

Status: Point in time view as at 27/04/2017.

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SCHEDULES

SCHEDULE 2

OPTIONAL REMUNERATION ARRANGEMENTS

Benefits in kind: amount treated as earnings

2 Part 3 of ITEPA 2003 (employment income: earnings and benefits in kind etc treated as earnings) is amended as follows.

3 (1) Section 81 (benefit of cash voucher treated as earnings) is amended as follows.

(2) After subsection (1) insert—

“(1A) Where a cash voucher to which this Chapter applies is provided pursuant to optional remuneration arrangements—

- (a) subsection (1) does not apply, and
- (b) the relevant amount is to be treated as earnings from the employment for the tax year in which the voucher is received by the employee.

(1B) In this section “the relevant amount” means—

- (a) the cash equivalent, or
- (b) if greater, the amount foregone with respect to the benefit of the voucher (see section 69B).”

(3) At the end insert—

“(3) For the purposes of subsection (1B), assume that the cash equivalent is zero if the condition in subsection (4) is met.

(4) The condition is that the benefit of the voucher would be exempt from income tax but for section 228A (exclusion of certain exemptions).”

4 After section 87 insert—

“87A Benefit of non-cash voucher treated as earnings: optional remuneration arrangements

(1) Where a non-cash voucher to which this Chapter applies is provided pursuant to optional remuneration arrangements—

- (a) the relevant amount is to be treated as earnings from the employment for the tax year in which the voucher is received by the employee, and
- (b) section 87(1) does not apply.

(2) To find the relevant amount, first determine which (if any) is the greater of—

- (a) the cost of provision (see section 87(3)), and
- (b) the amount foregone with respect to the benefit of the voucher (see section 69B).

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
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- (3) If the cost of provision is greater than or equal to the amount foregone, the “relevant amount” is the cash equivalent of the benefit of the non-cash voucher (see section 87(2)).
- (4) Otherwise, the “relevant amount” is the difference between—
 - (a) the amount foregone, and
 - (b) any part of the cost of provision that is made good by the employee, to the person incurring it, on or before 6 July following the relevant tax year.
- (5) If the voucher is a non-cash voucher other than a cheque voucher, the relevant tax year is—
 - (a) the tax year in which the cost of provision is incurred, or
 - (b) if later, the tax year in which the employee receives the voucher.
- (6) If the voucher is a cheque voucher, the relevant tax year is the tax year in which the voucher is handed over in exchange for money, goods or services.
- (7) For the purposes of subsections (2) and (3), assume that the cost of provision is zero if the condition in subsection (8) is met.
- (8) The condition is that the non-cash voucher would be exempt from income tax but for section 228A (exclusion of certain exemptions).”

5 In section 88 (year in which earnings treated as received)—

- (a) in subsection (1), after “87” insert “ or 87A ”;
- (b) in subsection (2), after “87” insert “ or 87A ”.

6 After section 94 insert—

“94A Benefit of credit-token treated as earnings: optional remuneration arrangements

- (1) If the conditions in subsections (2) and (3) are met in relation to any occasions on which a credit-token to which this Chapter applies is used by the employee in a tax year to obtain money, goods or services—
 - (a) the relevant amount is to be treated as earnings from the employment for that year, and
 - (b) section 94(1) does not apply in relation to the use of the credit-token on those occasions.
- (2) The condition in this subsection is that the credit-token is used pursuant to optional remuneration arrangements.
- (3) The condition in this subsection is that AF is greater than the relevant cost of provision for the tax year.

In this section “AF” means so much of the amount foregone (see section 69B) as is attributable on a just and reasonable basis to the use of the credit-token by the employee in the tax year pursuant to the optional remuneration arrangements to obtain money, goods or services.

- (4) The “relevant amount” is the difference between—
 - (a) AF, and

Status: Point in time view as at 27/04/2017.

