



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 5

TAXABLE BENEFITS: LIVING ACCOMMODATION

Accommodation costing more than £75,000

106 Cash equivalent: cost of accommodation over £75,000

- (1) The cash equivalent [^{F1}or modified cash equivalent] is calculated under this section if the cost of providing the living accommodation exceeds £75,000.
- (2) To calculate the cash equivalent—

Step 1

Calculate the amount that would be the cash equivalent if section 105 applied (cash equivalent: cost of accommodation not over £75,000).

Step 2

Calculate the following amount (“the additional yearly rent”)—

$$ORI \times (C - £75,000)$$

where—

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 106 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) View outstanding changes*

ORI is the official rate of interest in force for the purposes of Chapter 7 of this Part (taxable benefits: loans) on 6th April in the tax year, and

C is the cost of providing the accommodation calculated—

- (a) in accordance with section 104 (general rule for calculating cost of accommodation), or
- (b) in a case where section 107 applies (special rule for calculating cost of providing accommodation), in accordance with that section instead.

Step 3

Calculate the rent which would have been payable for the taxable period if the property had been let to the employee at the additional yearly rent calculated under step 2.

Step 4

Calculate the cash equivalent by—

- (a) adding together the amounts calculated under steps 1 and 3, and
- (b) (if allowed by subsection (3)) subtracting from that total the excess rent paid by the employee.

[^{F2}(2A) To calculate the modified cash equivalent—

- (a) apply steps 1 to 3 in subsection (2), as if the words “cash equivalent” in step 1 were “modified cash equivalent (for the purposes of section 105)”;
- (b) calculate the modified cash equivalent by adding together the amounts calculated under steps 1 and 3 as applied by paragraph (a).]

(3) In step 4—

- (a) paragraph (b) only applies if, in respect of the taxable period, the rent [^{F3}paid —
 - (i) by the employee,
 - (ii) in respect of the accommodation,
 - (iii) to the person providing it, and
 - (iv) on or before 6 July following the tax year which contains the taxable period,
 exceeds] the rental value of the accommodation for that period as set out in section 105(3) or (4)(b), as applicable, and
 - (b) “the excess rent” means the total amount of that excess.

Textual Amendments

- F1** Words in s. 106(1) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 17\(2\)](#)
- F2** S. 106(2A) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 17\(3\)](#)
- F3** Words in s. 106(3)(a) substituted (with effect in accordance with s. 1(14) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 1\(6\)](#)

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\(4\)](#)