



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 4

#### EMPLOYMENT INCOME: EXEMPTIONS

### CHAPTER 6

#### EXEMPTIONS: NON-CASH VOUCHERS AND CREDIT-TOKENS

##### *General exemptions: use for exempt benefits*

#### **266 Exemption of non-cash vouchers for exempt benefits**

- (1) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher if or to the extent that the voucher is used to obtain anything the direct provision of which would fall within—
- (a) section 237(1) (parking provision),
  - (b) section 246 (transport between home and work for disabled employees: general),
  - (c) section 247 (provision of cars for disabled employees),
  - (d) section 248 (transport home: late night working and failure of car-sharing arrangements),<sup>F1</sup> ...
  - (e) section 265 (third party entertainment)<sup>F2</sup>, or
  - (f) section 320C (recommended medical treatment);]
- (2) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher if the voucher evidences the employee's entitlement to use anything the direct provision of which would fall within—

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- (a) section 242 (works transport services),
  - (b) section 243 (support for public bus services), <sup>F3</sup>...
  - (c) section 244 (cycles and cyclist's safety equipment), [<sup>F4</sup> or
  - (d) section 319 (mobile telephones).]
- (3) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher if the voucher can only be used to obtain anything the direct provision of which would fall within—
- (a) section 245 (travelling and subsistence during public transport strikes),
  - (b) section 261 (exemption of recreational benefits),
  - (c) section 264 (annual parties and functions),
  - (d) section 296 (armed forces' leave travel facilities), <sup>F5</sup>...
  - (e) section 317 (subsidised meals) [<sup>F6</sup>, <sup>F7</sup>...
  - (f) section 320A (eye tests and special corrective appliances)] [<sup>F8</sup> or
  - (g) section 320B (health screening and medical check-ups).]
- (4) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher if the voucher evidences the employee's entitlement to a benefit in respect of which no charge arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge) because of regulations under section 210 (power to exempt minor benefits).
- (5) For the purposes of this section direct provision is taken to fall within a section if it would do so if the employee were not in [<sup>F9</sup>lower-paid employment as a minister of religion].

#### Textual Amendments

- F1** Word in s. 266(1)(d) omitted (1.1.2015) by virtue of [Finance Act 2014 \(c. 26\), s. 12\(3\)\(4\)](#); S.I. 2014/3226, art. 2
- F2** S. 266(1)(f) and word inserted (1.1.2015) by [Finance Act 2014 \(c. 26\), s. 12\(3\)\(4\)](#); S.I. 2014/3226, art. 2
- F3** Word in s. 266(2)(b) repealed (with effect for the year 2006-07 and subsequent years of assessment in accordance with s. 60(4)(5) of the amending Act) by [Finance Act 2006 \(c. 25\), Sch. 26 Pt. 3\(6\)](#)
- F4** S. 266(2)(d) and word inserted (with effect for the year 2006-07 and subsequent years of assessment in accordance with s. 60(4) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 60\(1\)](#)
- F5** Word in s. 266(3)(d) repealed (with effect for the year 2006-07 and subsequent years of assessment in accordance with Sch. 26 Pt. 3(8) Note of the amending Act) by [Finance Act 2006 \(c. 25\), Sch. 26 Pt. 3\(8\)](#)
- F6** S. 266(3)(f) and word inserted (with effect for the year 2006-07 and subsequent years of assessment in accordance with s. 62(5) of the amending Act) by [Finance Act 2006 \(c. 25\), s. 62\(3\)](#)
- F7** Word in s. 266(3)(e) omitted (with effect in accordance with s. 55(5) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\), s. 55\(2\)](#)
- F8** S. 266(3)(g) and word inserted (with effect in accordance with s. 55(5) of the amending Act) by [Finance Act 2009 \(c. 10\), s. 55\(2\)](#)
- F9** Words in s. 266(5) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 15](#)

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## 267 Exemption of credit-tokens used for exempt benefits