Changes to legislation: *There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (b) any part of the relevant cost of provision for the tax year that is made good by the employee, to the person incurring it, on or before 6 July following the tax year which contains the occasion of use of the credit-token to which the making good relates.
- (5) But the relevant amount is taken to be zero if the amount given by paragraph (b) of subsection (4) exceeds AF.
- (6) For the purposes of this section the “relevant cost of provision for the tax year” is determined as follows—
- Step 1* Find the cost of provision with respect to each occasion of use of the credit-token by the employee in the tax year pursuant to the optional remuneration arrangements to obtain money, goods or services.
- Step 2* The total of those amounts is the relevant cost of provision for the tax year.
- (7) But the relevant cost of provision for the tax year is to be taken to be zero if the condition in subsection (8) is met.
- (8) The condition is that use of the credit token by the employee in the tax year pursuant to the optional remuneration arrangements to obtain money, goods or services would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (9) In this section “cost of provision” has the same meaning as in section 94.”
- 7 In section 97 (living accommodation to which Chapter 5 applies), in subsection (1A)(b), for “the cash equivalent of” substitute “ an amount in respect of”.
- 8 In section 98 (accommodation provided by local authority), in the words before paragraph (a), for “This Chapter” substitute “ In section 102 (benefit of accommodation treated as earnings) subsection (1A) (accommodation provided otherwise than pursuant to optional remuneration arrangements) ”.
- 9 (1) Section 99 (accommodation provided for performance of duties) is amended as follows.
- (2) In subsection (1), for “This Chapter” substitute “ In section 102 (benefit of accommodation treated as earnings) subsection (1A) (accommodation provided otherwise than pursuant to optional remuneration arrangements) ”.
- (3) In subsection (2), for “This Chapter” substitute “ In section 102 (benefit of accommodation treated as earnings) subsection (1A) ”.
- 10 In section 100 (accommodation provided as result of security threat), in the words before paragraph (a), for “This Chapter” substitute “ In section 102 (benefit of accommodation treated as earnings) subsection (1A) (accommodation provided otherwise than pursuant to optional remuneration arrangements) ”.
- 11 In section 100A (homes outside UK owned by company etc), in subsection (1), for “This Chapter” substitute “ In section 102 (benefit of accommodation treated as earnings) subsection (1A) (accommodation provided otherwise than pursuant to optional remuneration arrangements) ”.
- 12 In section 101 (Chevening House), in the words before paragraph (a), for “This Chapter” substitute “ In section 102 (benefit of accommodation treated as earnings)

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
 Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- subsection (1A) (accommodation provided otherwise than pursuant to optional remuneration arrangements) ”.
- 13 (1) Section 102 (benefit of living accommodation treated as earnings) is amended as follows.
- (2) In subsection (1), for the words before paragraph (a) substitute “ This section applies if living accommodation to which this Chapter applies is provided in any period (“the taxable period”)— ”.
- (3) The words in subsection (1) from “the cash equivalent” to the end become subsection (1A).
- (4) After subsection (1A) insert—
- “(1B) If the benefit of the accommodation is provided pursuant to optional remuneration arrangements—
- (a) subsection (1A) does not apply, and
- (b) the relevant amount is to be treated as earnings from the employment for that tax year.”
- (5) Omit subsection (2).
- (6) At the end insert—
- “(4) Section 103A indicates how the relevant amount is determined.”
- 14 In section 103 (method of calculating cash equivalent), in subsection (3), for “102(2)” substitute “ 102(1) ”.
- 15 After section 103 insert—

“103A Accommodation provided pursuant to optional remuneration arrangements: relevant amount

- (1) To find the relevant amount, first determine which (if any) is the greater of—
- (a) the modified cash equivalent of the benefit of the accommodation (see sections 105(2A) and 106(2A)), and
- (b) the amount foregone with respect to the benefit of the accommodation (see section 69B).
- (2) If the amount mentioned in subsection (1)(a) is greater than or equal to the amount mentioned in subsection (1)(b), the “relevant amount” is the cash equivalent of the benefit of the accommodation (see section 103).
- (3) Otherwise, the “relevant amount” is the difference between—
- (a) the amount foregone with respect to the benefit of the accommodation, and
- (b) the deductible amount (see subsections (7) and (8)).
- (4) If the amount foregone with respect to the benefit of the accommodation does not exceed the deductible amount, the relevant amount is taken to be zero.
- (5) For the purposes of subsections (1) and (2), assume that the modified cash equivalent of the benefit of the accommodation is zero if the condition in subsection (6) is met.

