
STATUTORY INSTRUMENTS

2011 No. 1037

The Enactment of Extra-Statutory Concessions Order 2011

Certain employee legal costs paid by employer not taxed

- 10.**—(1) The Income Tax (Earnings and Pensions) Act 2003(1) is amended as follows.
(2) In section 401(2) (application of Chapter 3 of Part 6), for “413” substitute “413A”.
(3) After section 413(2) insert—

“413A Exception for payment of certain legal costs

- (1) This Chapter does not apply to a payment which meets conditions A and B.
(2) Condition A is that the payment meets the whole or part of legal costs incurred by the employee exclusively in connection with the termination of the employee’s employment.
(3) Condition B is that either—
(a) the payment is made pursuant to an order of a court or tribunal, or
(b) the termination of the employee’s employment results in a compromise agreement between the employer and the employee and —
(i) the compromise agreement provides for the payment to be made by the employer, and
(ii) the payment is made directly to the employee’s lawyer.
(4) In this section—
“compromise agreement” means an agreement that satisfies the conditions regulating compromise agreements under the Employment Rights Act 1996 (see section 203(3)) or the Employment Rights (Northern Ireland) Order 1996 (see article 245(3));
“lawyer” has the same meaning as “qualified lawyer” in section 203(4) of the Employment Rights Act 1996 or article 245(4) of the Employment Rights (Northern Ireland) Order 1996;
“legal costs” means fees payable for the services and disbursements of a lawyer.”
(4) The amendments made by this article have effect in relation to payments made on or after 6th April 2011.

(1) 2003 c. 1.
(2) Section 413 has been amended but none of these amendments are relevant.