
STATUTORY INSTRUMENTS

2003 No. 2682

The Income Tax (Pay As You Earn) Regulations 2003

PART 1

INTRODUCTION

Citation and commencement

Citation and commencement

1. These Regulations may be cited as The Income Tax (Pay As You Earn) Regulations 2003 and shall come into force on 6th April 2004.

Commencement Information

II [Reg. 1](#) in force at 6.4.2004, see [reg. 1](#)

Interpretation

Interpretation

2.—(1) In these Regulations, unless the context otherwise requires—

“additional pay” means the appropriate amount, established from an employee’s code (where it is a K code not used on the cumulative basis) and the tax tables, to be added to the relevant payments made to an employee in order to determine the taxable payments;

[^{F1}“additional rate” in relation to the charging of income tax for any tax year, means the rate of income tax determined under section 6(2) of ITA [^{F2}, except where the employee is a Welsh taxpayer where it means the Welsh additional rate of income tax calculated under section 6B of that Act]^{F3} ...;]

“agency” has the meaning given in section 44 of ITEPA;

[^{F4}“agency worker” means a worker who is treated by section 44 of ITEPA(1) as holding an employment with the agency for income tax purposes;]

“approved method of electronic communications” has the meaning given in regulation 189;

“basic rate”, in relation to the charging of income tax for any tax year, means the rate of income tax determined under [^{F5}section 6(2) of ITA, except where [^{F6}—]

(a) [^{F7}the employee is a Scottish taxpayer where it means the Scottish basic rate of income tax set by a Scottish rate resolution of the Scottish Parliament under section 80C of the Scotland Act 1998, or

(1) Section 1(2)(a) was amended by section 9(3) of the Finance Act 1992 (c. 20).

(b) the employee is a Welsh taxpayer where it means the Welsh basic rate of income tax calculated under section 6B of ITA]]

“Board of Inland Revenue” means the Commissioners of Inland Revenue (as to which see in particular the Inland Revenue Regulation Act 1890(2));

[^{F8}“the client” has the meaning given in section 44 of ITEPA, and cognate expressions shall be construed accordingly;]

[^{F9}“closed tax year” means any tax year preceding the current year, and cognate expressions shall be construed accordingly;]

“code” and related expressions have the meanings given in regulation 7;

[^{F10}“combined amount” means an amount which includes tax due under these regulations and one or more of the following—

- (a) earnings-related contributions due under the SSC Regulations;
- (b) amounts due under the Income Tax (Construction Industry Scheme) Regulations 2005;
- (c) payments of repayments of student loans due under the Student Loan Regulations;
- (d) [^{F11}apprenticeship levy due under these Regulations;]]

“cumulative basis” means the basis of deduction or repayment of tax provided for in regulation 23;

“deductions working sheet” means—

- (a) any form of record in which are to be kept the matters required by these Regulations in connection with an employee’s relevant payments and tax;
- (b) ^{F12} ...

“earnings” has the meaning given in sections 62 and 721(7) of ITEPA;

“electronic communications” has the meaning given in regulation 189;

“employee’s code” has the meaning given in regulation 8(1);

“employer reference” means the combination of letters, numbers or both used by the Inland Revenue to identify an employer for the purposes of these Regulations;

“employer’s PAYE reference”, in relation to an employer, means the combination of the employer’s employer reference and the Inland Revenue office number;

“employment”, subject to regulations 10 to 12, has the meaning given in sections 4 and 5 of ITEPA; and “employer” and “employee” have corresponding meanings;

[^{F13}“employment intermediary” has the meaning given in section 716B(2) of ITEPA;]

“excluded business expenses” has the meaning given in regulation 5;

“family” and “family or household”, in relation to a person, have the meanings given in section 721(4) and (5) of ITEPA;

“free pay” means the appropriate amount, established from an employee’s code (where not used on the cumulative basis) and the tax tables, to be subtracted from relevant payments to arrive at taxable payments (and accordingly represents an appropriate part of reliefs allowable against those payments);

“general earnings” has the meaning given in section 7(3) of ITEPA;

“higher rate”, in relation to the charging of income tax for any tax year, means the rate of income tax determined under [^{F14}section 6(2) of ITA [^{F15}, except where the employee is a Welsh

taxpayer where it means the Welsh higher rate of income tax determined under section 6B of that Act]^{F16}...];

[^{F9}“HMRC” means Her Majesty’s Revenue and Customs;]

“ICTA” means the Income and Corporation Taxes Act 1988(3);

“Inland Revenue” means any officer of the Board of Inland Revenue;

“Inland Revenue office”, in relation to an employer, means the office of the Inland Revenue from which codes are normally issued to the employer;

“Inland Revenue office number” means the number which identifies an employer’s Inland Revenue office;

[^{F10}“ITA” means the Income Tax Act 2007;]