- (1) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a credit-token if or to the extent that the token is used to obtain anything the direct provision of which—
- (a) would fall within one of the provisions specified in subsection (2), or
  - (b) would do so if the employee were not in [<sup>F10</sup>lower-paid employment as a minister of religion].
- (2) Those provisions are—
- (a) section 237(1) (parking provision),
  - (b) section 245 (travelling and subsistence during public transport strikes),
  - (c) section 246 (transport between home and work for disabled employees: general),
  - (d) section 247 (provision of cars for disabled employees),
  - (e) section 248 (transport home: late night working and failure of car-sharing arrangements), <sup>F11</sup>...
  - (f) section 265 (third party entertainment).
  - [<sup>F12</sup>(g) section 319 (mobile telephones).] , <sup>F13</sup>...
  - [<sup>F14</sup>(h) section 320A (eye tests and special corrective appliances)] [<sup>F15</sup>and
  - (i) section 320B (health screening and medical check-ups).]

### Textual Amendments

- F10** Words in s. 267(1)(b) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 1 para. 16](#)
- F11** Word in s. 267(2)(e) repealed (with effect for the year 2006-07 and subsequent years of assessment in accordance with s. 60(4)(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [Sch. 26 Pt. 3\(6\)](#)
- F12** S. 267(2)(g) inserted (with effect for the year 2006-07 and subsequent years of assessment in accordance with s. 60(4) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 60\(2\)](#)
- F13** Word in s. 267(2)(g) omitted (with effect in accordance with s. 55(5) of the amending Act) by virtue of [Finance Act 2009 \(c. 10\)](#), [s. 55\(3\)](#)
- F14** S. 267(2)(h) and word inserted (with effect for the year 2006-07 and subsequent years of assessment in accordance with s. 62(5) of the amending Act) by [Finance Act 2006 \(c. 25\)](#), [s. 62\(4\)](#)
- F15** S. 267(2)(i) and word inserted (with effect in accordance with s. 55(5) of the amending Act) by [Finance Act 2009 \(c. 10\)](#), [s. 55\(3\)](#)

### *Exemptions for particular non-cash vouchers and credit-tokens*

## 268 Exemption of vouchers and tokens for incidental overnight expenses

- (1) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher or a credit-token if or to the extent that the voucher or token is used by an employee to obtain goods, services or money if conditions A to C are met.
- (2) In the case of goods or services, condition A is that—
- (a) obtaining them is incidental to the employee's absence from the place where the employee normally lives, and

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- (b) that absence is for a continuous period in relation to which the overnight stay conditions are met (“the qualifying period”).
- (3) In the case of money, condition A is that—
  - (a) it is obtained for the purpose of obtaining goods or services, and
  - (b) obtaining them is incidental to such an absence during such a period.
- (4) Condition B is that an amount would not be deductible under section 362 or 363 (deductions where non-cash voucher or credit-token provided) in respect of the cost of obtaining the goods or services.
- (5) Condition C is that the exemption provisions total in respect of the qualifying period does not exceed the permitted amount.
- (6) In this section—
  - “the overnight stay conditions” has the same meaning as in section 240 (exemption of incidental overnight expenses and benefits) (see section 240(4)), and
  - “the exemption provisions total” and “the permitted amount” have the same meaning as in section 241 (incidental overnight expenses and benefits: overall exemption limit) (see section 241(2) and (3)).

## **269 Exemption where benefits or money obtained in connection with taxable car or van or exempt heavy goods vehicle**

- (1) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher or a credit-token if or to the extent that the voucher or token is used by the employee or a member of the employee’s family for obtaining—
  - (a) goods or services in connection with a taxable car or van or an exempt heavy goods vehicle, or
  - (b) money which is spent on such goods or services.
- (2) Subsection (1) applies where the goods in question are fuel for a car, [<sup>F16</sup>or van, but see section 149(3) or section 160(3)] (by virtue of which such use of a voucher or token is treated as the provision of the fuel for the purposes of section 149 (benefit of car fuel treated as earnings) [<sup>F17</sup>or section 160 (benefit of van fuel treated as earnings)]).
- (3) For the purposes of this section—
  - (a) “car” and “van” have the meaning given by section 115, and
  - (b) a car or van is “taxable” if the cash equivalent of the benefit of it is treated as the employee’s earnings for the tax year in which the voucher or token is used under Chapter 6 of Part 3 (taxable benefits: cars, vans and related benefits).
- (4) For the purposes of this section—
  - (a) “heavy goods vehicle” has the same meaning as in section 238 (modest private use of heavy goods vehicles), and
  - (b) a heavy goods vehicle is “exempt” if it is made available in the tax year to the employee in such circumstances that section 238 applies or would apply if the employee were not in [<sup>F18</sup>lower-paid employment as a minister of religion].

