



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 11

#### PAY AS YOU EARN

### CHAPTER 5

#### PAYE SETTLEMENT AGREEMENTS

#### **703 Introduction**

This Chapter provides—

- (a) for employers to make agreements with the Inland Revenue (“PAYE settlement agreements”) under which they agree to be accountable to the Board for sums in respect of income tax on general earnings of their employees; and
- (b) for such earnings to be treated for certain purposes of the Income Tax Acts as excluded from the employees' income.

#### **704 Sums payable by employers under agreements**

(1) PAYE regulations may provide—

- (a) for a person to make a PAYE settlement agreement with the Inland Revenue; and
- (b) to such extent as may be prescribed, for that person's accountability, and the sums to be accounted for, in respect of income tax on general earnings of that person's employees to be determined—
  - (i) in accordance with the agreement, and

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*Status: This is the original version (as it was originally enacted).*

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(ii) not in accordance with PAYE regulations which would apply apart from this Chapter.

(2) Without prejudice to the generality of section 684(2), any power of the Board to make PAYE regulations with respect to sums falling to be accounted for under such regulations includes power to make the corresponding provision with respect to sums falling to be accounted for in accordance with a PAYE settlement agreement.

### **705 Approximations allowed in calculations**

PAYE regulations may provide for a PAYE settlement agreement to allow sums which an employer is to account for—

- (a) to be computed, if two or more persons hold employments to which the agreement relates, by reference to a number of those persons all taken together;
- (b) to include sums representing income tax on an estimated amount taken to be the aggregate of the amounts of PAYE income consisting of—
  - (i) taxable benefits provided or made available by reason of the employments to which the agreement relates, and
  - (ii) expenses paid to the persons holding those employments; and
- (c) to be computed in a manner under which they do not necessarily represent an amount of income tax which would be payable (apart from the agreement) by persons holding employments to which the agreement relates.

### **706 Exclusion of general earnings from income etc.**

PAYE regulations may provide—

- (a) that sums accountable for by an employer under a PAYE settlement agreement, or any other sums, are not to be treated for any prescribed purpose as tax deducted from general earnings;
- (b) that an employee is to have no right to be treated as having paid tax in respect of sums accountable for by the employer under such an agreement;
- (c) that an employee is to be treated, except—
  - (i) for the purposes of the obligations imposed on the employer by such an agreement, and
  - (ii) to such further extent as may be prescribed,
 as relieved from any prescribed obligations of the employee under the Income Tax Acts in respect of general earnings from an employment to which the agreement relates; and
- (d) that such earnings are to be treated as excluded from the employee's income for such further purposes of the Income Tax Acts, and to such extent, as may be prescribed.

### **707 Interpretation of this Chapter**

In this Chapter—

“employment” means any employment the general earnings from which are (or, apart from any regulations made by virtue of this section, would be) PAYE income and related expressions are to be construed accordingly;

“prescribed” means prescribed by PAYE regulations;

“taxable benefit”, in relation to an employee, means any benefit provided or made available, otherwise than in the form of a payment of money, to the employee, or to a person who is a member of the employee’s family or household.