
STATUTORY INSTRUMENTS

2003 No. 2682

The Income Tax (Pay As You Earn) Regulations 2003

PART 7

SPECIAL CASES

CHAPTER 1

COUNCILLORS' ALLOWANCES

Interpretation of Chapter 1

118.—(1) In this Chapter—

“allowances” means—

- (a) payments by way of attendance allowance within section 173(1) or 175(1) of the Local Government Act 1972(1),
- (b) payments within regulations made under section 18(1) of the Local Government and Housing Act 1989(2),
- (c) payments within regulations made under section 100(1)(a) or (c) of the Local Government Act 2000(3),
- (d) payments by way of attendance allowance within section 47(1) of the Local Government (Scotland) Act 1973(4), or
- (e) payments within regulation 3(1), 4(1) or 5(1) of the Local Government (Payments to Councillors) Regulations (Northern Ireland) 1999(5);

“councillor” means a person entitled to receive any allowances;

“local council” means the local authority, council, joint authority or joint committee paying allowances.

(2) For the purposes of paragraph (1)—

“council” and “joint committee” are to be read in accordance with section 148(1) of the Local Government Act (Northern Ireland) 1972(6); and

“local authority” in England and Wales has the meaning given in section 270(1) of the Local Government Act 1972(7), and in Scotland has the meaning given in section 235(1) of the Local Government (Scotland) Act 1973(8).

(1) 1972 c. 70; section 173(1) was amended by section 24(1) of the Local Government, Planning and Land Act 1980 (c. 65) and paragraph 26 of Schedule 11 to the Local Government and Housing Act 1989 (c. 42); section 175(1) was amended by paragraph 27 of Schedule 11 to the Local Government and Housing Act 1989.

(2) 1989 c. 42.

(3) 2000 c. 22.

(4) 1973 c. 65.

(5) S.R. (N.I.) 1999 No. 449.

(6) 1972 c. 9 (N.I.).

(7) The definition of “local authority” in section 270(1) was amended by Schedule 17 to the Local Government Act 1985 (c. 51) and section 1(5) of the Local Government (Wales) Act 1994 (c. 19).

Councillor's option to have tax deducted at basic rate

119.—(1) A councillor may, by notice to the Inland Revenue, opt to have income tax deducted from allowances at the basic rate in force at the time of payment of the allowances (the “basic rate option”).

(2) On receiving any such notice the Inland Revenue must give notice to the local council of the councillor's exercise of the basic rate option.

(3) On receiving a notice under paragraph (2), the local council must, when making any payment of allowances to the councillor, deduct income tax at the basic rate in force at the time of that payment on the non-cumulative basis.

(4) Paragraph (5) applies if—

- (a) a councillor has exercised the basic rate option, and
- (b) the Inland Revenue consider that the councillor may incur deductible expenses.

(5) The Inland Revenue may direct the local council to disregard an appropriate amount of the allowances in calculating the tax to be deducted.

(6) In paragraph (4)(b), “deductible expenses” means expenses of a kind which would be deductible under sections 336 to 338 of ITEPA (expenses incurred wholly, exclusively and necessarily in performance of duties, and travel expenses).

Particulars that local council must record

120.—(1) This regulation applies if the Inland Revenue have given notice to the local council of the exercise by a councillor of the basic rate option.

(2) The local council must record, in a deductions working sheet (which it must prepare for the purpose unless it has already prepared one) the following particulars about every payment of allowances which it makes to the councillor.

(3) The particulars are—

- (a) the councillor's name,
- (b) the councillor's national insurance number, if known,
- (c) the date of the payment,
- (d) the amount of the allowances,
- (e) where regulation 119(5) applies, the net amount of the allowances from which tax has been deducted, and
- (f) the amount of tax deducted from the allowances.

Regulations apply as if basic rate option were issue of code

121. If a councillor exercises the basic rate option, these Regulations apply as if the Inland Revenue had issued the basic rate code in respect of the allowances.

