



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### [<sup>F1</sup>PART 7A U.K.]

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

### [<sup>F1</sup>CHAPTER 2 U.K.]

TREATMENT OF RELEVANT STEP FOR INCOME TAX PURPOSES

#### 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](#)

#### Modifications etc. (not altering text)

- C1** Pt. 7A modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 35\(6\)](#)
- C2** Pt. 7A modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 1\(8\)](#)
- C3** [Pt. 7A](#) modified (22.7.2020) by 2017 c. 32, Sch. 11 para. 1A(2)(6) (as inserted by [Finance Act 2020 \(c. 14\)](#), [s. 16\(3\)](#))
- C4** Pt. 7A Ch. 2 disapplied (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Employment Income Provided Through Third Parties \(Excluded Relevant Steps\) Regulations 2011 \(S.I. 2011/2696\)](#), regs. 1(1), 3, 4
- C5** Pt. 7A Ch. 2 excluded (6.4.2017) by [The Sporting Testimonial Payments \(Excluded Relevant Step\) Regulations 2016 \(S.I. 2016/1250\)](#), regs. 1(1), [2\(1\)](#) (with reg. 2(2))
- C6** Pt. 7A Ch. 2 excluded (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 29\(1\)](#)
- C7** Pt. 7A Ch. 2 excluded (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 27\(1\)](#)
- C8** Pt. 7A Ch. 2 excluded (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 35\(1\)](#)
- C9** Pt. 7A Ch. 2 excluded (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 25](#)
- C10** Pt. 7A Ch. 2 excluded (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 31](#)

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**C11** Pt. 7A Ch. 2 excluded (22.7.2020) by 2017 c. 32, Sch. 11 para. 35ZA (as inserted by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 38](#))

### *Employment income*

#### **554Z2 Value of relevant step to count as employment income U.K.**

- (1) If this Chapter applies by reason of a relevant step, the value of the relevant step (see section 554Z3) counts as employment income of A in respect of A's employment with B—
- (a) if the relevant step is taken before A's employment with B starts, for the tax year in which the employment starts, or
  - (b) otherwise, for the tax year in which the relevant step is taken.

<sup>F2</sup>(1AA) [ But subsection (1) is subject to section 554Z2A (close companies).]

<sup>F3</sup>(1A) [ Where the value of a relevant step would (apart from this subsection) count as employment income of more than one person—

- (a) the value of the relevant step is to be apportioned between each of those persons on a just and reasonable basis, and
- (b) subsection (1) applies as if the reference to the value of the relevant step in relation to A were a reference to so much of the value of the relevant step that is apportioned to A.]

- (2) If the relevant step gives rise to—
- (a) an amount which (apart from this subsection) would be treated as earnings of A under a provision of the benefits code, or
  - (b) any income of A which (apart from this subsection) would be dealt with under Chapter 3 of Part 4 of ITTOIA 2005,
- subsection (1) applies instead of that provision of the benefits code or Chapter 3 of Part 4 of ITTOIA 2005 (as the case may be).

- (3) In particular, in a case in which the relevant step is the making of an employment-related loan (within the meaning of Chapter 7 of Part 3), the effect of subsection (2)
- (a) is that the loan is not to be treated for any tax year as a taxable cheap loan for the purposes of that Chapter.

<sup>F4</sup>(4) [ See paragraph 37 of Schedule 11 to F(No. 2)A 2017 for provision about the effect of subsection (2)(a) in a case in which the relevant step is within paragraph 1 of that Schedule.]

#### **Textual Amendments**

- F2** S. 554Z2(1AA) inserted (with effect in accordance with Sch. 1 para. 14 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 1 para. 3\(1\)](#)
- F3** S. 554Z2(1A) inserted (15.9.2016) by [Finance Act 2016 \(c. 24\)](#), [s. 18\(2\)](#)
- F4** S. 554Z2(4) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 38](#)

#### **Modifications etc. (not altering text)**

- C12** S. 554Z2(2)(a) modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 37\(2\)](#)

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**Exception to section 554Z2(1): close companies** **U.K.**  
**F5 554Z2A**

- (1) Section 554Z2(1) does not apply in the case of a relevant step if—
- (a) this Chapter applies in the case of the relevant step only by reason of section 554AA (close companies),
  - (b) the relevant step is a step within section 554B, 554C or 554D,
  - (c) the relevant step gives rise to a charge to tax under either—
    - (i) section 455 of CTA 2010 by virtue of section 459 of that Act (loans treated as made to participator), or
    - (ii) section 415 of ITTOIA 2005 (release of loan to participator in a close company), and
  - (d) in a case within paragraph (c)(i), either the payment condition or the consent condition is met in relation to the charge under section 455 of CTA 2010.
- (2) The payment condition is met in relation to a charge to tax under section 455 of CTA 2010 if—
- (a) the net section 455 charge is paid in full on or before the due date, or
  - (b) the net section 455 charge is nil.
- (3) The “net section 455 charge” means the amount of the charge to tax under section 455 of CTA 2010 less the amount of section 458 relief from that charge.
- (4) In subsection (3) “section 458 relief” means relief given under section 458 of that Act—
- (a) in respect of a repayment made, or a release or writing-off occurring, on or before the due date, and
  - (b) on a claim made on or before the due date.
- (5) The consent condition is met in relation to a charge to tax under section 455 of CTA 2010 if—
- (a) the charge to tax is reported, in a company tax return of B's, as required under Schedule 18 to FA 1998 (company tax returns etc),
  - (b) the payment condition is not met in relation to that charge, and
  - (c) an officer of Revenue and Customs considers that section 554Z2(1) should not apply in the case of the relevant step concerned.
- (6) In this section, references to the “due date” in relation to a charge to tax under section 455 of CTA 2010 are references to the day on which the tax is due and payable (see section 455(3) of CTA 2010).]

