

---

*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Cross Heading: What is lower-paid employment is up to date with all changes known to be in force on or before 13 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

---



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

### CHAPTER 11

TAXABLE BENEFITS: EXCLUSION OF LOWER-PAID  
EMPLOYMENTS FROM PARTS OF BENEFITS CODE

*What is lower-paid employment*

#### **217 Meaning of “lower-paid employment”**

- (1) For the purposes of this Chapter an employment is “lower-paid employment” in relation to a tax year if the earnings rate for the employment for the year (calculated under section 218) is less than £8,500.
- (2) Subsection (1) is subject to section 220 (employment in two or more related employments).

#### **218 Calculation of earnings rate for a tax year**

- (1) For any tax year the earnings rate for an employment is to be calculated as follows—

*Step 1*

Find the total of the following amounts—

- (a) the total amount of the earnings from the employment for the year within Chapter 1 of this Part,

**Status:** Point in time view as at 01/04/2010.

**Changes to legislation:** *Income Tax (Earnings and Pensions) Act 2003, Cross Heading: What is lower-paid employment is up to date with all changes known to be in force on or before 13 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

- (b) the total of any amounts that are treated as earnings from the employment for the year under the benefits code (see subsections (2) and (3)),
- (c) the total of any amounts that are treated as earnings from the employment for the year under Chapter 12 of this Part (payments treated as earnings), and
- (d) in the case of an employment within section 56(2) (deemed employment of worker by intermediary), the amount of the deemed employment payment for the year (see section 54), [<sup>F1</sup>and
- (e) in the case of an employment within section 61G(2) (deemed employment payment by managed service company), the total amount of deemed employment payments for the year.]

excluding any exempt income [<sup>F2</sup>, other than any attributable to section 290A or 290B (accommodation outgoings of ministers of religion).]

#### *Step 2*

Add to that total any extra amount required to be added for the year by section 219 (extra amounts to be added in connection with a car).

#### *Step 3*

Subtract the total amount of any authorised deductions (see subsection (4)) from the result of step 2.

#### *Step 4*

The earnings rate for the employment for the year is given by the formula—

$$R \times \frac{Y}{E}$$

where—

R is the result of step 3,

Y is the number of days in the year, and

E is the number of days in the year when the employment is held.

- (2) Section 216(1) (provisions not applicable to lower-paid employment) is to be disregarded for the purpose of determining any amount under step 1.
- (3) If the benefit of living accommodation is to be taken into account under step 1, the cash equivalent is to be calculated in accordance with section 105 (even if the cost of providing the accommodation exceeds £75,000).
- (4) For the purposes of step 3 “authorised deduction” means any deduction that would (assuming it was an amount of taxable earnings) be allowed from any amount within step 1 under—
  - section 346 (employee liabilities),
  - section 352 (agency fees paid by entertainers),
  - section 355 (corresponding payments by non-domiciled employees with foreign employers),
  - section 368 (fixed sum deductions from earnings payable out of public revenue),
  - section 370 (travel costs and expenses where duties performed abroad: employee’s travel),

*Status: Point in time view as at 01/04/2010.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Cross Heading: What is lower-paid employment is up to date with all changes known to be in force on or before 13 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

section 371 (travel costs and expenses where duties performed abroad: visiting spouse's<sup>F3</sup>, civil partner's] or child's travel),  
 section 373 (non-domiciled employee's travel costs and expenses where duties performed in UK),  
 section 374 (non-domiciled employee's spouse's<sup>F3</sup>, civil partner's] or child's travel costs and expenses where duties performed in UK),  
 section 376 (foreign accommodation and subsistence costs and expenses (overseas employments)),  
 section 377 (costs and expenses in respect of personal security assets and services),  
 section 713 (payroll giving to charities),  
 [<sup>F4</sup>sections 188 to 194 of FA 2004 (contributions to registered pension schemes), or]  
 section 262 of CAA 2001 (capital allowances to be given effect by treating them as deductions).

#### Textual Amendments

- F1** Words in s. 218(1) inserted (retrospective to 6.4.2007) by [Finance Act 2007 \(c. 11\), s. 25\(2\), Sch. 3 para. 5](#)
- F2** Words in s. 218(1) inserted (with effect in accordance with art. 2(4) of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2010 \(S.I. 2010/157\), arts. 1, 2\(2\)](#)
- F3** Words in s. 218(4) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\), regs. 1\(1\), 142](#)
- F4** Words in s. 218(4) substituted (6.4.2006) by [Finance Act 2004 \(c. 12\), s. 284\(1\), Sch. 35 para. 58](#) (with [Sch. 36](#))

## 219 Extra amounts to be added in connection with a car

- (1) The provisions of this section apply for the purposes of section 218(1) in the case of a tax year in which a car is made available as mentioned in section 114(1) (cars, vans and related benefits) by reason of the employment.
- (2) Subsection (3) applies if in the tax year—
- an alternative to the benefit of the car is offered, and
  - the amount that would be earnings within Chapter 1 of this Part if the benefit of the car were to be determined by reference to the alternative offered exceeds the benefit code earnings (see subsection (4)).
- (3) The amount of the excess is an extra amount to be added under step 2 in section 218(1).
- (4) For the purposes of subsection (2) “the benefit code earnings” is the total for the year of—
- the cash equivalent of the benefit of the car (calculated in accordance with Chapter 6 of this Part), and
  - the cash equivalent (calculated in accordance with that Chapter) of the benefit of any fuel provided for the car by reason of the employment.

<sup>F5</sup>(5) .....

<sup>F5</sup>(6) .....

---

**Status:** Point in time view as at 01/04/2010.

**Changes to legislation:** *Income Tax (Earnings and Pensions) Act 2003, Cross Heading: What is lower-paid employment is up to date with all changes known to be in force on or before 13 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)*

---

(7) Section 216(1) (provisions not applicable to lower-paid employment) is to be disregarded for the purpose of determining any amount under this section.

---

**Textual Amendments**

**F5** S. 219(5)(6) repealed (with effect in accordance with s. 62(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), s. 62(1), [Sch. 27 Pt. 2\(19\)](#)

**Status:**

Point in time view as at 01/04/2010.

**Changes to legislation:**

Income Tax (Earnings and Pensions) Act 2003, Cross Heading: What is lower-paid employment is up to date with all changes known to be in force on or before 13 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.