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### Textual Amendments

- F16** Words in s. 269(2) substituted (21.7.2008) by [Finance Act 2008 \(c. 9\), s. 48\(2\)\(a\)](#)  
**F17** Words in s. 269(2) inserted (21.7.2008) by [Finance Act 2008 \(c. 9\), s. 48\(2\)\(b\)](#)  
**F18** Words in s. 269(4)(b) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\), Sch. 1 para. 17](#)

## 270 Exemption for small gifts of vouchers and tokens from third parties

- (1) No liability to income tax arises by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit-tokens) in respect of a non-cash voucher or a credit-token if conditions A to C are met.
- (2) Condition A is that the voucher or token is provided as a gift.
- (3) Condition B is that it is only capable of being used to obtain goods.
- (4) Condition C is that it meets conditions A to C and E in section 324 (general exemption of small gifts from third parties).

### [<sup>F19</sup>270A] Limited exemption for qualifying childcare vouchers

- (1) If qualifying childcare vouchers are provided for an [<sup>F20</sup>eligible][<sup>F21</sup>employee]—
  - (a) no liability to income tax arises by virtue of section 62 (general definition of earnings), and
  - (b) liability to income tax by virtue of Chapter 4 of Part 3 (taxable benefits: vouchers and credit tokens) arises only in respect of so much of the cash equivalent of the benefit as exceeds the exempt amount.]

[<sup>F22</sup>For the meaning of “eligible employee”, see section 270AA.]

- (2) A “qualifying childcare voucher” means a non-cash voucher in relation to which Conditions A to [<sup>F23</sup>D] are met.
- (3) Condition A is that the voucher is provided to enable an employee to obtain care for a child who—
  - (a) is a child or stepchild of the employee and is maintained (wholly or partly) at the employee’s expense, or
  - (b) is resident with the employee and is a person in respect of whom the employee has parental responsibility.
- (4) Condition B is that the voucher can only be used to obtain qualifying child care.
- (5) Condition C is that the vouchers are provided under a scheme that is open—
  - (a) to the employer’s [<sup>F24</sup>eligible] employees generally, or
  - (b) generally to those at a particular location.

[ Where the scheme under which the vouchers are provided involves—

- <sup>F25</sup>(5A)
  - (a) relevant salary sacrifice arrangements, or
  - (b) relevant flexible remuneration arrangements,

Condition C is not prevented from being met by reason only that the scheme is not open to relevant low-paid employees.

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(5B) In subsection (5A)—

“relevant salary sacrifice arrangements” means arrangements (whenever made) under which the employees for whom the vouchers are provided give up the right to receive an amount of general earnings or specific employment income in return for the provision of the vouchers;

“relevant flexible remuneration arrangements” means arrangements (whenever made) under which the employees for whom the vouchers are provided agree with the employer that they are to be provided with the vouchers rather than receive some other description of employment income;

“relevant low-paid employees” means any of the employer's employees who are remunerated by the employer at a rate such that, if the relevant salary sacrifice arrangements or relevant flexible remuneration arrangements applied to them, the rate at which they would then be so remunerated would be likely to be lower than the national minimum wage.]

[ Condition D is that the employer has, at the required time, made an estimate of the <sup>F26</sup>(5C) employee's relevant earnings amount for the tax year in respect of which the voucher is provided (see section 270B).]

(6) For the purposes of this section the “exempt amount”, in any tax year, is [<sup>F27</sup>the sum of—

- (a) [<sup>F28</sup>the appropriate amount] for each qualifying week in that year, and
- (b) the voucher administration costs for that year.]