“ITEPA” means the Income Tax (Earnings and Pensions) Act 2003(4);

[^{F17}“large employer” has the meaning given in regulation 198A;]

[^{F18}“lower earnings limit” means the lower earnings limit for Class 1 contributions for the purposes of section 5(1) of the Social Security Contributions and Benefits Act 1992;]

“national insurance number” means the national insurance number allocated within the meaning of regulation 9 of the Social Security (Crediting and Treatment of Contributions, and National Insurance Numbers) Regulations 2001(5);

“net PAYE income” has the meaning given in regulation 3;

“non-cumulative basis” means the basis of deduction of tax provided for in regulation 27;

[^{F19}“non-Real Time Information employer” means an employer other than one within regulation 2A;]

[^{F19}“non-Real Time Information pension payer” means a pension payer other than one within regulation 2B;]

[^{F20}“notice” means as follows and “notify” must be read accordingly—

- (a) notice in writing, or in a form authorised (in relation to the case in question) by directions under section 118 of the Finance Act 1998 (which allows certain claims etc to be made by telephone)
- (b) [^{F21}for the purposes of regulation 17 (notice to employee of code) and regulation 19 (amendment of code) notice—
 - (i) by an approved method of electronic communications;
 - (ii) in writing (other than a notice falling within sub-paragraph (i)); or
 - (iii) by telephone;]]

“notional payment” has the meaning given in section 710(2)(a) of ITEPA;

“objects” means gives a notice of objection to the Inland Revenue;

“official computer system” has the meaning given in regulation 189;

“other payee” means a person receiving relevant payments in a capacity other than employee, agency worker or pensioner;

“other payer” means a person making relevant payments in a capacity other than employer, agency or pension payer;

(3) 1988 c. 1.

(4) 2003 c. 1. The Income Tax (Earnings and Pensions) Act 2003 is referred to in these footnotes as “ITEPA”.

(5) S.I.2001/769.

[^{F22}“overriding limit” means the limit on the amount of tax to be deducted from a relevant payment and is an amount equal to 50% of the amount of the relevant payment;]

“PAYE income” has the meaning given in section 683 of ITEPA;

“PAYE pension income” has the meaning given in section 683(3) of ITEPA;

“PAYE threshold” must be determined in accordance with regulation 9;

“payee” means an employee, agency worker, pensioner or other payee;

“payer” means an employer, agency, pension payer or other payer;

“pension” means a pension, annuity or other payments of PAYE pension income;

“pensioner” means a person receiving PAYE pension income;

“pension payer” means a person making payments of PAYE pension income;

“PSA” means a PAYE settlement agreement made in accordance with regulation 105;

“qualifying general earnings”, in relation to a PSA, has the meaning given in regulation 106;

[^{F9}“qualifying payment” means a payment which becomes retrospective employment income as a relevant payment (including a notional payment);]

[^{F19}“Real Time Information employer” has the meaning given in regulation 2A;]

[^{F19}“Real Time Information pension payer” has the meaning given in regulation 2B;]

^{F23}
...

“relevant payments” has the meaning given in regulation 4;

“relevant pension payments” has the meaning given in regulation 6;

[^{F9}“the relevant time”, in relation to retrospective employment income, has the meaning given by section 710(7) of ITEPA, as modified by subsection (7A) of that section, but subject to section 94(5)(c) of the Finance Act 2006;]

“reliefs from income tax” includes allowances and deductions;

[^{F9}“retrospective contributions regulations” has the meaning given by regulation 1(2) of the SSC Regulations;]

[^{F9}“retrospective employment income” means payments which are retrospectively treated as payments of employment income by virtue of a retrospective tax provision;]

[^{F9}“retrospective tax provision” means a provision of the Income Tax Acts charging to income tax amounts of employment income paid before the enactment containing the provision was passed;]

[^{F24}“Scottish basic rate” means the Scottish basic rate of income tax for a tax year set by a Scottish rate resolution of the Scottish Parliament under section 80C of the Scotland Act 1998;

“Scottish lower rate” means any rate of income tax for a tax year set by a Scottish rate resolution of the Scottish Parliament under section 80C of the Scotland Act 1998 which is lower than the Scottish basic rate for that tax year]

^{F25}
...

[^{F26}“Scottish taxpayer” has the same meaning as in section 989 of ITA (the definitions);]

[^{F27}“Scottish upper rate” means any rate of income tax for a tax year set by a Scottish rate resolution of the Scottish Parliament under section 80C of the Scotland Act 1998 which is higher than the Scottish basic rate for that tax year;]

[^{F18}“seconded expatriate” means an employee meeting one of the following descriptions—

(a) an employee in section 689 of ITEPA (employee of non-UK employer); or

- (b) an employee in a branch of an employer where—
- (i) these Regulations would not apply to that employer but for that branch,
 - (ii) the employer seconded the employee to that branch, and
 - (iii) the employee was not employed in the United Kingdom immediately before the secondment;]

[^{F28}“specified date” for the purposes of Chapter 3 of Part 10, has the meaning given in regulation 198A;]

[^{F9}“SSC Regulations” means the Social Security (Contributions) Regulations 2001;]

^{F29} ...

