



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 4

EMPLOYMENT INCOME: EXEMPTIONS

CHAPTER 11

MISCELLANEOUS EXEMPTIONS

Awards and gifts

321 Suggestion awards

- (1) This section applies where an employer establishes a scheme for the making of suggestions that is open on the same terms—
 - (a) to employees of the employer generally, or
 - (b) to a particular description of them.
- (2) No liability to income tax arises in respect of an encouragement award or financial benefit award made under the scheme for a suggestion which meets conditions A to C if, or to the extent that, it does not exceed the permitted maximum for the award under section 322.
- (3) Condition A is that the suggestion relates to the activities carried on by the employer.
- (4) Condition B is that the suggestion is made by an employee who could not reasonably be expected to make it in the course of the duties of the employment, having regard to the employee's experience.
- (5) Condition C is that the suggestion is not made at a meeting held for the purpose of proposing suggestions.

Status: This is the original version (as it was originally enacted).

(6) In this section and section 322—

“encouragement award” means an award, other than a financial benefit award, made for a suggestion with intrinsic merit or showing special effort, and

“financial benefit award” means an award for a suggestion relating to an improvement in efficiency or effectiveness which the employer has decided to adopt and reasonably expects will result in a financial benefit.

322 Suggestion awards: “the permitted maximum”

(1) The permitted maximum for an encouragement award for the purposes of section 321 (suggestion awards) is £25.

(2) The permitted maximum for a financial benefit award where no such award for the suggestion has been made before is—

- (a) if only one such award is made for the suggestion, the suggestion maximum, and
- (b) if two or more such awards are made on the same occasion to different persons for the suggestion, the appropriate proportion of the suggestion maximum.

(3) If on a later occasion or occasions one or more further such awards are made for the same suggestion, the permitted maximum for each is—

- (a) if only one such award is made for the suggestion on that occasion, the residue of the suggestion maximum, and
- (b) if two or more such awards are made on the same occasion to different persons for the suggestion, the appropriate proportion of that residue.

(4) The suggestion maximum for a financial benefit award is the financial benefit share or £5000 if that is less.

(5) In subsection (4) “the financial benefit share” means the greater of—

- (a) half the financial benefit reasonably expected to result from the adoption of the suggestion for the first year after its adoption, and
- (b) one-tenth of the financial benefit reasonably expected to result from its adoption for the first 5 years after its adoption.

(6) In this section—

“the appropriate proportion” means such proportion as the award bears to the total of the financial benefit awards made on the same occasion for the suggestion,

“the residue of the suggestion maximum” means the suggestion maximum less the total previous exemption, and

“the total previous exemption” means the total of the amounts exempted from income tax under section 321 in respect of financial benefit awards for the suggestion made on previous occasions.

323 Long service awards

(1) No liability to income tax arises in respect of a long service award which meets the condition in subsection (3) if or to the extent that the chargeable amount does not exceed the permitted maximum.

- (2) In subsection (1)—
- “chargeable amount” means the amount of employment income which would be charged to tax in respect of the award apart from subsection (1),
- “long service award” means an award made to an employee to mark not less than 20 years' service with the same employer, and
- “permitted maximum” means £20 for each year of service in respect of which the award is made.
- (3) The condition is that the award must take the form of—
- (a) tangible moveable property,
 - (b) shares in a company which is, or belongs to the same group as, the employer, or
 - (c) the provision of any other benefit except—
 - (i) a payment,
 - (ii) a cash voucher,
 - (iii) a credit-token,
 - (iv) securities,
 - (v) shares not within paragraph (b), or
 - (vi) an interest in or rights over securities or shares.
- (4) Subsection (1) does not apply to an award (“the later award”) if another award to mark a particular period of service with the same employer has been made to the employee in the period of 10 years ending with the date on which the later award is made.
- (5) For the purposes of this section, service is treated as being with the same employer if it is with two or more employers—
- (a) each of whom is a successor or predecessor of the others, or
 - (b) one of whom is a company which belongs or has belonged to the same group as the others or a predecessor or successor of the others.
- (6) In this section “group” means a body corporate and its 51% subsidiaries.

324 Small gifts from third parties

- (1) No liability to income tax arises in respect of a gift provided for an employee or a member of the employee's family or household if conditions A to E are met.
- (2) Condition A is that the gift is not provided by the employer or a person connected with the employer.
- (3) Condition B is that neither the employer nor a person connected with the employer has directly or indirectly procured the gift.
- (4) Condition C is that the gift is not made in recognition of particular services performed by the employee in the course of the employment or in anticipation of such services.
- (5) Condition D is that the gift is not cash or securities or the use of a service.
- (6) Condition E is that the total cost to the donor of all the eligible gifts in respect of the employee in question during the tax year does not exceed £150.

Status: This is the original version (as it was originally enacted).

- (7) For the purposes of condition E, the total cost to the donor includes any value added tax payable on the supply of the gifts to the donor, whether or not the donor is entitled to a credit or repayment in respect of that tax.
- (8) In this section “eligible gifts” means all gifts which—
- (a) meet conditions A to D, or
 - (b) are non-cash vouchers or credit-tokens and meet—
 - (i) conditions A to C, and
 - (ii) conditions A and B in section 270 (exemption for small gifts of vouchers and tokens from third parties).
- (9) Subsection (1) does not apply to non-cash vouchers and credit-tokens (but see section 270 which makes provision for a corresponding exemption for them).