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (6) The condition is that the benefit of the accommodation would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (7) If the cost of providing the living accommodation does not exceed £75,000, the “deductible amount” means any sum made good, on or before 6 July following the tax year which contains the taxable period, by the employee to the person at whose cost the accommodation is provided that is properly attributable to its provision.
- (8) If the cost of providing the living accommodation exceeds £75,000, the “deductible amount” means the total of amounts A and B where—
- A is equal to so much of MG as does not exceed RV;
 - B is the amount of any excess rent paid by the employee in respect of the taxable period;
- MG is the total of any sums made good, on or before 6 July following the tax year which contains the taxable period, by the employee to the person at whose cost the accommodation is provided that are properly attributable to its provision (in the taxable period);
- RV is the rental value of the accommodation for the taxable period as set out in section 105(3) or (4A)(b) (as applicable).
- (9) In subsection (8) “excess rent” means so much of the rent in respect of the taxable period paid—
- (a) by the employee,
 - (b) in respect of the accommodation,
 - (c) to the person providing it, and
 - (d) on or before 6 July following the tax year which contains the taxable period,
- as exceeds the rental value of the accommodation.
- (10) Where it is necessary for the purposes of subsection (1)(b) and (3)(a) to apportion an amount of earnings to the benefit of the accommodation in the taxable period, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).”

- 16 (1) Section 105 (cash equivalent: cost of accommodation not over £75,000) is amended as follows.
- (2) In subsection (1), after “equivalent” insert “ or modified cash equivalent ”.
- (3) After subsection (2) insert—
- “(2A) The modified cash equivalent is equal to the rental value of the accommodation for the taxable period.”
- 17 (1) Section 106 (cash equivalent: cost of accommodation over £75,000) is amended as follows.
- (2) In subsection (1), after “equivalent” insert “ or modified cash equivalent ”.
- (3) After subsection (2) insert—

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
 Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- “(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).”
- 18 (1) Section 109 (priority of Chapter 5 over Chapter 1 of Part 3 of the Act) is amended as follows.
- (2) In subsection (1)(a), for “the cash equivalent of the benefit of living accommodation” substitute “ an amount ”.
 - (3) In subsection (2), for “of the cash equivalent” substitute “ mentioned in subsection (1)(a) ”.
 - (4) In subsection (4), in the words before paragraph (a), for “cash equivalent of the benefit of the living accommodation” substitute “ amount mentioned in subsection (1)(a) ”.
- 19 In section 114 (cars, vans and related benefits), in subsection (2)—
- (a) in paragraph (a), for “the cash equivalent of” substitute “ an amount in respect of ”;
 - (b) in paragraph (b), for “the cash equivalent of” substitute “ an amount in respect of ”;
 - (c) in paragraph (c), for “the cash equivalent of” substitute “ an amount in respect of ”;
 - (d) in paragraph (d), for “the cash equivalent of” substitute “ an amount in respect of ”.
- 20 (1) Section 119 (where alternative to benefit of car or van offered) is amended as follows.
- (2) For subsection (1) substitute—

“(1) This section applies where in a tax year—

 - (a) a car is made available as mentioned in section 114(1),
 - (b) the car's CO₂ emissions figure (see sections 133 to 138) does not exceed 75 grams per kilometre, and
 - (c) an alternative to the benefit of the car is offered.”

(3) In the heading, before “car” insert “ low emission ”.
- 21 In section 120 (benefit of car treated as earnings), after subsection (3) insert—
- “(4) This section is subject to section 120A.”
- 22 After section 120 insert—

“120A Benefit of car treated as earnings: optional remuneration arrangements

- (1) Where this Chapter applies to a car in relation to a particular tax year and the conditions in subsection (3) are met—
 - (a) the relevant amount (see section 121A) is to be treated as earnings from the employment for that tax year, and

Status: Point in time view as at 27/04/2017.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)

(b) section 120(1) does not apply.