[^{F30}“Student Loan Regulations” means the Education (Student Loans) (Repayment) Regulations 2009 or, in Northern Ireland, the Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009;]

“taxable payments” means relevant payments reduced by free pay or, as the case may be, increased by additional pay (where the employee’s code is not used on the cumulative basis);

“tax month” means the period beginning on the 6th day of a calendar month and ending on the 5th day of the following calendar month;

“tax not deducted because of the overriding limit” means any tax—

- (a) which is due at the relevant date in accordance with the appropriate tax tables in respect of any taxable payments or total taxable payments to date, but
- (b) which has not been deducted because of the overriding limit;

“tax period” means—

- (a) tax quarter, if ^{F31}... regulation 70 (quarterly tax periods) applies, or
- (b) tax month, in every other case;

“tax quarter” means any of the following (inclusive) periods—

- 6th April to 5th July,
- 6th July to 5th October,
- 6th October to 5th January, and
- 6th January to 5th April;

“tax tables” means the tax tables prepared by the Board of Inland Revenue under section 685 of ITEPA(6);

“tax week” means 6th April to 12th April (inclusive) and each successive period of 7 days, except that the final tax week in a tax year (“Week 53”) is just the last day of the tax year (or last 2 days in a leap year);

“tax year” means a year for which any Act provides for income tax to be charged;

“TMA” means the Taxes Management Act 1970(7);

“total additional pay to date” means the appropriate amount, established from an employee’s code (where it is a K code to be used on the cumulative basis) and the tax tables, to be added to the total payments to date in order to determine the total taxable payments to date;

“total free pay to date”, in relation to any date, means the appropriate amount, established from an employee’s code (where used on the cumulative basis) and the tax tables, to be subtracted

(6) Section 685 was amended by section 145(3) and (4) of the Finance Act 2003.

(7) 1970 c. 9.

from total payments to date to arrive at total taxable payments to date (and accordingly represents an appropriate part of reliefs allowable against those payments);

“total net tax deducted”, in relation to the relevant payments made to an employee during any period, means the total tax deducted from those payments plus any tax accounted for in accordance with regulation 62(5) (notional payments), less any tax repaid to the employee;

“total payments to date”, in relation to any date, means the sum of all relevant payments made by the employer to the employee from the beginning of the tax year up to and including that date;

“total tax to date” means the tax due at any date in accordance with the appropriate tax tables in respect of any total taxable payments to date;

“total taxable payments to date” means total payments to date reduced by total free pay to date or, as the case may be, increased by total additional pay to date (where the employee’s code is used on the cumulative basis);

“trade dispute” has the meaning given in section 35(1) of the Jobseekers Act 1995⁽⁸⁾ or, in Northern Ireland, in article 2(2) of the Jobseekers (Northern Ireland) Order 1995⁽⁹⁾.

[^{F32}“tribunal” means the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal.]

[^{F33}“United Kingdom continental shelf” means the area designated under section 1(7) of the Continental Shelf Act 1964.]

[^{F34}“Welsh rate” means a rate set by the National Assembly for Wales for the tax year under section 116D of the Government of Wales Act 2006 (income tax);

“Welsh taxpayer” has the same meaning as in section 116E of the Government of Wales Act 2006 (Welsh taxpayers).]

(2) References in these Regulations to income tax in respect of PAYE income (however expressed) are references to income tax in respect of that income if reasonable assumptions are, when necessary, made about other income.

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|-----------|--|
| F1 | Words in reg. 2 inserted (6.4.2011) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2011 (S.I. 2011/729) , regs. 1, 3(a) |
| F2 | Words in reg. 2(1) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2018 (S.I. 2018/1327) , regs. 1(1), 3(a) |
| F3 | Words in reg. 2 omitted (6.4.2018) by virtue of The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267) , regs. 1, 3(a) |
| F4 | Words in reg. 2 substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2015 (S.I. 2015/171) , regs. 1(2), 2(2)(a) |
| F5 | Words in reg. 2 substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 3) Regulations 2015 (S.I. 2015/1667) , regs. 1(1), 3(b) |
| F6 | Word in reg. 2(1) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2018 (S.I. 2018/1327) , regs. 1(1), 3(b) |
| F7 | Words in reg. 2(1) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2018 (S.I. 2018/1327) , regs. 1(1), 3(b) |

⁽⁸⁾ 1995 c. 18.

