



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 4 **U.K.**

EMPLOYMENT INCOME: EXEMPTIONS

CHAPTER 10 **U.K.**

EXEMPTIONS: TERMINATION OF EMPLOYMENT

Redundancy payments

309 Limited exemptions for statutory redundancy payments **U.K.**

- (1) No liability to income tax in respect of earnings arises by virtue of a redundancy payment or an approved contractual payment, except where subsection (2) applies.
- (2) Where an approved contractual payment exceeds the amount which would have been due if a redundancy payment had been payable, the excess is liable to income tax.
- (3) No liability to income tax in respect of employment income other than earnings arises by virtue of a redundancy payment or an approved contractual payment, except where it does so by virtue of Chapter 3 of Part 6 (payments and benefits on termination of employment etc.).
- (4) For the purposes of this section—
 - (a) a statutory payment in respect of a redundancy payment is to be treated as paid on account of the redundancy payment, and
 - (b) a statutory payment in respect of an approved contractual payment is to be treated as paid on account of the approved contractual payment.
- (5) In this section—

Status: Point in time view as at 18/04/2005.

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“approved contractual payment” means a payment to a person on the termination of the person’s employment under an agreement in respect of which an order is in force under section 157 of ERA 1996 or Article 192 of ER(NI)O 1996,

“redundancy payment” means a redundancy payment under Part 11 of ERA 1996 or Part 12 of ER(NI)O 1996, and

“statutory payment” means a payment under section 167(1) of ERA 1996 or Article 202(1) of ER(NI)O 1996.

- (6) In subsection (5) “employment”, in relation to a person, has the meaning given in section 230(5) of ERA 1996 or Article 3(5) of ER(NI)O 1996.

Outplacement benefits

310 Counselling and other outplacement services U.K.

- (1) No liability to income tax arises in respect of—
- (a) the provision of services to a person in connection with the cessation of the person’s employment, or
 - (b) the payment or reimbursement of—
 - (i) fees for such provision, or
 - (ii) travelling expenses incurred in connection with such provision,
 if conditions A to D and, in the case of travel expenses, condition E are met.
- (2) Condition A is that the only or main purpose of the provision of the services is to enable the person to do either or both of the following—
- (a) to adjust to the cessation of the employment, or
 - (b) to find other gainful employment (including self-employment).
- (3) Condition B is that the services consist wholly of any or all of the following—
- (a) giving advice and guidance,
 - (b) imparting or improving skills,
 - (c) providing or making available the use of office equipment or similar facilities.
- (4) Condition C is that the person has been employed ^{F1}... in the employment which is ceasing throughout the period of 2 years ending—
- (a) at the time when the services begin to be provided, or
 - (b) if earlier, at the time when the employment ceases.
- (5) Condition D is that the opportunity to receive the services, on similar terms as to payment or reimbursement of any expenses incurred in connection with their provision, is available—
- (a) generally to employees or former employees of the person’s employer in that employment, or
 - (b) to a particular class or classes of them.
- (6) Condition E is that the travel expenses are expenses—
- (a) in respect of which, on the assumptions in subsection (7), mileage allowance relief under Chapter 2 of this Part would be available if no mileage allowance payments had been made, or
 - (b) which, on those assumptions, would be deductible under Part 5.

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- (7) The assumptions are—
- (a) that receiving the services is one of the duties of the employee’s employment,
 - (b) that the employee incurs and pays the expenses, and
 - (c) if the employment has in fact ceased, that it continues.
- (8) In this section “mileage allowance payments” has the meaning given by section 229(2).