**Textual Amendments**

- F5** S. 554Z2A inserted (with effect in accordance with Sch. 1 para. 14 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 1 para. 3\(2\)](#)

**554Z3 Value of relevant step** **U.K.**

- (1) If the relevant step involves a sum of money, its value is the amount of the sum.
- (2) In any other case, the value of the relevant step is—
- (a) the market value when the relevant step is taken of the asset which is the subject of the step, or

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- (b) if higher, the cost of the relevant step.
- (3) Subsection (2)(a) is subject to sections 437 and 452.
- (4) Subsection (2)(b) is to be ignored if—
  - (a) the relevant step is within section 554C(1)(c), and
  - (b) any of Chapters 2 to 4A of Part 7 apply by virtue of the acquisition.
- (5) Subsection (2)(b) is also to be ignored if section 554Z7 applies.
- (6) In subsection (2)(b) the reference to the cost of the relevant step is to the expense incurred in connection with the relevant step (including a proper proportion of any expense relating partly to the relevant step and partly to other matters) by the person or persons at whose cost the relevant step is taken.
- (7) Subsections (1) and (2) are subject to sections 554Z4, 554Z5, 554Z6, 554Z7 and 554Z8, which, so far as applicable, are to be applied in that order.

**Modifications etc. (not altering text)**

**C13** S. 554Z3(1) modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\), Sch. 11 para. 13\(2\)\(b\)](#)

**554Z4 Residence issues** **U.K.**

- (1) After the value of the relevant step is determined under section 554Z3, the particular tax year or years which the value of the relevant step is “for” are to be determined.
- (2) For this purpose, apply sections 16(1) to (4) and 17(1) to (3) as if the value of the relevant step were general earnings.
- [<sup>F6</sup>(3) Subsection (4) applies if the value of the relevant step, or a part of it, is “for”—
  - (a) a tax year for which A is non-UK resident, or
  - (b) a tax year that is a split year as respects A.
- (4) The value, or the part of it, is to be reduced—
  - (a) in a case within subsection (3)(a), by so much of the value, or the part of it, as is not in respect of UK duties, and
  - (b) in a case within subsection (3)(b), by so much of the value, or the part of it, as is both—
    - (i) attributable to the overseas part of the tax year, and
    - (ii) not in respect of UK duties.
- (5) The extent to which—
  - (a) the value, or the part of it, is not in respect of UK duties, or
  - (b) so much of the value, or the part of it, as is attributable to the overseas part of the tax year is not in respect of UK duties,
 is to be determined on a just and reasonable basis.]

[ Any attribution required for the purposes of subsection (4)(b)(i) is to be done on a just <sup>F7</sup>(5A) and reasonable basis.

(5B) “UK duties” means duties performed in the United Kingdom.]

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(6) This section does not change the tax year for which the value of the relevant step counts as employment income under section 554Z2(1).

[ Subsections (8) and (9) apply if—

- <sup>F8</sup>(7) (a) the relevant step is the payment of a lump sum,  
(b) the payment of the lump sum is the provision of a relevant benefit under an employer-financed retirement benefits scheme, and  
(c) the person by whom the lump sum is received is resident in the United Kingdom in the tax year in which the lump sum is received.

(8) If the lump sum is wholly in respect of rights which have accrued on or after 6 April 2017, there is no reduction under subsection (4).

(9) If the lump sum is wholly or partly in respect of rights which accrued before 6 April 2017, the amount of any reduction under subsection (4) is given by—

$$R \times A \text{ LS}$$

where—

A is so much of the lump sum as is in respect of rights which accrued before 6 April 2017,

LS is the amount of the lump sum, and

R is the amount which (ignoring this subsection) is given by subsection (4) as the amount of the reduction.

(10) In subsection (7)—

“employer-financed retirement benefits scheme” has the same meaning as in Chapter 2 of Part 6 (see section 393A), and

“relevant benefit” has the same meaning as in that Chapter (see section 393B).]

#### Textual Amendments

- F6** S. 554Z4(3)-(5) substituted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 68\(2\)](#)
- F7** S. 554Z4(5A)(5B) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 68\(3\)](#)
- F8** S. 554Z4(7)-(10) inserted (27.4.2017) by [Finance Act 2017 \(c. 10\)](#), [Sch. 3 para. 7](#)

#### [ <sup>F9</sup>554Z4A Temporary non-residents **U.K.**

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

(2) Any relevant step within subsection (3) is to be treated for the purposes of section 554Z2 as if it were taken in the period of return.