(2) In such a case (including a case where the relevant amount is nil) the employee is referred to in this Chapter as being chargeable to tax in respect of the car in the tax year.

(3) The conditions are that—

- (a) the car is made available to the employee or member of the employee's household pursuant to optional remuneration arrangements,
- (b) the amount foregone (see section 69B) with respect to the benefit of the car for the tax year is greater than the modified cash equivalent of the benefit of the car for the tax year (see section 121B), and
- (c) the car's CO₂ emissions figure (see sections 133 to 138) exceeds 75 grams per kilometre.”

23 After section 121 insert—

“121A Optional remuneration arrangements: method of calculating relevant amount

(1) To find the relevant amount for the purposes of section 120A, take the following steps—

Step 1 Take the amount foregone with respect to the benefit of the car for the tax year.

Step 2 Make any deduction under section 132A in respect of capital contributions made by the employee to the cost of the car or accessories.

The resulting amount is the provisional sum.

Step 3 Make any deduction from the provisional sum under section 144 in respect of payments by the employee for the private use of the car.

The result is the “relevant amount” for the purposes of section 120A.

(2) Where it is necessary, for the purpose of determining the “amount foregone” under step 1 of subsection (1), to apportion an amount of earnings to the benefit of the car for the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).

121B Meaning of “modified cash equivalent”

(1) The “modified cash equivalent” of the benefit of a car for a tax year is calculated in accordance with the following steps (which must be read with subsections (2) to (4))—

Step 1 Find the price of the car in accordance with sections 122 to 124A.

Step 2 Add the price of any accessories which fall to be taken into account in accordance with sections 125 to 131.

The resulting amount is the interim sum.

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
 Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

Step 3 Find the appropriate percentage for the car for the year in accordance with sections 133 to 142.

Step 4 Multiply the interim sum by the appropriate percentage for the car for the year.

Step 5 Make any deduction under section 143 for any periods when the car was unavailable.

The resulting amount is the modified cash equivalent of the benefit of the car for the year.

- (2) Where the car is shared the modified cash equivalent is calculated under this section in accordance with section 148.
- (3) The modified cash equivalent of the benefit of a car for a tax year is to be taken to be zero if the condition in subsection (4) is met.
- (4) The condition is that the benefit of the car for the tax year would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (5) The method of calculation set out in subsection (1) is modified in the special cases dealt with in—
 - (a) section 146 (cars that run on road fuel gas), and
 - (b) section 147A (classic cars: optional remuneration arrangements).”

24 In section 126 (amounts taken into account in respect of accessories), in subsection (1), in the words before paragraph (a), after “121(1)” insert “ and step 2 of section 121B(1) ”.

25 (1) Section 131 (replacement accessories) is amended as follows.

(2) In subsection (1), in the words before paragraph (a), after “applies” insert “ for the purposes of sections 121(1) and 121B(1) ”.

(3) After subsection (1) insert—

“(1A) In the application of this section for the purposes of section 121B(1)—

- (a) references to the cash equivalent of the benefit of the car for the tax year are to be read as references to the modified cash equivalent of the benefit of the car for the tax year, and
- (b) references to step 2 of section 121(1) are to be read as references to step 2 of section 121B(1).”

26 In section 132 (capital contributions by employee), in subsection (1), in the words before paragraph (a), after “applies” insert “ for the purposes of section 121(1) ”.

27 After section 132 insert—

“132A Capital contributions by employee: optional remuneration arrangements

(1) This section applies for the purposes of section 121A(1) if the employee contributes a capital sum to expenditure on the provision of—

- (a) the car, or
- (b) any qualifying accessory which is taken into account in calculating under section 121B the modified cash equivalent of the benefit of the car.

