



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 4

EMPLOYMENT INCOME: EXEMPTIONS

CHAPTER 11

MISCELLANEOUS EXEMPTIONS

Living accommodation

313 Repairs and alterations to living accommodation

- (1) This section applies where living accommodation is provided by reason of a person's employment.
- (2) No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of—
 - (a) alterations and additions to the premises which are of a structural nature, or
 - (b) landlord's repairs to the premises.
- (3) In this section "landlord's repairs" means repairs of a kind which are the obligation of the lessor under the covenants implied by section 11(1) of the Landlord and Tenant Act 1985 (c. 70) (lessor's repairing obligations in short leases) where premises are let under a lease to which that section applies.

314 Council tax etc. paid for certain living accommodation

- (1) This section applies if living accommodation provided for an employee falls within the exception in one of the following provisions—

Status: Point in time view as at 06/04/2006.

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section 99(1) (accommodation necessary for proper performance of duties),
 section 99(2) (accommodation provided for better performance of duties), or
 section 100 (accommodation provided as a result of security threat).

- (2) No liability to income tax arises by virtue of—
- (a) any payment to, for or on behalf of the employee, or
 - (b) any reimbursement of any payment by the employee,
- in respect of council tax or rates, or water or sewerage charges, in respect of the accommodation.

315 Limited exemption for expenses connected with certain living accommodation

- (1) This section applies if—
- (a) living accommodation is provided for an employee in a tax year, and
 - (b) conditions A and B are met.
- (2) Condition A is that the accommodation falls within the exception in one of the following provisions—
- section 99(1) (accommodation necessary for proper performance of duties),
 section 99(2) (accommodation provided for better performance of duties), or
 section 100 (accommodation provided as a result of security threat).
- (3) Condition B is that there is an amount of earnings from the employment in the tax year by virtue of expenditure, or the reimbursement to the employee of expenditure, on—
- (a) heating, lighting or cleaning the premises,
 - (b) repairs to the premises, their maintenance or decoration, or
 - (c) the provision in the premises of furniture, equipment or other items which are normal for domestic occupation.
- (4) If this section applies, no liability to income tax arises in respect of the earnings mentioned in subsection (3) to the extent that they exceed—

$$\left(10\% \times NE \times \frac{DA}{DE}\right) - \text{SMG}$$

where—

DA is the number of reckonable days in the tax year (a “reckonable day” being a day on which—

- (a) the accommodation is provided, and
- (b) the employment is held by the employee),

DE is—

- (a) the number of days in that year, or
- (b) if the employment is held for only part of that year, the number of days in that part,

NE is the net amount of the earnings from the employment in the tax year (see subsection (5)),

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SMG is, where the expenses are incurred by a person other than the employee, so much of any sum made good by the employee to that other person as is properly attributable to the expenses.

(5) To calculate the net amount of the earnings from the employment—

Step 1

Take the earnings from the employment, leaving out of account the expenses in question.

Step 2

Add, in the case of employment by a company, the earnings from any employment by an associated company.

A company is “associated” with another for this purpose if one has control of the other or both are under the control of the same person.

Step 3

Deduct any deductions allowable under—

- (a) section 232 (giving effect to mileage allowance relief) or Part 5 of this Act,
- [^{F1}(b) sections 188 to 194 of FA 2004 (contributions to registered pension schemes), or]
- (c) section 262 of CAA 2001 (capital allowances to be given effect by treating them as deductions from earnings).

Textual Amendments

F1 Words in s. 315(5) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\)](#), s. 284(1), [Sch. 35 para. 59](#) (with [Sch. 36](#))

Work accommodation, supplies etc.