⁽⁹⁾ S.I. 1995/2705 (N.I. 15).

- F8** Words in reg. 2 inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2015 (S.I. 2015/171), regs. 1(2), **2(2)(b)**
- F9** Words in reg. 2(1) inserted (6.4.2007) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2007 (S.I. 2007/1077), regs. 1, **3**
- F10** Words in reg. 2(1) inserted (6.4.2008) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2008 (S.I. 2008/782), regs. 1, **3(a)**
- F11** Words in reg. 2(1) inserted (6.4.2017) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2017 (S.I. 2017/414), regs. 1, **2(2)(c)**
- F12** Words in reg. 2(1) omitted (6.4.2014) by virtue of The Income Tax (Pay As You Earn) and the Income Tax (Construction Industry Scheme) (Amendment) Regulations 2014 (S.I. 2014/472), regs. 1(2), **3**
- F13** Words in reg. 2 inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2015 (S.I. 2015/171), regs. 1(2), **2(2)(c)**
- F14** Words in reg. 2 substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 3) Regulations 2015 (S.I. 2015/1667), regs. 1(1), **3(c)**
- F15** Words in reg. 2(1) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2018 (S.I. 2018/1327), regs. 1(1), **3(c)**
- F16** Words in reg. 2 omitted (6.4.2018) by virtue of The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267), regs. 1, **3(b)**
- F17** Words in reg. 2(1) substituted (6.4.2011 in relation to the tax year 2011-12 and subsequent tax years) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2010 (S.I. 2010/668), regs. 1(3), **15(a)**
- F18** Words in reg. 2(1) inserted (6.4.2012) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2012 (S.I. 2012/822), regs. 1(1), **60(a)**
- F19** Words in reg. 2(1) inserted (6.4.2012) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2012 (S.I. 2012/822), regs. 1(1), **3**
- F20** Words in reg. 2 substituted (6.4.2011) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2011 (S.I. 2011/729), regs. 1, **3(b)**
- F21** Words in reg. 2(1) substituted (29.1.2015) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2015 (S.I. 2015/2), regs. 1(1), **2(2)**
- F22** Words in reg. 2 substituted (6.4.2015) by The Income Tax (Pay As You Earn) (Amendment No. 4) Regulations 2014 (S.I. 2014/2689), regs. 1(2), **3**
- F23** Words in reg. 2 omitted (with effect in accordance with art. 1(2) of the amending S.I.) by virtue of The Finance Act 2009, Sections 101 and 102 (Interest on Late Payments and Repayments), Appointed Days and Consequential Provisions Order 2014 (S.I. 2014/992), arts. 1(1), **9(2)**
- F24** Words in reg. 2 inserted (6.4.2018) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267), regs. 1, **3(c)**
- F25** Words in reg. 2 omitted (14.12.2015) by virtue of The Income Tax (Pay As You Earn) (Amendment No. 4) Regulations 2015 (S.I. 2015/1927), regs. 1(1), **3**
- F26** Words in reg. 2 inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 3) Regulations 2015 (S.I. 2015/1667), regs. 1(1), **3(d)**
- F27** Words in reg. 2 inserted (6.4.2018) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267), regs. 1, **3(d)**
- F28** Words in reg. 2(1) substituted (6.4.2011 in relation to the tax year 2011-12 and subsequent tax years) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2010 (S.I. 2010/668), regs. 1(4), **15(b)**
- F29** Words in reg. 2(1) omitted (6.4.2008) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2008 (S.I. 2008/782), regs. 1, **3(b)**
- F30** Words in reg. 2(1) substituted (6.4.2012) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2012 (S.I. 2012/822), regs. 1(1), **60(b)**
- F31** Words in reg. 2(1) omitted (6.4.2014) by virtue of The Income Tax (Pay As You Earn) (Amendment) Regulations 2013 (S.I. 2013/521), regs. 1(4), **6(b)**

- F32** Words in reg. 2(1) inserted (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. 93**
- F33** Words in reg. 2 inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Income Tax \(Pay As You Earn\) \(Amendment No. 2\) Regulations 2015 \(S.I. 2015/171\)](#), regs. 1(2), **2(2)(d)**
- F34** Words in reg. 2(1) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Income Tax \(Pay As You Earn\) \(Amendment No. 2\) Regulations 2018 \(S.I. 2018/1327\)](#), regs. 1(1), **3(d)**

Commencement Information

- I2** Reg. 2 in force at 6.4.2004, see [reg. 1](#)

[^{F35}Real Time Information employers

2A.—(1) The following are Real Time Information employers—

- (a) an employer who has entered into an agreement with HMRC to comply with the provisions of these Regulations which are expressed as relating to Real Time Information employers,
- (b) an employer within paragraph (2),
- ^{F36}(c) and
- (d) on and after 6th October 2013, all employers [^{F37}, except employers within paragraph (3)].

