STATUTORY INSTRUMENTS

1972 No. 1186

INCOME TAX

The Income Tax (Employments) (No. 11) Regulations 1972

Made - - - -	*4th August* 1972
Laid before the House of Commons	*11th August* 1972
Coming into Operation	15th *September* 1972

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:—

1.—(1) These Regulations shall come into operation on 15th September 1972 in so far as they apply to codes for use from 6th April 1973, but otherwise not until 6th April 1973; and these Regulations may be cited as the Income Tax (Employments) (No. 11) Regulations 1972.

(2) The Interpretation Act 1889**(b)** shall apply for the interpretation of these Regulations as it applies for the interpretation of an Act of Parliament.

(3) In these Regulations the expression "the Principal Regulations" means the Income Tax (Employments) Regulations 1965**(c)** as amended**(d)**, and the expression "the Seamen's Regulations" means the Income Tax (Employments) (No. 6) (Seamen) Regulations 1970**(e)**.

2. The definitions in paragraph (1) of Regulation 2 of the Principal Regulations shall be varied as follows:—

(i) To the definition of code there shall be added the words "and references to code include any designation thereof by numbers and letters, alone or in combination".

(ii) The definition of "emoluments" shall be deleted and the following definition substituted:

"emoluments" means the full amount of any income to be taken into account in assessing liability under Schedule E after the deduction of allowable superannuation contributions and references to payments of emoluments include references to payments on account of emoluments.

(iii) There shall be deleted from the definition of "free emoluments" the words "including earned income relief thereon, but excluding reduced rate relief".

(iv) The definition of "reliefs from income tax" shall be varied to "include allowances and deductions but not allowable superannuation contributions".

(a) 1970 c. 10. **(b)** 1889 c. 63.
(c) S.I. 1965/516 (1965 I, p. 1321).
(d) The relevant amending instruments are S.I. 1966/1373; 1969/170, 688; 1970/666, 1142; 1972/552; (1966 III, p. 3691; 1969 I, p. 440, II, p. 1859; 1970 II, p. 2166, II, p. 3878; 1972 I, p. 1860).
(e) S.I. 1970/1142 (1970 II, p. 3878).

3. The following definitions shall be added to paragraph (1) of Regulation 2 of the Principal Regulations.

"Allowable superannuation contributions" means any sum paid by an employee by way of contribution towards a superannuation fund or scheme which is allowed to be deducted as an expense under Schedule E.

"Gross emoluments" means emoluments before the deduction of allowable superannuation contributions.

"Higher rate" means one of the higher rates of income tax specified in the Income Tax Acts.

4. Regulation 7 of the Principal Regulations shall be varied by deleting paragraph (2).

5. Regulation 8 of the Principal Regulations shall be varied as follows:—

(1) Paragraph (1) shall be deleted and the following paragraph substituted—

The Inspector may determine that tax shall be deducted at an appropriate higher rate from the whole of any emoluments if he has reason to believe that the employee will be chargeable at one or more of the higher rates on some part of his total income.

(2) Paragraph (3) shall be varied by deleting the words "the Inspector has determined that tax shall be deducted at the standard rate, or that no tax shall be deducted, he" and substituting the words "paragraphs (1) or (2) of this Regulation apply, the Inspector".

6. Regulation 9 of the Principal Regulations shall be varied by deleting the second sub-paragraph and substituting—

"Provided that no such notice need be given when the change in the code is due to an alteration or alterations in the rates of any of the personal reliefs allowable under section 8 Income and Corporation Taxes Act 1970 or in the tax tables, but the other matters referred to in Regulation 7 are not different from those for the preceding year".

7. Paragraph 2 of Regulation 11 of the Principal Regulations shall be varied by deleting "Regulation 12" and substituting "Regulation 12(1)" and adding at the end—

"Provided that no such notice need be given when the change in the code is due to an alteration or alterations in the rates of any of the personal reliefs allowable under section 8 Income and Corporation Taxes Act 1970 or in the tax tables, but the other matters referred to in Regulation 7 have not changed".

8. Regulation 12 of the Principal Regulations shall be varied by numbering the existing paragraph "(1)" and adding a new paragraph (2) as follows:—

"Where there is a change in the rates of any of the personal reliefs allowable under section 8 of the Income and Corporation Taxes Act 1970, the Inspector may give notice requiring the employer, with effect from the date specified in the notice, to amend specified codes as directed and a code so amended shall be the appropriate code and all the provisions of these Regulations which relate to objections and appeals against the Inspector's determination, or to deduction of tax by reference to the appropriate code or to the specification of the appropriate code in any Deduction Card, return or certificate, shall, with the necessary modifications, have effect accordingly."

9.—(1) Paragraph 6(*b*) of Regulation 13 shall be varied by deleting the word "gross".

(2) Paragraph 7 of Regulation 13 shall be varied by deleting the whole of the first sub-paragraph and substituting—

"Where in accordance with Regulation 8 the Inspector determines that tax shall be deducted from any emoluments wholly at one of the higher rates of tax or that no tax shall be deducted therefrom, the foregoing provisions of this Regulation shall not apply but the employer shall deduct tax at the appropriate higher rate, or shall deduct no tax, as the case may require without regard to the employee's cumulative emoluments or the corresponding cumulative tax, and where tax is deductible at a higher rate, shall record the date of payment, the amount of the emoluments and the amount of tax deducted therefrom."