316 Accommodation, supplies and services used in employment duties

- (1) No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of the provision for an employee of accommodation, supplies or services used by the employee in performing duties of the employment if conditions A and B are met.
- (2) Condition A is that any use of the accommodation, supplies or services for private purposes by the employee or members of the employee’s family or household is not significant.
- (3) For this purpose, use “for private purposes” means—
 - (a) use that is not use in performing the duties of the employee’s employment, and
 - (b) use that is at the same time both use in performing the duties of an employee’s employment and other use.
- (4) Condition B is that where the provision is otherwise than on premises occupied by the person making it—

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- (a) its sole purpose is to enable the employee to perform the duties of the employee's employment, and
 - (b) what is provided is not an excluded benefit.
- (5) The following are excluded benefits unless regulations under subsection (6) provide otherwise—
- (a) a motor vehicle, boat or aircraft, and
 - (b) a benefit that involves—
 - (i) the extension, conversion or alteration of living accommodation, or
 - (ii) the construction, extension, conversion or alteration of a building or other structure on land adjacent to and enjoyed with such accommodation.
- (6) The Treasury may make provision by regulations as to what is an excluded benefit for the purposes of subsection (4)(b).
- (7) The regulations may provide that a benefit is an excluded benefit only if such conditions as may be prescribed are met as to the terms on which, and persons to whom, it is provided.

[^{F2}316A Homeworker's additional household expenses

- (1) This section applies where an employer makes a payment to an employee in respect of reasonable additional household expenses which the employee incurs in carrying out duties of the employment at home under homeworking arrangements.
- (2) No liability to income tax arises in respect of the payment.
- (3) In this section, in relation to an employee—
 - “homeworking arrangements” means arrangements between the employee and the employer under which the employee regularly performs some or all of the duties of the employment at home; and
 - “household expenses” means expenses connected with the day to day running of the employee's home.]

Textual Amendments

- F2** S. 316A inserted (with effect in accordance with s. 137(2) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 137\(1\)](#)

Workplace meals

317 Subsidised meals

- [^{F3}(1) No liability to income tax arises in respect of the provision for an employee by the employer of free or subsidised meals if they are provided—
- (a) in a canteen, or
 - (b) on the employer's business premises,
- and conditions A to C are met.]
- (2) Condition A is that the meals are provided on a reasonable scale.

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- (3) Condition B is that all the employer’s employees or all of them at a particular location may obtain one or both of the following—
- (a) a free or subsidised meal, or
 - (b) a free or subsidised meal voucher or token.
- (4) Condition C is that if the meals are provided in the restaurant or dining room of a hotel or a catering or similar business at a time when meals are being served to the public—
- (a) part of the restaurant or dining room is designated for the use of employees only, and
 - (b) the meals are taken in that part.
- (5) In this section “free or subsidised meal voucher or token” means a voucher, ticket, pass or other document or token which—
- (a) is intended to enable a person to obtain a meal, and
 - (b) is provided to the employee free of charge or for less than the cost of the meals to be obtained by it.
- (6) In this section “meals” includes light refreshments.

Textual Amendments

- F3** S. 317(1) substituted (with effect in accordance with Sch. 17 para. 1(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 17 para. 1\(1\)](#)

Childcare

[^{F4}318 Childcare: exemption for employer-provided care

- (1) [^{F5}No liability to income tax arises] in respect of the provision for an employee of care for a child if conditions A to D are met.

For the meaning of “care” and “child”, see section 318B.

- (2) If those conditions are met only as respects part of the provision, no such liability arises in respect of that part.
- (3) Condition A is that the child—
- (a) is a child or stepchild of the employee and is maintained (wholly or partly) at the employee’s expense,
 - (b) is resident with the employee, or
 - (c) is a person in respect of whom the employee has parental responsibility.

For the meaning of “parental responsibility”, see section 318B.

- (4) Condition B is that—
- (a) the premises on which the care is provided are not used wholly or mainly as a private dwelling, and
 - (b) any applicable registration requirement is met.
- (5) The registration requirements are—
- (a) in England and Wales, that under Part 10A of the Children Act 1989;

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- (b) in Scotland, that under Part 1 or 2 of the Regulation of Care (Scotland) Act 2001;
 - (c) in Northern Ireland, that under Part XI of the Children (Northern Ireland) Order 1995.
- (6) Condition C is that—
- (a) the premises on which the care is provided are made available by the scheme employer alone, or
 - (b) the partnership requirements are met.