CHAPTER 2

RESERVE FORCES' PAY

Interpretation of Chapter 2

122.—(1) In this Chapter—

(8) The definition of “local authority” in section 235(1) was substituted by paragraph 92(66) of Schedule 13 to the Local Government etc. (Scotland) Act 1994 (c. 39).

“the Ministry” means the Ministry of Defence;

“reserve forces” means the forces specified in paragraph (2);

“reserve pay” means relevant payments made by the Ministry to members of the reserve forces [F1, excluding such payments made on 6 April 2009 or later];

“reservist” means any person in receipt of reserve pay, but does not include a person who is not resident in the United Kingdom and is serving outside the United Kingdom.

(2) The forces specified in this paragraph are—

- (a) the Royal Naval Reserve (including Queen Alexandra’s Royal Naval Nursing Service Reserve),
- (b) the Royal Marines Reserve,
- (c) the Territorial Army,
- (d) the Royal Auxiliary Air Force,
- (e) the University Air Squadron, and
- (f) Officers, Adult Instructors and Adult Warrant Officers of the Sea Cadet Corps, Army Cadet Force, Air Training Corps or Combined Cadet Force.

F1 Words in [reg. 122\(1\)](#) inserted (with effect in accordance with [reg. 1\(2\)\(b\)](#) of the amending S.I.) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2009 \(S.I. 2009/588\)](#), [regs. 1\(1\), 10](#)

Application of other Parts

123.—(1) Parts 2 (codes) and 3 (deduction and repayment of tax) do not apply to reserve pay.

(2) The rest of these Regulations apply as if the Inland Revenue had issued the basic rate code in respect of reserve pay.

Deduction of tax

124.—(1) On making any payment of reserve pay to a reservist during a tax year, the Ministry must deduct income tax at the basic rate in force when the payment is made.

(2) But the Ministry must not deduct income tax if—

- (a) it has received notice from the Inland Revenue of a determination for that tax year under this Chapter that tax is not to be deducted from reserve pay, and
- (b) it has not received notice of any amendment of that determination.

(3) This regulation applies even if an objection or appeal has been made under this Chapter.

Determination by Inland Revenue

125.—(1) The Inland Revenue may make a determination that tax is not to be deducted from reserve pay if the Inland Revenue are satisfied that the reservist will not be liable to income tax on the full amount of the reserve pay in a tax year.

(2) For the purpose of making a determination, it must be assumed—

- (a) that any reliefs from income tax to which the reservist is entitled are allowable primarily against the reservist’s PAYE income from other sources, and
- (b) unless the reservist objects, that the balance (if any) of such reliefs is next allowable against the reservist’s income other than PAYE income.

(3) The Inland Revenue may make a determination before, or at any time during, the tax year.

(4) On making a determination the Inland Revenue must notify the reservist and the Ministry.

Objection against deduction of tax

126.—(1) A reservist who objects to tax being deducted in accordance with regulation 124 (deduction at basic rate) must state the grounds of objection.

(2) On receiving the notice of objection, the Inland Revenue must make a determination whether income tax at the basic rate is to be deducted from the reserve pay.

(3) Regulation 125(2) (assumptions) applies for the purpose of making the determination.

(4) The Inland Revenue must notify the reservist of the determination.

(5) The Inland Revenue may amend the determination by agreement with the reservist.

(6) If the Inland Revenue and the reservist do not reach agreement, the reservist may appeal against the determination by giving notice to the Inland Revenue.

(7)

Appeal to [^{F2}the tribunal]

127.—(1) On [^{F3}an appeal that is notified to the tribunal, the tribunal] must determine whether income tax at the basic rate is to be deducted from the reserve pay.

(2) Regulation 125(2) (assumptions) applies for the purpose of making the determination.

(3) If, on appeal, the [^{F4}tribunal determines] that tax is not to be deducted from the reserve pay, the Inland Revenue must give notice of the determination to the Ministry.

(4)

F2	Words in reg. 127 heading substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56) , art. 1(2), Sch. 2 para. 108(2)
F3	Words in reg. 127(1) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56) , art. 1(2), Sch. 2 para. 108(3)
F4	Words in reg. 127(3) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56) , art. 1(2), Sch. 2 para. 108(4)

Amended determinations

128.—(1) This regulation applies if a determination by the Inland Revenue or the [^{F5}tribunal] under regulation 125, 126 or 127 is found to be inappropriate because the actual circumstances are different from the circumstances by reference to which it was made.