Status: Point in time view as at 27/04/2017.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)

- (2) A deduction is to be made from the amount carried forward from step 1 of section 121A(1)—
 - (a) for the tax year in which the contribution is made, and
 - (b) for all subsequent tax years in which the employee is chargeable to tax in respect of the car by virtue of section 120A.
 - (3) The amount of the deduction allowed in any tax year is found by multiplying the capped amount by the appropriate percentage.
 - (4) In subsection (3) the reference to “the appropriate percentage” is to the appropriate percentage for the car for the tax year (determined in accordance with sections 133 to 142).
 - (5) In this section “the capped amount” means the lesser of—
 - (a) the total of the capital sums contributed by the employee in that year and any earlier years to expenditure on the provision of—
 - (i) the car, or
 - (ii) any qualifying accessory which is taken into account in calculating under section 121B the modified cash equivalent of the benefit of the car for the tax year in question, and
 - (b) £5,000.
 - (6) This section is modified by section 147A (classic cars: optional remuneration arrangements).”
- 28 (1) Section 143 (deduction for periods when car unavailable) is amended as follows.
- (2) Before subsection (1) insert—

“(A1) This section has effect for the purposes of—

 - (a) section 121(1) (method of calculating the cash equivalent of the benefit of a car), and
 - (b) section 121B(1) (optional remuneration arrangements: meaning of “modified cash equivalent”).”
 - (3) In subsection (1), after “121(1)” insert “ or (as the case may be) step 4 of section 121B(1) ”.
 - (4) In subsection (3), in the definition of “A”, at the end insert “ of section 121(1) or (as the case may be) step 4 of section 121B(1) ”.
- 29 (1) Section 144 (deduction for payments for private use) is amended as follows.
- (2) In subsection (1), for “calculated under step 7 of section 121(1)” substitute “ (see subsection (1A)) ”.
 - (3) After subsection (1) insert

“(1A) In this section “the provisional sum” means the provisional sum calculated under—

 - (a) step 7 of section 121(1) (method of calculating the cash equivalent of the benefit of a car), or
 - (b) step 2 of section 121A(1) (optional remuneration arrangements: method of calculating relevant amount).”

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
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- (4) In subsection (2), for the words from “so that” to the end substitute “so that—
- (a) in a case within subsection (1A)(a), the cash equivalent of the benefit of the car for the year is nil, or
 - (b) in a case within subsection (1A)(b), the relevant amount for the purposes of section 120A is nil.”
- (5) In subsection (3)—
- (a) for “In any other case” substitute “ Where subsection (2) does not apply, ” and
 - (b) for the words from “give” to the end substitute “give—
 - (a) in a case within subsection (1A)(a), the cash equivalent of the benefit of the car for the year, or
 - (b) in a case within subsection (1A)(b), the relevant amount for the purposes of section 120A.”
- 30 (1) Section 145 (modification of provisions where car temporarily replaced) is amended as follows.
- (2) In subsection (1), for paragraph (c) substitute—
- “(c) the employee is chargeable to tax—
 - (i) in respect of both the normal car and the replacement car by virtue of section 120, or
 - (ii) in respect of both the normal car and the replacement car by virtue of section 120A, and”.
- (3) After subsection (5) insert—
- “(6) Where this section applies by virtue of subsection (1)(c)(ii), the condition in subsection (5)(b) is to be taken to be met if it would be met on the assumption that the cash equivalent of the benefit of the cars in question is to be calculated under section 121(1).”
- 31 (1) Section 146 (cars that run on road fuel gas) is amended as follows.
- (2) In subsection (1), in the words before paragraph (a), after “applies” insert “ for the purposes of sections 121 and 121B ”.
- (3) In subsection (2), after “121(1)” insert “ or (as the case may be) step 1 of section 121B(1) ”.
- 32 After section 147 insert—

“147A Classic cars: optional remuneration arrangements

- (1) This section applies in calculating the relevant amount in respect of a car for a tax year for the purposes of section 120A (benefit of car treated as earnings: optional remuneration arrangements) if—
 - (a) the age of the car at the end of the year is 15 years or more,
 - (b) the market value of the car for the year is £15,000 or more, and
 - (c) that market value exceeds the specified amount (see subsection (4)).
- (2) In calculating the modified cash equivalent of the benefit of the car, for the interim sum calculated under step 2 of section 121B(1) substitute the market value of the car for the tax year in question.