In this section “scheme employer” means the employer operating the scheme under which the care is provided (who need not be the employer of the employee).

- (7) The partnership requirements are—
- (a) that the care is provided under arrangements made by persons who include the scheme employer,
 - (b) that the premises on which it is provided are made available by one or more of those persons, and
 - (c) that under the arrangements the scheme employer is wholly or partly responsible for financing and managing the provision of the care.
- (8) Condition D is that the care is provided under a scheme that is open—
- (a) to the scheme employer’s employees generally, or
 - (b) generally to those of the scheme employer’s employees at a particular location,

and that the employee to whom it is provided is either an employee of the scheme employer or is an employee working at the same location as employees of the scheme employer to whom the scheme is open.]

Textual Amendments

- F4** Ss. 318-318D substituted for s. 318 (with effect in accordance with s. 78(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 13 para. 1](#)
- F5** Words in s. 318(1) substituted (with effect in accordance with s. 16(7) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 16\(5\)](#)

[^{F4}318A Childcare: limited exemption for other care

- (1) If conditions A to C are met in relation to the provision for an employee of care for a [^{F6}child—
- (a) no liability to income tax arises by virtue of section 62 (general definition of earnings), and
 - (b) liability to income tax by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) arises only in respect of so much of the cash equivalent of the benefit as exceeds the exempt amount.]

For the meaning of “care” and “child”, see section 318B.

- (2) If those conditions are met only as respects part of the provision, subsection (1) applies in respect of that part.
- (3) Condition A is that the child—

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- (a) is a child or stepchild of the employee and is maintained (wholly or partly) at the employee's expense, or
- (b) is resident with the employee and is a person in respect of whom the employee has parental responsibility.

For the meaning of “parental responsibility”, see section 318B.

- (4) Condition B is that the care is qualifying child care.

For the meaning of “qualifying child care”, see section 318C.

- (5) Condition C is that the care is provided under a scheme that is open—

- (a) to the employer's employees generally, or
- (b) generally to those at a particular location.

- (6) For the purposes of this section the “exempt amount”, in any tax year, is [^{F7}£55] for each qualifying week in that year.

- (7) A “qualifying week” means a tax week in which care is provided for a child in circumstances in which conditions A to C are met.

A “tax week” means one of the successive periods in a tax year beginning with the first day of that year and every seventh day after that (so that the last day of a tax year or, in the case of a tax year ending in a leap year, the last two days is treated as a separate week).

- (8) An employee is only entitled to one exempt amount even if care is provided for more than one child.

But it does not matter that another person may also be entitled to an exempt amount in respect of the same child.

- (9) An employee is not entitled to an exempt amount under this section and under section 270A (limited exemption for childcare vouchers) in respect of the same tax week.]

Textual Amendments

- F4** Ss. 318-318D substituted for s. 318 (with effect in accordance with s. 78(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 13 para. 1](#)
- F6** Words in s. 318A(1) substituted (with effect in accordance with s. 16(7) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 16\(6\)](#)
- F7** Sum in s. 318A(6) substituted (6.4.2006 with effect for the year 2006-07 and subsequent years of assessment) by [The Income Tax \(Exempt Amounts for Childcare Vouchers and for Employer Contracted Childcare\) Order 2006 \(S.I. 2006/882\)](#), arts. 1, 2

[^{F4}318B Childcare: meaning of “care”, “child” and “parental responsibility”

- (1) For the purposes of sections 318 and 318A (exemptions for employer-provided or employer-contracted childcare) “care” means any form of care or supervised activity that is not provided in the course of the child's compulsory education.
- (2) For the purposes of those sections a person is a “child” until the last day of the week in which falls the 1st September following the child's fifteenth birthday (or sixteenth birthday if the child is disabled).