(2) An employer is within this paragraph if the employer has been given a general or specific direction by the Commissioners for Her Majesty’s Revenue and Customs before 6th October 2013 to deliver to HMRC returns under regulation 67B (real time returns of information about relevant payments).

[^{F38}(3) An employer is within this paragraph if the employer—

- (a) has an existing special arrangement under regulation 141 (direct collection and special arrangements), and
- (b) has not been given a direction under paragraph (2) by the Commissioners for Her Majesty’s Revenue and Customs.]

- F35** Regs. 2A, 2B inserted (6.4.2012) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2012 \(S.I. 2012/822\)](#), regs. 1(1), **4**
- F36** Reg. 2A(1)(c) omitted (6.4.2013 with application in relation to the tax year 2013-14 and subsequent tax years) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), regs. 1(2), **14(a)(i)**
- F37** Words in reg. 2A(1)(d) inserted (6.4.2013 with application in relation to the tax year 2013-14 and subsequent tax years) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), regs. 1(2), **14(a)(ii)**
- F38** Reg. 2A(3) inserted (6.4.2013 with application in relation to the tax year 2013-14 and subsequent tax years) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), regs. 1(2), **14(b)**

Real Time Information pension payers

2B.—(1) The following are Real Time Information pension payers—

- (a) a pension payer who has entered into an agreement with HMRC to comply with the provisions of these Regulations which are expressed as relating to Real Time Information pension payers or Real Time Information employers,
- (b) a pension payer within paragraph (2),

^{F39}(c)

(c) on and after 6th October 2013, all pension payers.

(2) A pension payer is within this paragraph if the pension payer has been given a general or specific direction by the Commissioners for Her Majesty’s Revenue and Customs before 6th October 2013 to deliver to HMRC returns under regulation 67B (real time returns of information about relevant payments).]

F35 Regs. 2A, 2B inserted (6.4.2012) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2012 \(S.I. 2012/822\)](#), regs. 1(1), **4**
F39 Reg 2B(1)(c) omitted (6.4.2013) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), regs. 1(2), **15**

Net PAYE income

3.—(1) “Net PAYE income” means PAYE income less any—

- (a) allowable pension contributions, and
- (b) allowable donations to charity.

(2) In paragraph (1)—

[^{F40}“allowable pension contributions“ means any contribution under a registered pension scheme which is withheld from the payment of PAYE income which is allowed to be deducted from employment income by the sponsoring employer under section 193(2) of the Finance Act 2004 (relief under net pay arrangements);

“registered pension scheme” and “sponsoring employer” have the meanings given by section 150(2) and (6) respectively, of the Finance Act 2004.]

“allowable donations to charity” means any donation which is withheld from the payment of PAYE income and for which a deduction must be allowed under section 713 of ITEPA (donations to charity: payroll deduction scheme).

F40 Words in [reg. 3\(2\)](#) substituted (6.4.2006) by [The Taxation of Pension Schemes \(Consequential Amendments\) Order 2006 \(S.I. 2006/745\)](#), arts. 1, **27(2)**

Commencement Information
I3 [Reg. 3](#) in force at 6.4.2004, see [reg. 1](#)

Relevant payments

4.—(1) In these Regulations, any reference (however expressed) to relevant payments means payments of, or on account of, net PAYE income, except payments of, or on account of,—

- (a) PAYE social security income, except in so far as it is provided for in Part 8,
- (b) United Kingdom social security pensions,
- (c) excluded relocation expenses,

^{F41}(d)

- (e) excluded pecuniary liabilities, and
- (f) excluded notional payments.

(2) In paragraph (1)—

^{F42} ...

“excluded notional payments” means notional payments which an employer is treated as making by section 694 or 695 of ITEPA (non-cash vouchers and credit tokens) as a result of an employee using a non-cash voucher or credit token on behalf of the employer, except where the voucher or token is used as, or as part of, any scheme or arrangement the purpose, or one of the main purposes, of which is—

- (a) to provide the employee with money or an asset, or
- (b) to avoid the making of a relevant payment;

“excluded pecuniary liabilities” means payments made to a person other than an employee to meet the employee’s liability to that other person, but which are not made—

- (a) in fulfilment (in whole or in part) of the employee’s right to a sum of money, nor
- (b) as, or as part of, any scheme or arrangement the purpose, or one of the main purposes, of which is to avoid the making of a relevant payment;

“excluded relocation expenses” means payments in respect of removal expenses, as defined by section 272 of ITEPA (removal benefits and expenses to which section 271 applies), if, and to the extent that, they are payments of net PAYE income;

“PAYE social security income” has the meaning given in section 683(5) of ITEPA;

“United Kingdom social security pensions” means income which is taxable income in accordance with section 578 of ITEPA (UK social security pensions).

