



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 4

EMPLOYMENT INCOME: EXEMPTIONS

CHAPTER 5

EXEMPTIONS: RECREATIONAL BENEFITS

Recreational facilities

261 Exemption of recreational benefits

- (1) No liability to income tax arises in respect of the provision to an employee or a member of an employee's family or household of benefits within subsection (2).
- (2) The benefits are—
 - (a) sporting or other recreational facilities which meet conditions A to C, and
 - (b) a right or opportunity to make use of such facilities.

This is subject to section 262.

- (3) Condition A is that the facilities are available generally to the employees of the employer in question.
- (4) Condition B is that they are not available to members of the public generally.
- (5) Condition C is that they are used wholly or mainly by persons whose right or opportunity to use them is employment-related (whether or not by reference to the same employer).

Status: This is the original version (as it was originally enacted).

(6) A person's right or opportunity to use facilities is "employment-related" if and only if—

- (a) it derives from the person being—
 - (i) an employee or former employee, or
 - (ii) a member or former member of the family or household of an employee or former employee, of a particular employer, and
- (b) the facilities are provided so as to be available generally to that employer's employees.

262 Benefits not exempted by section 261

(1) Section 261 (exemption of recreational benefits) does not apply to the following benefits—

- (a) an interest in or the use of any of the following—
 - (i) a mechanically propelled vehicle,
 - (ii) holiday or other overnight accommodation, or
 - (iii) facilities which include, or are provided in association with, a right or opportunity to make use of holiday or overnight accommodation,
- (b) facilities provided on domestic premises, or
- (c) a right or opportunity to make use of facilities within paragraph (a) or (b).

(2) In this section—

“domestic premises” means—

- (a) premises used wholly or mainly as a private dwelling, or
- (b) land or other premises belonging to, or enjoyed with, premises so used, and

“vehicle” includes a ship, boat or other vessel, an aircraft and a hovercraft.

263 Power to alter benefits to which section 261 applies

The Treasury may by regulations provide that section 261—

- (a) does not apply to a benefit specified in the regulations,
- (b) applies to a benefit so specified only where such conditions as the regulations specify are met in relation to the terms on which, and the persons to whom, it is provided, or
- (c) applies in such cases as are so specified to—
 - (i) facilities that do not meet the conditions in section 261(3) to (5), or
 - (ii) a benefit within section 262.

Annual parties and functions

264 Annual parties and functions

(1) This section applies to an annual party or similar annual function provided for an employer's employees and available to them generally or available generally to those at a particular location.

- (2) Where in the tax year only one annual party or similar annual function to which this section applies is provided for the employer's employees, or the employees in question, no liability to income tax arises in respect of its provision if the cost per head of the party or function does not exceed £75.
- (3) Where in the tax year two or more such parties or functions are so provided, no liability to income tax arises in respect of the provision of one or more of them ("the exempt party or parties") if the cost per head of the exempt party or parties does not exceed £75 or £75 in aggregate.
- (4) For the purposes of this section, the cost per head of a party or function is the total cost of providing—
 - (a) the party or function, and
 - (b) any transport or accommodation incidentally provided for persons attending it (whether or not they are the employer's employees),divided by the number of those persons.
- (5) That total cost includes any value added tax on the expenses incurred in providing the party, function, transport or accommodation.

Entertainment

265 Third party entertainment

- (1) No liability to income tax arises in respect of the provision of entertainment for an employee or a member of the employee's family or household if conditions A to C are met.
- (2) Condition A is that the person providing the entertainment is not 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 its provision.
- (4) Condition C is that it is not provided—
 - (a) in recognition of particular services performed by the employee in the course of the employment, or
 - (b) in anticipation of particular services to be so performed.
- (5) In this section "entertainment" includes hospitality of any kind.