[ In subsection (6)(a) “the appropriate amount”, in the case of an employee, means—  
<sup>F29</sup>(6ZA) (a) if the relevant earnings amount in the case of the employee for the tax year, as estimated in accordance with subsection (5C), exceeds the higher rate limit for the tax year, [<sup>F30</sup>£25] ,  
 (b) if the relevant earnings amount in the case of the employee for the tax year, as so estimated, exceeds the basic rate limit for the tax year but does not exceed the higher rate limit for the tax year, £28, and  
 (c) otherwise, £55.]

[ The “voucher administration costs” for any tax year in respect of which qualifying <sup>F31</sup>(6A) childcare vouchers are provided for an employee means the difference between the cost of provision of the vouchers and their face value.

The face value of a voucher is the amount stated on or recorded in the voucher as the value of the provision of care for a child that may be obtained by using it.]

(7) A “qualifying week” means a tax week in respect of which a qualifying childcare voucher is received.

A “tax week” means one of the successive periods in a tax year beginning with the first day of that year and every seventh day after that (so that the last day of a tax year or, in the case of a tax year ending in a leap year, the last two days is treated as a separate week).

(8) An employee is only entitled to one exempt amount even if care is provided for more than one child.

But it does not matter that another person may also be entitled to an exempt amount in respect of the same child.

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- (9) An employee is not entitled to an exempt amount under this section and under section 318A (limited exemption for employer-contracted childcare) in respect of the same tax week.
- (10) In this section “care”, “child”, “parental responsibility” and “qualifying child care” have the same meaning as in section 318A (see sections 318B and 318C).
- [ In this section “cost of provision”, in relation to a childcare voucher, has the meaning <sup>F32</sup>(10A) given in section 87(3) and (3A).]
- (11) The powers conferred by section 318D (childcare: power to vary [<sup>F33</sup>amounts] and qualifying conditions) are exercisable—
- (a) in relation to the [<sup>F33</sup>amounts] specified in subsection [<sup>F34</sup>(6ZA) above] as in relation to the [<sup>F33</sup>amounts] specified in section [<sup>F35</sup>318A(6A)] , and
  - (b) in relation to the qualifying conditions for the exemption conferred by this section as in relation to the qualifying conditions for the exemption conferred by section 318A.]

#### Textual Amendments

- F19** S. 270A inserted (with effect in accordance with s. 78(2) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 13 para. 3](#)
- F20** Word in s. 270A(1) inserted (21.4.2017) by [Childcare Payments Act 2014 \(c. 28\)](#), [ss. 63\(2\)\(a\)](#), 75(2); [S.I. 2017/578](#), [reg. 3\(f\)](#) (with [reg. 8](#))
- F21** Words in s. 270A(1) substituted (with effect in accordance with s. 16(7) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 16\(4\)](#)
- F22** Words in s. 270A(1) inserted (21.4.2017) by [Childcare Payments Act 2014 \(c. 28\)](#), [ss. 63\(2\)\(b\)](#), 75(2); [S.I. 2017/578](#), [reg. 3\(f\)](#) (with [reg. 8](#))
- F23** Word in s. 270A(2) substituted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 2\(2\)](#)
- F24** Word in s. 270A(5)(a) inserted (21.4.2017) by [Childcare Payments Act 2014 \(c. 28\)](#), [ss. 63\(3\)](#), 75(2); [S.I. 2017/578](#), [reg. 3\(f\)](#) (with [reg. 8](#))
- F25** S. 270A(5A)(5B) inserted (with effect in accordance with s. 36(3) of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [s. 36\(1\)](#)
- F26** S. 270A(5C) inserted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 2\(3\)](#)
- F27** Words in s. 270A(6) substituted (with effect in accordance with s. 15(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 15\(2\)](#)
- F28** Words in s. 270A(6)(a) substituted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 2\(4\)](#)
- F29** S. 270A(6ZA) inserted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 2\(5\)](#)
- F30** Word in s. 270A(6ZA)(a) substituted (with effect in accordance with art. 1(2) of the amending S.I.) by [The Income Tax \(Exempt Amount for Childcare Vouchers and for Employer Contracted Childcare\) Order 2013 \(S.I. 2013/513\)](#), arts. 1(2), 2(2)
- F31** S. 270A(6A) inserted (with effect in accordance with s. 15(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 15\(3\)](#)
- F32** S. 270A(10A) inserted (with effect in accordance with s. 15(5) of the amending Act) by [Finance Act 2005 \(c. 7\)](#), [s. 15\(4\)](#)
- F33** Word in s. 270A(11) substituted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 2\(6\)\(a\)](#)
- F34** Words in s. 270A(11) substituted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 2\(6\)\(b\)](#)