(3) A relevant step is within this subsection if—

- (a) it is the payment of a lump sum to a relevant person (see section 554C(2)),  
(b) the lump sum is a relevant benefit provided under a relevant scheme,  
(c) the step is taken in the temporary period of non-residence, and

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- (d) ignoring this section—
  - (i) no charge to tax arises by virtue of section 554Z2 by reason of the step, but
  - (ii) such a charge would arise 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 relevant step treated by virtue of this section as taken 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.]

#### Textual Amendments

- F9** S. 554Z4A inserted (with effect in accordance with Sch. 45 para. 153(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 126](#)

#### [<sup>F10</sup>554Z5] **Overlap with money or asset subject to earlier tax liability** **U.K.**

- (1) This section applies if there is overlap between—
  - (a) the sum of money or asset (“sum or asset P”) which is the subject of the relevant step, and
  - (b) a sum of money or asset (“sum or asset Q”) by reference to which, on an occasion that occurred before the relevant step is taken, A became subject to a liability for income tax (“the earlier tax liability”).
- (2) But this section does not apply where—
  - (a) the earlier tax liability arose by reason of a step within section 554B taken in a tax year before 6 April 2011, and
  - (b) the value of the relevant step is (or if large enough would be) reduced under paragraph 59 of Schedule 2 to FA 2011.
- (3) Where either the payment condition or the liability condition is met, the value of the relevant step is reduced (but not below nil) by an amount equal to so much of the sum of money, or (as the case may be) the value of so much of the asset, as is within the overlap.

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- (4) The payment condition is that, at the time the relevant step is taken—
- (a) the earlier tax liability has become due and payable, and
  - (b) either—
    - (i) it has been paid in full, or
    - (ii) the person liable for the earlier tax liability has agreed terms with an officer of Revenue and Customs for the discharge of that liability.
- (5) The liability condition is that, at the time the relevant step is taken, the earlier tax liability is not yet due and payable.
- (6) For the purposes of this section there is overlap between sum or asset P and sum or asset Q so far as it is just and reasonable to conclude that—
- (a) they are the same sum of money or asset, or
  - (b) sum or asset P directly, or indirectly, represents sum or asset Q.
- (7) Subsection (8) applies where—
- (a) the earlier tax liability arose by virtue of the application of this Chapter by reason of an earlier relevant step (the “earlier relevant step”), and
  - (b) reductions were made under this section to the value of the earlier relevant step.
- (8) Where this subsection applies, sum or asset P is treated as overlapping with any other sum of money or asset so far as the other sum of money or asset was treated as overlapping with sum or asset Q for the purposes of this section.
- (9) In subsection (1)(b)—
- (a) the reference to A includes a reference to any person linked with A, and
  - (b) the reference to a liability for income tax does not include a reference to a liability for income tax arising by reason of section 175 (benefit of taxable cheap loan treated as earnings).
- (10) In subsection (3) the reference to the value of the relevant step is a reference to that value—
- (a) after any reductions made to it under section 554Z4, this section or 554Z7, but
  - (b) before any reductions made to it under section 554Z6 or 554Z8.
- (11) For the purposes of subsection (4)(b)(i) a person is not to be regarded as having paid any tax by reason only of making—
- (a) a payment on account of income tax,
  - (b) a payment that is treated as a payment on account under section 223(3) of FA 2014 (accelerated payments), or
  - (c) a payment pending determination of an appeal made in accordance with section 55 of TMA 1970.]

[ See paragraphs 4(5) and (6) and 12(4) and (5) of Schedule 11 of F(No. 2)A 2017) for <sup>F11</sup>(12) provision about the effect of subsection (3) in certain cases where the relevant step is within paragraph 1 of that Schedule.]

#### Textual Amendments

**F10** S. 554Z5 substituted (with effect in accordance with Sch. 6 para. 13 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 6 para. 10](#)



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**F11** S. 554Z5(12) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 46\(6\)](#)

**Modifications etc. (not altering text)**

**C14** S. 554Z5(3) excluded (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 12\(5\)](#)

**554Z6 Overlap with certain earnings** **U.K.**

- (1) This section applies if the relevant step gives rise to relevant earnings of A from A's employment with B—
  - (a) which are, in accordance with section 16 and (if applicable) section 17, “for” a tax year in which A is UK resident [<sup>F12</sup>(and, in the case of a tax year that is a split year as respects A, are not “excluded” by virtue of section 15(1A) (a) and (b)(i))], or
  - (b) which are, in accordance with section 29 and (if applicable) section 30, “for” a tax year in which A is non-UK resident but which are in respect of duties performed in the United Kingdom for the purposes of section 27(1)(a).
- (2) The value of the relevant step (after any reductions under section 554Z4 or 554Z5) is reduced (but not below nil) by the amount of the relevant earnings.
- (3) For the purposes of this section the following are “relevant” earnings—
  - (a) earnings within Chapter 1 of Part 3,
  - (b) amounts treated as earnings under Chapter 12 of Part 3, and
  - (c) a deemed employment payment under section 50 or any part of such a payment.
- (4) But anything which is exempt income, or which falls within Chapter 3 of Part 4 of ITTOIA 2005, is not “relevant”.

