

**EXPLANATORY MEMORANDUM TO  
THE INCOME TAX (PAY AS YOU EARN) (AMENDMENT NO. 4)  
REGULATIONS 2007**

**2007 No. 2969**

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") and is laid before Parliament by Command of Her Majesty.
2. **Description**
  - 2.1 These Regulations make changes to the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682) ("the PAYE Regulations") to introduce a new requirement for large and medium sized employers to file in-year Pay As You Earn ("PAYE") forms online.
  - 2.2 The Regulations also make changes to the mandatory content of certain in-year PAYE forms and amend the procedures for providing in-year information.
3. **Matters of special interest to the Select Committee on Statutory Instruments**
  - 3.1 None.
4. **Legislative Background**
  - 4.1 The recommendations made by Lord Carter of Coles relating to the submission of forms online are being introduced in phases.
  - 4.2 These Regulations deal with the first phase, covering large and medium sized employers. They amend the PAYE Regulations so that these employers, who are already required to file end of year information electronically, will also be required to file certain in-year information (on forms P45 Part 1 and Part 3, form P46 and P46(Pen)) electronically. These changes come into force on 6 April 2009.
  - 4.3 These Regulations also amend the PAYE Regulations to make changes to the mandatory content of in-year PAYE forms P45 Part 1 and Part 3 from 6 April 2009; the P46 procedure for new employees (other than pensioners) from 6 April 2008; and the P46 procedure for new pensioners from 6 April 2009.
5. **Territorial Extent and Application**
  - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**
  - 6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy background**
  - 7.1 In July 2005, the Government asked Lord Carter of Coles to undertake a review of online services for HM Revenue and Customs ("HMRC"). Lord Carter published his report in March 2006; and recommended that HMRC should phase in requirements

to submit company tax returns, VAT returns and PAYE in-year forms online. His Review of HMRC Online Services is available online at <http://www.hmrc.gov.uk/budget2006/carter-review.pdf> and in the House libraries.

- 7.2 The Finance Act 2007 contains provisions that enable recommendations made by Lord Carter of Coles to be implemented. In particular, section 93 of that Act extends section 135 of the Finance Act 2002 (mandatory e-filing) so that section 135 applies to all taxes and duties for which HMRC are responsible.
- 7.3 The requirement to file PAYE in-year forms online will be introduced in phases from 2009. These Regulations deal with the first phase (covering large and medium sized employers). These particular changes have been designed with employer representatives to improve the procedures for providing in-year information.
- 7.4 It is intended that further Regulations, covering the requirement for small employers, will be prepared in due course.

## **8. Impact**

- 8.1 A Regulatory Impact Assessment, available online at <http://www.hmrc.gov.uk/ria/5-online-services-carter.pdf>, is attached to this memorandum.
- 8.2 These changes are part of a package of measures which are expected to deliver savings to government of £64 million per annum by 2012.

## **9. Contact**

- 9.1 Pete Robinson at HM Revenue & Customs, Tel: 020 7147 2423 or e-mail: [Peter.W.Robinson@hmrc.gsi.gov.uk](mailto:Peter.W.Robinson@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.