
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Income Tax (Employments) Regulations 1993 (S.I.1993/744) (“the principal Regulations”) by adding a new chapter to Part VI of those Regulations (“Special Provisions”) dealing with PAYE settlement agreements.

A PAYE settlement agreement is an agreement made between the Board of Inland Revenue (“the Board”) and an employer whereby the employer is to be accountable to the Board for income tax in respect of certain emoluments paid or provided to his employees in accordance with the terms of the agreement instead of under Parts III to V of the principal Regulations.

These Regulations contain provisions relating to the types of emoluments that may be included in a PAYE settlement agreement, the calculation of tax payable in respect of those emoluments, payment of tax and recovery of unpaid tax and other related matters.

The Regulations have effect in relation to PAYE settlement agreements entered into in the year 1996/97 (including those entered into before the coming into force of the Regulations) and subsequent years of assessment. Authority for the retrospective effect of these Regulations is given by section 206A(5) of the Income and Corporation Taxes Act 1988 (inserted by section 110 of the Finance Act 1996).

Regulation 1 provides for citation, commencement and effect, and regulation 2 for interpretation.

Regulation 3 provides, by way of a transitional provision, that PAYE settlement agreements made before the date of coming into force of the Regulations shall have effect for the purposes of the Regulations and the principal Regulations as if made on or after that date.

Regulation 4 adds a new chapter (Chapter V) to Part VI of the principal Regulations dealing with PAYE settlement agreements and comprising new regulations 80A to 80N (“the new regulations”).

The remainder of this note describes the provisions made by the new regulations.

Regulation 80A contains a general provision relating to PAYE settlement agreements that defines the emoluments which may be included in any such agreement.

Regulation 80B provides for the form of the agreement, regulation 80C for commencement of the agreement, and regulation 80D for variation of the agreement.

Regulation 80E provides for any emoluments included in a PAYE settlement agreement to be treated as excluded from the employee’s income for the purposes of determining the amount of his Schedule E income tax liability. The regulation also provides for the employee to be relieved of his obligation to include details of those emoluments in his tax return, and makes other consequential provisions relating to emoluments included in a PAYE settlement agreement and liability to tax under the agreement.

Regulation 80F provides for the calculation (on a grossed up basis) of the tax payable under the agreement.

Regulation 80G provides for payment of the tax.

Regulation 80H provides for the determination by an inspector or other officer of the Board of any amount of tax that appears to him to be payable under the agreement but that has not been paid, and for appeals against determinations.

Regulation 80J provides for interest to be payable on unpaid tax, and regulation 80K for interest to be payable on overpaid tax.

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

Regulation 80L provides for an annual review by an inspector or other officer of the Board of the operation of an agreement.

Regulation 80M makes provision for the cancellation of an agreement in certain circumstances.

Regulation 80N provides for inspection and retention of records relating to emoluments included in an agreement and to the calculation and payment of tax under the agreement