**Textual Amendments**

**F12** Words in s. 554Z6(1)(a) inserted (with effect in accordance with Sch. 45 para. 153(2) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 45 para. 69](#)

**554Z7 Exercise price of share options** **U.K.**

- (1) Subsection (3) applies if—
  - (a) the relevant step is a step within section 554B (other than one treated as being taken by section 554L(5), (7) or (9) or 554M(4), (6) or (8)),
  - (b) B is a company,
  - (c) there is an arrangement (“B's employee share scheme”) under which, in respect of A's employment with B, a right (“a relevant share option”) may be granted to A—
    - (i) to acquire relevant shares, or
    - (ii) to receive a sum of money the amount of which is to be determined by reference to the market value of any relevant shares at the time the sum is to be paid,
  - (d) in order to exercise the relevant share option so as—
    - (i) to acquire the relevant shares, or
    - (ii) to receive the sum of money,



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- A would, under the terms of the option, have to pay a sum of money the amount of which can be determined at the time of the grant of the option,
- (e) the subject of the relevant step is relevant shares (“earmarked shares”) which are earmarked, or otherwise start being held, solely with a view to providing shares, or paying a sum of money, pursuant to—
    - (i) a relevant share option granted to A under B's employee share scheme as mentioned in paragraph (c) in relation to which the requirements of paragraph (d) are met, or
    - (ii) a relevant share option which is expected to be granted to A under B's employee share scheme as mentioned in paragraph (c) and in relation to which the requirements of paragraph (d) would be met,
  - (f) the number of relevant shares of any type which are earmarked shares does not exceed the maximum number of relevant shares of that type which might reasonably be expected to be needed for providing shares, or paying a sum of money, pursuant to the relevant share option which is granted or expected to be granted, and
  - (g) there is no connection (direct or indirect) between the relevant step and a tax avoidance arrangement.
- (2) Subsection (3) also applies if—
- (a) the relevant step is a step treated as being taken by section 554L(9) or 554M(8), and
  - (b) in order to exercise the relevant share option to which the step relates so as—
    - (i) to acquire the shares which are the subject of the relevant step, or
    - (ii) to receive the sum of money determined by reference to the market value of those shares,
- A would, under the terms of the option, have to pay a sum of money the amount of which can be determined at the time the option is granted.
- (3) The value of the relevant step (after any reductions under sections 554Z4 to 554Z6) is to be reduced (but not below nil) by—
- (a) the amount of the sum of money which A would have to pay as mentioned in subsection (1)(d) or (2)(b), or
  - (b) if the value of the relevant step was reduced under section 554Z4, X% of the amount of that sum of money.
- (4) In subsection (3)(b) “X%” means the proportion of the value of the relevant step (as determined under section 554Z3) left after the reduction under section 554Z4.
- (5) If subsection (3) applies by virtue of subsection (1) and the relevant step is taken in relation to an expected grant of a relevant share option as mentioned in subsection (1)(e)(ii), subsection (7) applies if—
- (a) the grant is not made before the end of the date (“the final grant date”) falling immediately after the period of three months starting with the date on which the relevant step is taken, and
  - (b) as at the end of the final grant date, any of the earmarked shares continue to be held by or on behalf of P solely on the basis mentioned in subsection (1)(e).
- (6) If subsection (3) applies by virtue of subsection (1), subsection (7) also applies if at any time after the taking of the relevant step—
- (a) any of the earmarked shares cease to be held by or on behalf of P solely on the basis mentioned in subsection (1)(e), but

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- (b) the shares continue to be held by or on behalf of P on the basis mentioned in section 554B(1)(a) or (b).
- (7) This Part has effect as if a relevant step within section 554B were taken at the end of the final grant date or when the shares cease to be held as mentioned in subsection (6)—
  - (a) the subject of which is the earmarked shares mentioned in subsection (5)(b) or (6), and
  - (b) by reason of which this Chapter is to apply (subject only to section 554A(4)).
- (8) In this section “relevant shares” has the meaning given by section 554I(4).

### **554Z8 Cases where consideration given for relevant step** U.K.

- (1) Subsection (2) applies if—
  - (a) the relevant step is a step within section 554C(1)(a) to (c),
  - (b) the relevant step is for consideration given by A in the form of the transfer of an asset to P from A,
  - (c) the transfer by A of the asset is made before, or at or about, the time the relevant step is taken and is not by way of a loan, and
  - (d) there is no connection (direct or indirect) between the transfer by A of the asset and a tax avoidance arrangement.
- (2) The value of the relevant step (after any reductions under sections 554Z4 to 554Z6) is reduced (but not below nil) by—
  - (a) the market value of the asset transferred by A at the time of its transfer, or
  - (b) if the value of the relevant step was reduced under section 554Z4, X% of that market value.
- (3) For the purposes of subsection (1)(d) it is (in particular) to be assumed that the transfer by A of the asset is connected with a tax avoidance arrangement if—
  - (a) before the transfer, the asset was transferred to A by another person by way of a loan, or
  - (b) the asset is, or carries with it, any rights or interests under the relevant arrangement or any arrangement which is connected (directly or indirectly) with the relevant arrangement.
- (4) In subsection (3)(b) “the relevant arrangement” has the meaning given by section 554A(1)(b).
- (5) Subsection (6) applies if—
  - (a) the relevant step is a step within section 554C(1)(b) or (c) or (e) or 554D and does not also involve a sum of money,
  - (b) the relevant step is for consideration given by A in the form of the payment of a sum of money to P by A, <sup>F13</sup> ...
  - (c) the payment is made before, or at or about, the time the relevant step is taken<sup>F14</sup>, and
  - (d) there is no connection (direct or indirect) between the payment and a tax avoidance arrangement.]
- (6) The value of the relevant step (after any reductions under sections 554Z4 to 554Z6) is reduced (but not below nil) by—
  - (a) the amount of the consideration given, or