Textual Amendments

F1 Word in s. 310(4) repealed (with effect in accordance with s. 18(5) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 18\(2\), Sch. 11 Pt. 2\(1\)](#)

311 Retraining courses **U.K.**

- (1) No liability to income tax arises in respect of the payment or reimbursement of retraining course expenses by a person (“the employer”) if the course conditions, the employment conditions and, in the case of travel expenses, the conditions in subsection (5) are met.
- (2) In subsection (1) “retraining course expenses” means—
- (a) fees for the attendance of another person (“the employee”) at a training course,
 - (b) travelling expenses incurred in connection with it,
 - (c) fees for an examination taken during or at the end of it, or
 - (d) the cost of any books which are essential for a person attending it.
- (3) The course conditions are that—
- (a) the course provides training designed to impart or improve skills or knowledge relevant to, and intended to be used in the course of, gainful employment (including self-employment) of any description,
 - (b) it is entirely devoted to the teaching or practical application (or both) of the skills or knowledge, ^{F2}and]
 - (c) it lasts no more than [^{F3}two years]. ^{F4}...
 - (d)
- (4) The employment conditions are that—
- (a) the employee begins the course while employed by the employer or within the period of one year after the employment ceases,
 - (b) the employee ceases to be employed by the employer before the end of the period of 2 years beginning at the end of the course and is not re-employed by the employer within the period of 2 years after so ceasing,
 - (c) the employee is employed ^{F5}... in the employment which is ceasing throughout the period of 2 years ending—
 - (i) when the employee begins the course, or
 - (ii) if earlier, when the employment ceases, and
 - (d) the opportunity to undertake the course, on similar terms as to payment or reimbursement of amounts within subsection (1), is available—
 - (i) generally to the employee’s fellow employees or former fellow employees in that employment, or

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- (ii) to a particular class or classes of them.
- (5) The travel expenses must be—
- (a) expenses in respect of which, on the assumptions in subsection (6), mileage allowance relief under Chapter 2 of this Part would be available if no mileage allowance payments had been made, or
 - (b) expenses which, on those assumptions, would be deductible under Part 5.
- (6) The assumptions are—
- (a) that attendance at the course is one of the duties of the employee's employment,
 - (b) that the employee incurs and pays the expenses, and
 - (c) if the employee has in fact ceased to be employed by the employer, that the employee continues to be employed by the employer.
- (7) In this section “mileage allowance payments” has the meaning given by section 229(2).

Textual Amendments

- F2** Word in s. 311(3)(b) inserted (with effect in accordance with s. 18(5) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 18\(3\)\(a\)](#)
- F3** Words in s. 311(3)(c) substituted (with effect in accordance with s. 18(5) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 18\(3\)\(b\)](#)
- F4** S. 311(3)(d) repealed (with effect in accordance with s. 18(5) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 18\(3\)\(c\), Sch. 11 Pt. 2\(1\)](#)
- F5** Word in s. 311(4)(c) repealed (with effect in accordance with s. 18(5) of the amending Act) by [Finance Act 2005 \(c. 7\), s. 18\(4\), Sch. 11 Pt. 2\(1\)](#)

312 Recovery of tax U.K.

- (1) This section applies if—
- (a) a person's liability to tax for a tax year has been determined on the assumption that section 311(1) applies, and
 - (b) subsequently—
 - (i) the condition in section 311(4)(a) is not met because of the person's failure to begin the course within the period of one year after ceasing to be employed, or
 - (ii) the condition in section 311(4)(b) is not met because of the person's continued employment or re-employment.
- (2) An assessment of an amount or further amount of tax due as a result of the condition not being met may be made under section 29(1) of TMA 1970.
- (3) Such an assessment must be made before the end of the period of 6 years immediately following the end of the tax year in which subsection (1) first applies.
- (4) If subsection (1)(b)(i) or (ii) applies, the person's employer or former employer must give [^{F6}an officer of Revenue and Customs] a notice containing particulars of the person's failure to begin the course or continued employment or re-employment within 60 days of coming to know of it.

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- (5) If [^{F6}an officer of Revenue and Customs][^{F7}has] reason to believe that a person has failed to give such a notice, [^{F8}the officer] may by notice require the person to provide such information as [^{F8}the officer] may reasonably require for the purposes of this section about—
- (a) the failure to begin the course,
 - (b) the continued employment, or
 - (c) the re-employment.
- (6) A notice under subsection (5) may specify a time (not less than 60 days) within which the required information must be provided.

Textual Amendments

- F6** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F7** Word in s. 312(5) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 111](#); S.I. 2005/1126, art. 2(2)(h)
- F8** Words in s. 312(5) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 103\(1\)\(f\)](#); S.I. 2005/1126, art. 2(2)(h)

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