



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

CHAPTER 5

TAXABLE BENEFITS: LIVING ACCOMMODATION

Calculation of cash equivalent

103 Method of calculating cash equivalent

- (1) The cash equivalent is calculated—
 - (a) under section 105 if the cost of providing the living accommodation does not exceed £75,000; and
 - (b) under section 106 if the cost of providing the living accommodation exceeds £75,000.
- (2) Section 104 (general rule) sets out how to calculate the cost of providing living accommodation for the purpose of determining whether or not it exceeds £75,000.
- (3) In this Chapter—
 - “annual value”,
 - “person involved in providing accommodation”, and
 - “the property”,have the meaning given by sections 110 to 113, and “the taxable period” has the meaning given by section [F¹102(1)] .

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Calculation of cash equivalent. (See end of Document for details)

Textual Amendments

- F1** Word in [s. 103\(3\)](#) substituted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 14](#)

[^{F2}103A Accommodation provided pursuant to optional remuneration arrangements: relevant amount

- (1) To find the relevant amount, first determine which (if any) is the greater of—
 - (a) the modified cash equivalent of the benefit of the accommodation (see sections 105(2A) and 106(2A)), and
 - (b) the amount foregone with respect to the benefit of the accommodation (see section 69B).
- (2) If the amount mentioned in subsection (1)(a) is greater than or equal to the amount mentioned in subsection (1)(b), the “relevant amount” is the cash equivalent of the benefit of the accommodation (see section 103).
- (3) Otherwise, the “relevant amount” is the difference between—
 - (a) the amount foregone with respect to the benefit of the accommodation, and
 - (b) the deductible amount (see subsections (7) and (8)).
- (4) If the amount foregone with respect to the benefit of the accommodation does not exceed the deductible amount, the relevant amount is taken to be zero.
- (5) For the purposes of subsections (1) and (2), assume that the modified cash equivalent of the benefit of the accommodation is zero if the condition in subsection (6) is met.
- (6) The condition is that the benefit of the accommodation would be exempt from income tax but for section 228A (exclusion of certain exemptions).
- (7) If the cost of providing the living accommodation does not exceed £75,000, the “deductible amount” means any sum made good, on or before 6 July following the tax year which contains the taxable period, by the employee to the person at whose cost the accommodation is provided that is properly attributable to its provision.
- (8) If the cost of providing the living accommodation exceeds £75,000, the “deductible amount” means the total of amounts A and B where—
 - A is equal to so much of MG as does not exceed RV;
 - B is the amount of any excess rent paid by the employee in respect of the taxable period;
 - MG is the total of any sums made good, on or before 6 July following the tax year which contains the taxable period, by the employee to the person at whose cost the accommodation is provided that are properly attributable to its provision (in the taxable period);
 - RV is the rental value of the accommodation for the taxable period as set out in section 105(3) or (4A)(b) (as applicable).
- (9) In subsection (8) “excess rent” means so much of the rent in respect of the taxable period paid—
 - (a) by the employee,
 - (b) in respect of the accommodation,

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- (c) to the person providing it, and
 - (d) on or before 6 July following the tax year which contains the taxable period, as exceeds the rental value of the accommodation.
- (10) Where it is necessary for the purposes of subsection (1)(b) and (3)(a) to apportion an amount of earnings to the benefit of the accommodation in the taxable period, the apportionment is to be made on a just and reasonable basis.
- In this subsection “earnings” is to be interpreted in accordance with section 69B(5).]

Textual Amendments

- F2** S. 103A inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 15](#)

104 General rule for calculating cost of providing accommodation

For any tax year the cost of providing living accommodation is given by the formula—

$$A + 1 - P$$

where—

A is any expenditure incurred in acquiring the estate or interest in the property held by a person involved in providing the accommodation,

I is any expenditure incurred on improvements to the property which has been incurred before the tax year in question by a person involved in providing the accommodation, and

P is so much of any payment or payments made by the employee to a person involved in providing the accommodation as represents—

- (a) reimbursement of A or I, or
- (b) consideration for the grant to the employee of a tenancy or sub-tenancy of the property.

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Calculation of cash equivalent.