

Relief for certain sums chargeable under Schedule E. FA68 s3; FA72 Sch PtIII par4; FA74 s11 and s64(2) and SchI PtII; FA97 s146(1) and Sch9 Ptl par5(3) 480.—(1) (a) In this section—

“director” and “proprietary director” have the same meanings respectively as in section 472;

“employee”, in relation to a body corporate, includes any person taking part in the management of the affairs of the body corporate who is not a director, and includes a person who is to be or has been an employee;

“part-time director”, in relation to a body corporate, means a director who is not required to devote substantially the whole of his or her time to the service of the body corporate;

“proprietary employee”, in relation to a company, means an employee who is the beneficial owner of, or able, either directly or through the medium of other companies or by any other indirect means, to control, more than 15 per cent of the ordinary share capital of the company.

(b) For the purposes of the definitions of “proprietary director” and “proprietary employee”, ordinary share capital which is owned or controlled as referred to in those definitions by a person, being a spouse or a minor child of a director or employee, or by a trustee of a trust for the benefit of a person or persons, being or including any such person or such director or employee, shall be deemed to be owned or controlled by such director or employee and not by any other person.

(2) (a) Subject to paragraph (b), this section shall apply to any payment which is chargeable to tax under Schedule E and made to the holder of an office or employment to compensate for—

(i) a reduction or a possible reduction of future remuneration arising from a reorganisation of the business of the employer under whom the office or employment is held or a change in the working procedures, working methods, duties or rates of remuneration of such office or employment, or

(ii) a change in the place where the duties of the office or employment are performed.

(b) This section shall not apply to—

(i) a payment to which section 123 applies, or

(ii) a payment to—

(I) a proprietary director,

(II) a part-time director,

(III) a proprietary employee, or

(IV) a person who is a part-time employee by reason of not being required to devote substantially the whole of his or her time to the service of his or her employer.

(3) Where an individual has received a payment to which this section applies, the individual shall be entitled, on making a claim in that behalf and on proof of the relevant facts to the satisfaction of the inspector, to have the total amount of income tax payable by the individual for the year of assessment for which the payment is chargeable reduced to the total of the following amounts—

(a) the amount of income tax which would have been payable by him or her for that year if he or she had not received the payment, and

(b) income tax on the whole of the payment at the rate ascertained in the manner specified in subsection (4).

(4) There shall be ascertained the additional income tax, over and above the amount referred to in subsection (3)(a), which would have been payable by the holder of the office or employment if his or her total income for the year of assessment referred to in subsection (3) had included one-third only of the payment, and the rate of income tax for the purposes of subsection (3)(b) shall then be ascertained by dividing the additional income tax computed in accordance with this subsection by an amount equal to one-third of the payment.

(5) (a) Relief from tax under this section shall in all cases be given by means of repayment.

(b) A claimant shall not be entitled to relief under this section in respect of any income the tax on which he or she is entitled to charge against any other person, or to deduct, retain or satisfy out of any payment which he or she is liable to make to any other person.