

SCHEDULE 3

PAYMENTS TO BE DISREGARDED IN THE CALCULATION OF EARNINGS FOR THE PURPOSES OF EARNINGS-RELATED CONTRIBUTIONS

PART X

MISCELLANEOUS AND SUPPLEMENTAL

Other miscellaneous payments to be disregarded

- 1.—(1) The payments listed in paragraphs 2 to 14 are disregarded in the calculation of earnings.
- (2) Paragraph 4 contains additional rules about the way in which the components of a payment by way of expenses incidental to a qualifying absence from home are to be treated for the purpose of earnings-related contributions if the permitted maximum is exceeded.

Payments on account of sums already included in the computation of earnings

2. A payment on account of a person's earnings in respect of his employment as an employed earner which comprises, or represents and does not exceed sums which have previously been included in his earnings for the purpose of his assessment of earnings-related contributions.

Payments discharging liability for secondary Class 1 contributions following election under paragraph 3B of Schedule 1 to the Contributions and Benefits Act

3. A payment by way of the discharge of any liability for secondary Class 1 contributions which has been transferred from the secondary contributor to the employed earner by election made jointly by them for the purposes of paragraph 3B(1) of Schedule 1 to the Contributions and Benefits Act (elections about contribution liability in respect of share option gains)(1).

Payments by way of incidental expenses

- 4.—(1) A payment by way of incidental expenses, in whatever form, which by virtue of section 200A of the Taxes Act(2) is not regarded as an emolument of the employment chargeable to tax under Schedule E.
 - (2) If a payment is made by way of incidental expenses in connection with a qualifying absence from home, but the amount of that payment (calculated in accordance with section 200A of the Taxes Act) exceeds the authorised maximum, sub-paragraphs (3) to (6) apply.
 - (3) So much of the payment as is made by way of cash shall be included in the calculation of earnings.
 - (4) The amount of cash for which a cash voucher can be exchanged shall be included in the calculation of earnings.
 - (5) The cost of provision of any non-cash voucher shall be included in the calculation of earnings and anything for which the voucher can be exchanged shall be disregarded in that calculation.
 - (6) Any payment by way of a benefit in kind shall be disregarded in the calculation of earnings.
 - (7) In this paragraph—
“the authorised maximum” has the meaning given in section 200A(4) of the Taxes Act;

(1) Paragraph 3B was inserted by section 77(2) of the Child Support, Pensions and Social Security Act 2000 (c. 19).

(2) Section 200A was inserted by section 93(4) of the Finance Act 1995 (c. 4).

Status: This is the original version (as it was originally made).

“the cost of provision” in relation to a non-cash voucher is the cost incurred by the person at whose expense the non-cash voucher is provided; and

“qualifying absence from home” has the meaning given in section 200A(3) of the Taxes Act.

Gratuities and offerings

5.—(1) A payment of, or in respect of, a gratuity or offering which satisfies either of the conditions in this paragraph.

(2) The first condition is that the payment—

(a) is not made, directly or indirectly, by the secondary contributor; and

(b) does not comprise or represent sums previously paid to the secondary contributor.

(3) The alternative condition is that the secondary contributor does not allocate the payment, directly or indirectly, to the earner.

Redundancy payments

6. For the avoidance of doubt, in calculating the earnings paid to or for the benefit of an earner in respect of an employed earner’s employment, any payment by way of a redundancy payment shall be disregarded.

Sickness payments attributable to contributions made by employed earner

7. If the funds for making a sickness payment under arrangements of the kind mentioned in section 4(1)(b) of the Contributions and Benefits Act are attributable in part to contributions to those funds made by the employed earner, for the purposes of section 4(1) of that Act the part of that payment which is attributable to those contributions shall be disregarded.

Expenses and other payments not charged to tax under Extra-Statutory Concessions

8. A payment which is not charged to tax under Schedule E by virtue of the following Inland Revenue Extra-Statutory Concessions as published at 1st September 2000—

(a) A57 (staff suggestion schemes);

(b) A58 (travelling and subsistence allowance when public transport disrupted);

(c) A59 (disabled persons' home to work travel);

(d) A66 (employees' journeys home: late night travel and breakdown in car sharing arrangements).

VAT on the supply of goods and services by employed earner

9. If—

(a) goods or services are supplied by an earner in employed earner’s employment;

(b) earnings paid to or for the benefit of the earner in respect of that employment include the remuneration for the supply of those goods or services; and

(c) value added tax is chargeable on that supply;

an amount equal to the value added tax chargeable on that supply shall be excluded from the calculation of those earnings.

Employee's indemnity insurance

10. A payment which by virtue of section 201AA of the Taxes Act (employee liabilities and indemnity insurance)⁽³⁾ is deductible from the emoluments of the employment chargeable to tax under Schedule E.

Fees and subscriptions to professional bodies, learned societies etc

11. A payment of, or a contribution towards any fee, contribution or annual subscription which, under section 201(1) of the Taxes Act (fees and subscriptions to professional bodies, learned societies etc) is deductible from the emoluments of any office or employment.

Holiday pay

- 12.** A payment in respect of a period of holiday entitlement where—
- (a) the sum paid is derived directly or indirectly from a fund—
 - (i) to which more than one secondary contributor contributes, and
 - (ii) the management and control of which are not vested in those secondary contributors;
or
 - (b) the person making the payment is entitled to be reimbursed from such a fund.

Payments to ministers of religion

13. A payment of a fee in respect of employment as a minister of religion which does not form part of the stipend or salary paid in respect of that employment.

Payments in lieu of coal

14.—(1) A payment in lieu of coal made to a miner, which he is entitled to receive by virtue of his employment as such.

Here “miner” means any person employed in or about a colliery, whether on the surface or below ground, except a person employed—

- (a) in a clerical, technical or administrative capacity; or
 - (b) at a coke oven, brick works or other activity not ancillary to coal mining.
- (2) This paragraph does not apply to Northern Ireland.

(3) Section 201AA was inserted by section 91(1) of the Finance Act 1995.