STATUTORY INSTRUMENTS

2026 No. 1082

INCOME TAX

The Income Tax (Pay As You Earn) (Amendment No. 3) Regulations 2026

Made - - - -	*13th October 2026*
Laid before the House of Commons	*15th October 2026*
Coming into force - -	*5th November 2026*

The Commissioners for His 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**), now exercisable by them(**b**).

Citation and commencement

1. These Regulations may be cited as the Income Tax (Pay As You Earn) (Amendment No. 3) Regulations 2026 and come into force on 5th November 2026.

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

2. The Income Tax (Pay As You Earn) Regulations 2003(**c**) are amended by regulations 3 to 9.

3. In regulation 61A(**d**) (interpretation)—

(a) in the definition of "relevant amount"(**e**) for "120A, 154A or 203A" substitute "103A, 120A, 154A, 175A or 203A(**f**)";

(b) in the definition of "specified benefit"(**g**)—

(i) after paragraph (ba) insert—

(**a**) 2003 c. 1. Section 684 was relevantly amended by section 145 of the Finance Act 2003 (c. 14), paragraph 102 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, 3 and 7 of Schedule 58 to the Finance Act 2009 (c. 10), section 17(2) of the Finance Act 2015 (c. 11) and section 15 of the Finance Act 2016 (c. 24).

(**b**) The functions of the Commissioners of Inland Revenue were transferred to the Commissioners for His Majesty's Revenue and Customs by section 5(2) of the Commissioners for Revenue and Customs Act 2005. Paragraph 102 of Schedule 4 to that Act amended section 684 of the Income Tax (Earnings and Pensions) Act 2003 with the effect of transferring the power to make regulations under that section from the Board of Inland Revenue to the Commissioners for His Majesty's Revenue and Customs.

(**c**) S.I. 2003/2682; relevant amending instruments are S.I. 2015/1927, 2016/1137, 2017/1263 and 2026/189.

(**d**) Regulations 61A to 61M were inserted by S.I. 2015/1927.

(**e**) The definition of "relevant amount" was inserted by S.I. 2017/1263.

(**f**) Sections 103A, 120A, 154A, 175A and 203A were inserted into the Income Tax (Earnings and Pensions) Act 2003 by paragraphs 15, 22, 37, 44(1), and 48 of Schedule 2 to the Finance Act 2017 (c. 10) respectively.

(**g**) The definition of "specified benefit" was substituted by S.I. 2016/1137 and amended by S.I. 2017/1263.

"(bb) section 97 (living accommodation),

(bc) section 103A (living accommodation: optional remuneration arrangements),", and

(ii) after paragraph (fa) insert—

"(fb) section 173 (loans),

(fc) section 175A (loans: optional remuneration arrangements),".

4. In regulation 61C (authorised employer) omit paragraph (9A)(**a**).

5. In regulation 61D (deductions and repayments of tax: general rule) in Step 1 in paragraph (1) for "or 61G" substitute ", 61G, 61GA or 61GB".

6. After regulation 61G (method of calculating the cash equivalent or relevant amount of non-cash vouchers, credit-tokens and employment-related benefits), insert—

"Method of calculating the cash equivalent of living accommodation

61GA.—(1) Where the specified benefit is living accommodation, the cash equivalent or relevant amount of the specified benefit is to be calculated in accordance with section 103 or 103A of ITEPA, as the case may be.

(2) For the purposes of paragraph (1), the authorised employer may make reasonable assumptions, based on a contract or agreement made with the specified employee, about information that is necessary for the calculation but that is not known on the date the calculation is made.

Method of calculating the cash equivalent of loans

61GB.—(1) Where the specified benefit is a loan, the cash equivalent or relevant amount of the specified benefit is to be calculated in accordance with section 175 or 175A of ITEPA, as the case may be.

(2) For the purposes of paragraph (1), the authorised employer may make reasonable assumptions, based on a contract or agreement made with the specified employee, about information that is necessary for the calculation but that is not known on the date the calculation is made.".

7. In regulation 61H (modification of the general rule: cessation of employment but continuing benefit), in Step 2 in paragraph (2) for "or 61G" substitute ", 61G, 61GA or 61GB".

8. In regulation 61I (modification of the general rule: in-year adjustments: change to the benefit during the year with effect from the date of the change), in Step 1 in paragraph (2)—

(a) in sub-paragraph (a)—

(i) after "94A," insert "102, 103A,", and

(ii) after "161," insert "175, 175A,", and

(b) in sub-paragraph (b) for "or 61G" substitute ", 61G, 61GA or 61GB".

9. In regulation 61J (modification of the general rule: in-year adjustments: change to the benefit during the year with effect from the start of tax year and other changes), in paragraph (1)(b) for "or 61G" substitute ", 61G, 61GA or 61GB".

(**a**) Paragraph (9A) was inserted by S.I. 2026/189.

Transitional provision - effect in relation to in year application for authorisation

10. For the purposes of regulation 61C(4) and (5) of the Income Tax (Pay As You Earn) Regulations 2003, the amendments made by these Regulations have effect for the tax year 2027-28 and subsequent tax years.

Carol Bristow
Justin Holliday

13th October 2026 Two of the Commissioners for His Majesty's Revenue and Customs

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") to make loans and living accommodation a "specified benefit" for the purposes of Chapter 3A of the PAYE regulations and provide methods for calculating their cash equivalent or the relevant amount for the purposes of the PAYE regulations. This allows employers to apply to HMRC to become an "authorised employer" under regulation 61C of the PAYE regulations in respect of loans and living accommodation for the tax year 2027-28 onwards. These Regulations have no effect for the purposes of regulation 61C(4) and (5) (applications to become an authorised employer during a tax year) until the tax year 2027-28.

Regulation 3 amends regulation 61A of the PAYE Regulations to expand the definition of "relevant amount" and "specified benefit" to include loans and living accommodation.

Regulation 4 amends regulation 61C to omit paragraph (9A) and allow employers to submit applications to become an "authorised employer" for the tax year 2027-28 and subsequent tax years.

Regulation 5 makes a consequential amendment to regulation 61D to include reference to regulations 61GA and 61GB inserted by these Regulations.

Regulation 6 inserts new regulations 61GA and 61GB, which provide the method for calculating the cash equivalent or the relevant amount of living accommodation (regulation 61GA) and loans (regulation 61GB).

Regulations 7, 8 and 9 make consequential amendments to regulations 61H, 61I and 61J to include the methods for calculating the cash equivalent or relevant amount of living accommodation and loans under 61GA and 61GB and the relevant amount under the Income Tax Earnings and Pensions Act 2003 (c. 1).

Regulation 10 makes transitional provision so that employers cannot make an application to become an authorised employer in respect of living accommodation or loans during a tax year for that tax year until the tax year 2027-28.

A Tax Information and Impact Note covering this instrument was published on 23 July 2026 alongside draft primary legislation for reform of the reporting of, and payment of tax on, benefits in kind and is available on the website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins. It will be updated to reflect changes to the impacts arising from this instrument.

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