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- (b) if the value of the relevant step was reduced under section 554Z4, X% of the amount of that consideration.
- (7) In subsections (2)(b) and (6)(b) “X%” means the proportion of the value of the relevant step (as determined under section 554Z3) left after the reduction under section 554Z4.
- (8) In this section references to A include references to any person linked with A.

#### Textual Amendments

- F13** Word in s. 554Z8(5)(b) omitted (with effect in accordance with s. 18(9) of the amending Act) by virtue of Finance Act 2016 (c. 24), s. 18(3)
- F14** S. 554Z8(5)(d) and word inserted (with effect in accordance with s. 18(9) of the amending Act) by Finance Act 2016 (c. 24), s. 18(3)

#### Remittance basis

#### 554Z9 Remittance basis: <sup>F15</sup>A does not meet section 26A requirement] U.K.

- (1) <sup>F16</sup>Subsections (2) and (2A) apply] if—
- 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,
  - section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to A for the relevant tax year,
  - <sup>F17</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),]
  - A's employment with B in the relevant tax year is employment with a foreign employer, and
  - the duties of A's employment with B in the relevant tax year are performed wholly outside the United Kingdom.

[ But <sup>F19</sup>subsections (2) and (2A) do not apply] if section 24A applies in relation to A's <sup>F18</sup>(1A) employment with B for the relevant tax year.]

- (2) <sup>F20</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>F21</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>F22</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 has associated employments, and
  - the duties of the associated employments are not performed wholly outside the United Kingdom.

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- (5) The amount of A's employment income to which [F23 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 [F24 (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 [F25 (or the UK part of it)], and
  - (d) all other relevant circumstances,
- and, if the amount of A's employment income to which [F26 subsection (2) or (2A)] would otherwise apply exceeds that limit, the amount of A's employment income to which [F27 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

- F15** 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)
- F16** Words in s. 554Z9(1) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(2\)](#)
- F17** 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)
- F18** 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](#)
- F19** Words in s. 554Z9(1A) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(3\)](#)
- F20** Words in s. 554Z9(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(4\)](#)
- F21** S. 554Z9(2A) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(5\)](#)
- F22** Words in s. 554Z9(3) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(6\)](#)
- F23** Words in s. 554Z9(5) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(7\)\(a\)](#)
- F24** 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\(a\)](#)
- F25** 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\(b\)](#)
- F26** Words in s. 554Z9(5) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 40\(7\)\(b\)\(i\)](#)
- F27** 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: [F28 A meets section 26A requirement] **U.K.**

- (1) [F29 Subsections (2) and (2A) apply] if—

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- [<sup>F30</sup>(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
- [<sup>F31</sup>(c) A meets the requirement of section 26A for the relevant tax year (reading references there to the employee as references to A).]
- [<sup>F32</sup>(2) [<sup>F33</sup>Except 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 <sup>F34</sup>(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 <sup>F35</sup>(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.]
- (3) For [<sup>F36</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>F37</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

- F28** 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](#))
- F29** Words in s. 554Z10(1) substituted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 41\(2\)](#)
- F30** 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\(2\)](#)
- F31** 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](#))
- F32** 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\(3\)](#)

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- F33** Words in s. 554Z10(2) inserted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), **Sch. 11 para. 41(3)**
- F34** S. 554Z10(2AA) inserted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), **Sch. 11 para. 41(4)**
- F35** 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)**
- F36** 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)**
- F37** 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 **U.K.**

- (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>F38</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.
- (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 [<sup>F39</sup>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 [<sup>F40</sup>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—



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- (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

- F38** Words in s. 554Z11(4) substituted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 11 para. 42(2)
- F39** Words in s. 554Z11(5) substituted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 11 para. 42(3)
- F40** Words in s. 554Z11(6) substituted (16.11.2017) by Finance (No. 2) Act 2017 (c. 32), Sch. 11 para. 42(4)

### **Temporary non-residents** **U.K.**

#### **F41 554Z11A**

- (1) This section applies if A is temporarily non-resident.
- (2) Any amount within subsection (3) is to be treated for the purposes of section 554Z9(2) [<sup>F42</sup>or (2A)] or (as the case may be) 554Z10(2) [<sup>F43</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.



