

*These notes refer to the Income Tax (Earnings and Pensions)
Act 2003 (c.1) which received Royal Assent on 6th March 2003*

INCOME TAX (EARNINGS AND PENSIONS) ACT 2003

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Example 3

Ne = £5,000; Da = 183; De = 183; Smg = 0

Part 6: Employment income: income which is not earnings or share-related

Chapter 2: Benefits from non-approved schemes

Overview

Section 394: Charge on benefit to which this Chapter applies

1697. This section establishes the charge and the basis of assessment. It ensures that the charge has priority over all other charges in this Act.
1698. *Subsection (1)* applies if an individual receives the benefit. It derives from section 596A(2) of ICTA. The benefit counts as employment income of the individual for the tax year in which the benefit is received.
1699. *Subsection (2)* applies if a person other than an individual receives the benefit. It derives from section 596A(3) of ICTA. There is a charge under Schedule D Case VI on the scheme administrator for the tax year in which the benefit is received. This charge is not employment income. Therefore it does not need to be excluded from the definition of "PAYE employment income" in section 683.
1700. *Subsection (4)* specifies the rate of tax for the Schedule D Case VI charge. It derives from section 596A(5) of ICTA.
1701. *Subsection (5)* establishes the order of priority. The charge under this Chapter takes priority over all other charges in this Act. In its application to lump sums the section derives from section 596A(8) of ICTA. It also legislates the interpretation that the specific charge in section 596A takes priority over a general charge under Schedule E.