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (3) Section 132A (capital contributions by employee: optional remuneration arrangements) has effect as if—
- (a) in subsection (1)(b) the reference to calculating under section 121B the modified cash equivalent of the benefit of the car were to determining the market value of the car, and
 - (b) in subsection (5)(a)(ii) the reference to calculating under section 121B the modified cash equivalent of the benefit of the car for the tax year in question were to determining the market value of the car for the tax year in question.
- (4) The “specified amount” is found as follows.
- Step 1* Find what would be the interim sum under step 2 of section 121B(1) (if subsection (2) of this section did not have effect).
- Step 2* (Assuming for this purpose that the reference in section 132(2) to step 2 of section 121(1) includes a reference to step 1 of this subsection) make any deduction under section 132 for capital contributions made by the employee to the cost of the car or accessories.
- The resulting amount is the specified amount.
- (5) The market value of a car for a tax year is to be determined in accordance with section 147(3) and (4).”
- 33 (1) Section 148 (reduction of cash equivalent where car is shared) is amended as follows.
- (2) In subsection (1)—
- (a) in the words before paragraph (a), after “applies” insert “ for the purposes of sections 121 and 121B ”;
 - (b) in the words after paragraph (c), for “section 120” substitute “ sections 120 and 120A ”.
- (3) For subsection (2) substitute—
- “(2) The amount to be treated as earnings in respect of the benefit of the car is to be calculated separately for each of those employees for that tax year (whether under section 120 or section 120A).”
- (4) In subsection (2A), at the beginning insert “ In the case of an employee chargeable to tax in respect of the car by virtue of section 120 ”.
- (5) After subsection (2A) insert—
- “(2B) In the case of an employee chargeable to tax in respect of the car by virtue of section 120A, the modified cash equivalent (as determined under section 121B(1)) is to be reduced on a just and reasonable basis.”
- 34 In section 149 (benefit of car fuel treated as earnings), in subsection (1)(b), at the end insert “ or 120A ”.
- 35 After section 149 insert—

“149A Benefit of car fuel treated as earnings: optional remuneration arrangements

- (1) This section applies if—

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (a) fuel is provided for a car in a tax year by reason of an employee's employment,
 - (b) the employee is chargeable to tax in respect of the car in the tax year by virtue of section 120 or 120A, and
 - (c) the fuel is provided pursuant to optional remuneration arrangements.
- (2) If the condition in subsection (3) is met—
- (a) the amount foregone with respect to the benefit of the fuel (see section 69B) is to be treated as earnings from the employment for the tax year, and
 - (b) section 149(1) does not apply.
- (3) The condition mentioned in subsection (2) is that the amount foregone with respect to the benefit of the fuel is greater than the cash equivalent of the benefit of the fuel.
- (4) For the purposes of subsection (3), assume that the cash equivalent of the benefit of the fuel is zero if the condition in subsection (5) is met.
- (5) The condition mentioned in subsection (4) is that the benefit of the fuel would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (6) References in this section to fuel do not include any facility or means for supplying electrical energy or any energy for a car which cannot in any circumstances emit CO₂ by being driven.
- (7) Where it is necessary for the purposes of subsections (2)(a) and (3) to apportion an amount of earnings to the benefit of the fuel in the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).”

36 In section 154 (benefit of van treated as earnings), after subsection (3) insert—

“(4) This section is subject to section 154A.”

37 After section 154 insert—

“154A Benefit of van treated as earnings: optional remuneration arrangements

- (1) Where this Chapter applies to a van in relation to a particular tax year and the conditions in subsection (2) are met—
- (a) the relevant amount is to be treated as earnings from the employment for that tax year, and
 - (b) section 154(1) does not apply.

In such a case (including a case where the relevant amount is nil) the employee is referred to in this Chapter as being chargeable to tax in respect of the van in the tax year.

