



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 4

#### EMPLOYMENT INCOME: EXEMPTIONS

### CHAPTER 7

#### EXEMPTIONS: REMOVAL BENEFITS AND EXPENSES

#### *Exemption of removal benefits and expenses: general*

#### **271 Limited exemption of removal benefits and expenses: general**

- (1) No liability to income tax in respect of earnings arises by virtue of—
  - (a) the provision of removal benefits to which this section applies, or
  - (b) the payment or reimbursement of removal expenses to which this section applies.
- (2) Subsection (1) does not apply if (disregarding this section) the earnings are general earnings to which either of the following sections applies—
  - (a) section 22 (chargeable overseas earnings for year when employee resident and ordinarily resident, but not domiciled, in UK), or
  - (b) section 26 (foreign earnings for year when employee resident, but not ordinarily resident, in UK).
- (3) Subsection (1) is subject to section 287 (limit on exemption).

#### **272 Removal benefits and expenses to which section 271 applies**

- (1) Benefits are removal benefits to which section 271 applies if—

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- (a) they are reasonably provided in connection with a change of the employee's residence which meets the conditions in section 273,
  - (b) they are provided on or before the limitation day (see section 274), and
  - (c) they are within subsection (2) or one of the following provisions—
    - (i) section 277 (acquisition benefits and expenses),
    - (ii) section 278 (abortive acquisition benefits and expenses),
    - (iii) section 279 (disposal benefits and expenses),
    - (iv) section 280 (transporting belongings),
    - (v) section 281 (travelling and subsistence),
    - (vi) section 285 (replacement of domestic goods).
- (2) A benefit is within this subsection if it is a non-cash voucher, cash voucher or credit-token used—
- (a) to obtain goods or services the direct provision of which would be a benefit within one of the provisions specified in subsection (1)(c)(i) to (vi), or
  - (b) to obtain money for the purpose of obtaining such goods or services or meeting expenses within one of those provisions or section 284 (bridging loan expenses).
- (3) Expenses are removal expenses to which section 271 applies if—
- (a) they are reasonably incurred by the employee in connection with a change of the employee's residence which meets the conditions in section 273,
  - (b) they are incurred on or before the limitation day, and
  - (c) they are within one of the provisions referred to in subsection (1)(c)(i) to (vi) or within section 284 (bridging loan expenses).

### **273 Conditions applicable to change of residence**

- (1) The conditions referred to in section 272(1)(a) and (3)(a) which apply to the change of the employee's residence are conditions A to C.
- (2) Condition A is that the change of residence results from one of the following changes—
  - (a) the employee becoming employed,
  - (b) an alteration of the duties of the employment, or
  - (c) an alteration of the place where the employee is normally to perform those duties.
- (3) Condition B is that the change of residence is made wholly or mainly to allow the employee to reside within a reasonable daily travelling distance of the place where the employee normally performs or is normally to perform the duties of the employment after the employment change (see section 275).
- (4) Condition C is that the employee's former residence is not within a reasonable daily travelling distance of that place.

### **274 Meaning of “the limitation day”**

- (1) In this Chapter “the limitation day”, in relation to an employee's change of residence, means the last day of the tax year after that in which the employee begins to perform

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the duties of the employment after the employment change, but this is subject to any direction under subsection (2).

- (2) The Inland Revenue may direct that the last day of a later tax year is the limitation day in relation to any particular change of residence if it appears to them reasonable to do so having regard to all the circumstances of that change.

## **275 Meaning of “the employment change”**

In this Chapter “the employment change”, in relation to an employee’s change of residence, means whichever of the changes specified in section 273(2) results in the change of residence.

## **276 Meaning of “residence”, “former residence” and “new residence” etc.**

- (1) If an employee has more than one residence, references in this Chapter to the employee’s residence are references to the employee’s main residence.
- (2) In this Chapter, in relation to a change of the employee’s residence—
  - (a) references to the former residence are references to the employee’s residence before the change, and
  - (b) references to the new residence are references to the employee’s residence after the change.
- (3) In this Chapter references to an interest in a residence are, in the case of a building, references to an estate or interest in the land concerned.

**Status:**

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