
STATUTORY INSTRUMENTS

2011 No. 1054

**The Income Tax (Pay As You Earn)
(Amendment) (No.2) Regulations 2011**

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

3. Regulation 37 (PAYE income paid after employment ceased) of the Income Tax (Pay As You Earn) Regulations 2003⁽¹⁾ is amended by the substitution for paragraph (2) of the following—

“(2) Subject to paragraph (2A), the person making the payment must deduct tax on the non-cumulative basis using the OT Code.

(2A) If the payment is in the form of securities, an interest in securities or securities options which gives rise to earnings within Chapter 1 of Part 3 of ITEPA or which counts as employment income by virtue of Part 7 of ITEPA, the person making the payment must deduct tax at the basic rate in force for the tax year in which the payment is made.

(2B) In paragraph (2A)—

“interest”,

“securities”, and

“securities options”

have the meaning indicated in section 420 of ITEPA⁽²⁾

(1) [S.I. 2003/2682](#), amended by [S.I. 2007/1077](#), [2011/729](#).

(2) [2003 c.1](#). Section 420 was inserted by way of substitution, along with the rest of Chapter 1 of Part 7 of the Income Tax (Earnings and Pensions) Act 2003, by Schedule 22 to the Finance Act [2003 \(c.14\)](#). It was subsequently amended by Schedule 2 to the Finance Act (No.2) [2005 \(c.22\)](#); section 92 of the Finance Act [2006 \(c.25\)](#); Part 2 of Schedule 1 to the Corporation Tax Act [2009 \(c.4\)](#); section 126(5) of the Finance Act 2009; paragraphs 203 and 204 of Part 7 of Schedule 8 to the Taxation (International and Other Provisions) Act [2010 \(c.8\)](#); and article 2 of [S.I. 2007/2130](#).