



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

[^{F1}PART 7A

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

CHAPTER 1

APPLICATION ETC

[^{F2}Application: close companies

[^{F1}] [^{F2}554AB] **Meaning of “relevant transaction”**

- (1) For the purposes of section 554AA(1), B enters into a relevant transaction if—
- (a) B enters into a transaction within subsection (2), and
 - (b) the transaction is not an excluded transaction (see section 554AC).
- (2) B enters into a transaction within this subsection if B—
- (a) pays a sum of money to a relevant third person (see section 554AA(8)),
 - (b) acquires a right to a payment of a sum of money, or to a transfer of assets, where there is a connection (direct or indirect) between the acquisition of the right and—
 - (i) a payment made, by way of a loan or otherwise, to a relevant third person, or
 - (ii) a transfer of assets to a relevant third person,
 - (c) releases or writes off the whole or a part of—
 - (i) a loan made to a relevant third person, or
 - (ii) an acquired right of the kind mentioned in paragraph (b),
 - (d) transfers an asset to a relevant third person,

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 554AB. (See end of Document for details)

- (e) takes a step by virtue of which a third person acquires an asset within subsection (4),
 - (f) makes available a sum of money or asset for use, or makes it available under an arrangement which permits its use—
 - (i) as security for a loan made or to be made to a relevant third person, or
 - (ii) otherwise as security for the meeting of any liability, or the performance of any undertaking, which a relevant third person has or will have, or
 - (g) grants to a relevant third person a lease of any premises the effective duration of which is likely to exceed 21 years.
- (3) For the purposes of subsection (2) “loan” includes—
- (a) any form of credit, and
 - (b) a payment that is purported to be made by way of a loan.
- (4) The following assets are within this subsection—
- (a) securities,
 - (b) interests in securities, and
 - (c) securities options,
- as defined in section 420 for the purposes of Chapters 1 to 5 of Part 7; and in subsection (2)(e) “acquires” is to be read in accordance with section 421B(2)(a).
- (5) For the purposes of subsection (2)(f)—
- (a) references to making a sum of money or asset available are references to making it available in any way, however informal,
 - (b) it does not matter if the relevant third person has no legal right to have the sum of money or asset used as mentioned, and
 - (c) it does not matter if the sum of money or asset is not actually used as mentioned.
- (6) Subsections (7) and (8) apply, for the purposes of subsection (2)(g), for the purpose of determining the likely effective duration of a lease of any premises granted to a relevant third person (“the original lease”).
- (7) If there are circumstances which make it likely that the original lease will be extended for any period, the effective duration of the original lease is to be determined on the assumption that the original lease will be so extended.
- (8) Further, if—
- (a) the relevant third person, A or a person linked with A is, or is likely to become, entitled to a later lease, or the grant of a later lease, of the same premises, or
 - (b) it is otherwise likely that the relevant third person, A or a person linked with A will be granted a later lease of the same premises,
- the original lease is to be treated as continuing until the end of the later lease (and subsection (7) also applies for the purpose of determining the duration of the later lease).
- (9) In this section “lease” and “premises” have the same meaning as they have in Chapter 4 of Part 3 of ITTOIA 2005.]]

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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** [Ss. 554AA-554AF](#) and cross-heading inserted (with effect in accordance with Sch. 1 para. 14 of the amending Act) by [Finance Act 2018 \(c. 3\)](#), **Sch. 1 para. 2**

Changes to legislation:

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