

# 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 284: Bridging loan expenses*

1159. This section deals with bridging loan expenses (interest) connected with an employee's change of residence resulting from an employment change. It derives from paragraph 13 of Schedule 11A to ICTA.
1160. *Subsection (1)(a)* combines the first two conditions that the bridging loan must satisfy, which are in paragraph 13(1)(a) and (b) of Schedule 11A. *Subsection (1)(b)* and (c) list the other conditions.
1161. *Subsection (2)* gives a restricted definition of interest that falls within the section. Paragraphs 13(4) and (5) of Schedule 11A set out the purpose for which the loan must have been used. The Act combines those provisions without any change in effect. The same change as described in paragraph 1140 in relation to section 279 has been made here. See *Change 61* in Annex 1.
1162. *Subsection (3)* places a further restriction on the amount of interest that can come within the section.
1163. The source legislation does not specify how to allocate the total loan interest between exempt and non-exempt parts of the loan where paragraph 13(3) and (4) of Schedule 11A both apply. *Subsection (4)* recognises that possibility by introducing the idea of "the appropriate fraction". See *Change 64* in Annex 1.
1164. *Subsection (5)* includes a method statement to explain how to arrive at the appropriate fraction. See *Change 64* in Annex 1.
1165. *Subsection (6)* combines in one subsection the provisions from paragraph 13(7) of Schedule 11A that extend the meaning of interest payable by an employee and paragraph 13(8) of Schedule 11A that apply a parallel extension in meaning to references to a loan being raised by the employee.