(2) The Inland Revenue must amend the determination.

(3) The Inland Revenue must give notice of the amended determination to the reservist and the Ministry.

(4) Regulations 126 and 127 apply in relation to an amended determination as they apply in relation to a determination under regulation 126(2).

F5	Word in reg. 128(1) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56) , art. 1(2), Sch. 2 para. 109
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Certificate of tax deducted

129.—(1) On making any payment of reserve pay from which tax is deducted, the Ministry may, and if the reservist so requires must, give the reservist a certificate showing the following particulars.

- (2) The particulars are—
- (a) the reservist's name,
 - (b) the reservist's national insurance number, if known,
 - (c) the date of the payment,
 - (d) the amount of the payment, and
 - (e) the amount of tax deducted.

Repayment to reservist during tax year

130.—(1) The Ministry must not repay tax in respect of reserve pay to a reservist.

(2) If a reservist applies for a repayment of tax deducted from reserve pay, the Inland Revenue may make such repayment at any time during the tax year as may be appropriate.

- (3) In deciding what is appropriate the Inland Revenue must have regard to—
- (a) the reserve pay of the reservist for the period from the beginning of the tax year up to and including the date of the application,
 - (b) the amount of tax deducted from the reserve pay as evidenced by certificates of pay and tax supplied under regulation 129,
 - (c) any reliefs from income tax to which the reservist is entitled, and
 - (d) the reservist's other PAYE income for the tax year and, unless the reservist objects, the reservist's income for the tax year from all other sources, and liability to tax on that income, as estimated by the Inland Revenue.

Particulars that Ministry must record

131.—(1) The Ministry must record, in a deductions working sheet, the following particulars about every payment of reserve pay made to a reservist.

- (2) The particulars are—
- (a) the reservist's name,
 - (b) the reservist's national insurance number, if known,
 - (c) the tax year to which the deductions working sheet relates,
 - (d) the date of the payment,
 - (e) the amount of the payment, and
 - (f) the amount of tax (if any) deducted on making the payment.

End of year certificate

132.—(1) The Ministry must give an end of year certificate to a reservist in respect of whom the Ministry was required to prepare or maintain a deductions working sheet.

(2) The certificate must be given before 1st June following the end of the tax year to which it relates.

- (3) The certificate must show—
- (a) the tax year to which it relates,

- (b) the reservist's name,
- (c) the reservist's national insurance number, if known,
- (d) the total amount of reserve pay paid by the Ministry to the reservist during the tax year,
- (e) the total tax deducted from the reserve pay,
- (f) the force in which the reservist was serving, and
- (g) the reservist's service number.

Other PAYE income of reservist

133. Nothing in this Chapter affects the application of these Regulations to any other PAYE income of a reservist.

[^{F6}CHAPTER 2A

SOCIAL SECURITY LUMP SUMS

F6 Pt. 7 Ch. 2A added (6.4.2006) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2006 \(S.I. 2006/243\)](#), regs. 1, 3

Interpretation of Chapter 2A

133A.—(1) In this Chapter—

“the Act” means the Finance (No.2) Act 2005 and a reference (without more) to a numbered provision is a reference to the provision of the Act bearing that number;

^{F7} ...

“the Department” means—

- (a) in Great Britain, the Department for Work and Pensions; and
- (b) in Northern Ireland, the Department for Social Development;

^{F7} ...

“lump sum” means a social security pension lump sum as defined in section 9 of the Act;

“the recipient” means a person who has become entitled to a lump sum.

F7 Words in reg. 133A(1) omitted (6.4.2018) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, 17

Application of other Parts

133B.—(1) Parts 2 (codes) and 3 (deduction and repayment of tax) do not apply to lump sums.

