

## SCHEDULE 2

### DEDUCTION FROM EARNINGS

#### Meaning of “earnings” etc.

2.—(1) This paragraph applies for the purposes of this Schedule.

(2) “Earnings”, in relation to the liable person, means any sum payable to the liable person by way of—

- (a) wages or salary (including any fees, bonus, commission, overtime pay or other emoluments payable in addition to wages or salary payable under a contract of service),
- (b) pension paid with wages or salary (including an annuity in respect of past service, whether or not rendered to the person paying the annuity, and including periodical payments by way of compensation for the loss, abolition or relinquishment, or diminution in the emoluments, of any office or employment), or
- (c) statutory sick pay.

(3) But a reference to earnings in relation to the liable person does not include a reference to—

- (a) any sum payable by a public department of a territory outside the United Kingdom,
- (b) any pay or allowance payable to the person as a member of Her Majesty’s forces other than pay or allowances payable by the employer to the person as a special member of a reserve force (within the meaning of the Reserve Forces Act 1996<sup>(1)</sup>),
- (c) any pension, allowance or benefit payable under a statutory provision relating to social security,
- (d) any pension or allowance payable in respect of disablement or disability,
- (e) guaranteed minimum pension within the meaning of the Pension Schemes (Northern Ireland) Act 1993<sup>(2)</sup>,
- (f) working tax credit payable under section 10 of the Tax Credits Act 2002<sup>(3)</sup>, or
- (g) any sum paid to reimburse expenses wholly and unnecessarily incurred in the course of the employment.

(4) “Protected earnings proportion”, in relation to the liable person, means 60% of the person’s net earnings during the period to which a deduction under this Schedule relates, as calculated by the employer on the relevant pay-day.

(5) “Net earnings”, in relation to the liable person, means the residue of the person’s earnings after the deduction of—

- (a) income tax,
- (b) primary Class 1 contributions,
- (c) amounts deductible by way of contributions to a superannuation scheme which provides for the payment of annuities or lump sums—
  - (i) to the liable person on retirement at a specified age or on becoming incapacitated at some earlier age, or
  - (ii) on the liable person’s death or otherwise, to the liable person’s personal representative, widow, widower, surviving civil partner, relatives or dependants.

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(1) 1996 c. 14.

(2) 1993 c. 49

(3) 2002 c. 21

(6) “Pay-day”, in relation to the liable person, means an occasion on which earnings are to be paid to that person or the day on which earnings would normally fall to be paid.