



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 6

EMPLOYMENT INCOME: INCOME WHICH IS NOT EARNINGS OR SHARE-RELATED

CHAPTER 3

PAYMENTS AND BENEFITS ON TERMINATION OF EMPLOYMENT ETC.

Payments and benefits treated as employment income

403 Charge on payment or other benefit

- (1) The amount of a payment or benefit to which this Chapter applies counts as employment income of the employee or former employee for the relevant tax year if and to the extent that it exceeds the £30,000 threshold.
- (2) In this section “the relevant tax year” means the tax year in which the payment or other benefit is received.
- (3) For the purposes of this Chapter—
 - (a) a cash benefit is treated as received—
 - (i) when it is paid or a payment is made on account of it, or
 - (ii) when the recipient becomes entitled to require payment of or on account of it, and
 - (b) a non-cash benefit is treated as received when it is used or enjoyed.
- (4) For the purposes of this Chapter the amount of a payment or benefit in respect of an employee or former employee exceeds the £30,000 threshold if and to the extent that, when it is aggregated with other such payments or benefits to which this Chapter

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Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Payments and benefits treated as employment income is up to date with all changes known to be in force on or before 15 July 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)

applies, it exceeds £30,000 according to the rules in section 404 (how the £30,000 threshold applies).

- (5) If it is received after the death of the employee or former employee—
- (a) the amount of a payment or benefit to which this Chapter applies counts as the employment income of the personal representatives for the relevant year if or to the extent that it exceeds £30,000 according to the rules in section 404, and
 - (b) the tax is accordingly to be assessed and charged on them and is a debt due from and payable out of the estate.
- (6) In this Chapter references to the taxable person are to the person in relation to whom subsection (1) or (5) provides for an amount to count as employment income.

404 How the £30,000 threshold applies

- (1) For the purpose of the £30,000 threshold in section 403(4) and (5), the payments and other benefits provided in respect of an employee or former employee which are to be aggregated are those provided—
- (a) in respect of the same employment,
 - (b) in respect of different employments with the same employer, and
 - (c) in respect of employments with employers who are associated.
- (2) For this purpose employers are “associated” if on a termination or change date—
- (a) one of them is under the control of the other, or
 - (b) one of them is under the control of a third person who on that termination or change date or another such date controls or is under the control of the other.
- (3) In subsection (2)—
- (a) references to an employer, or to a person controlling or controlled by an employer, include the successors of the employer or person, and
 - (b) “termination or change date” means a date on which a termination or change occurs in connection with which a payment or other benefit to which this Chapter applies is received in respect of the employee or former employee.
- (4) If payments and other benefits are received in different tax years, the £30,000 is set against the amount of payments and other benefits received in earlier years before those received in later years.
- (5) If more than one payment or other benefit is received in a tax year in which the threshold is exceeded—
- (a) the £30,000 (or the balance of it) is set against the amounts of cash benefits as they are received, and
 - (b) any balance at the end of the year is set against the aggregate amount of non-cash benefits received in the year.

[^{F1}404A Amounts charged to be treated as highest part of total income

- (1) A payment or other benefit which counts as a person's employment income as a result of section 403 is treated as the highest part of the person's total income.
- (2) Subsection (1) has effect for all income tax purposes except the purposes of sections 535 to 537 of ITTOIA 2005 (gains from contracts for life insurance etc: top slicing relief).

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- (3) See section 1012 of ITA 2007 (relationship between highest part rules) for the relationship between—
- (a) the rule in subsection (1), and
 - (b) other rules requiring particular income to be treated as the highest part of a person's total income.]

Textual Amendments

F1 S. 404A inserted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 437](#) (with [Sch. 2](#))

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