(2) The rest of these Regulations apply as if Her Majesty's Revenue and Customs had issued a code in respect of a social security pension lump sum at either—

- (a) the rate notified to the Department by the recipient pursuant to regulation 133D, or
- (b) [^{F8}20%], if the recipient has not notified the Department of a rate.

F8 Word in reg. 133B(2)(b) substituted (6.4.2018) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, 18

Determination of Rate of Deduction

133C.—(1) On making any payment of a lump sum to a recipient during a tax year, the Department must deduct income tax at the ^{F9}... rate calculated in accordance with sub-paragraph (2).

(2) For the purposes of this chapter the ^{F10}... rate is either—

- (a) the rate notified to the Department by the recipient in accordance with regulation 133D, or
- (b) in default of any such notification, [^{F11}20%].

- F9** Word in reg. 133C(1) omitted (6.4.2018) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, **19(a)**
- F10** Word in reg. 133C(2) omitted (6.4.2018) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, **19(a)**
- F11** Word in reg. 133C(2)(b) substituted (6.4.2018) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, **19(b)**

Notification by Recipient of Notice of Tax Rate

133D.—(1) The recipient shall notify the Department that he considers the nil tax code should be applied to the lump sum or that one of the following rates should be used—

- (a)
- (b) [^{F12}20%], or
- (c) [^{F13}40%],

in accordance with section 7(5) of the Act.

(2) Notification shall be in the form, and made within the period, specified by the Department.

- F12** Word in reg. 133D(1)(b) substituted (6.4.2018) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, **20(a)**
- F13** Word in reg. 133D(1)(c) substituted (6.4.2018) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2018 \(S.I. 2018/267\)](#), regs. 1, **20(b)**

Certificate of tax deducted

133E.—(1) On making any payment of a lump sum from which tax is deducted, the Department may and if the recipient so requires, must, give the recipient an award notification showing the following particulars.

(2) The particulars are—

- (a) the recipient's name,
- (b) the recipient's national insurance number, if known,
- (c) the date of the payment,
- (d) the amount of the payment, and
- (e) the amount of tax deducted.

Repayment to recipient during tax year

133F. The Department may repay tax deducted from a lump sum to a recipient at any time during the tax year in which it was paid, if it appears to the Department that the incorrect rate of income tax was applied to the payment due to an administrative error by the Department.

Records and notices

133G.—(1) The Department must record, in a deductions working sheet, the following particulars about any payment of a lump sum.

(2) The particulars are—

- (a) the recipient’s name,
- (b) the recipient’s national insurance number, if known,
- (c) the amount of the payment,
- (c) the date of the payment,
- (d) the amount of tax (if any) deducted from the payment,
- (e) the tax rate (if any) notified by the recipient to the Department, and
- (f) the amount of any repayment made to the recipient in respect of the lump sum.

(3) The Department shall notify an officer of Revenue and Customs when a lump sum payment is made.

(4) The notification referred to in sub-paragraph (3) shall contain the following information—

- (a) the recipient’s name and address,
- (b) the recipient’s national insurance number, if known,
- (c) the date of the payment, and
- (d) the recipient’s date of birth.

(5) The Department shall administer a separate PAYE scheme for the lump sum payments.

Other PAYE income of recipient

133H. Nothing in this Chapter affects the application of these Regulations to any other PAYE income of a recipient.]

CHAPTER 3 HOLIDAY PAY FUNDS

Interpretation of Chapter 3

134. In this Chapter—

“fund” means a person who pays holiday pay—

- (a) to an individual who is not employed by the person, or
- (b) in respect of such an individual who has died;

“holiday pay” means—

- (a) any payment received by an individual in exchange for a voucher, stamp or similar document purchased by a person who employs (or employed) that individual for any holiday period, or
- (b) if such an individual has died, any payment received by a person claiming in respect of that individual’s right to such a payment;

“recipient” means a person who is paid holiday pay.

Application of other Parts

135.—(1) Parts 2 (codes) and 3 (deduction and repayment of tax) do not apply to holiday pay.

(2) The rest of these Regulations apply as if the Inland Revenue had issued the basic rate code in respect of holiday pay.

