



HM Revenue
& Customs

Simplifying the PAYE Settlement Agreement (PSA) process

Consultation document

Publication date: 09 August 2016

Closing date for comments: 18 October 2016

Subject of this consultation:	The government is consulting on proposals to simplify the process used for agreeing and reporting items in a PSA.
Scope of this consultation:	The government is not proposing to widen the scope of PSAs. However, we would like to know how the process can be made simpler and how the guidance can be strengthened to provide clarity for both employers and HMRC.
Who should read this:	Responses are welcomed from anyone with an interest in this consultation, although the nature of the topic means that it may have more relevance for employers and their professional advisers rather than individuals.
Duration:	This consultation will be open for 10 weeks from 9 August 2016 to 18 October 2016.
Lead official:	Ady Garrett, HMRC
How to respond or enquire about this consultation:	By preference please email responses to: PAYE.policy@hmrc.gsi.gov.uk . Alternatively, responses can be sent by post to: PSA Consultation, 1E/10, 100 Parliament Street, London, SW1A 2BQ. Please address any queries, or request alternate language, easy-read or braille versions of this consultation to PAYE.policy@hmrc.gsi.gov.uk
Additional ways to be involved:	HMRC will consider requests for meetings as part of this consultation. Any such requests should be made to the email or postal address above.
After the consultation:	Once the consultation has closed the government will consider all responses - both written and gained through the stakeholder meetings - and will publish a response document later this year which will set out the next steps.
Getting to this stage:	This consultation is in response to the Office of Tax Simplification's second report on employee benefits and expenses: OTS second report: employee benefits and expenses

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1. Introduction

Background

1.1. Pay As You Earn (PAYE) Settlement Agreements (PSAs) were introduced in the 1990s to reduce the administrative burden on employers and HMRC. They allow certain benefits and expenses (BiKs) that should be reported through either PAYE or on form P11D to be taken 'off record' and for the employer to pay the tax and National Insurance contributions (NICs) to HMRC on their employees' behalf. Only benefits and expenses which would be disproportionately costly to report via PAYE/P11D, or where the tax cannot be properly apportioned between the employees are allowed to be reported and taxed through a PSA.

1.2. PSAs are formal agreements between employers and HMRC which set out the items that the employer will pay grossed up tax and NICs on, replacing the non-statutory 'voluntary settlements' that were available previously.

1.3. PSAs are agreed for one tax year at a time. The agreement ensures that the employer is not penalised for operating outside 'normal' rules and provides an administrative saving to the employer as they report the tax and NICs due on these items in a single return after the end of the tax year.

1.4. Payroll systems and processes have evolved since PSAs were introduced, but the need for PSAs remains. However, while the number of PSAs requested has increased significantly since they were introduced the process for agreeing PSAs has not kept up with the demand or changes in working practices.

The Office of Tax Simplification

1.5. When the Office of Tax Simplification (OTS) published their second review of employee benefits and expenses¹ in January 2014 they highlighted a number of issues with the PSA process. They recommended that the PSA process be streamlined and felt that the requirement to agree what items can be included in a PSA each year was time consuming and serves little purpose.

1.6. The OTS also recommended that the government widens the scope of PSAs so that employers can pay their employees' tax liability on any items they choose. However they acknowledged there are implications for both the Exchequer and DWP particularly around 'means tested' allowances and benefits, which would need to be considered further.

Purpose of this consultation

1.7. The government accepts that the current process for administering and agreeing PSAs is burdensome for employers. This consultation seeks views on proposals to reform the process, to make it simpler for both employers and HMRC to

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275795/PU1616_OTS_employee_benefits_final_report.pdf

administer PSAs and provide greater clarity about what can and cannot be included in a PSA.

1.8. The government is not proposing to extend the scope of what can be included in a PSA as part of this consultation. However, this will be kept under review.

1.9. If you have any comments, suggestions or observations on other aspects that are not covered in this document, please include them in your response to this consultation.

2. The existing PSA application process

What are PSAs?

2.1. PSAs are annual agreements made in writing between employers and HMRC. They provide a mechanism for employers to pay the tax liability on certain items on behalf of their employees. Items accounted for in this way are subject to grossed up² tax and employer Class 1B NICs.