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- (3) For the purposes of subsection (2) a child is disabled if—
- (a) a disability living allowance is payable in respect of him, or has ceased to be payable solely because he is a patient,
 - (b) he—
 - (i) is registered as blind in a register compiled by a local authority under section 29 of the National Assistance Act 1948 (welfare services),
 - (ii) has been certified as blind in Scotland and in consequence is registered as blind in a register maintained by or on behalf of a local authority in Scotland, or
 - (iii) has been certified as blind in Northern Ireland and in consequence is registered as blind in a register maintained by or on behalf of a Health and Social Services Board, or
 - (c) he ceased to be so registered as blind within the previous 28 weeks.
- (4) In subsection (3)(a) “patient” means a person (other than a person who is serving a sentence imposed by a court in a prison or youth custody institution or, in Scotland, a young offenders' institution) who is regarded as receiving free in-patient treatment within the meaning of the Social Security (Hospital In-Patients) Regulations 1975 or the Social Security (Hospital In-Patients) Regulations (Northern Ireland) 1975.
- (5) For the purposes of sections 318 and 318A “parental responsibility” means all the rights, duties, powers, responsibilities and authority which by law a parent of a child has in relation to the child and the child’s property.
- (6) In this section and section 318C “local authority” means—
- (a) in relation to England, the council of a county or district, a metropolitan district, a London Borough, the Common Council of the City of London or the Council of the Isles of Scilly;
 - (b) in relation to Wales, the council of a county or county borough;
 - (c) in relation to Scotland, a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994.]

Textual Amendments

F4 Ss. 318-318D substituted for s. 318 (with effect in accordance with s. 78(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 13 para. 1](#)

[^{F4}318C Childcare: meaning of “qualifying child care”

- (1) For the purposes of section 318A “qualifying child care” means registered or approved care within any of subsections (2) to (6) below that is not excluded by subsection (7) below.
- (2) Care provided for a child in England is registered or approved care if it is provided—
 - (a) by a person registered under Part 10A of the Children Act 1989,
 - (b) by a school or establishment that does not need to be registered under that Part to provide the care because of an exemption under paragraph 1 or 2 of Schedule 9A to that Act,

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- (c) in the case of care provided for a child out of school hours between the child's 8th birthday and the last day on which he is treated as being a child, by a school on school premises or by a local authority, or
 - (d) by a child care provider approved by an organisation accredited under the Tax Credit (New Category of Child Care Provider) Regulations 1999,
 - ^{F8}(e)
 - ^{F9}(ea) [by a child care provider approved in accordance with the Tax Credits (Approval of Child Care Providers) Scheme 2005, or]
 - (f) by a domiciliary care worker under the Domiciliary Care Agencies Regulations 2002.
- (3) Care provided for a child in Wales is registered or approved care if it is provided—
- (a) by a person registered under Part 10A of the Children Act 1989,
 - (b) by a school or establishment that does not need to be registered under that Part to provide the care because of an exemption under paragraph 1 or 2 of Schedule 9A to that Act,
 - (c) in the case of care provided for a child out of school hours between the child's 8th birthday and the last day on which he is treated as being a child, by a school on school premises or by a local authority, or
 - (d) by a child care provider approved by an organisation accredited under the Tax Credit (New Category of Child Care Provider) Regulations 1999 [^{F10} or
 - (e) by a domiciliary care worker under the Domiciliary Care Agencies (Wales) Regulations 2004,]
- (4) Care provided for a child in Scotland is registered or approved care if it is provided—
- (a) by a person in circumstances where the care service provided by him—
 - (i) consists of child minding or of day care of children within the meaning of section 2 of the Regulation of Care (Scotland) Act 2001, and
 - (ii) is registered under Part 1 of that Act, or
 - (b) by a local authority in circumstances where the care service provided by the local authority—
 - (i) consists of child minding or of day care of children within the meaning of section 2 of the Regulation of Care (Scotland) Act 2001, and
 - (ii) is registered under Part 2 of that Act.
- (5) Care provided for a child in Northern Ireland is registered or approved care if it is provided—
- (a) by a person registered under Part XI of the Children (Northern Ireland) Order 1995, or
 - (b) by an institution or establishment that does not need to be registered under that Part to provide the care because of an exemption under Article 121 of that Order, or
 - (c) in the case of care provided for a child out of school hours between the child's 12th birthday and the last day on which he is treated as being a child, by a school on school premises or by an education and library board or an HSS trust.