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**F35** Word in s. 270A(11) substituted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), **Sch. 8 para. 2(6)(c)**

**[<sup>F36</sup>270A Meaning of “eligible employee”**

- (1) An employee is an eligible employee for the purposes of section 270A if conditions A to C are met in relation to the employee.
- (2) Condition A is that the employee—
  - (a) was employed by the employer immediately before the relevant day, and
  - (b) has not ceased to be employed by the employer on or after that day.
- (3) “The relevant day” means the day specified by the Treasury in regulations for the purposes of this section.
- (4) Condition B is that there has not been a period of 52 tax weeks ending on or after the relevant day which has not included at least one qualifying week.
- (5) In subsection (4)—
 

“qualifying week” means a tax week in respect of which a qualifying childcare voucher has been provided for the employee under the scheme by the employer in respect of a child, and

“tax week” has the meaning given by section 270A(7).
- (6) Condition C is that the employee has not given the employer a childcare account notice.
- (7) A “childcare account notice” is a written notice informing the employer that the employee wishes to leave the scheme in order to be able to open a childcare account under section 17 of the Childcare Payments Act 2014 or enable the employee's partner to do so.
- (8) In subsection (7) “partner” is to be read in accordance with regulations made under section 3(5) of that Act.]

**Textual Amendments**

**F36** [S. 270AA](#) inserted (21.4.2017) by [Childcare Payments Act 2014 \(c. 28\)](#), **ss. 63(4), 75(2)**; [S.I. 2017/578](#), [reg. 3\(f\)](#) (with [reg. 8](#))

**[<sup>F37</sup>270B Meaning of “relevant earnings amount” and “required time”**

- (1) For the purposes of section 270A, the “relevant earnings amount”, in the case of an employee provided with vouchers by an employer for any qualifying week in a tax year, means—
  - (a) the aggregate of—
    - (i) the amount of any relevant earnings for the tax year from employment by the employer, and
    - (ii) any amounts treated under Chapters 2 to 12 of Part 3 as earnings from such employment, less
  - (b) the aggregate of any excluded amounts.



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- (2) But if the employee becomes employed by the employer during the tax year, what would otherwise be the amount of the aggregate mentioned in subsection (1)(a) is the relevant multiple of that amount; and the relevant multiple is—

$$\frac{365}{RD}$$

where RD is the number of days in the period beginning with the day on which the employee becomes employed by the employer and ending with the tax year.

- (3) In subsection (1)(a) “relevant earnings” means—
- (a) salary, wages or fees, and
  - (b) any other earnings specified in regulations made by the Treasury under this paragraph.
- (4) In subsection (1)(b) “excluded amounts” means amounts specified in regulations made by the Treasury under this subsection.
- (5) In section 270A “the required time”, in the case of an employee, means—
- (a) if the employee joins the scheme under which the vouchers are provided at a time during the tax year, that time, and
  - (b) otherwise, the beginning of the tax year.
- (6) For the purposes of subsection (5)(a) the employee is taken to join the scheme as soon as—
- (a) the employer has agreed that vouchers will be provided under the scheme for the employee, and
  - (b) there is a child falling within section 270A(3)(a) or (b) in relation to the employee.
- (7) The Treasury may by order amend this section.]

#### Textual Amendments

- F37** S. 270B inserted (with effect in accordance with Sch. 8 paras. 7-10 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 8 para. 3](#)

**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Chapter 6.