



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### [<sup>F1</sup>PART 7A

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

### CHAPTER 2

TREATMENT OF RELEVANT STEP FOR INCOME TAX PURPOSES

#### *[<sup>F1</sup>Remittance basis*

#### Textual Amendments

- F1** Pt. 7A inserted (with effect in accordance with Sch. 2 paras. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 1](#)

#### **554Z9 Remittance basis: [<sup>F2</sup>A does not meet section 26A requirement]**

- (1) [<sup>F3</sup>Subsections (2) and (2A) apply] if—
- (a) the value of the relevant step, or a part of it, is “for” a tax year (“the relevant tax year”) as determined under section 554Z4,
  - (b) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to A for the relevant tax year,
  - [<sup>F4</sup>(c) A does not meet the requirement of section 26A for the relevant tax year (reading references there to the employee as references to A),]
  - (d) A's employment with B in the relevant tax year is employment with a foreign employer, and

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- (e) the duties of A's employment with B in the relevant tax year are performed wholly outside the United Kingdom.

[ But <sup>F6</sup>subsections (2) and (2A) do not apply] if section 24A applies in relation to A's <sup>F5</sup>(1A) employment with B for the relevant tax year.]

- (2) [<sup>F7</sup>Except in a case within subsection (2A),] A's employment income by virtue of section 554Z2(1), or the relevant part of it, is “taxable specific income” in a tax year so far as it is remitted to the United Kingdom in that year.

[ Where the relevant step is within paragraph 1 of Schedule 11 to F(No. 2)A 2017, A's <sup>F8</sup>(2A) employment income by virtue of section 554Z2(1), or the relevant part of it, is “taxable specific income” in the tax year in which the relevant step is treated as being taken so far as the income is remitted to the United Kingdom in that tax year or in any previous tax year.]

- (3) For [<sup>F9</sup>the purposes of subsections (2) and (2A)], any income which is remitted before A's employment with B starts is treated as being remitted in the tax year in which the employment starts.

- (4) Subsection (5) applies if in the relevant tax year—

- (a) A has associated employments, and
- (b) the duties of the associated employments are not performed wholly outside the United Kingdom.

- (5) The amount of A's employment income to which [<sup>F10</sup>subsection (2) or (2A)] applies is limited to such amount as is just and reasonable, having regard to—

- (a) A's employment income for the relevant tax year from all associated employments, together with A's employment with B,
- (b) the proportion of that income [<sup>F11</sup>(or of so much of it as is attributable to the UK part of the relevant tax year, if it was a split year as respects A)] which is general earnings to which section 22 applies or is employment income to which section 41A applies,
- (c) the nature of and time devoted to the duties performed outside the United Kingdom, and those performed in the United Kingdom, in the relevant tax year [<sup>F12</sup>(or the UK part of it)], and
- (d) all other relevant circumstances,

and, if the amount of A's employment income to which [<sup>F13</sup>subsection (2) or (2A)] would otherwise apply exceeds that limit, the amount of A's employment income to which [<sup>F14</sup>subsection (2) or (2A) (as the case may be)] applies is instead to be such amount as is just and reasonable.

- (6) In this section “associated employments” means employments with B or with employers associated with B; and section 24(5) and (6) applies for the purposes of this subsection.

#### Textual Amendments

**F2** Words in s. 554Z9 heading substituted (with effect in accordance with Sch. 46 para. 25 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 13\(2\)](#) (with [Sch. 46 para. 26](#))

**F3** Words in s. 554Z9(1) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(2\)](#)

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- F4** S. 554Z9(1)(c) substituted (with effect in accordance with Sch. 46 para. 25 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 13\(1\)](#) (with [Sch. 46 para. 26](#))
- F5** S. 554Z9(1A) inserted (with effect in accordance with Sch. 3 para. 7(4) of the amending Act) by [Finance Act 2014 \(c. 26\)](#), [Sch. 3 para. 5](#)
- F6** Words in s. 554Z9(1A) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(3\)](#)
- F7** Words in s. 554Z9(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(4\)](#)
- F8** S. 554Z9(2A) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(5\)](#)
- F9** Words in s. 554Z9(3) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(6\)](#)
- F10** Words in s. 554Z9(5) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(7\)\(a\)](#)
- F11** Words in s. 554Z9(5)(b) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 70\(a\)](#)
- F12** Words in s. 554Z9(5)(c) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 70\(b\)](#)
- F13** Words in s. 554Z9(5) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(7\)\(b\)\(i\)](#)
- F14** Words in s. 554Z9(5) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(7\)\(b\)\(ii\)](#)