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- (6) Care provided for a child outside the United Kingdom is registered or approved child care if it is provided by a child care provider approved by an organisation accredited under the Tax Credit (New Category of Child Care Provider) Regulations 2002.
- (7) Child care is excluded from section 318A—
- (a) if it is provided by the partner of the employee in question, or
 - (b) if it is provided by a relative of the child wholly or mainly in the child’s home or (if different) the home of a person having parental responsibility for the child^{F11}, or
 - (c) in the case of care falling within subsection (2)(ea), if—
 - (i) it is provided wholly or mainly in the home of a relative of the child, and
 - (ii) the provider usually provides care there solely in respect of one or more children to whom the provider is a relative.]
- (8) In subsection (7)—
- “partner” means one of a ^{F12}couple (within the meaning given by section 137(1) of SSCBA 1992 or section 133(1) of SSCB(NI)A 1992] ; and
- “relative” means parent, grandparent, aunt, uncle, brother or sister, whether by blood, half blood or marriage ^{F13}or civil partnership]
- [In subsection (7)(c), “relative in relation to a child, also includes—
- ^{F14}(9) (a) a local authority foster parent in relation to the child,
- (b) a foster parent with whom the child has been placed by a voluntary organisation,
 - (c) a person who fosters the child privately (within the meaning of section 66 of the Children Act 1989, or
 - (d) a step-parent of the child.].]

Textual Amendments

- F4** Ss. 318-318D substituted for s. 318 (with effect in accordance with s. 78(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 13 para. 1](#)
- F8** S. 318C(2)(e) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Section 318C Income Tax \(Earnings and Pensions\) Act 2003 \(Amendment\) Regulations 2005 \(S.I. 2005/770\)](#), regs. 1(1), [3\(a\)](#)
- F9** S. 318C(2)(ea) inserted (6.4.2005) by [The Section 318C Income Tax \(Earnings and Pensions\) Act 2003 \(Amendment\) Regulations 2005 \(S.I. 2005/770\)](#), regs. 1(1), [3\(b\)](#)
- F10** S. 318C(3)(e) and preceding word added (6.4.2005) by [The Section 318C Income Tax \(Earnings and Pensions\) Act 2003 \(Amendment\) Regulations 2005 \(S.I. 2005/770\)](#), regs. 1(1), [4](#)
- F11** S. 318C(7)(c) and preceding word added (6.4.2005) by [The Section 318C Income Tax \(Earnings and Pensions\) Act 2003 \(Amendment\) Regulations 2005 \(S.I. 2005/770\)](#), regs. 1(1), [5](#)
- F12** Words in s. 318C(8) substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), [144\(a\)](#)
- F13** Words in s. 318C(8) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), [144\(b\)](#)
- F14** S. 318C(9) inserted (6.4.2005) by [The Section 318C Income Tax \(Earnings and Pensions\) Act 2003 \(Amendment\) Regulations 2005 \(S.I. 2005/770\)](#), regs. 1(1), [6](#)

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[^{F4}318D Childcare: power to vary exempt amount and qualifying conditions

- (1) The Treasury may by order amend section 318A(6) (employer-contracted care: the exempt amount) so as to substitute a different sum of money for that for the time being specified.
- (2) The Treasury may by regulations make such amendments of the provisions of sections 318 to 318C relating to the qualifying conditions for the exemptions conferred by sections 318 and 318A as appear to them appropriate having regard to the corresponding provisions of regulations under section 12 of the Tax Credits Act 2002 relating to entitlement to the child care element of working tax credit.]

