
STATUTORY INSTRUMENTS

2018 No. 282

The Enactment of Extra-Statutory Concessions Order 2018

Compensation for financial loss of voluntary office-holders and volunteers: income tax

3.—(1) The Income Tax (Trading and Other Income) Act 2005(1) is amended as follows.

(2) In Part 1, in section 2(4) for “is one example” substitute “and sections 16A (voluntary office-holders: compensation for lost profits), 16B (payments to company directors) and 16C (professionals in practice: incidental income from an office or employment) of this Act are each an example”.

(3) In Chapter 2 of Part 2, after section 16 (oil extraction and related activities) insert—

“16A Voluntary office-holders: compensation for lost profits

(1) This section applies if a payment is made by a relevant authority to a person where—

- (a) the person holds a voluntary office with the authority,
- (b) the person carries out the duties of the office in a period in which he or she also carries on a trade, profession or vocation,
- (c) the payment is made solely to compensate the person for lost profits for the period (and accordingly does not exceed the amount of those profits), and
- (d) the payment would otherwise be dealt with under Part 2 of ITEPA 2003 by virtue of section 4(2)(b).

(2) The payment is dealt with under this Part.

(3) In subsection (1)(c) “lost profits” means the difference between—

- (a) the amount of profits that the person would have received from the trade, profession or vocation for the period if he or she had not carried out the duties of the office, and
- (b) the amount of profits that the person did receive from the trade, profession or vocation for the period.

(4) For the purposes of subsection (1)—

“relevant authority” has the meaning given by section 299A of ITEPA 2003; references to a person holding a voluntary office are to be construed in accordance with section 299A(2) and (3) of that Act.”

(4) In Chapter 9 of Part 6, after section 782B (renewables obligation certificates for domestic microgeneration) insert—

“782C Volunteers etc: compensation for lost employment income

(1) No liability to income tax arises in respect of a payment by a relevant authority to a person if—

- (a) the person performs services for the authority for no financial benefit in a period in which he or she is also employed,

- (b) the payment is made solely to compensate the person for lost employment income for the period (and accordingly does not exceed the amount of that income), and
- (c) the person does not perform the services as the holder of an office with the authority (as to which, see section 299A of ITEPA 2003).

(2) For the purposes of subsection (1) a person performs services for no financial benefit if, at the time the payment referred to in that subsection is made, the person—

- (a) is not entitled to any payment or benefit in connection with performing the services,
- (b) has not received any such payment or benefit, and
- (c) does not expect to receive any such payment or benefit.

(3) For the purposes of subsection (2)(a), (b) and (c) disregard—

- (a) a payment in respect of reasonable expenses incurred in performing the services,
- (b) a payment compensating the person for loss of social security income arising as a result of performing the services, and
- (c) a payment to which subsection (1) applies.

(4) In subsection (1)(b) “lost employment income” means the difference between—

- (a) the amount of employment income, after deduction of tax and national insurance contributions, that the person would have received from the employment for the period if he or she had not performed the services, and
- (b) the amount of employment income, after deduction of tax and national insurance contributions, that the person did receive from the employment for the period.

(5) In this section—

“employment” has the meaning given by section 4 of ITEPA 2003;

“relevant authority” has the meaning given by section 299A of ITEPA 2003;

“services” includes services as a juror;

“social security income” has the meaning given by section 657 of ITEPA 2003.”