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(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

- F41** 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**
- F42** Words in s. 554Z11A(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 11 para. 43(2)(a)**
- F43** Words in s. 554Z11A(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), **Sch. 11 para. 43(2)(b)**

*[<sup>F44</sup>Double taxation: earlier income tax liability*

#### Textual Amendments

- F44** [Ss. 554Z11B-554Z11G](#) and cross-heading inserted (with effect in accordance with Sch. 6 para. 15(2) (3) of the amending Act) by [Finance Act 2017 \(c. 10\)](#), **Sch. 6 para. 11**

### **554Z11B** ~~Earlier income tax liability: application of section 554Z11C~~ **U.K.**

- (1) Section 554Z11C applies if the conditions in subsections (2) and (3) are met.
- (2) The first condition is that there is overlap between—
- (a) the sum of money or asset (“sum or asset P”) which is the subject of the relevant step, and
  - (b) a sum of money or asset (“sum or asset Q”) by reference to which, on an occasion that occurred before the relevant step is taken, A became subject to a liability for income tax (“the earlier tax liability”).
- (3) The second condition is that at the time the relevant step is taken—
- (a) an amount is payable by a person (the “liable person”) in respect of the earlier tax liability, but the whole or part of that amount is unpaid and not otherwise accounted for, and
  - (b) the liable person has not agreed any terms with an officer of Revenue and Customs for the discharge of the earlier tax liability.
- (4) For the purposes of this section there is overlap between sum or asset P and sum or asset Q so far as it is just and reasonable to conclude that—
- (a) they are the same sum of money or asset, or
  - (b) sum or asset P directly, or indirectly, represents sum or asset Q.

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- (5) In subsection (2)(b)—
- (a) the reference to A includes a reference to any person linked with A, and
  - (b) the reference to a liability for income tax does not include a reference to a liability for income tax arising by reason of section 175 (benefit of taxable cheap loan treated as earnings).

### **554Z11C Earlier income tax liability: treatment of payments** **U.K.**

- (1) In this section—
- (a) “the earlier charge” means so much of the earlier tax liability as relates to the overlap between sum or asset P and sum or asset Q, and
  - (b) “the Chapter 2 overlap charge” means so much of the Chapter 2 tax liability as relates to the overlap between sum or asset P and sum or asset Q.
- (2) The amount of a tax liability that relates to the overlap between sum or asset P and sum or asset Q is to be determined on a just and reasonable basis.
- (3) Subsection (4) applies where, after the relevant step is taken, an amount (the “earlier charge paid amount”) is paid in respect of all or part of—
- (a) the earlier charge, or
  - (b) any late payment interest in respect of the charge.
- (4) An amount equal to the earlier charge paid amount is treated as a payment on account of—
- (a) the Chapter 2 overlap charge, or
  - (b) if that charge has been paid in full, any late payment interest payable in respect of the charge.
- (5) Except where subsection (10) applies, subsection (6) applies where an amount (the “Chapter 2 paid amount”) is paid in respect of all or part of—
- (a) the Chapter 2 overlap charge, or
  - (b) any late payment interest in respect of the charge.
- (6) An amount equal to the Chapter 2 paid amount is treated as a payment on account of—
- (a) the earlier charge, or
  - (b) if the earlier charge has been paid in full, any late payment interest payable in respect of the charge.
- (7) Subsection (10) applies where—
- (a) the condition in 554Z11B(2) is met because there is overlap between sum or asset P and each of two or more items within section 554Z11B(2)(b), and
  - (b) an amount (the “Chapter 2 aggregate paid amount”) is paid in respect of all or part of—
    - (i) two or more relevant Chapter 2 overlap charges, or
    - (ii) any late payment interest in respect of any of those charges.
- (8) In subsection (7)(b), “relevant Chapter 2 overlap charge” means so much of the Chapter 2 tax liability as relates to the overlap between sum or asset P and one of those items within section 554Z11B(2)(b).
- (9) For the purposes of subsection (10)—

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- (a) in the case of each of those items, the “earlier charge” in respect of the overlap between sum or asset P and the item is so much of the liability mentioned in section 554Z11B(2)(b) in the case of the item as relates to the overlap, and
  - (b) the Chapter 2 aggregate paid amount is to be allocated, in such proportions as are just and reasonable in all the circumstances, between the earlier charges given by paragraph (a).
- (10) The amount allocated to an earlier charge under subsection (9) is treated as a payment on account of—
- (a) the earlier charge to which it is allocated, and
  - (b) if the earlier charge has been paid in full, any late payment interest payable in respect of the charge.
- (11) In this section—
- “late payment interest” means interest payable under—
- (a) section 86 of TMA 1970,
  - (b) section 101 of FA 2009, or
  - (c) regulation 82 of the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682);
- “Chapter 2 tax liability” means the liability for income tax arising by virtue of the application of Chapter 2 by reason of the relevant step.

#### **554Z11E** Earlier income tax liability: provisional payments of tax **U.K.**

- (1) Subsection (2) applies for the purposes of—
  - (a) section 554Z11B(3)(a), and
  - (b) section 554Z11C(3), (4)(b), (7)(b) and (10)(b).
- (2) A person is not to be regarded as having paid, or otherwise accounted for, any tax by reason only of making a provisional payment of tax, except in accordance with an application granted under section 554Z11E.
- (3) In this Part, “provisional payment of tax” means—
  - (a) a payment on account of income tax,
  - (b) a payment that is treated as a payment on account under section 223(3) of FA 2014 (accelerated payments), or
  - (c) a payment pending determination of an appeal made in accordance with section 55 of TMA 1970.
- (4) The reference in subsection (3)(a) to a payment on account of income tax does not include a reference to a payment treated under section 554Z11C as a payment on account of a tax liability.

