
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make amendments to the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682) (the “PAYE Regulations”).

Regulation 2 introduces the amendments to the PAYE Regulations.

Regulation 3 amends regulation 80 of the PAYE Regulations which provides for HMRC to determine tax payable by an employer and serve notice of its determination on the employer.

Regulation 3(a) substitutes a new paragraph (1A) which provides that for the purposes of paragraph (1) (which deals with the application of regulation 80) regulation 80 applies where it appears to HMRC that the employer was liable to deduct an amount from employees during the tax year or account for an amount under regulation 62(5) of the PAYE Regulations during the tax year. Regulation 62(5) deals with the situation where an employer is unable to deduct the full amount of tax due in respect of a notional payment and must instead account for the amount it is unable to deduct.

Regulation 3(b) makes consequential amendments to regulation 80(4)(a) and (b) of the PAYE Regulations.

Regulation 4 amends Schedule A1 to the PAYE Regulations which deals with information to be included in real time returns.

Regulation 4(a) inserts a new paragraph 16A in Schedule A1. New paragraph 16A provides that when making real time returns employers must provide the value of any payments made to an employee that are treated as payments of PAYE income under sections 687A or 695A of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (“ITEPA”). Sections 687A and 695A of ITEPA deal with the circumstances in which a relevant step for the purposes of Part 7A of ITEPA is treated as giving rise to a payment of PAYE income for the purposes of PAYE regulations. Part 7A of ITEPA deals with the taxation of employment income provided through third parties.

Regulation 4(b) makes a consequential amendment to paragraph 17 of Schedule A1.

A Tax Information and Impact Note has not been prepared for this Instrument as it contains no substantive changes to tax policy.