Deduction of tax

136. On making any payment of holiday pay to a recipient, a fund must deduct income tax at the basic rate in force at the time the payment is made.

Certificate of tax deducted

137.—(1) On making any payment of holiday pay, a fund must give the recipient a certificate showing the following particulars.

- (2) The particulars are—
- (a) the recipient's name,
 - (b) the recipient's national insurance number, if known,
 - (c) the tax year in which the payment is made,
 - (d) the date of the payment,
 - (e) the amount of the payment, and
 - (f) the amount of tax deducted on making the payment.

Repayment to recipient during tax year

138.—(1) A fund must not repay tax deducted from a payment of holiday pay to a recipient.

(2) If a recipient applies for a repayment of tax deducted from holiday pay, the Inland Revenue may make such repayment at any time during the tax year as may be appropriate.

- (3) In deciding what is appropriate the Inland Revenue must have regard to—
- (a) the holiday pay of the recipient for the period from the beginning of the tax year up to and including the date of the application,
 - (b) the amount of tax deducted from the holiday pay as evidenced by certificates supplied under regulation 137,
 - (c) any entitlement of the recipient to relief from income tax, and
 - (d) the recipient's other PAYE income for the tax year and, unless the recipient objects, the recipient's income for the tax year from all other sources, and liability to tax on that income, as estimated by the Inland Revenue.

Particulars that fund must record

139.—(1) A fund must record, in a deductions working sheet, the following particulars about every payment of holiday pay made to a recipient.

- (2) The particulars are—
- (a) the recipient's name,
 - (b) the recipient's national insurance number, if known,
 - (c) the tax year to which the deductions working sheet relates,
 - (d) the date of the payment,
 - (e) the amount of the payment, and
 - (f) the amount of tax (if any) deducted on making the payment.

Other PAYE income of recipient

140. Nothing in this Chapter affects the application of these Regulations to any other PAYE income of a recipient.

CHAPTER 4

DIRECT COLLECTION AND SPECIAL ARRANGEMENTS

Direct collection and special arrangements

141.—^{F14}(1) In any case in which HMRC are of the opinion that deduction of tax by reference to the tax tables is impracticable, the direct collection procedure in regulation 142 applies to any PAYE income, unless HMRC makes special arrangements for the collection of tax in respect of that PAYE income.]

(2) A special arrangement does not apply to PAYE income of an employer's employees if—

- (a) the arrangement has not been agreed with the employer, and
- (b) the employer does not proceed in accordance with the arrangement.

^{F15}(3) A special arrangement must be—

- (a) in writing, and
- (b) signed and dated by the employer and HMRC.

(4) A special arrangement must specify—

- (a) the date by which the return under paragraph (8) must be delivered, which must be no later than 31st May following the end of each tax year to which the special arrangement relates, and
- (b) the due date for the payment of tax under paragraph (5).

(5) The employer must pay to HMRC by the due date the tax payable in relation to the preceding tax year in respect of the PAYE income to which a special arrangement applies.

(6) PAYE income to which a special arrangement applies is not to be included—

- (a) in a return by the employer under regulation 67B, 67D, 67E, 73, 74 or 75 (returns of relevant payments and tax deducted), nor
- (b) in particulars provided by the employer under regulation 85 (annual return of other earnings (Form P11D)).

(7) Following the end of the tax year, the employer must deliver to HMRC the information specified in Schedule A1 (real time returns) in respect of the PAYE income to which a special arrangement applied for that tax year.

(8) The information must be included in a return which must be delivered by the date specified in the special arrangement.

(9) The return must be made using an approved method of electronic communications.

(10) In paragraph (3) “in writing” includes electronic communications and “signed” includes electronic signatures.

(11) In paragraphs (4) and (5) “the due date” means the date specified in the special arrangement which must be no later than 31st May following the end of each tax year to which the special arrangement relates.]