- (2) The conditions are that—

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (a) the van is made available to the employee or member of the employee's household pursuant to optional remuneration arrangements, and
 - (b) the amount foregone with respect to the benefit of the van (see section 69B) is greater than the modified cash equivalent of the benefit of the van.
- (3) To find the relevant amount for the purposes of this section take the following steps—
- Step 1* Take the amount foregone with respect to the benefit of the van for the tax year.
 - Step 2* Make any deduction under section 158A in respect of payments by the employee for the private use of the van.
- The result is the “relevant amount”.
- (4) In subsection (2) the reference to the “modified cash equivalent” is to the amount which would be the cash equivalent of the benefit of the van (after any reductions under section 156 or 157) if this Chapter had effect the following modifications—
- (a) omit paragraph (c) of section 155(8);
 - (b) omit section 158;
 - (c) in section 159(2)(b), for “155, 157 and 158” substitute “ 155 and 157 ”.
- (5) For the purposes of subsection (2) assume that the modified cash equivalent of the benefit of the van is zero if the condition in subsection (6) is met.
- (6) The condition is that the benefit of the van would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (7) Where it is necessary for the purposes of subsection (2)(b) and step 1 of subsection (3) to apportion an amount of earnings to the benefit of the van in the tax year, the apportionment is to be made on a just and reasonable basis.
- In this subsection “earnings” is to be interpreted in accordance with section 69B(5).”

38 After section 158 insert—

**“158A Van provided pursuant to optional remuneration arrangements:
private use**

- (1) In calculating the relevant amount under section 154A in relation to a van and a tax year, a deduction is to be made under step 2 of subsection (3) of that section if, as a condition of the van being available for the employee's private use, the employee—
- (a) is required in that year to pay (whether by way of deduction from earnings or otherwise) an amount of money for that use, and
 - (b) pays that amount on or before 6 July following that year.
- (2) The amount of the deduction is—
- (a) the amount paid as mentioned in subsection (1)(b) by the employee in respect of the year, or

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

(b) if less, the amount that would reduce the relevant amount to nil.

(3) In this section the reference to the van being available for the employee's private use includes a reference to the van being available for the private use of a member of the employee's family or household."

39 (1) Section 160 (benefit of van fuel treated as earnings) is amended as follows.

(2) In subsection (1)(b), after "154" insert " or 154A ".

(3) At the end insert—

"(5) This section is subject to section 160A."

40 After section 160 insert—

"160A Benefit of van fuel treated as earnings: optional remuneration arrangements

(1) This section applies if—

- (a) fuel is provided for a van in a tax year by reason of an employee's employment,
- (b) the benefit of the fuel is provided pursuant to optional remuneration arrangements, and
- (c) the employee is chargeable to tax in respect of the van in the tax year by virtue of section 154 or 154A.

(2) If the condition in subsection (3) is met—

- (a) the amount foregone with respect to the benefit of the fuel (see section 69B) is to be treated as earnings from the employment for that year, and
- (b) section 160(1) does not apply.

(3) The condition mentioned in subsection (2) is that the amount foregone with respect to the benefit of the fuel is greater than the cash equivalent of the benefit of the fuel.

(4) For the purposes of subsection (3), assume that the cash equivalent of the benefit of the fuel is zero if the condition mentioned in subsection (5) is met.

(5) The condition mentioned in subsection (4) is that the benefit of the fuel would be exempt from income tax but for section 228A (exclusion of certain exemptions).

(6) Where it is necessary for the purposes of subsections (2)(a) and (3) to apportion an amount of earnings to the benefit of the fuel in the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection "earnings" is to be interpreted in accordance with section 69B(5)."

41 In section 170 (orders etc relating to Chapter 6 of Part 3), in subsection (1)—

(a) after paragraph (c) insert—

"(ca) section 132A(5)(b) (corresponding provision with respect to optional remuneration arrangements),";

(b) omit "or" at the end of paragraph (d);

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (c) after paragraph (e) insert “, or
(f) section 147A(1)(b) (classic car: minimum value: optional remuneration arrangements).”
- 42 In section 173 (loans to which Chapter 7 applies), in subsection (1A)(b), for the words from “provide” to the end substitute “ make provision about amounts which, in the case of a taxable cheap loan, are to be treated as earnings in certain circumstances ”.
- 43 In section 175 (benefit of taxable cheap loan treated as earnings), for subsection (1) substitute—
- “(A1) This section applies where an employment-related loan is a taxable cheap loan in relation to a tax year.
- (1) The cash equivalent of the benefit of the loan is to be treated as earnings from the employee's employment for the tax year.
- (1A) If the benefit of the loan is provided pursuant to optional remuneration arrangements and the condition in subsection (1B) is met—
- (a) subsection (1) does not apply, and
- (b) the relevant amount (see section 175A) is to be treated as earnings from the employee's employment for the tax year.
- (1B) The condition is that the amount foregone with respect to the benefit of the loan for the tax year (see section 69B) is greater than the modified cash equivalent of the benefit of the loan for the tax year (see section 175A).”
- 44 (1) After section 175 insert—

