



Finance Act 2003

2003 CHAPTER 14

PART 7

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX: GENERAL

Employment income and related matters

136 Provision of services through intermediary

- (1) Chapter 8 of Part 2 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (provision of services through an intermediary) is amended as follows.
- (2) In section 49(1)(a) (services to which the Chapter applies), for “for the purposes of a business carried on by another person” substitute “for another person”.
- (3) In consequence of the above amendment—
 - (a) omit section 49(2) of that Act, and
 - (b) in section 56(7) of that Act—
 - (i) at the end of paragraph (a) insert “, and”, and
 - (ii) omit paragraph (c) and the word “and” preceding it.
- (4) This section applies in relation to services performed or due to be performed on or after 10th April 2003.

137 Exemption where homeworker’s additional expenses met by employer

- (1) In Part 4 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (employment income: exemptions), after section 316 insert—

“316A Homeworker’s additional household expenses

- (1) This section applies where an employer makes a payment to an employee in respect of reasonable additional household expenses which the employee

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incurs in carrying out duties of the employment at home under homeworking arrangements.

(2) No liability to income tax arises in respect of the payment.

(3) In this section, in relation to an employee—

“homeworking arrangements” means arrangements between the employee and the employer under which the employee regularly performs some or all of the duties of the employment at home; and

“household expenses” means expenses connected with the day to day running of the employee’s home.”

(2) This section applies to payments which the employer makes on or after 6th April 2003 in respect of expenses which the employee incurs on or after that date.

138 Taxable benefits: lower threshold for cars with a CO₂ emissions figure

(1) In section 139 of the Income Tax (Earnings and Pensions) Act 2003 (cash equivalent of the benefit of a car: calculation of the appropriate percentage for a year for cars with a CO₂ emissions figure) the table in subsection (4) (which specifies the lower threshold for each year for the purposes of that calculation) is amended as follows.

(2) In the entry relating to 2004-05 and subsequent tax years omit “and subsequent tax years”.

(3) After that entry insert—

“2005-06 and subsequent tax years	140”.
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(4) In section 170(3) of that Act (power to provide by order for a lower threshold different from that specified in the table in section 139(4) to apply for tax years beginning on or after 6th April 2005) for “6th April 2005” substitute “6th April 2006”.

139 Approved share plans and schemes

Schedule 21 to this Act (which contains amendments relating to share incentive plans, SAYE option schemes and CSOP schemes) has effect.

140 Employee securities and options

Schedule 22 to this Act (which makes provision about securities, and options to acquire securities, acquired by reason of employment) has effect.

141 Corporation tax relief for employee share acquisitions

Schedule 23 to this Act has effect with respect to deductions allowable for corporation tax purposes in respect of employee share acquisitions.

142 Ending of relief for contributions to QUESTS

(1) Section 67 of the Finance Act 1989 (c. 26) (tax relief for contributions to trustees of qualifying employee share ownership trust) does not apply in relation to sums

expended by a company in an accounting period of the company beginning on or after 1st January 2003.

- (2) In section 69 of that Act (chargeable events)—
- (a) the definitions in subsections (3AC) and (3AD) (by virtue of which certain transfers of shares by trustees of an employee share ownership trust to a SIP trust are not chargeable events) have effect in relation to 26th November 2002 as they had effect in relation to 20th March 2000;
 - (b) in relation to shares that are relevant shares by virtue of paragraph (a) above, subsection (3AB) (deemed order of disposal of shares) has effect as if the reference there to 21st March 2000 were to 27th November 2002; and
 - (c) the other provisions of that section have effect accordingly.
- (3) In consequence of subsection (2), in paragraph 78(2)(b) of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (reference to section 69(3AA) of the Finance Act 1989) after “21st March 2000” insert “or, by virtue of section 142(2) of the Finance Act 2003, 27th November 2002”.

143 Restriction of deductions for employee benefit contributions

Schedule 24 to this Act (which makes provision restricting deductions for contributions by employers to third parties for the benefit of employees) has effect.

144 PAYE on notional payments: reimbursement period

- (1) In section 222(1)(c) of the Income Tax (Earnings and Pensions) Act 2003 (period within which employee must reimburse employer for amount to be accounted for to Inland Revenue in respect of income tax on notional payment), for “30 days” substitute “90 days”.
- (2) This section has effect in relation to payments of income treated as made on or after 9th April 2003.

145 PAYE: regulations and notional payments

- (1) In the list in subsection (2) of section 684 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) (PAYE regulations)—

- (a) for item 2 substitute—

Provision—

- (a) for deductions to be made, if and to the extent that the payee does not object, with a view to securing that income tax payable in respect of any income of a payee for a tax year which is not PAYE income is deducted from PAYE income of the payee paid during that year; and
- (b) as to the circumstances and manner in which a payee may object to the making of deductions.

