STATUTORY INSTRUMENTS

2006 No. 777

INCOME TAX

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

Made - - - -	*15th March 2006*
Laid before the House of Commons	*16th March 2006*
Coming into force - -	*6th April 2006*

The Commissioners of 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 section 143(1) of, and Schedule 38 to, the Finance Act 2000(**b**), and now exercisable by them(**c**), make the following Regulations:

Citation, commencement and effect

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

(2) Regulation 6 has effect for the tax year 2007-08 and subsequent tax years.

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

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

3. In regulation 70 (quarterly tax periods)—

(a) in paragraph (2) for the formula "(P + N + L + S)-(C + SP + CD)" substitute "(P + N + L + S)-(SP + CD)";

(b) in paragraph (3)—

(i) in the description of "P" omit "disregarding any WTC adjustment";

(ii) in the description of "S" omit ", disregarding any WTC adjustment";

(iii) in the descriptions of "N" and "L" omit paragraph "(b)" and the word "and" immediately preceding it; and

(iv) omit the description of "C"; and

(**a**) 2003 c.1. Section 684 was amended by section 145(1) of the Finance Act 2003 (c.14).

(**b**) 2000 c.17. Schedule 38 was amended by section 406(1) and paragraph 160 of Schedule 17 to the Communications Act 2003 (c.21).

(**c**) 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.

(**d**) S.I. 2003/2682, to which there are amendments not relevant to these Regulations.

(c) in paragraph (4) omit the definitions of "WTC adjustment" and "WTC Regulations".

4. In regulation 191(3)(a) (large and medium sized employers) omit ", or by regulation 6(6) of the Working Tax Credit (Payment by Employers) Regulations 2002,".

5. In regulation 203(4)(b) (default surcharge) omit paragraph (i).

Amendment of the Income Tax (Incentive Payments for Voluntary Electronic Communication of PAYE Returns) Regulations 2003

6.—(1) The Income Tax (Incentive Payments for Voluntary Electronic Communication of PAYE Returns) Regulations 2003(**a**) are amended as follows.

(2) In regulation 1(3)(a) (person treated as paying PAYE income)—

(a) for "PAYE Regulations," substitute "PAYE Regulations or by"; and

(b) omit ", or by regulation 6(6) of the Working Tax Credit (Payment by Employers) Regulations 2002".

David Varney
Mike Eland

15th March 2006 Two of the Commissioners for Her Majesty's Revenue and Customs

(**a**) S.I. 2003/2495, regulation 1(3)(a) was amended by S.I. 2005/826.

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") and the Income Tax (Incentive Payments for Voluntary Electronic Communication of PAYE Returns) Regulations 2003 (S.I. 2003/2495) as a consequence of the abolition of the payment of working tax credit via employers introduced by the Tax Credit (Payment by Employers, etc.) (Amendment) Regulations 2005 (S.I. 2005/2200).

Regulation 1 provides for the citation, commencement and effect.

Regulation 2 introduces the amendments to the PAYE Regulations.

Regulation 3 amends regulation 70 of the PAYE Regulations so that working tax credit paid through the payroll is removed from an employer's calculation as to whether or not he is entitled to pay deductions of tax and national insurance contributions on a quarterly basis. It also removes various definitions relating to working tax credits which are now obsolete.

Regulation 4 amends regulation 191 of the PAYE Regulations so as to remove the condition that an employer is required to prepare or maintain a deduction working sheet in respect of an employee to whom he paid working tax credit.

Regulation 5 removes an amount deducted for working tax credit from the total amount of tax due for the year in question when calculating the amount of a surcharge.

Regulation 6 amends the Income Tax (Incentive Payments for Voluntary Electronic Communication of PAYE Returns) Regulations 2003 so as to remove a reference to working tax credit from the definition of a small employer. The amended definition applies for the tax year 2007-2008 onwards.

HM Revenue and Customs published a regulatory impact assessment in respect of the abolition of the payment of working tax credit via employers on 8 August 2005. That assessment is now available on the website of HM Revenue and Customs at www.hmrc.gov.uk/ria or obtained by writing to The Ministerial Correspondence Unit, 1st Floor, Ferrers House, PO Box 38, Castle Meadow Road, Nottingham, NG2 1BB.

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