



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 7

TAXABLE BENEFITS: LOANS

Benefit of taxable cheap loan treated as earnings

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- (1) An advance by an employer to an employee for the purpose of paying for—
 - (a) necessary expenses, or
 - (b) incidental overnight expenses,is not a taxable cheap loan in relation to a particular tax year if the following conditions are met.
- (2) The conditions are—
 - (a) that at all times in the tax year in question the amount outstanding on such advances made by the employer to the employee does not exceed £1,000,
 - (b) that the advance is spent within 6 months after the date on which it is made, and
 - (c) that the employee accounts to the employer at regular intervals for the expenditure of the amount advanced.
- (3) If, on an application made by the employer, the Inland Revenue are satisfied that there is good reason to do so in the case of a particular advance, they may authorise that either or both of the following limits are increased in relation to that advance—

Status: This is the original version (as it was originally enacted).

- (a) the sum of money specified in subsection (2)(a);
 - (b) the time limit specified in subsection (2)(b).
- (4) An application under subsection (3)—
 - (a) must be in writing, and
 - (b) must contain such particulars and be supported by such evidence as the Inland Revenue may require.
- (5) In this section “necessary expenses” are expenses (including travel expenses) which—
 - (a) the employee is obliged to incur and pay as holder of the employment, and
 - (b) are necessarily incurred in the performance of the duties of the employment.
- (6) In this section “incidental overnight expenses” are expenses which—
 - (a) are incidental to the employee’s absence from the place where the employee normally lives,
 - (b) relate to a continuous period of such absence in relation to which the overnight stay conditions are met, and
 - (c) would not be deductible under Part 5 if the employee incurred and paid them and Chapter 2 of Part 4 (mileage allowances and passenger payments) did not apply.
- (7) In subsection (6)(b) “the overnight stay conditions” has the same meaning as in section 240 (exemption for incidental overnight expenses) (see section 240(4)).