



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 4

EMPLOYMENT INCOME: EXEMPTIONS

CHAPTER 1

EXEMPTIONS: GENERAL

227 Scope of Part 4

- (1) This Part contains—
 - (a) earnings-only exemptions, and
 - (b) employment income exemptions.
- (2) In this Act “earnings-only exemption” means an exemption from income tax which—
 - (a) prevents liability to tax arising in respect of earnings, either by virtue of one or more particular provisions (such as a Chapter of the benefits code) or at all, and
 - (b) does not prevent liability to tax arising in respect of other employment income.
- (3) In this Act “employment income exemption” means an exemption from income tax which prevents liability to tax arising in respect of employment income of any kind at all.
- (4) The following provisions in Part 7 also confer exemption from liability to income tax in respect of earnings—
 - [^{F1}(za) section 418(1A) (acquisition of, and chargeable events occurring in relation to, employment-related securities options);]
 - [^{F2}(a) section 425 (restricted securities: no charge in respect of acquisition in certain circumstances),

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- (b) section 475 (no charge in respect of acquisition of securities option),]
- (c) sections 489 to 493 and sections 496 to 499 (^{F3}... share incentive plans),
- ^{F4}(d)
- (e) section 519 (^{F5}... SAYE option schemes: no charge in respect of exercise of option),
- ^{F6}(f)
- (g) section 524 (^{F7}... CSOP schemes: no charge in respect of exercise of option),
- ^{F8}(h)
- (i) section 542 (priority share allocations: exemption where offer made to public and employees), and
- (j) section 544 (priority share allocations: exemption where different offers made to public and employees).

[^{F9}(5) In relation to the interaction between this Part and Part 7A, see section 554P(1).]

Textual Amendments

- F1** S. 227(4)(za) inserted (6.4.2016) by [Finance Act 2016 \(c. 24\)](#), s. 17(3)(4)
- F2** S. 227(4)(a)(b) substituted (with effect in accordance with Sch. 22 para. 25(4) of the amending Act, and otherwise 1.9.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 25\(2\)](#); S.I. 2003/1997, art. 2
- F3** Word in s. 227(4)(c) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 45, 89](#) (with [Sch. 8 paras. 90-96](#))
- F4** S. 227(4)(d) repealed (with effect in accordance with Sch. 22 para. 25(4) of the amending Act, and otherwise 1.9.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 25\(3\)](#), [Sch. 43 Pt. 3\(4\)](#); S.I. 2003/1997, art. 2
- F5** Word in s. 227(4)(e) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 130, 146](#) (with [Sch. 8 paras. 147-157](#))
- F6** S. 227(4)(f) repealed (with effect in accordance with Sch. 22 para. 25(4) of the amending Act, and otherwise 1.9.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 25\(3\)](#), [Sch. 43 Pt. 3\(4\)](#); S.I. 2003/1997, art. 2
- F7** Word in s. 227(4)(g) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 191, 204](#) (with [Sch. 8 paras. 205-215](#))
- F8** S. 227(4)(h) repealed (with effect in accordance with Sch. 22 para. 25(4) of the amending Act, and otherwise 1.9.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 25\(3\)](#), [Sch. 43 Pt. 3\(4\)](#); S.I. 2003/1997, art. 2
- F9** S. 227(5) inserted (with effect in accordance with Sch. 2 paras. 52-59 of the amending Act) by [Finance Act 2011 \(c. 11\)](#), [Sch. 2 para. 11](#)

228 Effect of exemptions on liability under provisions outside Part 2

- (1) The exemptions conferred by the provisions specified in subsection (2) prevent liability to income tax arising under any enactment, but the other exemptions in this Part only affect liability to income tax under Part 2 of this Act.
- (2) The provisions referred to in subsection (1) are—
 - (a) section 245 (travelling and subsistence during public transport strikes),
 - (b) section 248 (transport home: late night working and failure of car-sharing arrangements),
 - (c) section 264 (annual parties and functions),

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- (d) Chapter 8 of this Part (exemptions for special kinds of employees) except for sections [F10]290, 290C to] 291 [F11] and 306A] ,
- [F12](da) section 308B (independent advice in respect of conversions and transfers of pension scheme benefits),]
- [F13](db) section 308C (provision of pensions advice),]
- (e) section 323 (long service awards),
- (f) section 324 (small gifts from third parties), and
- (g) section 326 (expenses incidental to transfer of a kind not normally met by transferor).

