluments was made in the year in which the employee so delivers the said copies, then, unless the employer has already ceased to employ the employee, paragraph (3) of Regulation 18 shall apply as if the employee had delivered the said two copies immediately on commencing employment with the employer, except that—
  - (i) the employer shall not be obliged to prepare a further deductions working sheet if he has already prepared one;
  - (ii) the cumulative emoluments and cumulative tax immediately before the payment of emoluments following the delivery of the two copies of the certificate shall be taken to be the sum of such cumulative emoluments and cumulative tax as are shown on the said certificate and such emoluments and tax as have been paid or deducted by the employer since the commencement of the employment;
  - (iii) proviso (i) to paragraph (3) of Regulation 18 shall not apply on the occasion of the payment of any emoluments to the employee by the employer after the employee has so delivered the two copies of the said certificate;
- (b) if the certificate relates to an employment in respect of which the last payment of emoluments was made in the preceding year, and the employee delivers the said two copies—
  - (i) within the first three weeks of the year, then, unless the employer has already ceased to employ the employee, the employer shall comply with sub-paragraph (a) of paragraph (3) of Regulation 18 and the cumulative emoluments and the cumulative tax shall

be such emoluments and tax as have been paid or deducted by the employer since the commencement of the employment or the 6th April whichever was the later and the delivery of the said two copies shall be treated as if it were the issue on that day of a code authorisation to the employer in respect of the employee specifying the code shown on the certificate as the appropriate code;

- (ii) after the end of the third week of the year, the provisions of Regulation 18 shall not apply.

(7) Where sub-paragraph (b) of paragraph (3) of this Regulation applied to the first payment of emoluments made by the employer to the employee and the employer ceases to employ the employee before a code authorisation has been issued to him by the Inspector, then, unless paragraph (6) of this Regulation has become applicable, Regulation 18 shall apply, subject to the modifications that—

(a) the certificate of the employer under that Regulation shall not contain particulars of the cumulative emoluments and cumulative tax; and

(b) the new employer, instead of deducting or repaying tax by reference to the cumulative emoluments and cumulative tax, shall deduct tax and keep records in accordance with sub-paragraph (b) of paragraph (5) of this Regulation as if each payment of emoluments made by him were one to which Regulation 17 applied.

(8)(a) In the case of an employee who is paid monthly or at longer intervals, the references in this Regulation to a rate a week exceeding the prescribed weekly rate shall be treated as references to a rate a month exceeding that prescribed in accordance with sub-paragraph (b) of this paragraph and the references in this Regulation to a rate exceeding £1 a week shall be treated as references to a rate exceeding £4 a month;

(b) the prescribed monthly rate shall be such sum as may be prescribed from time to time by the Commissioners of Inland Revenue as representing one twelfth part of the relief for the time being allowable under section 8(1)(b) of the Income and Corporation Taxes Act 1970 or as being greater or less than that said part by an amount not exceeding £4.

(9) This Regulation shall not apply where—

(a) the employee immediately on commencing employment has delivered to his employer two copies of a certificate received by him in accordance with paragraph (2) of Regulation 18; or

(b) the employee is resident outside the United Kingdom and the emoluments consist of a pension:

Provided that if the employer pays a pension, not being a pension arising wholly from an employment carried on abroad, to a person who is resident outside the United Kingdom in respect of whom he has not received a code authorisation from the Inspector, and the payment is equivalent to emoluments at a rate a week exceeding the prescribed weekly rate, the employer shall, on the occasion of the first such payment, forthwith render a return to the Inspector giving the name and address of the person entitled to the pension, the date on which the pension commenced, and such other particulars as may be necessary to enable the Inspector to determine the appropriate code in accordance with Regulation 7.

**11. In Regulation 21 of the Principal Regulations—**

(1) in paragraph (1) for the words “record on the deduction card” there shall be substituted:—

“maintain a record on a deductions working sheet bearing the appropriate code, which the Inspector shall issue for that purpose, of”

(2) in paragraph (3) after the words “Regulations” there shall be inserted “6,”

**12. In Regulation 25 of the Principal Regulations—**

(1) for the words “After the end of the year the employer shall give the employee a certificate in a form prescribed or authorised by the Commissioners of Inland Revenue showing” there shall be substituted:

“The employer shall give a certificate under this Regulation to every employee who is in his employment on the last day of the year and from whose emoluments any tax has been deducted during that year.

