
1 Payments on termination of employment

- (1) Section 27 of ITEPA 2003 (UK-based earnings for year when employee not resident in UK) is amended in accordance with subsections (2) to (5).
- (2) In subsection (1) –
 - (a) omit the “or” at the end of paragraph (a), and
 - (b) at the end of paragraph (b) insert “, or
 - (c) general earnings to which section 402B (termination payments, and other benefits, that cannot benefit from the section 403 threshold, to be treated as earnings) applies.”
- (3) In subsection (2), for “(1)” substitute “(1)(a) or (b)”.
- (4) After subsection (2) insert –

“(2A) The percentage of the general earnings within subsection (1)(c) that are an amount of “taxable earnings” from the employment in the tax year in which they are received is given by –

$$\frac{A}{B} \times 100$$

where –

B is the total amount of general earnings from the employment that it is reasonable to assume the employee would have received in respect of the post-employment notice period (within the meaning given by section 402E(5)) if the employee’s employment had not been terminated until the end of that period, and

A is the total amount of those general earnings that it is reasonable to assume would have been taxable earnings by virtue of subsection (1)(a) or (b).”

- (5) In subsection (3), for “Subsection (2) applies” substitute “Subsections (2) and (2A) apply”.
- (6) In section 402B of ITEPA 2003 (termination payments, and other benefits, that cannot benefit from the section 403 threshold, to be treated as earnings), in subsection (1) –
 - (a) the words from “is treated” to the end become paragraph (a), and
 - (b) after that paragraph insert “, but
 - (b) is not capable of being an amount to which section 27 applies by virtue of subsection 1(a) or (b) of that section (UK-based taxable earnings for year when employee not resident in UK).”
- (7) In section 402D of ITEPA 2003 (post-employment notice pay) –
 - (a) in subsection (3), for “and (6)” substitute “, (6) and (6A)”;
 - (b) in subsection (6), after “month, ” insert “the employee’s basic pay is paid in equal monthly instalments,”;
 - (c) after subsection (6) insert –

“(6A) In any other case where the last pay period of the employee to end before the trigger date is a month and the employee’s basic pay is paid in equal monthly instalments, then –

BP is the employee’s basic pay from the employment in respect of the last pay period of the employee to end before the trigger date,

P is 30.42, and

D is the number of days in the post-employment notice period.”

(8) The amendments made by this section have effect in relation to general earnings to which section 402B of ITEPA 2003 applies that are paid –

(a) on or after 6 April 2021, and

(b) in connection with a termination of employment that takes place on or after that date.