

PAY AS YOU EARN REGULATIONS: THIRD PROGRESS REPORT

Summary

1. This paper reports work in progress on rewriting the PAYE regulations. It presents first drafts of rewritten versions of regulations 40 to 55 of the PAYE regulations. There is a commentary on these draft regulations.
2. There are detailed questions in the commentary on the draft regulations. Comments on those would be welcome (by 11 October 2002 if possible please). And interested parties are invited to discuss them in detail with the project team at an open meeting on the morning of 22 October 2002.
3. But there are just 2 main questions for the Committee:
 - is the restructuring and reorganisation put forward in the draft regulations on the right lines?
 - do the draft regulations make the legislation clearer while making only appropriate minor changes to the law?

Background

4. Our first progress report (SC/CC(01)06) concerned timetables and was discussed at Committee meetings in October/November 2001. The Committee endorsed, and Ministers later agreed and announced, the proposal that we should rewrite the PAYE regulations to be made in autumn 2003, to come into effect from 6 April 2004.
5. Our second progress report (SC/CC(02)05) contained drafts rewriting regulations 3 to 39 of the PAYE regulations and was discussed at Committee meetings in June 2002. Comments have been received on those draft regulations and a meeting with interested parties was held on 10 July to discuss them.
6. This progress report contains a second batch of draft clauses. It rewrites Part V (Payment and recovery of tax etc) of the PAYE regulations.

Purpose of this paper

7. The purpose of this paper is:
 - to invite the Committee's views on the way we are rewriting the regulations and the options for their further development; and
 - to make available to anyone with an interest the current working drafts of regulations rewriting regulations 40 to 55.
8. We will bring forward further papers in 2002 to seek views on:
 - other chunks of draft regulations; and

- cross-cutting issues such as the use and meaning of the terms
 - “employer”, “employee” and “employment”;
 - “code”; and
 - “benefit”.

9. This responds to comments from some users that it is easier to deal with specific issues rather than with long papers and drafts.

10. But we shall publish at least one complete draft of the regulations for formal consultation in 2003.

Regulations 40 to 55 of SI 1993/744

11. These are the regulations which deal with periodic accounting, between an employer and the Inland Revenue, for tax that an employer should deduct from payments to employees or repay to employees. But this Part of the regulations also deals with other matters, such as:

- what happens if tax is not deducted or is not accounted for;
- providing information to the Inland Revenue;
- providing information to employees; and
- the maintenance and inspection of records.

12. Annex A to this paper is a detailed commentary on how we have rewritten these regulations.

13. Annex B contains the current drafts of the regulations.

14. In keeping with our approach to communication generally we are making the draft regulations available on the internet and inviting anyone with an interest to discuss the details of the regulations with us. There will be an open meeting in London at 10:30 a.m. on 22 October 2002 at which the project team will be happy to receive comments and questions. Anyone interested in attending should contact David Mutton – e-mail to David.Mutton@ir.gsi.gov.uk or telephone 020 7438 7606.

15. We would also welcome any written comments. If these could be sent to David Mutton by 11 October we shall be able to take them on board when revisiting these regulations later in 2002. But there will, as noted above, be later drafts with more time for comments.

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