STATUTORY INSTRUMENTS

2006 No. 243

INCOME TAX

The Income Tax (Pay As You Earn) (Amendment) Regulations 2006

Made - - - -	*2nd February 2006*
Laid before House of Commons	*6th February 2006*
Coming into force - -	*6th April 2006*

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

Citation and commencement

1. These Regulations may be cited as the Income Tax (Pay As You Earn) (Amendment) Regulations 2006 and shall come into force on 6th April 2006.

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 follows.

3. After regulation 133 (Other PAYE income of reservist) add—

"Chapter 2A

SOCIAL SECURITY LUMP SUMS

Interpretation of Chapter 2A

133A.—(1) In this Chapter—

"the Act" means the Finance (No.2) Act 2005(**d**) and a reference (without more) to a numbered provision is a reference to the provision of the Act bearing that number;

"the Department" means—

(a) in Great Britain, the Department for Work and Pensions; and

(b) in Northern Ireland, the Department for Social Development;

(**a**) 2003 c. 1 Section 683(3A), inserted by section 10 of the Finance Act (No.2) 2005 c.22, added social security lump sums to the definition of "PAYE Income".

(**b**) The functions of the Commissioners of Inland Revenue were transferred to the Commissioners for Her Majesty's Revenue and Customs by section 5(2) of the Commissioners for Revenue and Customs Act 2005 c.11. Section 50 of that Act provides that insofar as it is appropriate in consequence of section 5 a reference, however expressed, to the Commissioners of Inland Revenue is to be read as a reference to the Commissioners for Her Majesty's Revenue and Customs.

(**c**) S.I. 2003/2682. There are amendments, but none is relevant for present purposes.

(**d**) 2005 c.22.

"lump sum" means a social security pension lump sum as defined in section 9 of the Act;

"the recipient" means a person who has become entitled to a lump sum.

Application of other Parts

133B.—(1) Parts 2 (codes) and 3 (deduction and repayment of tax) do not apply to lump sums.

(2) The rest of these Regulations apply as if Her Majesty's Revenue and Customs had issued a code in respect of a social security pension lump sum at either—

(a) the rate notified to the Department by the recipient pursuant to regulation 133D, or

(b) the basic rate, if the recipient has not notified the Department of a rate.

Determination of Rate of Deduction

133C.—(1) On making any payment of a lump sum to a recipient during a tax year, the Department must deduct income tax at the marginal rate calculated in accordance with sub-paragraph (2).

(2) For the purposes of this chapter the marginal rate is either—

(a) the rate notified to the Department by the recipient in accordance with regulation 133D, or

(b) in default of any such notification, the basic rate.

Notification by Recipient of Notice of Tax Rate

133D.—(1) The recipient shall notify the Department that he considers the nil tax code should be applied to the lump sum or that one of the following rates should be used—

(a) the starting rate,

(b) the basic rate, or

(c) the higher rate,

in accordance with section 7(5) of the Act.

(2) Notification shall be in the form, and made within the period, specified by the Department.

Certificate of tax deducted

133E.—(1) On making any payment of a lump sum from which tax is deducted, the Department may and if the recipient so requires, must, give the recipient an award notification showing the following particulars.

(2) The particulars are—

(a) the recipient's name,

(b) the recipient's national insurance number, if known,

(c) the date of the payment,

(d) the amount of the payment, and

(e) the amount of tax deducted.

Repayment to recipient during tax year

133F. The Department may repay tax deducted from a lump sum to a recipient at any time during the tax year in which it was paid, if it appears to the Department that the

incorrect rate of income tax was applied to the payment due to an administrative error by the Department.

Records and notices

133G.—(1) The Department must record, in a deductions working sheet, the following particulars about any payment of a lump sum.

(2) The particulars are—

(a) the recipient's name,

(b) the recipient's national insurance number, if known,

(c) the amount of the payment,

(c) the date of the payment,

(d) the amount of tax (if any) deducted from the payment,

(e) the tax rate (if any) notified by the recipient to the Department, and

(f) the amount of any repayment made to the recipient in respect of the lump sum.

(3) The Department shall notify an officer of Revenue and Customs when a lump sum payment is made.

(4) The notification referred to in sub-paragraph (3) shall contain the following information—

(a) the recipient's name and address,

(b) the recipient's national insurance number, if known,

(c) the date of the payment, and

(d) the recipient's date of birth.

(5) The Department shall administer a separate PAYE scheme for the lump sum payments.

Other PAYE income of recipient

133H. Nothing in this Chapter affects the application of these Regulations to any other PAYE income of a recipient.".

David Varney
Mike Hanson

2nd February 2006 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 PAYE Regulations"). The amendments follow on from the introduction of a charge to income tax when a person becomes entitled to a social security pension lump sum ("a lump sum") provided for in section 7 of the Finance (No.2) Act 2005.

Regulation 1 provides for the citation and commencement of these Regulations and defines certain terms contained in them.

Regulation 2 inserts a new Chapter 2A into the PAYE Regulations entitled "Social Security Lump Sums".

The new regulation 133A provides for interpretation of the terms used in the chapter.

The inserted regulation 133B provides that parts 2 and 3 of the PAYE Regulations do not apply to a lump sum but that the remainder of the PAYE Regulations apply as if a basic rate code had been issued in respect of the lump sum.

The new regulations 133C and D provide for the determination of the rate of income tax to be deducted from the payment of the lump sum which will either be the rate notified to the Department by the recipient of the lump sum, or in the absence of any such notification, the basic rate.

The new regulation 133E provides for the Department to issue a certificate containing certain details of the deduction.

The new regulation 133F provides that the Department may repay any overpayment of income tax in respect of the lump sum. if the wrong amount has been deducted due to an administrative error by the Department.

The new regulation 133G provides for the maintenance of records by the Department and the notification of any payments to an officer of Revenue and Customs. The new regulation 133H provides that nothing in the inserted Chapter shall affect the application of the PAYE Regulations in respect of any other PAYE income of the recipient.

These Regulations do not impose any new costs on business.

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