2.2. When PSAs were introduced in 1996, there were approximately 2,500 employers using voluntary settlements (the predecessor of PSAs). There are now around 30,000 applications for PSAs annually.

2.3. Legislation sets out that to be included in a PSA items must be:

- *Minor, with regards to the cost of the benefit provided or made available; or*
- *Irregular, as regards the frequency in which, or the times at which, the sums are paid or the benefit is provided or made available; or*
- *Paid in circumstances where deduction of tax by reference to the tax tables is impracticable; or*
- *In the case of a benefit provided or made available, shared between employees so that apportionment of the benefit between the employees is impracticable¹.*

Regulation 106: <http://www.legislation.gov.uk/ukxi/2003/2682/part/6/made>

2.4. PSAs can be applied for, or varied, any time before the relevant tax year starts until the 6 July following the end of the tax year to which the PSA relates. Since the agreement identifies which BiKs can be reported in the PSA, agreeing PSAs in advance requires employers to predict which items they will want to include, which can be difficult for employers to do accurately. As a result the majority of PSA applications are received after the start of the relevant tax year and a large proportion are received after that tax year has ended.

2.5. Despite this, most PSA applications made by employers are identical year on year. Items commonly included in a PSA include BiKs such as Christmas parties, working lunches, team building exercises and staff incentive awards.

² Where an employer pays the tax liability for something on behalf of an employee, this is, itself, a benefit which should be subject to tax (and NICs). 'Grossing up' means that the employers increases the amount of tax (and NICs) to take account of this additional benefit.

Application process

2.6. Currently employers have to apply in writing for a PSA each year. The paper agreement must be signed and dated (in duplicate) by both HMRC and the employer with both retaining a copy for their records.

2.7. PSAs are often agreed on the same terms each year. Therefore the government agrees with the OTS's conclusion that asking employers to apply for them year after year is overly burdensome and introduces unnecessary delay and uncertainty to the system.

National Insurance

2.8. Usually, Class 1A employer-only NICs are payable on BiKs. When these BiKs are agreed into a PSA, Class 1B NICs instead of Class 1A NICs becomes payable.

2.9. Non-cash vouchers are often included in a PSA, but these attract Class 1 NICs which has both an employer and employee contribution. Once the PSA has been agreed, Class 1B employer only NICs is payable on everything (including non-cash vouchers provided after that date) included in the PSA.

2.10. Where non-cash vouchers are given to an employee before the PSA is agreed, the Class 1 NICs liability remains. Therefore if an employer gives their staff gift vouchers but has not yet applied for their PSA, then the employee and the employer should pay Class 1 NICs (which should be deducted through the payroll) on any vouchers provided. This is not the case for tax: PSAs once agreed can account for tax retrospectively across the whole year. This results in employers having to treat the same items differently for tax and NICs purposes.

2.11. The government recognises that having different NICs (and tax) treatment which is dependent on when a PSA is agreed leads to practical difficulties for employers and that this is an area which can be simplified. Some of the difficulties are illustrated by the example below.

An employer has a staff recognition scheme where employees can be nominated to receive a £20 gift voucher if they are felt to have gone above and beyond in the completion of a task.

Amanda is nominated by a colleague, and receives a £20 voucher in May 2016.

The employer does not apply for their PSA until November 2016. Amanda must therefore pay Class 1 primary NICs of £2.40, and the employer must pay Class 1 secondary NICs of £2.76 on the £20 voucher.

The tax payable on the voucher (£5, grossed up value) is included in the employer's PSA calculation at the end of the tax year.

However, vouchers provided to Gerry in January 2017, can be included in the employer's PSA for both tax and NICs, giving rise to an employer only Class 1B NICs liability instead of a Class 1 NICs liability.

PSA Calculations

2.12. Once a PSA has been agreed, employers account to HMRC for the grossed up tax and Class 1B NICs on the agreed items by submitting a calculation of the benefits and expenses provided to employees. They must submit the calculation to HMRC by the end of July following the end of the tax year and include information about the BiKs, their value, the number of employees receiving the BiKs and their marginal tax rates.

2.13. HMRC checks every PSA calculation for errors and anomalies before employers pay their PSA liability. These checks ensure that the items returned in the PSA calculation match those agreed in the PSA agreement. Once the PSA calculations have been checked and the value agreed, employers have until 19 / 22 October (depending on the method of payment) following the relevant tax year to settle their PSA liability, which includes paying the Class 1B NICs. This is more than six months after the end of the relevant tax year.

