



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 10

TAXABLE BENEFITS: RESIDUAL LIABILITY TO CHARGE

Cash equivalent of benefit treated as earnings

203 Cash equivalent of benefit treated as earnings

- (1) The cash equivalent of an employment-related benefit is to be treated as earnings from the employment for the tax year in which it is provided.
- (2) The cash equivalent of an employment-related benefit is the cost of the benefit less any part of that cost made good by the employee [^{F1}, to the persons providing the benefit, on or before 6 July following the tax year in which it is provided].
- (3) The cost of an employment-related benefit is determined in accordance with section 204 unless—
 - (a) section 205 provides that the cost is to be determined in accordance with that section, or
 - (b) section 206 provides that the cost is to be determined in accordance with that section.

Changes to legislation: There are currently no known outstanding effects for the *Income Tax (Earnings and Pensions) Act 2003*, Cross Heading: *Cash equivalent of benefit treated as earnings*. (See end of Document for details)

Textual Amendments

- F1** Words in s. 203(2) substituted (with effect in accordance with s. 1(14) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 1\(13\)](#)

[^{F2}203A Employment-related benefit provided under optional remuneration arrangements

- (1) Where an employment-related benefit is provided pursuant to optional remuneration arrangements—
 - (a) the relevant amount is to be treated as earnings from the employment for the tax year in which the benefit is provided, and
 - (b) section 203(1) does not apply.
- (2) To find the relevant amount, first determine which (if any) is the greater of—
 - (a) the cost of the employment-related benefit, and
 - (b) the amount foregone with respect to the benefit (see section 69B).
- (3) If the cost of the employment-related benefit is greater than or equal to the amount foregone, the “relevant amount” is the cash equivalent (see section 203(2)).
- (4) Otherwise, the “relevant amount” is—
 - (a) the amount foregone with respect to the employment-related benefit, less
 - (b) any part of the cost of the benefit made good by the employee, to the persons providing the benefit, on or before 6 July following the tax year in which it is provided.
- (5) For the purposes of subsections (2) and (3), assume that the cost of the employment-related benefit is zero if the condition in subsection (6) is met.
- (6) The condition is that the employment-related benefit would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (7) Where it is necessary for the purposes of subsections (2)(b) and (4) to apportion an amount of earnings to the benefit provided in the tax year, the apportionment is to be made on a just and reasonable basis.

In this subsection “earnings” is to be interpreted in accordance with section 69B(5).]

Textual Amendments

- F2** [S. 203A](#) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\), Sch. 2 para. 48](#)

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Cash equivalent of benefit treated as earnings.