

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 3: Payments and benefits on termination of employment etc.

Overview

Section 404: How the £30,000 threshold applies

1759. This section deals with two aspects of the £30,000 threshold. The first concerns the payments and other benefits that are to be aggregated. The second concerns the way the £30,000 is to be allocated between payments and benefits received at different times. *Subsections (1) to (3)* deal with the first aspect, and derive from section 148(1) and (6) of, and paragraphs 7, 8 and 16 of Schedule 11 to, ICTA. *Subsections (4) and (5)* relate to the second aspect and derive from section 148(1) of, and paragraph 7 of Schedule 11 to, ICTA.
1760. *Subsection (1)(c)* sets out the circumstances in which the payments and benefits from more than one employer are aggregated. Only one sum of £30,000 is available in respect of an employment, different employments with the same employer and employments with employers who are associated.
1761. *Subsection (2)* explains when employers are “associated” for this purpose. *Subsection (3)(a)* treats the successors to the employer or the person looked at to determine control as if they were the original employer or person. Successors are not defined anywhere in the Tax Acts so the normal meaning applies, being someone who takes the place of another person to perform a like role and duties. *Subsection (3)(b)* defines the time at which one has to consider whether employers are associated to be the “termination or change date”.
1762. *Subsections (4) and (5)* explain how the £30,000 threshold is attributed to the payments and benefits in the order in which they are received.