F14 Reg. 141(1) substituted (6.4.2020) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2020 \(S.I. 2020/88\)](#), regs. 1, 2(2)

F15 Reg. 141(3)-(11) inserted (6.4.2020) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2020 (S.I. 2020/88), regs. 1, 2(3)

[^{F16}Direct collection: employee to report payments

142.—(1) On receiving a relevant payment—

- (a) an employee (E) must proceed in accordance with paragraph (3) or paragraph (4), as the case may be, and
- (b) regulations 143 to 147A (direct collection) apply to E,

unless E objects to the application of the direct collection procedure.

(2) E may, within 30 days beginning with the date of receipt of written notification from HMRC that the direct collection procedure applies, object by written notice to HMRC to that procedure.

(3) E must deliver the information specified in Schedule A1 as if E were a Real Time Information employer for the purposes of regulations 67B (real time information returns of information about relevant payments), 67E (returns under regulations 67B and 67D: amendments), 67EA (failure to make a return under regulation 67B or 67D) and 67F (additional information about payments) and references to “an employer making a relevant payment” are to be read as if they were references to “the employee receiving a relevant payment”.

(4) But if E—

- (a) is an individual who is a practising member of a religious society or order whose beliefs are incompatible with the use of electronic communications, or
- (b) has been given a direction under paragraph (5),

E may instead proceed as if E were a Real Time Information employer to whom regulations 67D (exceptions to regulation 67B), 67E (returns under regulations 67B and 67D: amendments), 67EA (failure to make a return under regulation 67B or 67D) and 67F (additional information about payments) apply with the modification referred to in paragraph (3).

(5) Where the Commissioners for Her Majesty’s Revenue are satisfied that—

- (a) it is not reasonably practicable for E to make a return using an approved form of electronic communication, and
- (b) it is E who delivers the return (and not some other person on E’s behalf),

they may make a direction specifying that E is not required to make a return using an approved method of electronic communication.]

F16 Reg. 142 substituted (6.4.2014) by The Income Tax (Pay As You Earn) and the Income Tax (Construction Industry Scheme) (Amendment) Regulations 2014 (S.I. 2014/472), regs. 1(2), 11

Direct collection: employee to keep records

143.—(1) Whenever the employee receives any relevant payment during the tax year, the employee must record in [^{F17}a deductions] working sheet—

- (a) the amount of the payment,
- (b) the date on which it was received, and
- (c) the total payments to date.

(2) In addition, the employee must record in [^{F18}that deductions] working sheet in relation to the last date in a tax quarter on which the employee receives a relevant payment—

- (a) the total free pay to date or, as the case may be, the total additional pay to date in relation to that date according to the employee's code, and
- (b) the corresponding total tax to date.
- (3) If the employee does not receive any relevant payments in a tax quarter, the last day of the quarter must be used for the purposes of paragraph (2).
- (4) If the employee receives relevant payments in more than one capacity, no account is to be taken for the purposes of this regulation and regulations 144 to 147 of the relevant payments received by the employee in any capacity other than that mentioned in [F19that deductions] working sheet.
- (5) In this regulation ..., "total payments to date" means, in relation to any date, the sum of all relevant payments received by the employee from the beginning of the tax year up to and including that date, irrespective of the person or persons from whom it was received.

- F17** Words in reg. 143(1) substituted (6.4.2014) by [The Income Tax \(Pay As You Earn\) and the Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2014 \(S.I. 2014/472\)](#), regs. 1(2), **12(a)**
- F18** Words in reg. 143(2) substituted (6.4.2014) by [The Income Tax \(Pay As You Earn\) and the Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2014 \(S.I. 2014/472\)](#), regs. 1(2), **12(b)**
- F19** Words in reg. 143(4) substituted (6.4.2014) by [The Income Tax \(Pay As You Earn\) and the Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2014 \(S.I. 2014/472\)](#), regs. 1(2), **12(b)**

Direct collection: payment

144.—(1) In this regulation—

[F20"the current total tax" means the amount required to be recorded at paragraph 17 of Schedule A1 (real time returns) in the most recent return which the employee is required to make in the tax year, or where the employee is required to make a return under regulation 67EA(3) (failure to make a return under regulation 67B), the amount required to be recorded at paragraph 17 of Schedule A1 for the tax year to which that return relates;]

"the previous total tax" means the total tax to date (if any) required to be recorded for the previous tax quarter in the tax year.