#### **554Z10 Remittance basis: [F15A meets section 26A requirement]**

- (1) [F16Subsections (2) and (2A) apply] if—
- [F17(a) the value of the relevant step, or a part of it, is “for” a tax year (“the relevant tax year”) as determined under section 554Z4,]
  - (b) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to A for the relevant tax year, and
  - [F18(c) A meets the requirement of section 26A for the relevant tax year (reading references there to the employee as references to A).]
- [F19(2) [F20Except in a case within subsection (2AA),] The overseas portion of (as the case may be)—
- (a) A's employment income by virtue of section 554Z2(1), or
  - (b) the relevant part of A's employment income by virtue of that section, is “taxable specific income” in a tax year so far as the overseas portion is remitted to the United Kingdom in that year.]
- [ Where the relevant step is within paragraph 1 of Schedule 11 to F(No. 2)A 2017, the F21(2AA) overseas portion of (as the case may be)—
- (a) A's employment income by virtue of section 554Z2(1), or
  - (b) the relevant part of A's employment income by virtue of that section, is “taxable specific income” in the tax year in which the relevant step is treated as being taken so far as the overseas portion is remitted to the United Kingdom in that tax year or in any previous tax year.]
- [ The overseas portion” of A's employment income by virtue of section 554Z2(1), or F22(2A) of the relevant part of that income, is so much of that income, or of the relevant part of it, as is not in respect of UK duties.
- (2B) “UK duties” means duties performed in the United Kingdom.]

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(3) For [<sup>F23</sup>the purposes of this section], any income which is remitted before A's employment with B starts is treated as being remitted in the tax year in which the employment starts.

[<sup>F24</sup>(4) The extent to which—

- (a) the employment income, or the relevant part of it, is not in respect of UK duties, or
- (b) so much of the employment income, or of the relevant part of it, as is attributable to the UK part of the relevant tax year is not in respect of UK duties,

is to be determined on a just and reasonable basis.]

#### Textual Amendments

- F15** Words in s. 554Z10 heading substituted (with effect in accordance with Sch. 46 para. 25 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 14\(2\)](#) (with [Sch. 46 para. 26](#))
- F16** Words in s. 554Z10(1) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 41\(2\)](#)
- F17** S. 554Z10(1)(a) substituted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 71\(2\)](#)
- F18** S. 554Z10(1)(c) substituted (with effect in accordance with Sch. 46 para. 25 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 46 para. 14\(1\)\(c\)](#) (with [Sch. 46 para. 26](#))
- F19** S. 554Z10(2) substituted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 71\(3\)](#)
- F20** Words in s. 554Z10(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 41\(3\)](#)
- F21** [S. 554Z10\(2AA\)](#) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 41\(4\)](#)
- F22** S. 554Z10(2A)(2B) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 71\(4\)](#)
- F23** Words in s. 554Z10(3) substituted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 71\(5\)](#)
- F24** S. 554Z10(4) substituted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 71\(6\)](#)

#### 554Z11 Remittance basis: supplementary

- (1) Subsection (2) applies if section 554Z9(1)(a) or 554Z10(1)(a) applies to a part (“the relevant part”) of the value of the relevant step.
- (2) Any reduction to the value of the relevant step to be made under any of sections 554Z5 to 554Z8 is to be made so that X% of the reduction is made by way of reducing the relevant part.
- (3) In subsection (2) “X%” means the proportion of the value of the relevant step represented by the relevant part before any reductions under any of sections 554Z5 to 554Z8.
- (4) For the purpose of applying section [<sup>F25</sup>554Z9(2) or (2A) or 554Z10(2) or (2AA)] , see Chapter A1 of Part 14 of ITA 2007 for the meaning of “remitted to the United Kingdom” etc.

