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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2018, Paragraph 3. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 1

#### EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES

#### PART 2

##### CLOSE COMPANIES

##### *Double taxation*

- 3 (1) In section 554Z2 of ITEPA 2003 (value of relevant step to count as employment income), after subsection (1) insert—

“(1AA) But subsection (1) is subject to section 554Z2A (close companies).”

- (2) After section 554Z2 of ITEPA 2003, insert—

**“554Z2A Exception to section 554Z2(1): close companies**

- (1) Section 554Z2(1) does not apply in the case of a relevant step if—
- (a) this Chapter applies in the case of the relevant step only by reason of section 554AA (close companies),
  - (b) the relevant step is a step within section 554B, 554C or 554D,
  - (c) the relevant step gives rise to a charge to tax under either—
    - (i) section 455 of CTA 2010 by virtue of section 459 of that Act (loans treated as made to participator), or
    - (ii) section 415 of ITTOIA 2005 (release of loan to participator in a close company), and
  - (d) in a case within paragraph (c)(i), either the payment condition or the consent condition is met in relation to the charge under section 455 of CTA 2010.
- (2) The payment condition is met in relation to a charge to tax under section 455 of CTA 2010 if—
- (a) the net section 455 charge is paid in full on or before the due date, or
  - (b) the net section 455 charge is nil.
- (3) The “net section 455 charge” means the amount of the charge to tax under section 455 of CTA 2010 less the amount of section 458 relief from that charge.
- (4) In subsection (3) “section 458 relief” means relief given under section 458 of that Act—
- (a) in respect of a repayment made, or a release or writing-off occurring, on or before the due date, and

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- (b) on a claim made on or before the due date.
- (5) The consent condition is met in relation to a charge to tax under section 455 of CTA 2010 if—
  - (a) the charge to tax is reported, in a company tax return of B's, as required under Schedule 18 to FA 1998 (company tax returns etc),
  - (b) the payment condition is not met in relation to that charge, and
  - (c) an officer of Revenue and Customs considers that section 554Z2(1) should not apply in the case of the relevant step concerned.
- (6) In this section, references to the “due date” in relation to a charge to tax under section 455 of CTA 2010 are references to the day on which the tax is due and payable (see section 455(3) of CTA 2010).”

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