#### **554Z11E** Application for provisional payments to be treated as payment of tax **U.K.**

- (1) A person may make an application to Her Majesty's Revenue and Customs for a provisional payment of tax to be treated for the purposes of section 554Z11C as—
  - (a) an earlier charge paid amount,
  - (b) a Chapter 2 paid amount, or
  - (c) a Chapter 2 aggregate paid amount.

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- (2) Where an application under subsection (1) is granted, the provisional payment of tax to which it relates may not be repaid.
- (3) An application for approval must be made in such form and manner, and contain such information, as may be specified by, or on behalf of, the Commissioners for Her Majesty's Revenue and Customs.
- (4) An officer of Revenue and Customs must notify the applicant of the decision on an application.

#### **554Z11F**Provisional payments of tax: further provision **U.K.**

- (1) This section applies in a case to which section 554Z11C applies (see section 554Z11B(1)).
- (2) If a provisional payment of tax is made in respect of an earlier charge in relation to an overlap, it is to be treated as also being made in respect of the Chapter 2 overlap charge in relation to the overlap.
- (3) If a provisional payment of tax is made in respect of a Chapter 2 overlap charge in relation to an overlap, it is to be treated as also being made in respect of the earlier charge in relation to the overlap.
- (4) If section 554Z11C(10) applies in a case (see section 554Z11C(7)) and a provisional payment of tax is made in respect of two or more relevant Chapter 2 overlap charges—
  - (a) the amount of the provisional payment of tax is to be allocated, in such proportions as are just and reasonable in all the circumstances, between those relevant Chapter 2 overlap charges, and
  - (b) a provisional payment of tax, equal to the amount allocated to the relevant Chapter 2 overlap charge relating to any particular overlap, is to be treated as also being made in respect of the earlier charge given by section 554Z11C(9) in respect of that overlap.
- (5) Subsection (6) applies if—
  - (a) the provisional payment of tax is repaid, and
  - (b) late payment interest on the earlier charge or the Chapter 2 overlap charge would have accrued during the relevant period if the provisional payment of tax had not been made.
- (6) The late payment interest mentioned in subsection (5) is treated as having accrued as if the provisional payment of tax had not been made.
- (7) For the purposes of subsection (5), the “relevant period” is the period beginning on the day on which the provisional payment of tax is made and ending with the day on which the repayment is made.

#### **554Z11G**Earlier income tax liability: supplementary provision **U.K.**

- (1) This section applies in a case to which section 554Z11C applies (see section 554Z11B(1)).
- (2) Subsection (3) applies where an employer is treated by virtue of section 687A or 695A as making a payment of income (“the notional payment”) by reason of the value of the relevant step, of which sum or asset P is the subject, counting as employment income.

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- (3) The reference in section 222 (payments by employer on account of tax where deduction not possible) to the notional payment is to be treated as a reference to that payment reduced by an amount equal to so much of the sum of money or (as the case may be) the value of so much of the asset—
  - (a) as is within the overlap, and
  - (b) in relation to which an amount is treated under section 554Z11C as a payment on account of either the earlier charge or the Chapter 2 overlap charge.
- (3) Subsection (4) applies for the purposes of sections 65(5)(b) and 70(3)(b) of the Inheritance Tax Act 1984 (tax relief for payments which are income of a person for income tax purposes etc).
- (4) The value of the relevant step of which sum or asset P is the subject is to be treated as reduced by an amount equal to so much of the sum of money or (as the case may be) the value of so much of the asset —
  - (a) as is within the overlap, and
  - (b) in relation to which an amount is treated under section 554Z11C as a payment on account of either the earlier charge or the Chapter 2 overlap charge.]

#### *Supplementary*

#### **554Z12 Relevant step taken after A's death etc** U.K.

- (1) Subsection (3), (4) or (5) (as the case may be) applies if the relevant step is a step within section 554C [<sup>F45</sup>, by virtue of subsection (1)(a) or (b) to (e) of that section,] or 554D and—
  - (a) the relevant step is taken on or after A's death, or
  - (b) if relevant, any of A's employment income by virtue of section 554Z2(1) is remitted to the United Kingdom on or after A's death.

But none of those subsections applies if A's employment with B never started before A's death.
- (2) In subsections (3) to (5) “the relevant person” means the relevant person (within the meaning of section 554C(1) or 554D(1) or (2)) in relation to the relevant step.
- (3) If the relevant person is A, A's personal representatives are liable for, as the case may be, the income tax on—
  - (a) A's employment income by virtue of section 554Z2(1), or
  - (b) so much of that income as is remitted.
- (4) If the relevant person is an individual other than A, the amount which, as the case may be—
  - (a) counts as employment income of A, or
  - (b) is remitted,

is to count as an amount of employment income of the relevant person for the tax year in which the relevant step is taken or the income is remitted.
- (5) If the relevant person is not an individual, the relevant taxable person is chargeable to income tax on the amount which, as the case may be—
  - (a) counts as employment income of A, or
  - (b) is remitted.

