

PAY AS YOU EARN REGULATIONS: FIFTH PROGRESS REPORT

Summary

1. This paper reports work in progress on rewriting the PAYE regulations. It presents a first draft of Part 7 of the PAYE regulations dealing with social security benefits. There is a commentary on these draft regulations (Annex A).
2. There are detailed questions in the commentary on the draft regulations. Comments on those would be welcome - by 23 December 2002 if possible please.
3. But there are just two 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 previous progress reports have dealt with:
 - the approach and timetable to rewrite the PAYE regulations in autumn 2003, to come into effect from 6 April 2004 (SC/CC(01)06);
 - draft regulations based on regulations 3 to 39 of the PAYE regulations (SC/CC(02)05);
 - draft regulations based on Part V (Payment and recovery of tax etc) of the PAYE regulations (SC/CC(02)11); and
 - draft regulations based on regulations 80A to 80N (PAYE settlement agreements) of the PAYE regulations (SC/CC(02)16).
5. We are working on other draft regulations which we shall issue before the end of the year; and on cross-cutting issues such as the arguments for and against replacements for terms such as “employer” and “employee”.
6. We shall then publish around the end of March 2003 a complete draft of the PAYE regulations for formal consultation. We shall allow three months for comments on that draft. But we hope that (as with the project’s draft Bills) the dialogue with users which is such an important part of the project’s wider process of consultation will continue during and after that period.

Purpose of this paper

7. The purpose of this paper is:
 - to invite the Committee’s views on the way we are rewriting the PAYE regulations for social security benefits; and
 - to make the current working drafts available to anyone with an interest.

Part 7

8. Part VII of SI 1993/744 deals with the application of PAYE to social security benefits. It is (by the standards of PAYE) relatively recent legislation. Regulations for unemployment benefit and some supplementary benefits were introduced in 1982 and left in place for jobseeker's allowance. Regulations for incapacity benefit were introduced in 1995. The regulations provide in place of the normal PAYE system special arrangements for:

- receiving and issuing P45s;
- setting and using PAYE codes;
- making repayments (and, for incapacity benefit, deductions) of tax;
- giving claimants and the Inland Revenue information about taxable benefits.

9. The draft of Part 7 maintains these arrangements but rearranges the material and revises the language very substantially. This is because we have:

- revised the PAYE regulations introduced for unemployment benefit to fit better with jobseeker's allowance;
- made the regulations for incapacity benefit more clearly separate and distinct from those for jobseeker's allowance; and
- made explicit how regulations in other Parts apply to social security benefits.

10. Annex A to this paper is a detailed commentary setting out the changes in the law (regulations) proposed as part of the changes to structure and language. Annex B contains the current drafts of the regulations.

11. But the particular questions on which we seek the Committee's views are:

- is the restructuring and reorganisation proposed on the right lines for social security benefits?
- are the changes in the law appropriate having regard to our wish to make the regulations clearer for users coming to them from social security legislation?

Timetable

12. We are as usual making the draft regulations available on the internet and inviting anyone with an interest to let us have comments. We are asking for comments by 23 December so we can consider them when we produce the complete draft in the New Year. But there will be opportunities for further comments during 2003 when we consult formally.

Tax Law Rewrite Project
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