Provision—

- (a) for repayments or deductions to be made, if and to the extent that the payee does not object, in respect of any amounts overpaid or remaining unpaid (or treated as overpaid or remaining unpaid) on account of—

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- (i) income tax in respect of income for a previous tax year, or
- (ii) capital gains tax in respect of chargeable gains for such a year; and
- (b) as to the circumstances in which repayments or deductions may be made, and the circumstances and manner in which a payee may object to the making of repayments or deductions.”;
- (b) after item 4 insert —
 - Provision authorising the recovery from the payee rather than the payer of any amount that the Inland Revenue considers should have been deducted by the payer.”;
- (c) for item 8 substitute as items 7A and 8—
 - Provision for excluding payments of such description as may be specified from the operation of the regulations in such circumstances as may be specified.
 - Provision for the making of decisions by the Board or the Inland Revenue as to any matter required to be decided for the purposes of the regulations and for appeals against such decisions.”.
- (2) After subsection (7) of that section insert—
 - “(7A) Nothing in PAYE regulations may be read—
 - (a) as preventing the making of arrangements for the collection of tax in such manner as may be agreed by, or on behalf of, the payer and the Inland Revenue, or
 - (b) as requiring the payer to comply with the regulations in circumstances in which the Inland Revenue is satisfied that it is unnecessary or not appropriate for the payer to do so.
 - (7B) References in this section and section 685 to income tax in respect of PAYE income are references to income tax in respect of that income if reasonable assumptions are (when necessary) made about other income.
 - (7C) In this section and section 685—
 - “payer” means any person paying PAYE income and “payee” means any person in receipt of such income;
 - “specified” means specified in PAYE regulations.”.
- (3) In subsection (2) of section 685 of that Act (tax tables), for paragraph (b) substitute—
 - “(b) subject to an adjustment in respect of amounts required to be deducted or repaid by PAYE regulations made under item 1A or 2 in the list in section 684(2).”.
- (4) After subsection (3) of that section insert—
 - “(4) PAYE regulations may make provision, where it appears to the Inland Revenue that it is impracticable for a payer to deduct tax by reference to tax tables—
 - (a) for deductions to be made by the payer in accordance with other arrangements agreed as mentioned in section 684(7A)(a), or

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- (b) for the payee to be required to keep records and make payments and returns as if he were the payer.”
- (5) In section 707 of that Act (interpretation of Chapter 5 of Part 11), in the definition of “employment”, for “this section” substitute “this Chapter”.
- (6) In section 710 of that Act (notional payments: accounting for tax)—
 - (a) in subsections (1) and (4), after “must” insert “, subject to and in accordance with PAYE regulations,”;
 - (b) in subsection (5)(b) and (c), for “accounted for” substitute “deducted or accounted for (or required to be deducted or accounted for)”;
 - (c) in subsection (6), for “an amount which” substitute “an amount of tax which” and for “is paid by the employee” substitute “is deducted”.
- (7) Substitute “PAYE regulations”—
 - (a) for “the said section 203” in subsection (8) of section 59A of the Taxes Management Act 1970 (c. 9) (payments on account of income tax); and
 - (b) for “that section” in subsection (10) of that section and subsections (2) and (8) of section 59B of that Act (payments of income tax and capital gains tax).

146 Payroll giving: extension of 10% supplement to 5th April 2004

In section 38 of the Finance Act 2000 (c. 17) (which provides for a 10% supplement on donations under the payroll deduction scheme), in subsection (6) (which limits the provision by reference to sums withheld by employers before 6th April 2003, and requires claims for reimbursement to be made before 6th April 2004)—

- (a) for “6th April 2003” substitute “6th April 2004”, and
- (b) for “6th April 2004” substitute “6th April 2005”.

147 Sub-contractor deductions etc: interest on late payment or repayment

- (1) In section 566 of the Taxes Act 1988 (construction industry scheme: powers to make regulations) after subsection (1) insert—

“(1A) Interest required to be paid by regulations under subsection (1) above shall be paid without any deduction of income tax and shall not be taken into account in computing any income, profits or losses for any tax purposes.”

- (2) In the Social Security Contributions and Benefits Act 1992 (c. 4) and the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7), in paragraph 6 of Schedule 1 (power to combine collection of national insurance contributions with tax) after sub-paragraph (4A) insert—

“(4B) Interest required to be paid, by virtue of sub-paragraph (2)(a) or (b) above, by regulations under sub-paragraph (1) above shall be paid without any deduction of income tax and shall not be taken into account in computing any income, profits or losses for any tax purposes.”

- (3) In section 22 of the Teaching and Higher Education Act 1998 (c. 30) (student loans), after subsection (9) insert—

“(10) Interest required to be paid, by virtue of subsection (5)(d), by regulations under this section shall be paid without any deduction of income tax and shall

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not be taken into account in computing any income, profits or losses for any tax purposes.”.

- (4) In Article 3 of the Education (Student Support) (Northern Ireland) Order 1998 (S.I. 1998/1760 (N.I. 14)) (student loans), after paragraph (9) insert—

“(10) Interest required to be paid, by virtue of paragraph (5)(d), by regulations under this Article shall be paid without any deduction of income tax and shall not be taken into account in computing any income, profits or losses for any tax purposes.”.

- (5) In its application to the computation of income, profits or losses for an accounting period (in the case of a company) or a year of assessment (in the case of a person who is not a company), this section has effect in relation to—
- (a) accounting periods ending on or after 9th April 2003, or
 - (b) 2003-04 and subsequent years of assessment.