

INCOME TAX (EARNINGS AND PENSIONS) ACT 2003

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Example 3

$$£150(Pe) - £50(E) = £100$$

Part 4: Employment income: exemptions

Chapter 7: Exemptions: Removal benefits and expenses

Section 271: Limited exemption of removal benefits and expenses: general

1105. This section gives details of the limited exemption for removal expenses. It sets out the general proposition that no liability to income tax arises in respect of any removal benefits or reimbursed removal expenses listed in this Chapter, up to the limit set out in section 287 of this Act. The section derives from parts of paragraph 1 of Schedule 11A to ICTA.
1106. *Subsection (1)* sets out the basic proposition that the exemption is available. The opening words of paragraph 1(1) of Schedule 11A, “where by reason of a person’s employment” have not been rewritten. Those words are not necessary because there is no tax charge in respect of benefits or reimbursed expenses unless they arise “by reason of a person’s employment”. The exemptions in this Chapter only apply where there is the possibility of such a charge.
1107. *Subsection (2)* reproduces the effect of the exclusion, by virtue of paragraph 1(1) of Schedule 11A, of certain income from the exemption because it is within Case III of Schedule E. Paragraph 2 of Schedule 11A ensures that the exemption from charge under Cases I and II of Schedule E does not result in the benefits or expenses being chargeable under Case III of Schedule E, as a result of the operation of section 131(2) of ICTA. In this Act, by virtue of the provisions that define “taxable earnings” for the purposes of Chapter 4 of Part 2, it is no longer possible for the same earnings to fall within one of those provisions and also within “taxable earnings” as defined for the purposes of Chapter 5 of Part 2. As a consequence there is no need to rewrite paragraph 2.
1108. *Subsection (3)* gives a signpost to the section containing the limit on the exemption.