

1 Employment income provided through third parties

- (1) Part 7A of ITEPA 2003 (employment income provided through third parties) is amended in accordance with subsections (2) and (3).
- (2) In section 554Z2 (value of relevant step to count as employment income) after subsection (1) insert –
 - “(1A) Where the value of a relevant step would (apart from this subsection) count as employment income of more than one person –
 - (a) the value of the relevant step is to be apportioned between each of those persons on a just and reasonable basis, and
 - (b) subsection (1) applies as if the reference to the value of the relevant step in relation to A were a reference to so much of the value of the relevant step that is apportioned to A.”
- (3) In section 554Z8 (cases where consideration given for relevant step) in subsection (5), omit “and” at the end of paragraph (b) and after paragraph (c) insert “, and
 - (d) there is no connection (direct or indirect) between the payment and a tax avoidance arrangement.”
- (4) Paragraph 59 of Schedule 2 to FA 2011 (transitional provision relating to Part 7A of ITEPA 2003) is amended in accordance with subsections (5) to (7).
- (5) In sub-paragraph (2) for the words from “the earnings” to the end substitute –
 - “(a) where sub-paragraph (2A) or (2B) applies, the earnings mentioned in sub-paragraph (1)(f)(i) or any return on those earnings mentioned in sub-paragraph (1)(f)(ii), and
 - (b) in any other case, the earnings mentioned in sub-paragraph (1)(f)(i).”
- (6) After sub-paragraph (2) insert –
 - “(2A) This sub-paragraph applies where –
 - (a) the agreement mentioned in sub-paragraph (1)(d)(i) is made before 1 December 2016, and
 - (b) A or B pays, or otherwise accounts for, any tax as mentioned in sub-paragraph (1)(e) in accordance with that agreement.
 - (2B) This sub-paragraph applies where –
 - (a) the decision mentioned in paragraph (1)(d)(ii) is made before 1 December 2016, and
 - (b) A or B pays, or otherwise accounts for, any tax as mentioned in sub-paragraph (1)(e) before 1 December 2016.”
- (7) At the end insert –
 - “(5) For the purposes of sub-paragraph (1)(e), a person is not to be regarded as having paid, or otherwise accounted for, any tax by reason only of making –
 - (a) a payment on account of income tax,
 - (b) a payment that is treated as a payment on account under section 223(3) of FA 2014 (accelerated payments), or
 - (c) a payment pending determination of an appeal made in accordance with section 55 of TMA 1970.”

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- (8) In Schedule 2 to FA 2011, omit paragraph 64 (power to make provision dealing with interactions etc.).
 - (9) The amendment made by subsection (3) has effect in relation to payments made on or after 16 March 2016 by way of consideration for a relevant step (as defined in section 554A(2) of ITEPA 2003) taken on or after that date.
 - (10) The amendment made by subsection (7) has effect in relation to chargeable steps (as defined in paragraph 59(1)(a) of Schedule 2 to FA 2011) taken on or after 16 March 2016.