(2) If, in relation to any tax quarter, the current total tax exceeds the previous total tax, the employee must pay the excess to the Inland Revenue, within 14 days after the end of the tax quarter.

(3) But if, in relation to any tax quarter, the previous total tax exceeds the current total tax, the employee may recover the excess—

- (a) by deducting it from the amount payable under paragraph (2) for a later quarter in the tax year, or
- (b) from the Board of Inland Revenue.

(4) ... The amount payable under paragraph (2) is not to exceed the overriding limit in relation to the relevant payments which the employee has received in that tax quarter.

(5) Any amount which is not payable because of the application of paragraph (4) must be added to the current total tax for the purpose of the calculation in paragraph (2) or (3) for the next tax quarter (if any) of that tax year.

- F20** Words in reg. 144(1) substituted (6.4.2014) by [The Income Tax \(Pay As You Earn\) and the Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2014 \(S.I. 2014/472\)](#), regs. 1(2), **14**

Direct collection: return when relevant payments cease

145.

Direct collection: end of year return

146.

Direct collection: failure to pay

147.—(1) This regulation applies if, within 14 days after the end of any tax quarter—

- (a) the employee has not paid any tax for that quarter, and the Inland Revenue are unaware of the amount, if any, which the employee is liable to pay for that quarter, or
- (b) the employee has paid an amount of tax for that quarter, but the Inland Revenue are not satisfied that it is the full amount which the employee is liable to pay for that quarter.

(2) The Inland Revenue may give notice to the employee requiring the employee, within 14 days of the issue of the notice, to deliver a return showing the amount of tax which the employee is liable to pay under regulation 144(2) in respect of the tax quarter in question.

(3) If such a notice is given, regulations 77, 84 and 218(5) and (6) (which relate to the certification and recovery of tax unpaid by an employer) apply with the necessary modifications for the purposes of ascertaining, certifying and recovering the tax payable by the employee as if it were tax which the employee was liable to deduct from relevant payments paid by the employee.

[^{F21}Circumstances in which payment of a lesser amount is to be treated as payment in full for the purposes of paragraph 6(2) of Schedule 56 to the Finance Act 2009

147A.—(1) A payment that is less than the full amount due under regulation 67G(2) (payments to and recoveries from HMRC for each tax period), as adjusted by regulation 67H (payments due and recoveries from HMRC for each tax period: returns under regulation 67E(6)) where appropriate, will for the purposes of paragraph 6(2) of Schedule 56 to the Finance Act 2009 (amount of penalty: PAYE and CIS) be treated as payment of the full amount if the difference between the full amount and the amount paid is no more than £100 (“the tolerance”), but this is subject to paragraphs (2) and (3).

(2) Paragraph (1) does not apply where—

- (a) the payment relates to a return which corrects information given in a return filed in respect of a relevant payment made in an earlier tax month, and
- (b) the return is delivered after 19th April following the end of the tax year in question.

(3) If the total sum paid by the employer to HMRC for the tax period includes not only the amount due under regulation 67G(2), as adjusted by regulation 67H where appropriate, but also one or more of—

- (a) any earnings-related contributions (as defined by regulation 1(2) of the SSC Regulations 2001),
- (b) any payment under regulation 7(1) of the Income Tax (Construction Industry Scheme) Regulations 2005, or
- (c) any repayment due under the Student Loans Regulations,

the tolerance is applied to the total sum paid to HMRC for the tax period to which the payments relate.]

Changes to legislation: *There are currently no known outstanding effects for the The Income Tax (Pay As You Earn) Regulations 2003, PART 7. (See end of Document for details)*

F21 Reg. 147A inserted (with effect in accordance with reg. 1(4) of the amending S.I.) by [The Income Tax \(Pay As You Earn\) and the Income Tax \(Construction Industry Scheme\) \(Amendment\) Regulations 2014 \(S.I. 2014/472\)](#), regs. 1(2), **17**

Changes to legislation:

There are currently no known outstanding effects for the The Income Tax (Pay As You Earn) Regulations 2003, PART 7.