

## SCHEDULES

### SCHEDULE 7

#### TRANSITIONALS AND SAVINGS

#### PART 3

##### EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNING

*Taxable benefits: dispensations relating to benefits within provisions not applicable to lower-paid employments*

- 15 (1) An existing notification—
- (a) is not affected by any of the repeals made by this Act, but
  - (b) continues in force as if it were a dispensation given under section 65 (dispensations relating to benefits within provisions not applicable to lower-paid employment),
- and accordingly, where an existing notification is revoked under that section for any period before 6th April 2003, subsection (8) or (9) of that section extends to tax years before the tax year 2003-04.
- (2) In this paragraph an “existing notification”—
- (a) means a notification which, immediately before 6th April 2003, was in force under section 166(1) of ICTA (notice of nil liability in respect of payments, benefits or facilities); and
  - (b) includes a notification whose validity was preserved by subsection (4) of that section (notifications given under section 199 of FA 1970);
- but a notification within paragraph (b) only continues to have effect under this paragraph in respect of any liability to tax arising by virtue of Chapter 3 (expenses) or 10 (residual liability to charge) of Part 3.
- 16 (1) This paragraph applies if—
- (a) mileage allowance payments are made to an employee in respect of the use of a vehicle that is not a company vehicle, or
  - (b) mileage allowance relief is available in respect of the use by an employee of a vehicle.
- (2) Any notification under section 166(1) of ICTA (notice of nil liability in respect of payments, benefits or facilities) which—
- (a) was in force immediately before 6th April 2002, and
  - (b) has effect as a dispensation under section 65 (dispensations relating to benefits within provisions not applicable to lower-paid employment),
- does not apply in relation to payments made, or benefits or facilities provided, in respect of expenses incurred in connection with the use of the vehicle by the employee for business travel.

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- (3) In this paragraph “business travel”, “company vehicle” and “mileage allowance payment” have the same meanings as in Chapter 2 of Part 4.

*Taxable benefits: the benefits code*

- 17 (1) In relation to times before 6th April 2003, references in the benefits code to “employment”, “employed”, “employee” and “employer” are to be read in accordance with this paragraph.
- (2) In relation to the Chapters of the benefits code listed in section 216(4) (provisions not applicable to lower-paid employments), the references mentioned in sub-paragraph (1) are to be read in accordance with section 66 (meaning of employment and related expressions) but as if in subsection (1)(a) there were substituted “an employment to which Chapter 2 of Part 5 of ICTA applies” for “a taxable employment under Part 2”.
- (3) In relation to any other Chapters of the benefits code, the references mentioned in sub-paragraph (1) are to be read in accordance with section 66 but as if in subsection (1)(a) there were substituted “an employment the emoluments of which fall to be assessed under Schedule E” for “a taxable employment under Part 2”.
- (4) Where this paragraph applies, Chapter 11 of Part 3 (exclusion of lower-paid employments from parts of benefits code) does not apply.
- (5) This paragraph is subject to paragraphs 18(2), 24, 27(3), 29(4) and 31(2) of this Schedule.

*Taxable benefits: vouchers and credit-tokens*

- 18 (1) For the purpose of applying sections 82 to 89 (non-cash vouchers) in relation to times before 6th April 2003, Chapter 4 of Part 3 applies with the following modification.
- (2) In section 89(1)(c) (reduction for meal vouchers) substitute “an employment which is not an employment within the meaning of section 167(1)(b) of ICTA” for “lower-paid employment within the meaning of Chapter 11 of this Part (see section 217)”.
- 19 (1) This paragraph applies to a notification which, immediately before 6th April 2003, was in force under section 144(1) of ICTA (notice of nil liabilities in respect of vouchers or credit-tokens).
- (2) The notification—
- (a) is not affected by any repeals made by this Act, but
- (b) continues in force as if it were a dispensation given under section 96 (dispensations relating to vouchers or credit-tokens),
- and accordingly, where the notification is revoked under that section for any period before 6th April 2003, subsection (7) or (8) of that section extends to tax years before the tax year 2003-04.
- 20 (1) This paragraph applies if—
- (a) mileage allowance payments are made to an employee in respect of the use of a vehicle that is not a company vehicle, or
- (b) mileage allowance relief is available in respect of the use by an employee of a vehicle.

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- (2) Any notification under section 144(1) of ICTA (notice of nil liability in respect of vouchers or credit-tokens) which—
- (a) was in force immediately before 6th April 2002, and
  - (b) has effect as a dispensation under section 96 (dispensations relating to vouchers or credit-tokens),
- does not apply in relation to cash vouchers, non-cash vouchers or credit-tokens provided in respect of expenses incurred in connection with the use of the vehicle by the employee for business travel.
- (3) In this paragraph “business travel”, “company vehicle” and “mileage allowance payment” have the same meanings as in Chapter 2 of Part 4.

*Taxable benefits: living accommodation*

- 21 (1) Section 107 (special rule for calculating cost of providing accommodation) does not apply if the employee first occupied the living accommodation before 31st March 1983.
- (2) Nothing in this paragraph affects the operation of section 107 as applied by section 398(2)(b) or 415(2)(b).