Textual Amendments

- F4** Ss. 318-318D substituted for s. 318 (with effect in accordance with s. 78(2) of the amending Act) by Finance Act 2004 (c. 12), **Sch. 13 para. 1**

Telephones and computer equipment

319 Mobile telephones

- (1) No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of the provision for an employee or a member of the employee's family or household of a mobile telephone without any transfer of property in it.
- (2) In this section “mobile telephone” means telephone apparatus which—
 - (a) is not physically connected to a land-line, and
 - (b) is not a cordless telephone or a telepoint telephone.
- (3) For the purposes of subsection (2)—

“cordless telephone” means telephone apparatus designed or adapted to provide a wireless extension to a telephone and used only as such an extension to a telephone which is physically connected to a land-line,

“telephone apparatus” means wireless telegraphy apparatus designed or adapted for the purpose of transmitting and receiving spoken messages and [^{F15}used in connection with a public electronic communications service], and

“telepoint telephone” means telephone apparatus used for the purpose of a short-range radio communications service at frequencies between 864 and 868 megahertz (inclusive).

Textual Amendments

- F15** Words in s. 319(3) substituted (25.7.2003 for specified purposes, 29.12.2003 for further specified purposes) by Communications Act 2003 (c. 21), s. 411(2), **Sch. 17 para. 175(2)** (with Sch. 18); S.I. 2003/1900, arts. 1(2), 2(1), Sch. 1 (with art. 3) (as amended by S.I. 2003/3142, art. 1(3)); S.I. 2003/3142, art. 3(2) (with art. 11)

320 Limited exemption for computer equipment

- [^{F16}(1) If conditions A and B are met in respect of the provision of computer equipment—

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- (a) no liability to income tax arises by virtue of section 62 (general definition of earnings), and
 - (b) liability to income tax by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) arises only in respect of so much of the aggregate cash equivalent of the benefit in the tax year as exceeds £500.]
- (2) Condition A is that the equipment is made available to the employee or to a member of the employee’s family or household without any transfer of property in it.
- (3) Condition B is that the arrangements under which computer equipment is made available to employees of the employer, or to members of their families or households, do not favour directors (see subsection (6)).
- ^{F17}(4)
- ^{F18}(5)
- (6) The arrangements referred to in condition B are only taken to favour directors if—
- (a) the only such arrangements are arrangements under which the employee is required to be a director of a company, or
 - (b) taking all such arrangements together, the terms on which the equipment is made available are more favourable in some or all cases where the employee is a director than in one or more cases where the employee is not.
- (7) In this section—
- (a) “computer equipment” includes printers, scanners, modems, discs and other peripheral devices designed to be used by being connected to or inserted in a computer,
 - (b) “director” has the meaning given by section 67(1),
 - (c) references to making computer equipment available—
 - (i) include references to the provision, together with any computer equipment made available, of a right to use computer software, but
 - (ii) do not include references to the provision of access to, or the use of, ^{F19}a public electronic communications service.]
 - ^{F20}(d)

Textual Amendments

- F16** S. 320(1) substituted (with effect in accordance with s. 79(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [s. 79\(2\)](#)
- F17** S. 320(4) repealed (with effect in accordance with s. 79(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [s. 79\(3\)](#), [Sch. 42 Pt. 2\(8\)](#)
- F18** S. 320(5) repealed (with effect in accordance with s. 79(4) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [s. 79\(3\)](#), [Sch. 42 Pt. 2\(8\)](#)
- F19** Words in s. 320(7)(c)(ii) substituted (25.7.2003 for specified purposes, 29.12.2003 for further specified purposes) by [Communications Act 2003 \(c. 21\)](#), [s. 411\(2\)](#), [Sch. 17 para. 175\(3\)](#) (with [Sch. 18](#)); [S.I. 2003/1900](#), [arts. 1\(2\)](#), [2\(1\)](#), [Sch. 1](#) (with [art. 3](#)) (as amended by [S.I. 2003/3142](#), [art. 1\(3\)](#)); [S.I. 2003/3142](#), [art. 3\(2\)](#) (with [art. 11](#))
- F20** S. 320(7)(d) repealed (25.7.2003 for specified purposes, 29.12.2003 for further specified purposes) by [Communications Act 2003 \(c. 21\)](#), [s. 411\(2\)](#), [Sch. 19\(1\)](#) Note 1 (with [Sch. 18](#)); [S.I. 2003/1900](#), [arts. 1\(2\)](#), [2\(1\)](#), [Sch. 1](#) (with [art. 3](#)) (as amended by [S.I. 2003/3142](#), [art. 1\(3\)](#)); [S.I. 2003/3142](#), [art. 3\(2\)](#) (with [art. 11](#))

Status: Point in time view as at 06/04/2006.

