



# Finance Act 2005

## 2005 CHAPTER 7

### PART 2

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 2

#### PERSONAL TAXATION

#### *Taxable benefits*

#### **15 Childcare vouchers: exempt amount**

- (1) Section 270A of ITEPA 2003 (limited exemption for qualifying childcare vouchers) is amended as follows.
- (2) In subsection (6) (exempt amount), for “£50 for each qualifying week in that year” substitute “the sum of—
  - (a) £50 for each qualifying week in that year, and
  - (b) the voucher administration costs for that year.”
- (3) After that subsection insert—

“(6A) The “voucher administration costs” for any tax year in respect of which qualifying childcare vouchers are provided for an employee means the difference between the cost of provision of the vouchers and their face value.

The face value of a voucher is the amount stated on or recorded in the voucher as the value of the provision of care for a child that may be obtained by using it.”

- (4) After subsection (10) insert—

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“(10A) In this section “cost of provision”, in relation to a childcare voucher, has the meaning given in section 87(3) and (3A).”

(5) This section has effect for the year 2005-06 and subsequent years of assessment.

## **16 Extension of exemptions for childcare, workplace parking, cycles etc**

(1) ITEPA 2003 is amended as follows.

(2) In section 237(1) (exemption for provision of workplace parking), for “No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge)” substitute “No liability to income tax arises”.

(3) In section 244(1) (exemption for provision of cycles and cyclist's safety equipment), for “No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge)” substitute “No liability to income tax arises”.

(4) In section 270A(1) (limited exemption for qualifying childcare vouchers), for “employee, liability” substitute “employee—

- (a) no liability to income tax arises by virtue of section 62 (general definition of earnings), and
- (b) liability”.

(5) In section 318(1) (childcare: exemption for employer-provided care), for “No liability to income tax arises by virtue of Chapter 10 of Part 3 (taxable benefits: residual liability to charge)” substitute “No liability to income tax arises”.

(6) In section 318A(1) (childcare: limited exemption for other care), for “child, liability” substitute “child—

- (a) no liability to income tax arises by virtue of section 62 (general definition of earnings), and
- (b) liability”.

(7) This section has effect for the year 2005-06 and subsequent years of assessment.

## **17 Transfer of previously loaned computer or cycle etc**

(1) Section 206 of ITEPA 2003 (cost of the benefit: transfer of used or depreciated asset) is amended as follows.

(2) In subsection (3)(a), for “a car (within the meaning of Chapter 6)” substitute “an excluded asset (see subsection (6))”.

(3) After subsection (5) insert—

“(6) An excluded asset is—

- (a) a car (within the meaning of Chapter 6),
- (b) computer equipment that has previously been applied as mentioned in subsection (3)(b) in circumstances in which the conditions set out in section 320 were met, or
- (c) a cycle or cyclist's safety equipment that has previously been so applied in circumstances in which the conditions set out in section 244 were met.”

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(4) This section has effect for the year 2005-06 and subsequent years of assessment.

## **18 Extension of outplacement services etc exemption: part-time employees**

- (1) ITEPA 2003 is amended as follows.
- (2) In section 310 (counselling and other outplacement services) in subsection (4) (person to have been employed full-time in the employment which is ceasing for a specified period) omit “full-time”.
- (3) In section 311 (retraining courses) in subsection (3) (conditions to be satisfied in relation to the course)—
  - (a) at the end of paragraph (b) insert “ and ”;
  - (b) in paragraph (c) (course to last no more than one year) for “one year” substitute “ two years ”;
  - (c) omit paragraph (d) (employee to attend the course on a full-time or substantially full-time basis) and the word “and” before it.
- (4) In that section, in subsection (4)(c) (person to be employed full-time in the employment which is ceasing for a specified period) omit “full-time”.
- (5) This section has effect in relation to the year 2005-06 and subsequent years of assessment.

### *Armed forces*

## **19 Armed forces pensions and compensation schemes**

- (1) ITEPA 2003 is amended as follows.
- (2) In subsection (1) of section 393 as originally enacted (application of Chapter 2 of Part 6) after “non-approved retirement benefits scheme” insert “ other than a scheme established by an order under section 1(2) of the Armed Forces (Pensions and Compensation) Act 2004 (armed and reserve forces compensation schemes) ”.
- (3) In paragraph (a) of section 639 (exemption from income tax for pensions due to military service etc)—
  - (a) for “the Department of Work and Pensions” substitute “ the Ministry of Defence ”;
  - (b) for “any Order in Council, Royal Warrant, order or scheme” substitute “ instrument specified in subsection (2), ”.
- (4) At the end of section 639 (which becomes subsection (1)) insert—
  - “(2) The instruments referred to in subsection (1)(a) are—
    - Defence (Local Defence Volunteers) Regulations 1940 (S.R. & O. 1940/748),
    - War Pensions (Coastguards) Scheme 1944 (S.R. & O. 1944/500),
    - War Pensions (Naval Auxiliary Personnel) Scheme 1964 (S.I. 1964/1985),
    - Pensions (Polish Forces) Scheme 1964 (S.I. 1964/2007),
    - War Pensions (Mercantile Marine) Scheme 1964 (S.I. 1964/2058),

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Order by Her Majesty concerning pensions and other grants in respect of disablement or death due to service in the Home Guard (1964 Cmnd. 2563),

Order by Her Majesty concerning pensions and other grants in respect of disablement or death due to service in the Home Guard after 27th April 1952 (1964 Cmnd. 2564),

Order by Her Majesty concerning pensions and other grants in respect of disablement or death due to service in the Ulster Defence Regiment (1971 Cmnd. 4567),

Personal Injuries (Civilians) Scheme 1983 (S.I. 1983/686),

Naval, Military and Air Forces etc. (Disablement and Death) Service Pensions Order 1983 (S.I. 1983/883).

(3) The Treasury may by order amend subsection (2).”.

(5) After section 640 insert—

**“640A Lump sums provided under armed forces early departure scheme**

No liability to income tax arises on a lump sum provided under a scheme established by the Armed Forces Early Departure Payments Scheme Order 2005 (S.I. 2005/437).”.

(6) In section 641 (exemption from income tax for armed forces disability pensions etc), after paragraph (g) of subsection (1) insert—

“(h) a benefit under a scheme established by an order under section 1(2) of the Armed Forces (Pensions and Compensation) Act 2004 payable to a person by reason of his illness or injury—

(i) by way of a lump sum, or

(ii) following the termination of the person's service in the armed forces or reserve forces.”.

(7) The amendment made by subsection (2) has effect for the year 2005-06.

(8) The amendments made by subsections (3) and (4) are deemed always to have had effect.

(9) The amendments made by subsections (5) and (6) have effect for the year 2005-06 and subsequent years of assessment.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2005, Chapter 2.