

*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 10: Social security income

Overview

Chapter 2: Tax on social security income

Overview

2592. This Chapter imposes the charge on “net taxable social security income” and explains how to calculate “net taxable social security income”. There are four steps in the process:

- **Step one** - identify the income as social security income;
- **Step two** - exclude any exempt income;
- **Step three** - calculate the amount of “taxable social security income”; and
- **Step four** - calculate “net taxable social security income” by allowing any payroll giving deductions from “taxable social security income”.

2593. These steps are carried out separately for each United Kingdom and foreign social security benefit.

2594. The Chapter includes a signpost to the provisions that identify the person liable to pay any tax charged on United Kingdom and foreign social security benefits.

Section 656: Nature of charge to tax on social security income

2595. This section explains that the charge on social security income does not extend to income that is exempt from tax. It is new.

2596. Exempt income is included in the definition of social security income but is not taxed. The definition of “exempt income” applies for the purposes of the social security income Part. In particular, the expression is used in section 681(1) (taxable and other foreign benefits: exemptions).

Section 657: Meaning of “social security income”, “taxable benefits” etc.

2597. This section introduces the terms which are used to identify the benefits that are taxable and to arrive at the amount of income that is charged to tax. It is new.
2598. *Subsection (2)* makes it clear that the expression “social security income” (used in section 656) includes both taxable benefits and those that are exempt.
2599. *Subsection (4)* ensures that the four statutory payments listed in section 660(2) are not included in social security income if they are charged to tax as employment income.

Section 658: Amount charged to tax

2600. This section imposes the charge to tax. It is new.
2601. The section explains how relief for payroll giving is allowed against social security income. The rules for the relief are in Part 12. Those rules depend on a definition of “taxable social security income” from which the payroll giving deduction (“PGD”) is subtracted to arrive at the “net taxable social security income”. That lower amount is the amount on which tax is charged.
2602. Each taxable benefit is treated separately in the calculation of net taxable social security income.

Section 659: Person liable for tax

2603. This section is a signpost to the sections later in the Part where the person liable for the tax is identified for United Kingdom and foreign benefits. It is new.