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Awards and gifts

321 Suggestion awards

- (1) This section applies where an employer establishes a scheme for the making of suggestions that is open on the same terms—
 - (a) to employees of the employer generally, or
 - (b) to a particular description of them.
- (2) No liability to income tax arises in respect of an encouragement award or financial benefit award made under the scheme for a suggestion which meets conditions A to C if, or to the extent that, it does not exceed the permitted maximum for the award under section 322.
- (3) Condition A is that the suggestion relates to the activities carried on by the employer.
- (4) Condition B is that the suggestion is made by an employee who could not reasonably be expected to make it in the course of the duties of the employment, having regard to the employee's experience.
- (5) Condition C is that the suggestion is not made at a meeting held for the purpose of proposing suggestions.
- (6) In this section and section 322—
 - “encouragement award” means an award, other than a financial benefit award, made for a suggestion with intrinsic merit or showing special effort, and
 - “financial benefit award” means an award for a suggestion relating to an improvement in efficiency or effectiveness which the employer has decided to adopt and reasonably expects will result in a financial benefit.

322 Suggestion awards: “the permitted maximum”

- (1) The permitted maximum for an encouragement award for the purposes of section 321 (suggestion awards) is £25.
- (2) The permitted maximum for a financial benefit award where no such award for the suggestion has been made before is—
 - (a) if only one such award is made for the suggestion, the suggestion maximum, and
 - (b) if two or more such awards are made on the same occasion to different persons for the suggestion, the appropriate proportion of the suggestion maximum.
- (3) If on a later occasion or occasions one or more further such awards are made for the same suggestion, the permitted maximum for each is—
 - (a) if only one such award is made for the suggestion on that occasion, the residue of the suggestion maximum, and
 - (b) if two or more such awards are made on the same occasion to different persons for the suggestion, the appropriate proportion of that residue.
- (4) The suggestion maximum for a financial benefit award is the financial benefit share or £5000 if that is less.
- (5) In subsection (4) “the financial benefit share” means the greater of—

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- (a) half the financial benefit reasonably expected to result from the adoption of the suggestion for the first year after its adoption, and
 - (b) one-tenth of the financial benefit reasonably expected to result from its adoption for the first 5 years after its adoption.
- (6) In this section—
- “the appropriate proportion” means such proportion as the award bears to the total of the financial benefit awards made on the same occasion for the suggestion,
 - “the residue of the suggestion maximum” means the suggestion maximum less the total previous exemption, and
 - “the total previous exemption” means the total of the amounts exempted from income tax under section 321 in respect of financial benefit awards for the suggestion made on previous occasions.

323 Long service awards

- (1) No liability to income tax arises in respect of a long service award which meets the condition in subsection (3) if or to the extent that the chargeable amount does not exceed the permitted maximum.
- (2) In subsection (1)—
 - “chargeable amount” means the amount of employment income which would be charged to tax in respect of the award apart from subsection (1),
 - “long service award” means an award made to an employee to mark not less than 20 years' service with the same employer, and
 - “permitted maximum” means [^{F21}£50] for each year of service in respect of which the award is made.
- (3) The condition is that the award must take the form of—
 - (a) tangible moveable property,
 - (b) shares in a company which is, or belongs to the same group as, the employer, or
 - (c) the provision of any other benefit except—
 - (i) a payment,
 - (ii) a cash voucher,
 - (iii) a credit-token,
 - (iv) securities,
 - (v) shares not within paragraph (b), or
 - (vi) an interest in or rights over securities or shares.
- (4) Subsection (1) does not apply to an award (“the later award”) if another award to mark a particular period of service with the same employer has been made to the employee in the period of 10 years ending with the date on which the later award is made.
- (5) For the purposes of this section, service is treated as being with the same employer if it is with two or more employers—
 - (a) each of whom is a successor or predecessor of the others, or
 - (b) one of whom is a company which belongs or has belonged to the same group as the others or a predecessor or successor of the others.