2.14. Checking all PSA calculations is at odds with HMRC's risk based approach to compliance. It is also not in line with the general move towards more employer self-assessment (for example the introduction of the exemption for paid or reimbursed expenses which came into force in April 2016³).

2.15. When a PSA calculation includes items which have not been included in the signed agreement HMRC adjusts the PSA calculation to remove the item and the corresponding tax and NICs. HMRC and the employer would then negotiate a compliance settlement whereby the employer pays grossed up tax and NICs on the benefit which was wrongly included in the PSA calculation. This achieves largely the same result as the PSA, but adds delay, bureaucracy and complexity for employers where they are trying to discharge their liabilities appropriately.

³ <http://www.legislation.gov.uk/ukpga/2015/11/section/11>

2.16. The government recognises that the process of checking the calculation and removing items that would ordinarily be accepted in a PSA is an unnecessary administrative burden on employers and thinks this is an area where they can make the process more straight forward. This also presents an opportunity to review the payment deadlines for PSAs, with a view to aligning the payment date of PSAs with other deadlines.

3. Proposed new process

3.1. The government recognises that the existing process is unnecessarily burdensome and therefore wants to update it to make it easier for employers to be able to account for items in a PSA.

Remove the requirement for upfront agreement

3.2. The government has considered the OTS recommendations and agrees that removing the need for employers to agree with HMRC which items can be accounted for in a PSA would provide simplification: employers would assess whether items are eligible for inclusion in a PSA return by reference to the legislative rules and guidance. This would mean that employers are not at risk of forgetting to include items in their agreement document which they later wish to report on their PSA return.

3.3. Removing the requirement for annual agreement between employers and HMRC will make the process simpler for both those employers who routinely apply for and report benefits via a PSA and those who may not have the need for a PSA every year.

3.4. Removing the requirement to agree PSAs in advance means that the current difficulties relating to the NICs payable on non-cash vouchers (as set out in paragraphs 2.9 - 2.12 above) would also be removed.

- i. **Do you agree that removing the requirement to agree the items in a PSA will provide simplification for employers? Please give your reasons.**
- ii. **Are there reasons why the formal agreement element of a PSA should be retained? If so, what changes should the government consider to an agreement based system so that it is easier to administer?**

Considering a digital solution

3.5. In line with wider government moves to digitalise processes, and the OTS's recommendation, the government will also explore whether, and to what extent it would be cost effective, to digitalise the PSA return. Currently, every PSA calculation form submitted to HMRC is checked. The main errors are manual or processing errors (i.e. using the wrong tax rate). Replacing the paper return with a digital return could eliminate the more frequent errors making the process simpler for employers. Where employers are currently exempt from completing digital RTI returns they would not be required to complete the digital PSA return⁴.

3.6. HMRC anticipates capturing the following fields of data in the new PSA return:

- the different BiKs / expenses provided

⁴ Further information can be found here: <https://www.gov.uk/guidance/find-out-which-employers-are-exempt-from-online-payroll-reporting> and here: <http://home.active.hmrci/yhb/5bae005bae664156ade81d4ef69d1bf4.html>

- the value of each BiK / expense
 - number of employees who received each BiK / expense
 - the number of employees across each tax band (including Scottish rates where appropriate)
 - combined total of grossed up tax on BiKs / expenses
 - class 1B NICs value
- iii. **Do you agree that a having a digital PSA return would be simpler for employers to administer rather than the current PSA1 paper return? Please provide your reasons.**
- iv. **A digital return would reduce error rates. Are there other changes the government should consider to reduce these further?**

3.7. The government is content to retain a yearly return for PSAs but would be interested in hearing from employers who think that there are good reasons for enabling more frequent submission of PSA information – possibly to align with PAYE reporting.

3.8. The current timelines for agreeing PSAs and paying the tax and Class 1B NICs due on a PSA were developed because of the manual agreement and checking process.