*Taxable benefits: cars, vans and related benefits*

- 22 (1) In relation to a capital sum contributed by the employee before 6th April 2003, section 132 (cars: capital contributions by employee) applies with the following modifications.
- (2) In subsection (1)(b) substitute “under sections 168A to 168C of ICTA in determining the price of the car as regards a year” for “in calculating the cash equivalent of the benefit of the car”.
- (3) In subsection (2)—
- (a) omit paragraph (a), and
  - (b) in paragraph (b) substitute “the tax years after the tax year in which the contribution was made which are” for “subsequent”.
- 23 (1) In relation to a capital sum contributed by the employee before 6th April 2003, section 147 (classic cars: 15 years of age or more) applies with the following modifications.
- (2) In subsection (5)(b) substitute “under section 168F(3) of ICTA in determining the price of the car as regards a year” for “in determining the market value of the car”.
- (3) In subsection (6)—
- (a) omit paragraph (a), and
  - (b) in paragraph (b) substitute “the tax years after the tax year in which the contribution was made which are” for “subsequent”.
- 24 (1) This paragraph applies to the operation of section 156(4) (meaning of “shared van”: where van available to only one employee) in relation to times before 6th April 2003.
- (2) The following references are to be read in accordance with section 66 (meaning of “employment” and related expressions) as modified by sub-paragraph (3)—
- (a) the reference to an “employee” in section 156(4), and

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- (b) the references to “employee”, “employment” and “employer” in sections 116 and 117 (meaning of van is available to employee) as applied for the purposes of section 156(4).
- (3) In section 66(1)(a) substitute “an employment the emoluments of which fall to be assessed under Schedule E” for “a taxable employment under Part 2”.

*Taxable benefits: loans*

- 25 (1) Chapter 7 of Part 3 applies to a loan made at any time, including one made before 29th July 1976 (the date on which FA 1976 was passed).
- (2) But section 188 (loan released or written off: amount treated as earnings) does not apply to benefits received in pursuance of arrangements made at any time with a view to protecting the holder of shares acquired before 6th April 1976 from a fall in their market value.
- 26 (1) This paragraph relates to the operation of section 183 (alternative method of calculation) in relation to section 177(2) (exceptions for loans at fixed rate of interest) in the case of a loan made before 6th April 2003.
- (2) Where section 183 applies, then for the purpose of calculating under section 177(2) the amount of interest that would have been payable on the loan at the official rate of interest for the year in which the loan was made, in step 3 in section 183(3) for “the number of days in the tax year” substitute “365”.
- 27 (1) Subject to paragraph 25(2), where a loan is made before 6th April 2003, section 188 (loan released or written off: amount treated as earnings) applies with the following modifications.
- (2) References to the employment in relation to which a loan is an employment-related loan are to be read, in relation to times before 6th April 2003, as references to the employment referred to in section 174 (employment-related loans) as modified by paragraph 17.
- (3) In relation to times before 6th April 2003—
  - (a) in subsection (2)(c), substitute “an employment to which Chapter 2 of Part 5 of ICTA applies” for “not an excluded employment”, and
  - (b) in subsection (3)(a), substitute “an employment to which Chapter 2 of Part 5 of ICTA does not apply” for “excluded employment”.

*Taxable benefits: notional loans in respect of acquisitions of shares*

- 28 Chapter 8 of Part 3 does not apply in relation to acquisitions on or before 6th April 1976.
- 29 (1) This paragraph relates to the operation of Chapter 8 of Part 3 in relation to an acquisition made before 6th April 2003.
- (2) If—
  - (a) the acquisition gave rise to a notional loan under section 162(1) of ICTA, and
  - (b) the notional loan has not terminated under section 162(4) of ICTA before 6th April 2003,
 the condition in section 193(1) (notional loan where acquisition for less than market value) is taken to be met and section 193(3) and (4) apply accordingly.

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- (3) In such a case, the amount initially outstanding of the notional loan for the purposes of Chapter 8 of Part 3 is taken to be the amount initially outstanding calculated under section 162 of ICTA in relation to the tax year 2002-03.
- (4) In such a case, section 195(3)(c) (discharge of notional loan: amount treated as earnings) applies, in relation to times before 6th April 2003, with the substitution of “an employment to which Chapter 2 of Part 5 of ICTA applies” for “not an excluded employment”.

*Taxable benefits: disposals of shares for more than market value*

- 30 Chapter 9 of Part 3 does not apply in relation to shares or an interest in shares acquired on or before 6th April 1976.
- 31 (1) This paragraph relates to the operation of section 199 (disposal for more than market value: amount treated as earnings) in relation to an acquisition made before 6th April 2003.
  - (2) Subsection (4)(b) applies, in relation to times before 6th April 2003, with the substitution of “an employment to which Chapter 2 of Part 5 of ICTA applies” for “not an excluded employment”.

*Taxable benefits: residual liability to charge*

- 32 (1) This paragraph applies in relation to Chapter 10 of Part 3.
  - (2) In section 206, the references in subsection (4) and step 2 in subsection (5) to the cost of a benefit determined under section 205 are to be read as including a reference to the cost of a benefit determined under section 156(5) of ICTA.
  - (3) Sections 212, 213 and 215 do not have effect in relation to any payment if—
    - (a) it is made in respect of a scholarship awarded before 15th March 1983,
    - (b) the first payment in respect of the scholarship was made before 6th April 1984, and
    - (c) in relation to payments made after 5th April 1989, the person holding the scholarship (“the scholar”) is receiving full-time instruction at the university, college, school or other educational establishment at which the scholar was receiving such instruction on—
      - (i) 15th March 1983, in a case where the first payment in respect of the scholarship was made before that date, or
      - (ii) the date on which the first such payment was made, in any other case.
  - (4) For the purposes of sub-paragraph (3)(c), a payment made before 6th April 1989 in respect of any period beginning on or after that date is treated as made at the beginning of that period.