(2) The certificate shall be in a form prescribed or authorised by the Commissioners of Inland Revenue and shall show—

(aa) the year to which it relates;”

(2) paragraph (2) shall be renumbered as paragraph (3);

(3) paragraph (3) shall be omitted.

**13. In Regulation 30 of the Principal Regulations—**

(1) for paragraph (1) there shall be substituted:—

“(1) Not later than 14 days after the end of the year the employer shall render to the Collector, in such form as the Commissioners of Inland Revenue may approve or prescribe, a return in respect of each employee showing such particulars as the Commissioners may require for the identification of the employee, the year to which the return relates, the total amount of the emoluments paid by him to the employee during that year, the appropriate code, and the total net tax deducted from the emoluments.”

(2) in paragraph (2) for the words from “deduction cards issued by the Inspector” to “issued to the employer by the Inspector” there shall be substituted:—

“deductions working sheets on which the employer was required to keep records in accordance with these Regulations in respect of that year;”

(3) for paragraph (5) there shall be substituted:—

“(5) A return shall be made under this Regulation in respect of every employee in respect of whom the employer was required at any time during the year to prepare or maintain a deductions working sheet in accordance with these Regulations, and in respect of every employee to whom the employer at any time during the year paid emoluments at a rate exceeding that prescribed in accordance with paragraph (2) or paragraph (8) of Regulation 20 but in respect of whom the employer was not required under these Regulations to prepare a deductions working sheet.”

**14. In Regulation 32 of the Principal Regulations—**

(1) in sub-paragraph (a) of paragraph (1) for the words “deduction cards” there shall be substituted:

“deductions working sheets, certificates given in accordance with paragraph (3) of Regulation 20 (other than those which the employer has sent to the Inspector);”

(2) in sub-paragraph (b) of paragraph (1) for the words “deduction cards” there shall be substituted “deductions working sheets, certificates”;

(3) there shall be added the following paragraph:

“(5) For the purposes of paragraph (1) of this Regulation, such of the wages sheets, deductions working sheets, certificates and other documents and records therein mentioned as are not required by other provisions of these Regulations to be sent to the Inspector or Collector shall be retained by the employer for not less than three years after the end of the year to which they relate.”

15. In Regulation 36 of the Principal Regulations paragraph (4) shall be omitted.

16. In Regulation 51 of the Principal Regulations—

(1) in sub-paragraph (b) of paragraph (4) the words “shall direct the employee to return the deduction card to him and” shall be omitted;

(2) in paragraph (5) for the words “a return to the Collector on the deduction card, showing” there shall be substituted:—

“to the Collector, in such form as the Commissioners of Inland Revenue may prescribe, a return showing such particulars as the Commissioners may require for the identification of the employee, the year to which the return relates,”;

(3) in paragraph (6) for the words from “shall (unless he” to “deduction card, showing” there shall be substituted:—

“shall (unless either sub-paragraph (b) of paragraph (4) or paragraph (5) of this Regulation has applied) render to the Collector, in such form as the Commissioners of Inland Revenue may prescribe, a return showing such particulars as the Commissioners may require for the identification of the employee, the year to which the return relates,”.

17. In the Principal Regulations—

(1) In the following Regulations for the words “deduction card” there shall be substituted “code authorisation”: Regulations 8(3), 11(2), 12(2), 18(6), 36(3).

(2) In Regulation 18(3)(a) for the words “deduction cards” there shall be substituted “code authorisations”.

(3) In the following Regulations for the words “deduction card” whenever they occur there shall be substituted “deductions working sheet”: Regulations 5, 18(3)(b), 18(3)(c), 18(4)(b), 21(2), 51(1), 51(2) and 51(8).

(4) In the following Regulations for the words “record, either on the deduction card or in such form as may be authorised by the Commissioners of Inland Revenue,” there shall be substituted “record on the deductions working sheet for that employee”: Regulations 13(6), 17(3).

(5) In Regulation 16(2) for the words “the deduction card, or in such form as may be authorised by the Commissioners of Inland Revenue,” there shall be substituted:

“a deductions working sheet (which he shall prepare for the purpose unless he has already prepared one for that year)”.