- F41** Reg. 4(1)(d) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment No. 4\) Regulations 2015 \(S.I. 2015/1927\)](#), regs. 1(1), **4(a)**
- F42** Words in reg. 4(2) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment No. 4\) Regulations 2015 \(S.I. 2015/1927\)](#), regs. 1(1), **4(b)**

Commencement Information

- I4** Reg. 4 in force at 6.4.2004, see [reg. 1](#)

Excluded business expenses

^{F43}5.

- F43** Reg. 5 omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment No. 4\) Regulations 2015 \(S.I. 2015/1927\)](#), regs. 1(1), **5**

Relevant pension payments

6. In these Regulations, any reference (however expressed) to relevant pension payments means relevant payments in respect of PAYE pension income.

Commencement Information

- I5** Reg. 6 in force at 6.4.2004, see [reg. 1](#)

Meaning of “code” etc

7.—(1) In these Regulations, “code” means—

- (a) a combination of letters, numbers or both for use in accordance with the tax tables to establish free pay, additional pay, total free pay to date or total additional pay to date;
- (b) any of the special codes (whether expressed in words or represented by a combination of letters, numbers or both) for use in accordance with the tax tables or otherwise.
- (2) “K code” means a code which gives rise to additional pay or total additional pay to date.
- [^{F44}(2A) “S code” means a code which effects deductions of tax at the rates [^{F45}set by a Scottish rate resolution of the Scottish Parliament under section 80C of the Scotland Act 1998].]
- [^{F46}(2B) “C code” means a code which effects deductions of tax at the rates calculated under section 6B of ITA.]
- (3) The special codes are—
- (a) the basic rate code, which effects deductions of tax wholly at the basic rate;
- (b) the higher rate code, which effects deductions of tax wholly at the higher rate;
- [^{F47}(ba) the additional rate code, which effects deductions of tax wholly at the additional rate;]
- [^{F48}(bb) the appropriate Scottish upper rate code, which effects deductions of tax wholly at a Scottish upper rate for a Scottish taxpayer;]
- (c) the nil tax code, which requires no deductions of tax;
- [^{F49}(ca) the OT code, which without allowing for personal allowances, effects deductions of tax so that during the tax year the amounts subject to deductions are in accordance with section 10 of ITA (income charged at the basic, higher and additional rates: individuals) or section 11A of ITA (income charged at Scottish rates);]
- [^{F50}(d) the emergency code, which, after allowing for the personal allowance, effects deductions of tax at—
- [^{F51}(i) the basic rate, or
- (ii) the basic and higher rates, or
- (iii) the basic, higher and additional rates
- so that during the tax year the amounts subject to deductions at the rate or rates concerned are in accordance with section 10 of ITA (income charged at the basic, higher and additional rates: individuals);]
- (e) the emergency IB codes which, after allowing for the personal allowance and the blind person’s allowance, effect deductions at the basic rate, so that during the tax year the amounts subject to deductions at that rate are in accordance with section 10 of ITA.]
- [^{F52}(4) In paragraph (3)—
- [^{F53}“appropriate Scottish upper rate code” means a Scottish upper rate code which effects deductions of tax from an employee who is a Scottish taxpayer at a Scottish upper rate which is considered by HMRC to apply where they have reason to believe that the employee will be chargeable at that rate on all or a substantial part of the employee’s relevant payments;]
- “blind person’s allowance” means an allowance claimed under either section 265 of ICTA (blind person’s allowance) or section 38 of ITA (blind person’s allowance);
- “personal allowance” means an allowance claimed under either section 257(1) of ICTA (personal allowance) or section 35 of ITA (personal allowances for those aged under 65).]

F44 Reg. 7(2A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Income Tax \(Pay As You Earn\) \(Amendment No. 3\) Regulations 2015 \(S.I. 2015/1667\)](#), regs. 1(1), 4

F45 Words in reg. 7(2A) substituted (6.4.2017) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2017 \(S.I. 2017/414\)](#), regs. 1, 2(3)

- F46** Reg. 7(2B) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Income Tax (Pay As You Earn) (Amendment No. 2) Regulations 2018 (S.I. 2018/1327), regs. 1(1), 4
- F47** Reg. 7(3)(ba) inserted (6.4.2011) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2011 (S.I. 2011/729), regs. 1, 4(a)
- F48** Reg. 7(3)(bb) inserted (6.4.2018) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267), regs. 1, 4(a)(i)
- F49** Reg. 7(3)(ca) substituted (6.4.2018) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267), regs. 1, 4(a)(ii)
- F50** Reg. 7(3)(d)(e) substituted (6.4.2008) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2008 (S.I. 2008/782), regs. 1, 4(a)
- F51** Reg. 7(3)(d)(i)-(iii) substituted for words (6.4.2011) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2011 (S.I. 2011/729), regs. 1, 4(c)
- F52** Reg. 7(4) inserted (6.4.2008) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2008 (S.I. 2008/782), regs. 1, 4(b)
- F53** Words in reg. 7(4) inserted (6.4.2018) by The Income Tax (Pay As You Earn) (Amendment) Regulations 2018 (S.I. 2018/267), regs. 1, 4(b)