3.9. Removing the need to agree a PSA in advance and exploring digital options for returning PSA information presents the opportunity to review the PSA return and payment dates. One option that the government is considering is aligning the PSA calculation and payment dates with the P11D/P11D(b) deadlines – so the calculation return is due by the 6 July and payment follows by 19/22 July following the tax year. The government feels that since both Class 1A NICs and the grossed up tax and Class 1B NICs are employer-only charges paid on BiKs provided throughout the year there is a rationale for aligning these dates and streamlining the number of deadlines which employers must meet.

3.10. The government acknowledges that bringing the payment date forward may present difficulties initially for an employer's cash flow, but believes there are benefits from greater clarity, consistency and earlier finality of the tax year.

- v. **Would aligning the PSA payment date with the Class 1A NICs payment deadline cause any employers particular hardship? Please provide your reasons.**

Handling differences of opinion

3.11. The government is aware that if PSAs are no longer agreed upfront then employers will want to understand what the consequences would be if they report an item in a PSA return and HMRC later disagrees that it meets the criteria for inclusion.

3.12. The government appreciates the need to balance a level of assurance from employers with the need to ensure that the rules are adhered to. The government is open to views on this point, but is considering a pragmatic approach of providing employers with a warning if they have included an item in a PSA in good faith, which HMRC determine should not have been included. HMRC would then only take action against the employer (for failure to operate PAYE or failing to declare the BiK on form P11D as appropriate) if they continued to include the same or similar items in their PSA in subsequent years.

3.13. The exception to this would be where an employer does not act in good faith or it appears they haven't attempted to follow the rules. For example, this would be the case if the guidance included a very clear statement or example that a particular type of BiK could not be included in a PSA and an employer ignored this and included it anyway. Where this happens the employer would be penalised as appropriate for failing to meet their obligations.

vi. Do you agree that this approach would be proportionate?

vii. Do you have any other comments about the proposed new PSA process?

4. Defining what can be included in a PSA

4.1. The current criteria for deciding what can be included in a PSA is often criticised for being subjective and there have been a number of suggestions that what is agreed is inconsistent in practice.

4.2. The government wants the new PSA process to be clear and easy for employers to administer but still wants to retain flexibility. The government recognises that greater clarity is needed regarding what can be included in a PSA, so employers can confidently administer the system without the need for an up front agreement.

4.3. The government remains of the view that there are certain payments or BiKs which are not suitable for inclusion in a PSA regardless of their value or the frequency with which they are provided. These are:

- Cash payments or cash reimbursement; and
- Contractual BiKs.

The government does not intend to amend the rules to allow these items to be included in a PSA.

4.4. As set out above at paragraph 2.3, for any other item to be included in a PSA it must be minor, irregular or impracticable. As long as an item meets one of these criteria it can be considered for inclusion in a PSA.

4.5. The OTS suggested that HMRC should produce a list of items which can/cannot be included in a PSA. The government has considered this and concluded, that while such a list would provide certainty for employers, it will not provide flexibility and would make PSAs too restrictive. Instead, the government proposes to clarify the current rules and principles to help employers identify what can or cannot be included in a PSA.

Minor

4.6. The 'minor' criteria within the PSA regulations was designed to capture items which are of such low monetary value that accounting for them via PAYE would cost the employer disproportionately more than providing the BiK itself.

4.7. Over the years there have been a number of different interpretations of what constitutes minor. When agreeing PSAs, employers have suggested that 'minor' should apply to BiKs costing less than £10/month; or anything under £50; or a value linked to the organisation's turnover (which could be considered a high value item by others).

4.8. For comparison, HMRC data suggests that on average it costs around £30 to produce a P11D to report an employee's BiKs.

4.9. From April 2016 there is a statutory exemption for 'trivial' BiKs. This exemption covers items where:

- the cost of providing the benefit does not exceed £50;
- the benefit is not cash or a cash voucher ;
- the employee is not entitled to the benefit as part of any contractual obligation (including under salary sacrifice arrangements;) and
- the benefit is not provided in recognition of particular services performed by the employee as part of their employment duties (or in anticipation of such services)

4.10. For more information about trivial BiKs, see the guidance at:

<https://www.gov.uk/government/publications/tax-exemption-for-trivial-benefits-in-kind-draft-guidance/tax-exemption-for-trivial-benefits-in-kind-draft-guidance>.

4.11. Since the introduction of the Trivial BiKs exemption, a number of the items which may traditionally have fallen within the 'minor' criteria for PSAs will no longer be reportable. Additionally, items are very rarely agreed purely on the basis of being 'minor' – they usually fall either within the 'irregular' or 'impracticable' categories as well.