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- (5) If the relevant step involves a sum of money, for the purposes of that Chapter the sum of money is treated as deriving from A's employment income (or the relevant part of it) to which section [F26 554Z9(2) or (2A) or 554Z10(2) or (2AA)] applies.
- (6) In any other case, for the purposes of that Chapter the asset which is the subject of the relevant step is treated as deriving from A's employment income (or the relevant part of it) to which section [F27 554Z9(2) or (2A) or 554Z10(2) or (2AA)] applies.
- (7) Subsection (8) applies if—
- (a) after the relevant step is taken, there is another relevant step (“the later relevant step”) by reason of which this Chapter applies in respect of A's employment with B, and
  - (b) within the meaning of section 554Z5, there is overlap between the sum of money or asset (“sum or asset R”) which is the subject of the relevant step and the sum of money or asset (“sum or asset S”) which is the subject of the later relevant step.
- (8) Except so far as, in any event—
- (a) sum or asset S and sum or asset R are the same sum of money or asset, or
  - (b) sum or asset S derives from sum or asset R,
- for the purposes of Chapter A1 of Part 14 of ITA 2007 sum or asset S is treated, to the extent of the overlap, as deriving from sum or asset R.
- (9) Subsections (10) and (11) apply if—
- (a) the relevant tax year within the meaning of section 554Z9 or 554Z10 is the tax year 2007-08 or any earlier tax year, and
  - (b) A—
    - (i) was UK resident in that year, but
    - (ii) was not domiciled in the United Kingdom, or was not ordinarily UK resident, in that year.
- (10) Section 554Z9 or 554Z10 (as the case may be) applies as if section 809B of ITA 2007 applied to A for the relevant tax year.
- (11) In section 554Z9(1)(d) the reference to a foreign employer is to be read as not including a person resident in the Republic of Ireland.

#### Textual Amendments

- F25** Words in s. 554Z11(4) substituted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 11 para. 42(2)
- F26** Words in s. 554Z11(5) substituted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 11 para. 42(3)
- F27** Words in s. 554Z11(6) substituted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 11 para. 42(4)

#### **I** Temporary non-residents

**F28 554Z11A**

- (1) This section applies if A is temporarily non-resident.

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- (2) Any amount within subsection (3) is to be treated for the purposes of section 554Z9(2) [F<sup>29</sup> or (2A)] or (as the case may be) 554Z10(2) [F<sup>30</sup> or (2AA)] as if it were remitted to the United Kingdom in the period of return.
- (3) An amount is within this subsection if—
- (a) it is all or part of a relevant benefit provided to a relevant person (see section 554C(2)) under a relevant scheme,
  - (b) it is provided in the form of the lump sum,
  - (c) it is remitted to the United Kingdom in the temporary period of non-residence, and
  - (d) ignoring this section—
    - (i) no charge to tax arises by virtue of section 554Z9(2) or 554Z10(2) in respect of it, but
    - (ii) such a charge would arise by virtue of one of those sections if the existence of any double taxation relief arrangements were disregarded.
- (4) Subsection (3)(d)(i) includes a case where the charge could be prevented by making a DTR claim, even if no claim is in fact made.
- (5) Nothing in any double taxation relief arrangements is to be read as preventing A from being chargeable to income tax in respect of any income treated by virtue of this section as remitted to the United Kingdom in the period of return (or as preventing a charge to that tax from arising as a result).
- (6) Part 4 of Schedule 45 to FA 2013 (statutory residence test: anti-avoidance) explains—
- (a) when an individual is to be regarded as “temporarily non-resident”, and
  - (b) what “the temporary period of non-residence” and “the period of return” mean.
- (7) In this section—
- “double taxation relief arrangements” means arrangements that have effect under section 2(1) of TIOPA 2010;
- “DTR claim” means a claim for relief under section 6 of that Act;
- “relevant benefit” has the same meaning as in Chapter 2 of Part 6;
- “relevant scheme” means an employer-financed retirement benefits scheme (within the meaning of that Chapter) or a superannuation fund to which section 615(3) of ICTA applies;
- “remitted to the United Kingdom” has the same meaning as in Chapter A1 of Part 14 of ITA 2007.]]

#### Textual Amendments

- F28** S. 554Z11A inserted (with effect in accordance with Sch. 45 para. 153(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 127](#)
- F29** Words in s. 554Z11A(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 43\(2\)\(a\)](#)
- F30** Words in s. 554Z11A(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 43\(2\)\(b\)](#)

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**Changes and effects yet to be applied to the whole Act associated Parts and Chapters:**

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 574A(2A) inserted by [2024 c. 3 Sch. 9 para. 61\(2\)](#)
- s. 637G(2)(a)(b) inserted by [S.I. 2024/356 reg. 2](#)
- s. 637Q applied (with modifications) by 2004 c. 12, Sch. 36 para. 20(1A) (as inserted) by [2024 c. 3 Sch. 9 para. 77\(3\)](#)
- s. 637R applied (with modifications) by 2004 c. 12, Sch. 36 para. 19(2)(2A) (as substituted) by [2024 c. 3 Sch. 9 para. 76\(4\)](#)
- s. 637S applied (with modifications) by 2004 c. 12, Sch. 36 para. 20(2) (as amended) by [2024 c. 3 Sch. 9 para. 77\(4\)\(a\)](#)
- s. 688AB inserted by [2024 c. 3 s. 17\(1\)](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)