Commencement Information

- I6** Reg. 7 in force at 6.4.2004, see [reg. 1](#)

Employee's code

- 8.**—(1) An employee's code is the code—
- (a) issued to an employer for use in respect of the employee for a tax year,
 - (b) applied by these Regulations for use by an employer in respect of the employee, or
 - (c) issued to an employee in accordance with regulation 142 (direct collection).
- (2) A code is issued to an employer if it is contained in a document that is sent—
- (a) to the employer, or
 - (b) to a person acting on behalf of the employer,

by the Inland Revenue, and any code so issued is received by the employer for the purposes of these Regulations.

Commencement Information

- I7** Reg. 8 in force at 6.4.2004, see [reg. 1](#)

PAYE threshold

- 9.**—(1) The rules set out in Table 1 apply in order to determine whether a relevant payment made by an employer to an employee is a relevant payment which exceeds the PAYE threshold.
- (2) Rules 1 to 5 apply if the employer normally pays the employee at regular intervals.
- (3) If the employer does not normally pay the employee at regular intervals—
- (a) rule 6 applies to determine whether a relevant payment made less than a week since the previous relevant payment exceeds the PAYE threshold, and
 - (b) rule 7 applies to determine whether any other relevant payment exceeds the PAYE threshold.

Table 1

Determination of PAYE threshold

<i>Employee's payment interval</i>	<i>Rule to determine whether relevant payment exceeds PAYE threshold</i>
1. Weekly	1. If the sum of the relevant payment and any other relevant payments made earlier in the same tax week is more than the weekly PAYE threshold.
2. Monthly	2. If the sum of the relevant payment and any other relevant payments made earlier in the same tax month is more than the monthly PAYE threshold.
3. Regular intervals which are multiples of a week	3. If the sum of the relevant payment and any other relevant payments made earlier in the same interval is more than the corresponding multiple of the weekly PAYE threshold.
4. Regular intervals, longer than a week, which are fractions or multiples of a month	4. If the sum of the relevant payment and any other relevant payments made earlier in the same interval is more than the corresponding fraction or multiple of the monthly PAYE threshold.
5. Regular intervals, longer than a week, which are not within rules 1 to 4	5. If the sum of the relevant payment and any other relevant payments made earlier in the same interval is more than the corresponding proportion of the weekly PAYE threshold.
6. Intervals shorter than a week, whether regular or irregular	6. If the sum of the relevant payment and any other relevant payments made earlier in the same tax week is more than the weekly PAYE threshold.
7. Irregular intervals longer than a week	7. If the relevant payment is more than the corresponding proportion of the weekly PAYE threshold since— <ul style="list-style-type: none"> (a) any previous relevant payment in the tax year, or (b) if none, the start of the employment or the start of the tax year (whichever is later).
<hr/>	
(4) Regulations 24 and 30 (employee not paid weekly or monthly)— <ul style="list-style-type: none"> (a) apply for the purpose of establishing an employee's normal payment interval, but (b) must otherwise be ignored for the purpose of determining whether a relevant payment exceeds the PAYE threshold. 	
(5) If an employee has more than one normal payment interval in respect of payments made by the same employer, the rules must be applied on the basis of the shorter or shortest of those intervals.	

(6) If an employee’s normal payment interval is longer than a year, the rules must be applied as if the normal payment interval were a year.

(7) “Weekly PAYE threshold” means 1/52 of the personal allowance specified in section 257(1) of ICTA, rounded to the nearest pound.

(8) “Monthly PAYE threshold” means 1/12 of the personal allowance specified in section 257(1) of ICTA, rounded to the nearest pound.

(9) The “corresponding proportion of the weekly PAYE threshold” is established by dividing the number of days in the payment interval by 7, and multiplying the result by the weekly PAYE threshold.

Commencement Information

I8 Reg. 9 in force at 6.4.2004, see **reg. 1**

Application to payers and payees

Application to agencies and agency workers

10.—(1) For the purposes of these Regulations—

- (a) agencies are treated as employers; and
- (b) agency workers are treated as employees.

(2) For the purposes of the regulations listed in paragraph (3), an agency ceases to employ an agency worker at the earlier of—

- (a) the end of the relationship between the agency and agency worker, or
- (b) the end of a period of 3 months during which the agency makes no relevant payments to the agency worker,

and not each time the agency worker stops providing services to a client of the agency.

