

EMPLOYMENT INCOME PROVIDED THROUGH THIRD PARTIES:

ARRANGEMENTS RELATING TO EARNINGS CHARGED TO TAX

- 1 In section 554A of ITEPA 2003 (employment income provided through third parties: application of Chapter 2 of Part 7A), after subsection (5) insert –
- “(5A) Subsections (5B) and (5C) apply where –
- (a) a payment to a person other than A, or to A as a trustee, is of earnings from A’s employment with B, and
 - (b) the earnings are, in whole or part, charged to tax under the employment income Parts otherwise than by virtue of this Part,
- and for this purpose it does not matter whether all or some only or none of the tax is paid (but see sections 554Z5 and 554Z11B).
- (5B) For the purposes of subsection (5C), an arrangement is a “redirected-earnings arrangement” if it (wholly or partly) covers or relates to redirected earnings; and for the purposes of this subsection and subsection (5C) “redirected earnings” means –
- (a) the payment mentioned in subsection (5A)(a), or
 - (b) any sum or other property which (directly or indirectly) –
 - (i) represents, or
 - (ii) is derived from,that payment.
- (5C) The circumstances mentioned in subsection (5A) –
- (a) do not prevent a redirected-earnings arrangement being within subsection (1)(b), and
 - (b) do not prevent rewards or recognition or loans being in connection with A’s employment with B for the purposes of subsection (1)(c) where there is use of redirected earnings for the provision of the whole, or part, of the rewards or recognition or loans.”
- 2 The amendment made by paragraph 1 –
- (a) is to be treated as having come into force on 29 November 2017,
 - (b) has effect for the purposes of the operation of Part 7A of ITEPA 2003 in relation to relevant steps taken on or after 22 November 2017, and
 - (c) so has effect in the case of payments within the new subsection (5A)(a) whenever made (including ones made before 6 April 2011).