



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 4

TAXABLE BENEFITS: VOUCHERS AND CREDIT-TOKENS

Benefit of non-cash voucher treated as earnings

87 Benefit of non-cash voucher treated as earnings

- (1) The cash equivalent of the benefit of a non-cash voucher to which this Chapter applies is to be treated as earnings from the employment for the tax year in which the voucher is received by the employee.
- (2) The cash equivalent is the difference between—
 - (a) the cost of provision, and
 - (b) any part of that cost made good by the employee [^{F1}, to the person incurring it, on or before 6 July following the relevant tax year].

[^{F2}(2A) If the voucher is a non-cash voucher other than a cheque voucher, the relevant tax year is—

- (a) the tax year in which the cost of provision is incurred, or
- (b) if later, the tax year in which the employee receives the voucher.

(2B) If the voucher is a cheque voucher, the relevant tax year is the tax year in which the voucher is handed over in exchange for money, goods or services.]

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

- (3) In this Chapter the “cost of provision” means, in relation to a non-cash voucher, the expense incurred in or in connection with the provision of—
- (a) the voucher, and
 - (b) the money, goods or services for which it is capable of being exchanged, by the person at whose cost they are provided.

[^{F3}(3A) In the case of a childcare voucher, the reference in subsection (3)(b) to the services for which the voucher is capable of being exchanged is to the provision of care for a child which may be obtained by using it.]

- (4) In the case of a transport voucher, the reference in subsection (3)(b) to the services for which the voucher is capable of being exchanged is to the passenger transport services which may be obtained by using it.

- (5) If a person incurs expense in or in connection with the provision of non-cash vouchers for two or more employees as members of a group or class, the expense incurred in respect of one of them is to be such part of that expense as is just and reasonable.

^{F4}(6)

Textual Amendments

- F1** Words in s. 87(2)(b) substituted (with effect in accordance with s. 1(14) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 1\(2\)\(a\)](#)
- F2** S. 87(2A)(2B) inserted (with effect in accordance with s. 1(14) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\), s. 1\(2\)\(b\)](#)
- F3** S. 87(3A) inserted (with effect in accordance with s. 78(2) of the amending Act) by [Finance Act 2004 \(c. 12\), Sch. 13 para. 2\(3\)](#)
- F4** S. 87(6) omitted (with effect in accordance with Sch. 39 para. 50(3) of the amending Act) by virtue of [Finance Act 2012 \(c. 14\), Sch. 39 para. 50\(2\)](#)

[^{F5}87A Benefit of non-cash voucher treated as earnings: optional remuneration arrangements

- (1) Where a non-cash voucher to which this Chapter applies 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 voucher is received by the employee, and
 - (b) section 87(1) does not apply.
- (2) To find the relevant amount, first determine which (if any) is the greater of—
- (a) the cost of provision (see section 87(3)), and
 - (b) the amount foregone with respect to the benefit of the voucher (see section 69B).
- (3) If the cost of provision is greater than or equal to the amount foregone, the “relevant amount” is the cash equivalent of the benefit of the non-cash voucher (see section 87(2)).
- (4) Otherwise, the “relevant amount” is the difference between—
- (a) the amount foregone, and

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- (b) any part of the cost of provision that is made good by the employee, to the person incurring it, on or before 6 July following the relevant tax year.
- (5) If the voucher is a non-cash voucher other than a cheque voucher, the relevant tax year is—
- (a) the tax year in which the cost of provision is incurred, or
- (b) if later, the tax year in which the employee receives the voucher.
- (6) If the voucher is a cheque voucher, the relevant tax year is the tax year in which the voucher is handed over in exchange for money, goods or services.
- (7) For the purposes of subsections (2) and (3), assume that the cost of provision is zero if the condition in subsection (8) is met.
- (8) The condition is that the non-cash voucher would be exempt from income tax but for section 228A (exclusion of certain exemptions).]

Textual Amendments

- F5** S. 87A inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 4](#)

88 Year in which earnings treated as received

- (1) In the case of a non-cash voucher other than a cheque voucher, the amount treated as earnings under section 87 [^{F6}or 87A] is to be treated as received—
- (a) in the tax year in which the cost of provision is incurred, or
- (b) if later, in the tax year in which the voucher is received by the employee.
- (2) In the case of a cheque voucher, the amount treated as earnings under section 87 [^{F7}or 87A] is to be treated as received in the tax year in which the voucher is handed over in exchange for money, goods or services.
- (3) [^{F8}For the purposes of subsection (2) and sections 87(2B) and 87A(6),] Where a cheque voucher is posted it is to be treated as handed over at the time of posting.

Textual Amendments

- F6** Words in s. 88(1) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 5\(a\)](#)
- F7** Words in s. 88(2) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 5\(b\)](#)
- F8** Words in s. 88(3) inserted (with effect in accordance with s. 1(14) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 1\(3\)](#)

^{F9}89 Reduction for meal vouchers

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

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Textual Amendments

- F9** S. 89 repealed (with effect in accordance with Sch. 39 para. 50(3) of the amending Act) by [Finance Act 2012 \(c. 14\)](#), **Sch. 39 para. 50(1)**

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Benefit of non-cash voucher treated as earnings.