

2014 No. 2689

INCOME TAX

**The Income Tax (Pay As You Earn) (Amendment No. 4)
Regulations 2014**

Made - - - - - *6th October 2014*

Laid before the House of Commons *8th October 2014*

Coming into force in accordance with regulation 1

The Commissioners for Her Majesty's Revenue and Customs make these Regulations in exercise of the powers conferred by section 684(1) and (2) of the Income Tax (Earnings and Pensions) Act 2003(a) and now exercisable by them(b):

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Income Tax (Pay As You Earn) (Amendment No. 4) Regulations 2014, and come into force on 1st November 2014, subject to paragraph (2).

(2) Regulations 3 and 5 to 7 come into force on 6th April 2015.

(3) Regulation 4 has effect in relation to codes determined for use by an employer in respect of an employee for the tax year 2015-16 and subsequent tax years.

Amendment of the Income Tax (Pay As You Earn) Regulations 2003

2. The Income Tax (Pay As You Earn) Regulations 2003(c) are amended as provided for in regulations 3 to 7.

3. In regulation 2 (interpretation) for the definition of “overriding limit” substitute—

““overriding limit” means the limit on the amount of tax to be deducted from a relevant payment and is an amount equal to 50% of the amount of the relevant payment;”.

4. After regulation 14B (determination of code in respect of high income child benefit charge) insert—

“Determination of code in respect of recovery of tax credit debts

14C.—(1) HMRC may determine a code, if and to the extent that the payee(d) does not object, to effect the recovery of all or part of a tax credit debt.

(a) 2003 c. 1. Section 684 has been amended by section 145 of the Finance Act 2003 (c. 14); paragraphs 102 and 117 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11); section 94(3) of the Finance Act 2006 (c. 25); paragraphs 2 to 7 of Schedule 58 to the Finance Act 2009 (c. 10) and S.I. 2011/1583 and 2011/1585.
(b) Paragraph 102 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 amended section 684 so that the Commissioners for Her Majesty's Revenue and Customs have the power to make the Regulations.
(c) S.I. 2003/2682 (“the principal Regulations”). Relevant amending instruments are S.I. 2007/1077 and 2011/1584.
(d) “Payee” is defined in regulation 2(1) of the principal Regulations.

(2) Sums deducted or to be deducted as a result of a determination made in reliance on paragraph (1) are to be treated, for the purposes of employers' obligations and enforcement, in the same way as amounts of tax which the employer is liable to pay under provisions of these Regulations (so, for example, regulation 84 applies for the purposes of recovery).

(3) Sums deducted as a result of a determination made in reliance on paragraph (1) are to be treated for the purposes of interest on the tax credit debt as having been paid on the first day of the tax year in respect of which the determination is made.

(4) In this regulation "tax credit debt" means child tax credit or working tax credit that the payee is liable to repay to the Commissioners under or by virtue of an enactment.

Recovery of debts: overall limit

14D.—(1) This regulation applies where HMRC determines a code under, or by reference to, one or both of the following provisions—

- (a) regulation 14A(1) (determination of code in respect of recovery of relevant debts)(a); or
- (b) regulation 14C(1) (determination of code in respect of recovery of tax credit debts).

(2) Column 2 of Table 1A sets out the total amount of debt that may be recovered from an employee ("E") under a code to which this regulation applies, by reference to the expected amount of PAYE income(b) of E in the tax year for which that code is determined.

TABLE 1A

TOTAL AMOUNT OF DEBT THAT MAY BE RECOVERED

<i>1 The expected amount of PAYE income of E in the tax year for which the code is determined</i>	<i>2 The total amount of debt that may be recovered from E in that tax year</i>
Less than £30,000	No more than £3,000
£30,000 or more but less than £40,000	No more than £5,000
£40,000 or more but less than £50,000	No more than £7,000
£50,000 or more but less than £60,000	No more than £9,000
£60,000 or more but less than £70,000	No more than £11,000
£70,000 or more but less than £80,000	No more than £13,000
£80,000 or more but less than £90,000	No more than £15,000
£90,000 or more	No more than £17,000.

(3) In this regulation the "total amount of debt" means the sum recovered or to be recovered by virtue of a code determined under, or by reference to, one or both of regulations 14A(1) or 14C(1)."

5. In regulations 23(5), 28(5) and 144(4) omit "if the employee's code is a K code,".

6. In regulation 66 (deductions working sheets)(c)—

(a) for paragraph (6)(e) substitute—

“(e) the tax due to be deducted at that date (subject to the overriding limit),

(ea) the overriding limit, if any, in relation to the payment,

(eb) the amount of any tax not deducted at that date because of the overriding limit, and
”, and

(b) in paragraph (8)(c) omit "if the employee's code is a K code,".

(a) Regulation 14A was inserted by S.I. 2011/1584.

(b) "PAYE income" is defined in regulation 2(1) of the principal Regulations.

(c) Regulation 66 has been amended by S.I. 2007/1077.

7. In regulation 161(5) (tax calculation) for the definition of “claimant’s total tax” substitute—
- ““claimant’s total tax” means the lesser of—
- (a) 50% of the claimant’s total payments to date, and
 - (b) the tax due in accordance with the appropriate tax tables in respect of the claimant’s total taxable payments to date at the relevant date;”.

*Edward Troup
Jim Harra*

6th October 2014

Two of the Commissioners for Her Majesty’s Revenue and Customs

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 principal Regulations”) which make provision for the assessment, charge, collection and recovery of income tax in respect of all pay as you earn (“PAYE”) income.

The amendments are made in conjunction with the Income Tax (Earnings and Pensions) Act 2003 (Section 684(3A)) Order 2014 (S.I. 2014/2438) which increases the coding out limit in respect of relevant debt from £3,000 to £17,000.

Regulation 1 provides for citation, commencement and effect.

Regulation 3 amends the definition of “overriding limit” in regulation 2 of the principal Regulations.

Regulation 4 inserts into the principal Regulations new regulations 14C and 14D. New regulation 14C makes specific provision for the coding out of child tax credit or working tax credit that is repayable to HMRC.

New regulation 14D provides for an overall limit for the total amount of relevant debt and tax credit debt that may be recovered from an employee in a tax year by a code determined for that purpose. The maximum amount that may be recovered ranges from £3,000 to £17,000 depending on the expected PAYE income of the employee in the tax year for which that code is determined.

Regulation 5 applies the overriding limit to all deductions made from relevant payments.

Regulations 6 and 7 make consequential amendments to the principal Regulations.

A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.

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