“175A Optional remuneration arrangements: “relevant amount” and “modified cash equivalent”

- (1) In section 175(1A) “the relevant amount”, in relation to a loan the benefit of which is provided pursuant to optional remuneration arrangements, means the difference between—
- (a) the amount foregone (see section 69B) with respect to the benefit of the loan, and
- (b) the amount of interest (if any) actually paid on the loan for the tax year.
- (2) For the purposes of section 175 the “modified cash equivalent” of the benefit of an employment-related loan for a tax year is the amount which would be the cash equivalent if section 175(3) had effect with the following modifications—
- (a) in the opening words, omit “the difference between”;
- (b) omit paragraph (b) and the “and” before it.
- (3) But the modified cash equivalent of the benefit of the loan is to be taken to be zero if the condition in subsection (4) is met.
- (4) The condition is that the benefit of the loan for the tax year would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (5) For the purpose of calculating the modified cash equivalent of the benefit of an employment-related loan, assume that section 186(2) (replacement loans:

Status: Point in time view as at 27/04/2017.

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

aggregation) and section 187(3) (aggregation of loans by close company to a director) do not have effect.

- (6) Where it is necessary for the purposes of section 175(1B) and subsection (1) of this section to apportion an amount of earnings to the benefit of the loan for the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).”

45 In section 180 (threshold for benefit of loan to be treated as earnings), in subsection (1), for the words before paragraph (a) substitute “Section 175 does not have effect in relation to an employee and a tax year—”.

46 In section 184 (interest treated as paid), in subsection (1), for the words from “the cash equivalent” to the end substitute “—

- (a) the cash equivalent of the benefit of a taxable cheap loan is treated as earnings from an employee's employment for a tax year under section 175(1), or
- (b) the relevant amount in respect of the benefit of a taxable cheap loan is treated as earnings from an employee's employment for a tax year under section 175(1A).”

47 In section 202 (excluded benefits), after subsection (1) insert—

“(1A) But a benefit provided to an employee or member of an employee's family or household is to be taken not to be an excluded benefit by virtue of subsection (1)(c) so far as it is provided under optional remuneration arrangements.”

48 After section 203 insert—

“203A Employment-related benefit provided under optional remuneration arrangements

- (1) Where an employment-related benefit is provided pursuant to optional remuneration arrangements—
 - (a) the relevant amount is to be treated as earnings from the employment for the tax year in which the benefit is provided, and
 - (b) section 203(1) does not apply.
- (2) To find the relevant amount, first determine which (if any) is the greater of—
 - (a) the cost of the employment-related benefit, and
 - (b) the amount foregone with respect to the benefit (see section 69B).
- (3) If the cost of the employment-related benefit is greater than or equal to the amount foregone, the “relevant amount” is the cash equivalent (see section 203(2)).
- (4) Otherwise, the “relevant amount” is—
 - (a) the amount foregone with respect to the employment-related benefit, less

Status: Point in time view as at 27/04/2017.

Changes to legislation: *There are currently no known outstanding effects for the Finance Act 2017,
Cross Heading: Benefits in kind: amount treated as earnings. (See end of Document for details)*

- (b) any part of the cost of the benefit made good by the employee, to the persons providing the benefit, on or before 6 July following the tax year in which it is provided.
- (5) For the purposes of subsections (2) and (3), assume that the cost of the employment-related benefit is zero if the condition in subsection (6) is met.
- (6) The condition is that the employment-related benefit would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (7) Where it is necessary for the purposes of subsections (2)(b) and (4) to apportion an amount of earnings to the benefit provided in the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).”

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Point in time view as at 27/04/2017.

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