(6) In Regulation 18(3)(b) for the words “on the card” there shall be substituted “on the working sheet”.



- (7)(a) In Regulation 18(4)(b) for the words “paragraph (2)” there shall be substituted:—  
 “sub-paragraph (b) of paragraph (3)”;
- (b) in Regulation 19(1) for the words “paragraph (4) of Regulation 20” there shall be substituted:—  
 “paragraph (7) of Regulation 20”.
- (8) In Regulation 17(1)(c)
- (a) after the words “emoluments made” there shall be inserted:  
 “in any year”;
- (b) after the words “shall apply” there shall be inserted:  
 “for that year”.

*Amendments to other Regulations*

**18.** In the Income Tax (Councillors’ Attendance Allowances) Regulations 1974(a):—

- (1) in Regulation 1 the words “(hereinafter referred to as “the Principal Regulations”)” shall be omitted;
- (2) in Regulation 2 there shall be inserted after paragraph (1):  
 “(1A) In these Regulations “the Principal Regulations” means the Income Tax (Employments) Regulations 1973 as amended or modified by any subsequent Regulations”;
- (3) in Regulation 4(5) for the words “either on the deduction card or in such other form as may be authorised by the Commissioners of Inland Revenue” there shall be substituted:—  
 “on a deductions working sheet”.

**19.** In the Income Tax (Reserve and Auxiliary Forces) Regulations 1975(b):—

- (1) in Regulation 1 the words “as amended by the Income Tax (Employments) (No. 2) Regulations 1974 (hereinafter referred to as “the Principal Regulations”)” shall be omitted;
- (2) in Regulation 2 there shall be inserted after paragraph (1):—  
 “(1A) In these Regulations “the Principal Regulations” means the Income Tax (Employments) Regulations 1973 as amended or modified by any subsequent Regulations”;
- (3) to Regulation 5 there shall be added:—  
 “The provisions of paragraph (2) of Regulation 6 of the Principal Regulations shall not apply to any such notice”;
- (4) in Regulation 9 for the words “either on a deduction card or in such other form as may be authorised by the Commissioners of Inland Revenue” there shall be substituted:—  
 “on a deductions working sheet”.

By Order of the Commissioners of Inland Revenue.

*J. D. Taylor Thompson,*  
 Secretary.

14th January, 1981

## EXPLANATORY NOTE

*(This Note is not part of the Regulations.)*

These Regulations, which come into operation on 6th April 1981, modify in three principal respects the Regulations relating to Income Tax under Pay As You Earn:—

(1) they alter the procedures relating to the PAYE deduction card. At present the Inspector issues a deduction card each year to the employer, for each of his employees for whom he is to operate PAYE, to notify the employer of the appropriate PAYE code for that employee; the employer is required to record, and to report to the Collector after the end of the year, certain details of his employee's pay and tax, and to use the deduction card (or an authorised substitute) for this purpose. In place of these procedures, these Regulations provide for the Inspector to notify the employer of the appropriate code by a code authorisation; they provide that, for any employee for whom the employer does not receive such an authorisation for a new tax year, he is to continue operating the existing code. They also make provision for the employer to record details of his employee's pay and tax on a deductions working sheet, and to report them to the Collector after the end of the year on a separate form. Employers who use the "simplified tax tables" are not affected;

(2) they provide for changes in the procedures followed by an employer in relation to a new employee for whom he has received neither a code authorisation nor details of the employee's code in his previous employment. The Regulations provide for such an employee to be handed by the employer a form for the purpose of claiming the reliefs to which he is entitled. If the employee's earnings exceed the normal level of pay above which PAYE is operated, and if he certifies that he is taking up employment for the first time after a period of full-time education, the employer will deduct tax on a cumulative basis applying a prescribed code. The prescribed code will also be applied, on a non-cumulative basis in the case of other new employees who certify that the employment in question is their only or main employment. For new employees whose main employment is elsewhere or who do not certify that the employment in question is their only or main one, the Regulations provide for tax to be deducted at the basic rate;

(3) they provide that the limit of weekly or monthly pay above which an employer has to operate PAYE for an employee shall be raised by the Commissioners of Inland Revenue when appropriate to maintain it at a level approximately equivalent to that of the single person's tax allowance.

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