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- (6) In subsection (5) “the relevant taxable person” is to be read as follows—
- (a) if the person (or any of the persons) who took the relevant step is UK resident, “the relevant taxable person” is the person (or each of the UK resident persons) who took the relevant step,
  - (b) if paragraph (a) does not apply and B is still alive or in existence when the relevant step is taken, “the relevant taxable person” is B, or
  - (c) if neither paragraph (a) nor paragraph (b) applies, “the relevant taxable person” is the non-UK resident person (or each of the non-UK resident persons) who took the relevant step.
- (7) For the purposes of subsection (5)—
- (a) the rate of tax is the rate applying for the purposes of section 394(2) (see section 394(4)) at the time of the relevant step or remittance of income, and
  - (b) the tax is charged for the tax year in which the relevant step is taken or the income is remitted.
- (8) If there is more than one relevant person in relation to the relevant step, the amount which, as the case may be—
- (a) counts as employment income of A, or
  - (b) is remitted,
- is to be apportioned between the relevant persons on a just and reasonable basis with subsections (3) to (5) applying accordingly.
- [ Section 554Z4A and section 554Z11A apply for the purposes of subsection (4) as <sup>F46</sup>(9) for the purposes of section 554Z2 and section 554Z9(2) or 554Z10(2) respectively (reading references in sections 554Z4A and 554Z11A to “A” as references to “the relevant person”).
- (10) But those sections do not apply for the purposes of subsection (4) if the relevant person's temporary period of non-residence began before A died.]

#### Textual Amendments

- F45** Words in s. 554Z12(1) inserted (with effect in accordance with Sch. 6 para. 13 of the amending Act) by Finance Act 2017 (c. 10), Sch. 6 para. 7
- F46** S. 554Z12(9)(10) inserted (with effect in accordance with Sch. 45 para. 153(3) of the amending Act) by Finance Act 2013 (c. 29), Sch. 45 para. 128

### 554Z13 Subsequent income tax liability **U.K.**

- (1) This section applies if—
- (a) after the relevant step is taken, another event (“the later event”) occurs,
  - (b) other than by virtue of—
    - (i) this Chapter,
    - (ii) Chapters 2 to 5 of Part 7, or
    - (iii) Part 9,the later event would (apart from this section) give rise to a liability for income tax of A or any other person on an amount (“the later amount”), and



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- (c) it is just and reasonable for this section to apply in order to avoid a double charge to income tax in respect of the sum of money or asset which is the subject of the relevant step.
- (2) So far as it is just and reasonable in order to avoid a double charge to income tax as mentioned in subsection (1)(c), there is to be no liability to income tax on the later amount by virtue of the later event.

#### **554Z14 Relief where earmarking not followed by further relevant step** U.K.

- (1) An application for relief may be made by A (or, if A has died, A's personal representatives) to an officer of Revenue and Customs if—
- (a) this Chapter has applied by reason of a relevant step (“the original relevant step”) within section 554B taken by a person (“P”),
  - (b) there occurs an event (“the relevant event”) which is not a relevant step in relation to a relevant sum or asset,
  - (c) by reason of the relevant event no further relevant step is or will be taken by P or any other person in relation to any relevant sum or asset, and
  - (d) there is no connection (direct or indirect) between the relevant event and a tax avoidance arrangement.
- (2) In section 554Z(15) the reference to the avoidance of tax includes (in particular) a reference to the avoidance of tax by way of obtaining relief under this section.
- (3) In subsection (1) “relevant sum or asset” means—
- (a) the sum of money or asset which is the subject of the original relevant step, or
  - (b) a sum of money or asset which (directly or indirectly) has arisen or derived, or may arise or derive, from the sum of money or asset mentioned in paragraph (a).
- (4) The application for relief must be made within four years from the time when the relevant event occurs.
- (5) If an officer of Revenue and Customs is satisfied that the requirements in subsection (1) are met, the officer must give such relief as the officer considers just and reasonable (if any) in respect of income tax paid on any previously charged amount.
- (6) In subsection (5) “previously charged amount” means—
- (a) the amount which counted as employment income of A under this Chapter as a result of this Chapter applying by reason of the original relevant step, or
  - (b) any amount treated by section 222 as earnings of A in relation to the notional payment (within the meaning of that section) which B is treated as having made by virtue of the original relevant step.
- (7) Subsection (8) applies if, by virtue of this Chapter having applied by reason of the original relevant step, any tax liability of A or any other person arising from another event is reduced (including to nil) by virtue of section 554Z5 or 554Z13 or otherwise.
- (8) In determining what is a just and reasonable amount of relief, the officer of Revenue and Customs must have regard (in particular) to the reduction in the tax liability and reduce the amount of relief which would otherwise have been given accordingly (including to nil).
- (9) The relief is to be given by repayment or otherwise as appropriate.



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- (10) In relation to times after the relief is given, the Tax Acts have effect as if this Chapter had never applied by reason of the original relevant step.

#### **554Z15 Location of employment duties** **U.K.**

The following provisions apply for the purposes of this Chapter—

- (a) section 38 (but as if references to general earnings were to the value of the relevant step or a part of it),
- (b) section 39(1) and (2),
- (c) section 40 (but as if in subsections (3) and (4) references to section 24(1)(b) were to section 554Z9(4)(b)), and
- (d) section 41 (but as if references to general earnings were to the value of the relevant step or a part of it).]

**Changes to legislation:**

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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. 707A inserted by [2024 c. 3 s. 36\(4\)](#)