



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

[^{F1}PART 7A

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

CHAPTER 1

APPLICATION ETC

Application[^{F1}: main case]

[^{F1}554A Application of Chapter 2 [^{F2}: main case]

- (1) Chapter 2 applies if—
- (a) a person (“A”) is an employee, or a former or prospective employee, of another person (“B”),
 - (b) there is an arrangement (“the relevant arrangement”) to which A is a party or which otherwise (wholly or partly) covers or relates to A,
 - (c) it is reasonable to suppose that, in essence—
 - (i) the relevant arrangement, or
 - (ii) the relevant arrangement so far as it covers or relates to A,is (wholly or partly) a means of providing, or is otherwise concerned (wholly or partly) with the provision of, rewards or recognition or loans in connection with A's employment, or former or prospective employment, with B,
 - (d) a relevant step is taken by a relevant third person, and
 - (e) it is reasonable to suppose that, in essence—
 - (i) the relevant step is taken (wholly or partly) in pursuance of the relevant arrangement, or

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- (ii) there is some other connection (direct or indirect) between the relevant step and the relevant arrangement.
- (2) In this Part “relevant step” means a step within section 554B, 554C or 554D [^{F3}, or paragraph 1 [^{F4}or 1A] of Schedule 11 to F(No. 2)A 2017][^{F5} (including such a step where the taking of the step, or some aspect of the taking of the step, constitutes a breach of trust or is a constituent part of a breach of trust, and even if the step or aspect] is void as a result of breach of trust)..
- (3) Subsection (1) is subject to subsection (4) and sections 554E to 554Y.
- [^{F6}(4) Chapter 2 does not apply by reason of—
- (a) a relevant step taken on or after A's death if—
 - (i) the relevant step is within section 554B, or
 - (ii) the relevant step is within section 554C by virtue of subsection (1) (ab) of that section,
 - (b) a relevant step within paragraph 1 of Schedule 11 to F(No.2)A 2017 which is treated as being taken on or after A's death, or
 - (c) a relevant step within paragraph 1A of Schedule 11 to F(No.2)A 2017 in a case where the initial step (within the meaning given by sub-paragraph (1)(a) of that paragraph) is treated as being taken on or after A's death.]
- (5) In subsection (1)(b) and (c)(ii) references to A include references to any person linked with A.
- [Subsections (5B) and (5C) apply where—
- ^{F7}(5A) (a) a payment to a person other than A, or to A as a trustee, is of earnings from A's employment with B, and
- (b) the earnings are, in whole or part, charged to tax under the employment income Parts otherwise than by virtue of this Part,
- and for this purpose it does not matter whether all or some only or none of the tax is paid (but see sections 554Z5 and 554Z11B).
- (5B) For the purposes of subsection (5C), an arrangement is a “redirected-earnings arrangement” if it (wholly or partly) covers or relates to redirected earnings; and for the purposes of this subsection and subsection (5C) “redirected earnings” means—
- (a) the payment mentioned in subsection (5A)(a), or
 - (b) any sum or other property which (directly or indirectly)—
 - (i) represents, or
 - (ii) is derived from,
 that payment.
- (5C) The circumstances mentioned in subsection (5A)—
- (a) do not prevent a redirected-earnings arrangement being within subsection (1) (b), and
 - (b) do not prevent rewards or recognition or loans being in connection with A's employment with B for the purposes of subsection (1)(c) where there is use of redirected earnings for the provision of the whole, or part, of the rewards or recognition or loans.]
- (6) For the purposes of subsection (1)(c) it does not matter if the relevant arrangement does not include details of the steps which will or may be taken in connection with providing, in essence, rewards or recognition or loans as mentioned (for example,

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details of any sums of money or assets which will or may be involved or details of how or when or by whom or in whose favour any step will or may be taken).

- (7) In subsection (1)(d) “relevant third person” means—
- (a) A acting as a trustee,
 - (b) B acting as a trustee, or
 - (c) any person other than A and B.
- (8) If B is a company and is a member of a group of companies at the time the relevant step is taken, in subsection (7) references to B are to be read as including references to any other company which is a member of that group at that time.
- (9) If B is a limited liability partnership, in subsection (7) references to B are to be read as including references to any company which is a wholly-owned subsidiary (as defined in section 1159(2) of the Companies Act 2006) of B at the time the relevant step is taken.
- (10) Neither subsection (8) nor subsection (9) applies if there is a connection (direct or indirect) between the relevant step and a tax avoidance arrangement.
- (11) For the purposes of subsection (1)(e)—
- (a) the relevant step is connected with the relevant arrangement if (for example) the relevant step is taken (wholly or partly) in pursuance of an arrangement at one end of a series of arrangements with the relevant arrangement being at the other end, and
 - (b) it does not matter if the person taking the relevant step is unaware of the relevant arrangement.
- (12) For the purposes of subsection (1)(c) and (e) in particular, all relevant circumstances are to be taken into account in order to get to the essence of the matter.]

Textual Amendments

- F1** Pt. 7A inserted (with effect in accordance with Sch. 2 paras. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 1](#)
- F2** Words in s. 554A heading inserted (with effect in accordance with Sch. 1 para. 14 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 1 para. 5\(3\)](#)
- F3** Words in s. 554A(2) inserted (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 46\(2\)](#)
- F4** Words in s. 554A(2) inserted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 24\(2\)](#)
- F5** Words in s. 554A(2) inserted (with effect in accordance with Sch. 6 para. 13 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 6 para. 2](#)
- F6** S. 554A(4) substituted (22.7.2020) by [Finance Act 2020 \(c. 14\)](#), [Sch. 2 para. 24\(3\)](#)
- F7** S. 554A(5A)-(5C) inserted (retrospective and with effect in accordance with Sch. 1 para. 13(b)(c) of the amending Act) by [Finance Act 2018 \(c. 3\)](#), [Sch. 1 paras. 1, 13\(a\)](#)

Modifications etc. (not altering text)

- C1** Pt. 7A modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 35\(6\)](#)
- C2** Pt. 7A modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 1\(8\)](#)
- C3** S. 554A(1)(e)(i)(ii) modified (16.11.2017) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 11 para. 1\(3\)](#)

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 554A.