10. Regulation 16 of the Principal Regulations shall be varied as follows:—

(1) Paragraph (1) sub-paragraph (*b*) shall be deleted.

(2) From paragraph (2) there shall be deleted the words "or, where the employee has ceased to be employed by him and no Deduction Card is held, by reference to the code prescribed by the Commissioners of Inland Revenue under paragraph (2) of Regulation 19".

(3) From paragraph (3) there shall be deleted the word "gross" and the whole of the proviso.

11.—(1) Where an employer makes any payment of emoluments to an employee after he has ceased to be employed by him and the payments have not been included in the certificate issued to the employee in accordance with Regulation 17(2) of the Principal Regulations, Regulation 13 of the Principal Regulations shall not apply and on making any such payment the employer shall deduct tax at the basic rate of tax for the year in which the payment is made.

(2) On making any such payment as aforesaid the employer shall record on the Deduction Card, or in such form as may be authorised by the Commissioners of Inland Revenue, the date of payment, the amount of the emoluments, and the amount of tax deducted on making the payment.

12. Regulations 19 and 29 of the Principal Regulations shall have effect, as regards payments of emoluments made on or after 6th April 1973, as if for any reference to a rate of £11 or more a week there were substituted a reference to a rate of more than £11·50 a week, and as if for any reference to a rate of £47 or more a month there were substituted a reference to a rate of more than £50 a month.

13. Paragraph 2 of Regulation 19 of the Principal Regulations shall be varied by deleting the words "with the exception that the amounts of the free emoluments and taxable emoluments shall not be recorded on the Deduction Card".

14. Paragraph 1 of Regulation 25 of the Principal Regulations shall be varied by deleting the existing first paragraph and substituting: "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 the total of gross emoluments paid by the employer to the employee during the year and—".

15. Paragraph (1) of Regulation 29 of the Principal Regulations shall be varied by deleting the sub-paragraph (*a*) and substituting the following:—

"(*a*) in respect of each employee, a return showing the total amount of emoluments, and the total amount of gross emoluments, paid by him to the employee during the year, the appropriate code, and the total net tax deducted from the emoluments; and".

16. Paragraph 2 of Regulation 52 of the Principal Regulations shall be varied by deleting the word "gross".

17. The definition of "wages" in paragraph 3 of Regulation 2 of the Seamen's Regulations shall be deleted and the following definition substituted:—

"wages" means the full amount of the emoluments after the deduction of allowable superannuation contributions and includes all pay at the monthly or weekly rates stated in the agreement with the seaman, leave pay, pay in lieu of leave, leave subsistence allowance, pay in respect of overtime, shipwreck unemployment indemnity, special payment while sick abroad (as defined by the National Maritime Board) and any other emoluments paid to a seaman which arise out of his service as such, not being sick pay while sick in the United Kingdom.

18. The following definition shall be added to paragraph 3 of Regulation 2 of the Seamen's Regulations:—

"gross wages" means wages before the deduction of allowable superannuation contributions.

19. Paragraph 6 of Regulation 3 of the Seamen's Regulations shall be varied by adding a second paragraph as follows:—

"Where there is a change in the rates of any of the personal reliefs allowable under section 8 of the Income and Corporation Taxes Act 1970, the Inspector may give notice requiring the employer, with effect from the date specified in the notice, to amend specified codes as directed and a code so amended shall be the authorised code and all the provisions of the Principal Regulations which relate to objections and appeals against the Inspector's determination and the provisions of those Regulations which relate to the deduction of tax by reference to the authorised code or to the specification of the authorised code in any return, code card or discharge book, shall, with the necessary modifications, have effect accordingly."

20. Paragraph 2 of Regulation 7 of the Seamen's Regulations shall be varied by altering (*f*) to (*g*) and adding the following:—

(*f*) the gross wages paid to him by the employer for the period to which the return relates.

By Order of the Commissioners of Inland Revenue.

J. M. Green,
Secretary.

4th August 1972.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations further amend the Income Tax (Employments) Regulations 1965 and the Income Tax (Employments) (No. 6) (Seamen) Regulations 1970. They affect 1973-74 and subsequent tax years and provide for:

(1) the application of PAYE after the introduction by the Finance Act 1972 of basic and higher rates of income tax in place of the standard rate of income tax and of surtax (Regulations 5 and 9(2), with a consequential change in the definition of "free emoluments");

(2) the calculation by employers of PAYE tax by reference to emoluments after instead of before deducting allowable superannuation contributions. (The changes are effected by amendments in definitions [Regulations 2 and 3, 17 and 18] with consequential changes in Regulations 9(1), 10(3), 14, 15, 16 and 20);

(3) future changes in PAYE codes following alterations in the rates of any of the personal allowances (Regulations 6, 7, 8 and 19 with an addition to the definition of "code");

(4) the increase in the limit of weekly or monthly pay above which PAYE has to be operated (Regulation 12); and minor changes in the arrangements for the deduction of tax in some circumstances eg where no deduction card is held, where the employee has left his employment (Regulations 4, 10, 11 and 13).

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