

2018 No. 0000

INCOME TAX

**The Income Tax (Pay As You Earn) (Amendment) Regulations
2018**

Made - - - - - ***
Laid before the House of Commons ***
Coming into force - - - - - *6th April 2018*

The Commissioners for Her Majesty's Revenue and Customs make the following Regulations in exercise of the powers conferred by sections 684(1)(a) and (2)(b) and 704(c) of the Income Tax (Earnings and Pensions) Act 2003, and now exercisable by them(d).

Citation and commencement

1. These Regulations may be cited as the Income Tax (Pay As You Earn) (Amendment) Regulations 2018 and come into force on 6th April 2018.

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

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

3. In regulation 105 (Inland Revenue and employer may make PSA)—

- (a) in the heading for “Inland Revenue” substitute “HMRC”,
- (b) in paragraph (1)—
 - (i) for “Inland Revenue” substitute “HMRC”, and
 - (ii) after “for a tax year” insert “and for any subsequent tax years.”,
- (c) in paragraph (2)(a) for the words “the Board of Inland Revenue” substitute “HMRC”, and
- (d) after paragraph (3) insert—

“(4) a PSA will continue to have effect until cancelled.”.

4. In regulation 107 (effect of PSA)(a)—

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- (a) 2003 c. 1. Section 684 was amended, so far as is relevant by paragraph 102 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11) (“CRCA”).
 - (b) Paragraph 102 of Schedule 4 to CRCA amended section 684 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (“ITEPA”) so that the Commissioners for Her Majesty's Revenue and Customs have the power to make the Regulations.
 - (c) 2003 c. 1; Section 704(1)(a) was amended by section 6 of the Finance (No. 2) Act 2017 (c. 32) and the words in section 704(2) were substituted by section 50 and Schedule 4, paragraph 102(3)(k) to CRCA.
 - (d) Paragraph 102 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 amended section 684 of ITEPA so that the Commissioners for Her Majesty's Revenue and Customs have the power to make the Regulations.
 - (e) S.I. 2003/2682. The relevant amending instruments are S.I. 2008/782, 2009/56, 2011/729, 2013/52, 2015/1667, and 2015/1927. There are other amending instruments which are not relevant to these Regulations.

- (a) in paragraph (1) for “year” substitute “years”,
 - (b) in paragraph (3) for “the Board of Inland Revenue” substitute “HMRC”, and
 - (c) in paragraph (6) for “inspection” substitute “retention”.
- 5. In regulation 108 (calculation of tax payable under PSA)(b)—**
- (a) for paragraph (1) substitute—
 - “(1) A PSA must provide that the employer is accountable to HMRC for the income tax due.”,
 - (b) after paragraph (1) insert—
 - “(1A) A PSA must provide for the sums due to be—
 - (a) computed annually in accordance with the factors specified in paragraph (2), and
 - (b) comprised of the amounts specified in paragraph (3)”, and
 - (c) in paragraph (2)—
 - (i) in sub-paragraph (d)(i), for “PSA” substitute “computation”, and
 - (ii) after sub-paragraph (d) (iii) [Drafting note –insertion of appropriate SRIT rates].
- 6. In regulation 109 (payment of tax and recovery proceedings)(c)—**
- (a) In paragraph (1)—
 - (i) for “Inland Revenue” substitute “HMRC”,
 - (ii) for “the Board of Inland Revenue” substitute “HMRC”, and
 - (iii) after “the PSA” insert “in relation to the preceding tax year”, and
 - (b) in paragraph (2)—
 - (i) for “the tax year” substitute “each tax year”, and
 - (ii) for “PSA” substitute “computation”.
- 7. In regulation 111 (form of PSA)—**
- (a) in paragraph (1)(b) for “the Inland Revenue” substitute “HMRC”, and
 - (b) after paragraph (2) insert—
 - “(3) In paragraph (1) “in writing” includes electronic communications and “signed” includes electronic signatures.”.
- 8. In regulation 112 (commencement of PSA) in paragraph (1) after “end of the” insert “first”.**
- 9. In regulation 113 (variation of PSA)—**
- (a) in paragraph (1) for “The Inland Revenue” substitute “HMRC”,
 - (b) in paragraph (2) for “the Inland Revenue” substitute “HMRC”,
 - (c) in paragraph (3) after “end of the” insert “first year to which the variation relates”, and
 - (d) after paragraph (3) insert—
 - “(4) In paragraph (2) “in writing” includes electronic communications and “signed” includes electronic signatures.”.
- 10. In regulation 114 (cancellation of PSA)—**
- (a) for the words in paragraph (1) substitute—

a) Regulation 107(7)(a) was amended by the Income Tax (Pay As You Earn) (Amendment) Regulations 2012, S.I. 2012/822 and paragraph (7)(b) was amended by the Income Tax (Pay As You Earn) (Amendment No.4) Regulations 2015, S.I. 2015/1927.

(b) Regulation 110 was amended by the Income Tax (Pay As You Earn) (Amendment) Regulations 2010, S.I. 2010/668.

(c) Regulation 108(2) was amended by the Income Tax (Pay As You Earn) (Amendment) Regulations 2008, S.I. 2008/782 and the Income Tax (Pay As You Earn) (Amendment) Regulations 2011, S.I. 2011/729.

- “(1) Either HMRC or the employer may cancel a PSA.”,
- (b) in paragraph (2) for “notice to the employer” substitute “a notice in writing to the other party”, and
 - (c) after paragraph (4) insert—
“(5) In paragraph (2) “in writing” includes electronic communications.”.

11. In regulation 116 (interest on overpaid tax)—

- (a) in paragraph (1) for “the tax year” substitute “a tax year”, and
- (b) in paragraph (2) (a) after “due date” insert “for a tax year”.

12. In regulation 117 (inspection of PSA records)—

- (a) in the heading for “Inspection” substitute “Retention”,
- (b) for paragraph (1) substitute—
“(1) An employer must keep PSA records for not less than 3 years after the end of the most recent tax year to which they relate.”,
- (c) in paragraph (2)—
 - (i) in sub-paragraph (b) for “the Board of Inland Revenue” substitute “HMRC”,
 - (ii) in sub-paragraph (c) for “Inland Revenue” substitute “HMRC”, and
- (d) omit paragraphs (3), (4), (5), (6),(7) and (8).

Date _____ Two of the Commissioners for Her Majesty’s Revenue and Customs
Name _____
Name _____

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 introduce changes to the application procedure for employers to enter PAYE Settlement Agreements (“PSAs”) with HMRC by allowing PSAs to be processed electronically and to extend the duration of PSAs by removing the need for annual renewal with the consequence that PSAs will continue to be in force for each subsequent tax year until cancelled by notice.