Textual Amendments

- F10** Words in s. 228(2)(d) substituted (with effect in accordance with s. 13(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [Sch. 1 para. 13](#)
- F11** Words in s. 228(2)(d) inserted (with effect in accordance with s. 14(4) of the amending Act) by [Finance Act 2015 \(c. 11\)](#), [s. 14\(3\)](#)
- F12** S. 228(2)(da) inserted (with effect in accordance with s. 54(3) of the amending Act) by [Pension Schemes Act 2015 \(c. 8\)](#), [ss. 54\(2\)](#), [89\(3\)\(b\)](#) (with s. 87)
- F13** S. 228(2)(db) inserted (with effect in accordance with s. 3(5) of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [s. 3\(2\)](#)

[F14]228A General exclusion from exemptions: optional remuneration arrangements

- (1) A relevant exemption does not apply (whether to prevent liability to income tax from arising or to reduce liability to income tax) in respect of a benefit or facility so far as the benefit or facility is provided pursuant to optional remuneration arrangements.
- (2) For the purposes of subsection (1) it does not matter whether the relevant exemption would (apart from that subsection) have effect as an employment income exemption or an earnings-only exemption.
- (3) For the purposes of this section an exemption conferred by this Part is a “relevant exemption” unless it is—
 - (a) a special case exemption (see subsection (4)), or
 - (b) an excluded exemption (see subsection (5)).
- (4) “Special case exemption” means an exemption conferred by any of the following provisions—
 - (a) section 289A (exemption for paid or reimbursed expenses);
 - (b) section 289D (exemption for other benefits);
 - (c) section 308B (independent advice in respect of conversions and transfers of pension scheme benefits);
 - (d) section 312A (limited exemption for qualifying bonus payments);
 - (e) section 317 (subsidised meals);
 - (f) section 320C (recommended medical treatment);
 - (g) section 323A (trivial benefits provided by employers).
- (5) “Excluded exemption” means an exemption conferred by any of the following provisions—

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- (a) section 239 (payments and benefits connected with taxable cars and vans and exempt heavy goods vehicles);
 - (b) section 244 (cycles and cyclist's safety equipment);
 - (c) section 266(2)(c) (non-cash voucher regarding entitlement to exemption within section 244);
 - (d) section 270A (limited exemption for qualifying childcare vouchers);
 - (e) section 307 (death or retirement provision), so far as relating to provision made for retirement benefits;
 - (f) section 308 (exemption of contribution to registered pension scheme);
 - (g) section 308A (exemption of contributions to overseas pension scheme);
 - (h) section 308C (provision of pensions advice);
 - (i) section 309 (limited exemptions for statutory redundancy payments);
 - (j) section 310 (counselling and other outplacement services);
 - (k) section 311 (retraining courses);
 - (l) section 318 (childcare: exemption for employer-provided care);
 - (m) section 318A (childcare: limited exemption for other care).
- (6) In subsection (5) “retirement benefit” has the meaning that would be given by subsection (2) of section 307 if “or death” were omitted in both places where it occurs in that subsection.
- (7) In this section “benefit or facility” includes anything which constitutes employment income or in respect of which employment income is treated as arising to the employee (regardless of its form and the manner of providing it).
- (8) In this section “optional remuneration arrangements” has the same meaning as in the benefits code (see section 69A).
- (9) The Treasury may by order amend subsections (4) and (5) by adding or removing an exemption conferred by Part 4.]

Textual Amendments

F14 [S. 228A](#) inserted (with effect in accordance with Sch. 2 para. 62 of the amending Act) by [Finance Act 2017 \(c. 10\)](#), [Sch. 2 para. 49](#)

Changes to legislation:

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Chapter 1.