(3) The regulations are—

regulation 36	cessation of employment: Form P45
regulation 37	PAYE income paid after employment ceased
regulation 46(6)	employer to ignore code relating to employment which has ceased
regulation 51(5) to (7)	effects of employment ceasing on Form P45 procedure
regulation 94(3) to (7)	information to former employees of other earnings.

(4) The following regulations do not apply to agencies or agency workers in their capacity as such—

F54	F54
...	...
F54	F54

...	...
regulation 91	termination awards: information to be provided
regulation 92	termination awards: return if award changes
regulation 93	termination awards: return if more than one employer
regulation 96	termination awards: information to employees
Part 6	PAYE settlement agreements
regulation 167	jobseeker's allowance paid by employer
regulation 168	regulation 167 cases: application of other regulations.

F54 Words in [reg. 10\(4\)](#) omitted (6.4.2014) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), regs. 1(4), 7

Commencement Information

I9 [Reg. 10](#) in force at 6.4.2004, see [reg. 1](#)

Application to pension payers and pensioners

11.—(1) For the purposes of these Regulations—

- (a) pension payers are treated as employers;
- (b) pensioners are treated as employees; and
- (c) a pensioner's "employment" with a pension payer starts when the pension starts and ends when the pension ends.

(2) The following regulations do not apply to pension payers or pensioners in their capacity as such—

regulation 25	cumulative basis: subsidiary PAYE income of employee paid weekly or at greater intervals
F55	F55
...	...
F55	F55
...	...
regulation 38	death of employee (other than pensioner)
Chapter 2 of Part 3	new employees (other than pensioners): Forms P45 and P46
regulation 63	repayment during unpaid leave
regulation 64	trade disputes
regulation 65	repayment if no longer employed
regulation 71	modification of [^{F56} regulations 67G and 68] in case of trade dispute

regulation 75	additional return in case of trade dispute
regulations 85 to 89	employers: annual return of other earnings
regulation 90	quarterly return if car becomes available or unavailable
regulation 91	termination awards: information to be provided
regulation 92	termination awards: return if award changes
regulation 93	termination awards: return if more than one employer
regulation 94	employers: information to employees of other earnings
regulation 95	third parties: information to employees of other earnings
regulation 96	termination awards: information to employees
regulation 100	tips: special arrangements
regulation 102(1)	succession to a business etc: employees (other than pensioners)
regulation 104	succession to a business: trade disputes
Part 6	PAYE settlement agreements
Chapter 3 of Part 7	holiday pay funds
regulation 151	obtaining the claimant's Form P45
regulation 167	jobseeker's allowance paid by employer
regulation 168	regulation 167 cases: application of other regulations.

F55 Words in [reg. 11\(2\)](#) omitted (6.4.2014) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), [regs. 1\(4\), 7](#)

F56 Words in [reg. 11\(2\)](#) substituted (6.4.2012) by [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2012 \(S.I. 2012/822\)](#), [regs. 1\(1\), 5](#)

Commencement Information

I10 [Reg. 11](#) in force at 6.4.2004, see [reg. 1](#)

Application to other payers and payees

- 12.**—(1) For the purposes of these Regulations—
- (a) other payers are treated as employers;
 - (b) other payees are treated as employees; and
 - (c) an other payee's "employment" with an other payer starts when relevant payments start and ends when relevant payments end.
- (2) The following regulations do not apply to other payers or other payees in their capacity as such—

F57	F57
...	...
F57	F57
...	...
regulation 85 to 88	employers: annual return of other earnings
regulation 90	quarterly return if car becomes available or unavailable
regulation 91	termination awards: information to be provided
regulation 92	termination awards: return if award changes
regulation 93	termination awards: return if more than one employer
regulation 94	employers: information to employees of other earnings
regulation 95	third parties: information to employees of other earnings
regulation 96	termination awards: information to employees
Part 6	PAYE settlement agreements
regulation 134	interpretation of Chapter 3 (holiday pay funds)
regulation 167	jobseeker's allowance paid by employer
regulation 168	regulation 167 cases: application of other regulations.

(3) Paragraph (2) is subject to regulation 91(9) (termination awards: former employers and employees).

(4) The following regulation does not apply to other payees in their capacity as such—

regulation 64	trade disputes.
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F57 Words in [reg. 12\(2\)](#) omitted (6.4.2014) by virtue of [The Income Tax \(Pay As You Earn\) \(Amendment\) Regulations 2013 \(S.I. 2013/521\)](#), [regs. 1\(4\), 7](#)

Commencement Information

I11 [Reg. 12](#) in force at 6.4.2004, see [reg. 1](#)

Changes to legislation:

There are currently no known outstanding effects for the The Income Tax (Pay As You Earn) Regulations 2003, PART 1.