4.11. The government believes that removing the 'minor' test would provide both simplification and additional certainty as there would be fewer criteria for employers to consider.

The government therefore proposes to remove 'minor' from the PSA criteria and would like to hear employers' views on this.

viii. **In light of the new trivial BiKs exemption, would the removal of 'minor' pose any problems for employers? Please provide reasons for your answer and examples of BiKs which this would cause difficulty for.**

ix. **Are there items which you include in your current PSA which are 'minor' and which are not either 'irregular' or 'impracticable' as well?**

Irregular

4.12. The 'irregular' criteria for PSA items was designed to capture items which were provided on an ad hoc basis - for example staff incentive awards where the recipient is nominated and selected on merit (rather than receiving a bonus as part of a predictable remuneration cycle), long service awards, team building events/functions which cost more than any statutory exemption and so on.

4.13. The government proposes to keep 'irregular' as a PSA criteria, but proposes to incorporate the principles set out below in guidance to make it easier for employers to determine whether the provision of an item is 'irregular' or not.

The government proposes that irregular should:

- **be considered in the context of a tax year;**
- **not be something which occurs in any pattern: every day, week, month, other month, or quarter; and**
- **not include items which employees have a contractual right to (for example bonuses, regardless of how infrequently or at what intervals they are paid or how they are made up).**

4.14. There will be circumstances when employees may receive a number of the same 'irregular' benefits in a year – for example staff recognition schemes. If there is a pattern to a benefit for example an employee receives one each month, but on different days then the government would consider this pattern to be sufficient for the provision to be 'regular', unless the employer could demonstrate that the BiK had been provided based on an objective assessment of merit (for example peer recommendation, top sales scores and so on).

- x. **Do you agree that these principles should guide what can/cannot be included in a PSA as an 'irregular' item?**
- xi. **Are there any other principles which you think should be considered?**
- xii. **Do you have any other comments about how 'irregular' is interpreted?**

Impracticable

4.15. There are two situations in legislation which satisfy the criteria 'impracticable', so that benefits/expenses can be included in a PSA. These situations are when the benefit is:

- paid in circumstances where deduction of tax by reference to the tax tables is impracticable; or
- shared between employees so that apportionment of the BiK between the employees is impracticable.

4.16. These rules appear to be clear and are straightforward to apply under the current system. The emphasis of impracticability in the legislation is on the application of the tax rules/tables or because of apportionment between multiple employees (for example staff functions, working lunches, shared taxis). It is not intended to cover situations where there are difficulties with employer systems or practices. Therefore the proposal is to retain these two rules but to avoid doubt by strengthening HMRC guidance to provide clarity as follows:

The provision of a BiK is not to be considered to meet the ‘impracticable’ test solely because of restrictions due to an employer’s software or because there is presentational awkwardness to taxing the BiK via PAYE or reporting it on form P11D.

- xiii. Do you agree that these rules provide clarity? Would their application pose any difficulties for employers?**
- xiv. Are there any other types of ‘impracticability’ which the government should consider?**

Office holders

4.17. The Trivial BiKs exemption has a cap for office holders to ensure that those who have control over company affairs cannot abuse the exemption. The government would like your views about whether a similar exemption is needed for PSAs.

4.18. For practical reasons, the exclusion could only apply to BiKs meeting the ‘irregular’ test (and also BiKs meeting the ‘minor’ test if it is retained). This is on the basis that if something is impracticable to tax by reference to the tax tables or shared so as to make apportionment impracticable that will be the case regardless of the position or status of the employee.

- xv. Should the government consider an exemption/cap in respect of office holders? Please provide reasons for your answer.**
- xvi. What other safeguards could/should be considered to guard against possible abuse of PSAs?**

The scope of PSAs

4.19. The OTS recommended widening the scope of PSAs to allow employers to account for anything they choose to in a PSA.

4.20. An employee’s total income including their BiKs and expenses determines what rate of tax they pay and the value of any ‘means tested’ allowances. This means that a person’s total income affects what level of statutory sick, maternity/parental pay employees are entitled to, what level of state pension they may be able to claim, and their entitlement to state support such as Universal Credit. It can also affect the amount of their Personal Allowance and whether they are subject to the High Income Child Benefit Charge. So, including items in a PSA can have an impact on both the Exchequer and employees.

