

Explanatory Note: Amendments 132 to 134 to Clause 18: Employment Income provided through third parties

Summary

1. Clause 18 introduces a number of changes to the employment income provided through third parties rules in Part 7A of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003), and to related transitional rules in Schedule 2 to the Finance Act 2011 (FA 2011). Those changes include the withdrawal of a transitional relief on certain investment returns for those who have not settled their liabilities before a specified date.
2. These amendments 132 to 134 change that withdrawal date from 1 December 2016 to 1 April 2017.

Details of the amendments

3. Amendments 132 to 134 amend new sub-paragraphs 2A and 2B, that clause 18 inserts into paragraph 59 of Schedule 2 to FA 2011, to replace all instances of "December 2016" with "April 2017".
4. The effect of these amendments is that to alter the restriction of the relief currently given by that paragraph so that it will cease to apply to certain amounts unless either:
 - HMRC have made an agreement with the employer or employee before 1 April 2017 for tax to be paid on an amount on the basis that it was earnings; or
 - Tax on an amount has otherwise been decided and paid before 1 April 2017 on the basis that it was earnings.

Background note

5. Clause 18 introduces a number of amendments to the employment income provided through third parties rules in Part 7A of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003), and to related transitional rules in Schedule 2 to the Finance Act 2011 (FA 2011).
6. One of these changes was to restrict a transitional relief on investment returns accruing on disguised remuneration in order to encourage those who used certain types of disguised remuneration schemes to settle their liabilities.
7. These amendments change the date on which the transitional relief is withdrawn from 1 December 2016 to 1 April 2017 in order to ensure that all those who want to reach a settlement with HMRC before the deadline, in order to continue to benefit from the relief, have sufficient time to do so.