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(6) In this section “group” means a body corporate and its 51% subsidiaries.

Textual Amendments

F21 Word in s. 323(2) substituted (13.6.2003) by [The Income Tax \(Exemption of Minor Benefits\) \(Increase in Sums of Money\) Order 2003 \(S.I. 2003/1361\)](#), arts. 1(1), 3

324 Small gifts from third parties

- (1) No liability to income tax arises in respect of a gift provided for an employee or a member of the employee’s family or household if conditions A to E are met.
- (2) Condition A is that the gift is not provided by the employer or a person connected with the employer.
- (3) Condition B is that neither the employer nor a person connected with the employer has directly or indirectly procured the gift.
- (4) Condition C is that the gift is not made in recognition of particular services performed by the employee in the course of the employment or in anticipation of such services.
- (5) Condition D is that the gift is not cash or securities or the use of a service.
- (6) Condition E is that the total cost to the donor of all the eligible gifts in respect of the employee in question during the tax year does not exceed [^{F22}£250].
- (7) For the purposes of condition E, the total cost to the donor includes any value added tax payable on the supply of the gifts to the donor, whether or not the donor is entitled to a credit or repayment in respect of that tax.
- (8) In this section “eligible gifts” means all gifts which—
 - (a) meet conditions A to D, or
 - (b) are non-cash vouchers or credit-tokens and meet—
 - (i) conditions A to C, and
 - (ii) conditions A and B in section 270 (exemption for small gifts of vouchers and tokens from third parties).
- (9) Subsection (1) does not apply to non-cash vouchers and credit-tokens (but see section 270 which makes provision for a corresponding exemption for them).

Textual Amendments

F22 Word in s. 324(6) substituted (13.6.2003) by [The Income Tax \(Exemption of Minor Benefits\) \(Increase in Sums of Money\) Order 2003 \(S.I. 2003/1361\)](#), arts. 1(1), 4

Overseas medical treatment

325 Overseas medical treatment

- (1) No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) in respect of—

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- (a) providing an employee with medical treatment outside the United Kingdom where the need for it arises while the employee is outside the United Kingdom for the purpose of performing the duties of the employment, or
 - (b) providing an employee with insurance against the cost of providing such treatment.
- (2) For the purposes of this section—
- (a) “medical treatment” includes all procedures for diagnosing or treating any physical or mental illness, infirmity or defect, and
 - (b) providing a person with medical treatment includes providing for the person to be an in-patient so that such treatment can be given.

[^{F23}325A Health and employment insurance payments

- (1) No liability to income tax in respect of employment income arises on any payment if or to the extent that—
- (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and
 - (b) it meets conditions A and B.
- (2) Condition A is that the payments are made—
- (a) to a person (“the employee”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the employee's benefit, or
 - (b) to the employee's [^{F24}spouse or civil partner] .
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.]

Textual Amendments

F23 S. 325A inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 592](#) (with [Sch. 2](#))

F24 Words in s. 325A(2)(b) substituted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\), regs. 1\(1\), 145](#)

Expenses incidental to sale etc. of asset

326 Expenses incidental to transfer of a kind not normally met by transferor

- (1) No liability to income tax arises by virtue of the payment or reimbursement of expenses which—
- (a) are incidental to, and incurred wholly and exclusively as a result of, an employment-related asset transfer, and
 - (b) are of a kind not normally met by the transferor.
- (2) There is an “employment-related asset transfer” if—
- (a) an asset or the beneficial interest in an asset is transferred to an employee’s employer or a person nominated by the employer, and

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- (b) the right or opportunity to make the transfer arose by reason of the employment.
- (3) In this section references to a transfer are to a sale or any other kind of disposal.

Status:

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Changes to legislation:

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