4.21. Benefits or taxable expenses provided to employees, ordinarily count towards their taxable earnings. The effect of including items in a PSA is that they are no longer

part of an employee's taxable earnings and the tax liability is discharged by the employer on a grossed up basis.

4.22. Additionally, employers already have the option, where items do not fit within the PSA regulations and they feel that the employee should not have to pay the tax due, to gross up payments made to their employees so that their take-home pay is not affected by the extra tax paid.

4.23. The purpose of a PSA is not to divert BiKs or taxable expenses away from employee tax records, it is to provide an administrative saving for employers, and HMRC, therefore the government is not proposing to widen the scope of PSAs.

xvii. Are there any compelling reasons/scenarios which do not fit into the rules as set out above that employers feel the PSA process should be amended to include? Please provide reasons/examples.

5. Assessment of impacts

The proposed reforms are expected to result in administration burden savings through removing the formal agreement process and replacing the PSA1 with a digital return. A quantitative assessment of the savings will be published when the policy design is finalised.

6. Summary of Consultation Questions

- i. Do you agree that removing the requirement to agree the items in a PSA will provide simplification for employers? Please give your reasons.
- ii. Are there reasons why the formal agreement element of a PSA should be retained? If so, what changes should the government consider to an agreement based system so that it is easier to administer?
- iii. Do you agree that a having a digital PSA return would be simpler for employers to administer rather than the current PSA1 paper return? Please provide your reasons.
- iv. A digital return would reduce error rates. Are there other changes the government should consider to reduce these further?
- v. Would aligning the PSA payment date with the Class 1A NICs payment deadline cause any employers particular hardship? Please provide your reasons
- vi. Do you agree that this approach would be proportionate?
- vii. Do you have any other comments about the proposed new PSA process?
- viii. In light of the new trivial BiKs exemption, would the removal of 'minor' pose any problems for employers? Please provide reasons for your answer and examples of BiKs which this would cause difficulty for.
- ix. Are there items which you include in your current PSA which are 'minor' and which are not either 'irregular' or 'impracticable' as well?
- x. Do you agree that these principles should guide what can/cannot be included in a PSA as an 'irregular' item?
- xi. Are there any other principles which you think should be considered?
- xii. Do you have any other comments about how 'irregular' is interpreted?
- xiii. Do you agree that these rules provide clarity? Would their application pose any difficulties for employers?
- xiv. Are there any other types of 'impracticability' which the government should consider?
- xv. Should the government consider an exemption/cap in respect of office holders? Please provide reasons for your answer.
- xvi. What other safeguards could/should be considered to guard against possible abuse of PSAs?

- xvii. Are there any compelling reasons/scenarios which do not fit into the rules as set out above that employers feel the PSA process should be amended to include? Please provide reasons/examples.**

7. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and a framework for implementation of a specific proposal, rather than to seek views on alternative proposals.

How to respond

A summary of the questions in this consultation is included at chapter 6.

Responses should be sent by 18 October 2016, by e-mail to PAYE.policy@hmrc.gsi.gov.uk or by post to:

PSA Consultation
Employment Income Policy Team
1E/10
100 Parliament Street
London
SW1A 2BQ

Telephone enquiries 03000 586 936 (from a text phone prefix this number with 18001)

Please do not send consultation responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC's GOV.UK pages](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: Relevant (current) Government Legislation

Income Tax Earnings and Pensions Act 2003 (ITEPA)

<http://www.legislation.gov.uk/ukpga/2003/1/part/11/chapter/5>

Chapter 5 PAYE Settlement Agreements

Sections 703 - 707

Income Tax (Pay As You Earn) Regulations 2003

<http://www.legislation.gov.uk/uksi/2003/2682/part/6/made>

Regulation 105 – 117

Social Security Contributions and Benefits Act 1992

http://www.legislation.gov.uk/ukpga/1992/4/pdfs/ukpga_19920004_290216_en.pdf

Section 10A

Social Security (Contributions) Regulations 2001

http://www.legislation.gov.uk/uksi/2001/1004/pdfs/uksi_20011004_en.pdf

Part 4, Part 7 and Schedule 4 Part III