STATUTORY INSTRUMENTS

2015 No. 2

INCOME TAX

The Income Tax (Pay As You Earn) (Amendment) Regulations 2015

Made - - - -	*5th January 2015*
Laid before the House of Commons	*7th January 2015*
Coming into force - -	*29th January 2015*

The Commissioners for Her Majesty's Revenue and Customs make the following Regulations in exercise of the powers conferred by section 133 of the Finance Act 1999(**a**) and section 684(1) and (2) of the Income Tax (Earnings and Pensions) Act 2003(**b**), and now exercisable by them(**c**).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Income Tax (Pay As You Earn) (Amendment) Regulations 2015 and come into force on 29th January 2015.

(2) Regulation 2(5) and (6) only has effect in relation to returns filed on or after 6th March 2015.

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

2.—(1) The Income Tax (Pay As You Earn) Regulations 2003(**d**) are amended as follows.

(2) In regulation 2(1) (interpretation)(**e**), in the definition of "notice", for sub-paragraph (b) substitute—

"(b) for the purposes of regulation 17 (notice to employee of code) and regulation 19 (amendment of code) notice—

(i) by an approved method of electronic communications(**f**);

(ii) in writing (other than a notice falling within sub-paragraph (i)); or

(iii) by telephone;".

(3) In regulation 17(2) (notice to employee of code)—

(**a**) 1999 c. 16.

(**b**) 2003 c. 1. Section 684 was amended, so far as relevant, by paragraphs 101, 102 and 117 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11) ("CRCA") and by paragraphs 2 and 3 of Schedule 58 to the Finance Act 2009 (c. 10). There are other amendments but none is relevant to these Regulations.

(**c**) Paragraph 102 of Schedule 4 to CRCA amended section 684 so that the Commissioners for Her Majesty's Revenue and Customs have the power to make Regulations. The functions of the Commissioners of Inland Revenue under sections 132 and 133 of the Finance Act 1999 were transferred to the Commissioners for Her Majesty's Revenue and Customs by section 5(1) of CRCA. Section 50(1) of CRCA provides that, in so far as is appropriate in consequence of section 5, a reference, howsoever expressed, to the Commissioners of Inland Revenue is to be taken as a reference to the Commissioners for Her Majesty's Revenue and Customs.

(**d**) S.I. 2003/2682 ("the principal Regulations"); relevant amending instruments are S.I. 2009/56, 2011/729, 2012/822 and 2013/521.

(**e**) The definition of "notice" was substituted by regulation 2 of S.I. 2011/729.

(**f**) The definition of "approved method of electronic communications" is given in regulation 189 of the principal Regulations.

(a) omit the "or" after sub-paragraph (a); and

(b) for sub-paragraph (b) substitute—

"(b) the change in the code is solely because of an alteration or proposed alteration—

(i) in the rates of any of the personal reliefs allowable under Chapters 2 (personal allowance etc.) and 3 (tax reductions etc.) of Part 3 of the Income Tax Act 2007(**a**); or

(ii) in the tax tables;

(c) the employee's PAYE income(**b**) is not chargeable to tax; or

(d) the employee does not have a liability to tax in respect of any PAYE income."

(4) In regulation 19 (amendment of code)(**c**) for paragraph (4) substitute—

"(4) But notice need not be given—

(a) if the change in the code is because of an alteration or a proposed alteration—

(i) in the rates of any of the personal reliefs allowable under Chapters 2 (personal allowance etc.) and 3 (tax reductions etc.) of Part 3 of the Income Tax Act 2007; or

(ii) in the tax tables; or

(b) if as a consequence of any change to the code—

(i) the employee's PAYE income is not chargeable to tax; or

(ii) the employee does not have a liability to tax in respect of any PAYE income."

(5) In regulation 67F(2) (additional information about payments)(**d**), omit sub-paragraph (a).

(6) In Schedule A1 (real time returns), omit paragraph 7(**e**).

Edward Troup
Simon Bowles

5th January 2015 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 ("the principal Regulations") (S.I. 2003/2682) which make provision for the assessment, charge, collection and recovery of income tax in respect of pay as you earn income ("PAYE income").

Regulation 2(2) amends the definition of "notice" in regulation 2(1) of the principal Regulations to include a notice given by way of an approved method of electronic communications, that is a method of electronic communication approved by the Commissioners for Her Majesty's Revenue and Customs ('HMRC') by the issue of a specific or general direction (see regulation 189 of the principal Regulations).

Under the principal Regulations employers are required to deduct tax from payments to employees by reference to a tax code determined by HMRC. Regulation 17(2) of the principal Regulations sets out the circumstances in which HMRC does not have to notify the employee of the tax code to be used by the employer in relation to payments to that employee. Regulation 2(3) of these Regulations amends regulation 17(2) so that HMRC does not need to notify the employee of the code where the employee's PAYE income is not chargeable to tax or where the employee has no liability to tax in respect of any PAYE income.

(**a**) 2007 c. 3. Chapters 2 and 3 of Part 3 have been amended but the amendments are not relevant to these Regulations.
(**b**) The definition of "PAYE income" is given in regulation 2(1) of the principal Regulations.
(**c**) Regulation 19 has been amended by paragraphs 92 and 95 of Schedule 2 to S.I. 2009/56.
(**d**) Regulation 67F was inserted by regulation 27 of S.I. 2012/822 and has been amended by regulation 24 of S.I. 2013/521.
(**e**) Schedule A1 was inserted by regulation 52 of S.I. 2012/822. Paragraph 7 has been amended by regulation 37(b) of S.I. 2013/521.

Regulation 2(4) of these Regulations amends regulation 19(4) of the principal Regulations. Regulation 19 sets out the circumstances in which HMRC does not have to notify the employee of an amended code to be used by the employer. HMRC is no longer obliged to notify an amended code to the employee where as a consequence of the change to the code the employee's PAYE income is not chargeable to tax or where the employee has no liability to tax in respect of any PAYE income.

Regulation 2(5) amends regulation 67F of the principal Regulations to remove the obligation for employers to complete the "end of year questions" at paragraph 7 of Schedule A1 to the principal Regulations when submitting the final return of the year. Regulation 2(6) makes a consequential amendment to Schedule A1 to remove paragraph 7.

A Tax Information and Impact Note covering regulation 2(2) to (4) of this instrument will be published at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins. In relation to regulation 2(5) and (6), a Tax Information and Impact Note was published on 15th March 2012 alongside the Income Tax (Pay As You Earn) (Amendment) Regulations 2012 (S.I. 2012/822). This was updated in 2013 and has been further updated in December 2014 as a result of changes to the impacts as a result of both the mandatory migration of all employers to reporting in real time and of this instrument and is available at https://www.gov.uk/governement/collections/tax-information-and-impact-notes-tiins.

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