

## **EXPLANATORY NOTES**

### **INCOME TAX (EARNINGS AND PENSIONS) ACT 2003**

#### **SUMMARY**

#### **BACKGROUND**

**The Tax Law Rewrite Project**

**Steering Committee**

**Consultative Committee**

**Consultation**

**A brief history of the taxation of employment income**

**Employment income, pensions and social security**

#### **THE ACT**

#### **COMMENTARY ON SECTIONS**

**Glossary**

#### **PART 1: OVERVIEW**

Section 1: Overview of contents of this Act

Section 2: Abbreviations and defined expressions

#### **PART 2: EMPLOYMENT INCOME: CHARGE TO TAX**

#### **Chapter 1: Introduction**

Section 3: Structure of employment income Parts

Section 4: “Employment” for the purposes of the employment income Parts

Section 5: Application to offices and office-holders

#### **Chapter 2: Tax on employment income**

Section 6: Nature of charge to tax on employment income

Section 7: Meaning of “employment income”, “general earnings” and “specific employment income”

Section 8: Meaning of “exempt income”

### **Chapter 3: Operation of tax charge**

Section 9: Amount of employment income charged to tax

Section 10: Meaning of “taxable earnings” and “taxable specific income”

Section 11: Calculation of “net taxable earnings”

Section 12: Calculation of “net taxable specific income”

Section 13: Person liable for tax

### **Chapter 4: Taxable earnings: rules applying to employee resident, ordinarily resident and domiciled in UK**

#### **Overview**

Section 14: Taxable earnings under this Chapter: introduction

Section 15: Earnings for year when employee resident, ordinarily resident and domiciled in UK

Section 16: Meaning of earnings “for” a tax year

Section 17: Treatment of earnings for year in which employment not held

Section 18: Receipt of money earnings

Section 19: Receipt of non-money earnings

### **Chapter 5: Taxable earnings: rules applying to employee resident, ordinarily resident or domiciled outside UK**

#### **Overview**

Section 20: Taxable earnings under this Chapter: introduction

Section 21: Earnings for year when employee resident and ordinarily resident, but not domiciled, in UK, except chargeable overseas earnings

Section 22: Chargeable overseas earnings for year when employee resident and ordinarily resident, but not domiciled, in UK

Section 23: Calculation of “chargeable overseas earnings”

Section 24: Limit on chargeable overseas earnings where duties of associated employment performed in UK

Section 25: UK-based earnings for year when employee resident, but not ordinarily resident, in UK

Section 26: Foreign earnings for year when employee resident, but not ordinarily resident, in UK

Section 27: UK-based earnings for year when employee not resident in UK

Section 28: Meaning of “general earnings from overseas Crown employment subject to UK tax”

Section 29: Meaning of earnings “for” a tax year

Section 30: Treatment of earnings for year in which employment not held

Section 31: Receipt of money earnings

Section 32: Receipt of non-money earnings

Section 33: Earnings remitted to the UK

Section 34: Earnings remitted to the UK: further provisions about UK-linked debts

Section 35: Relief for delayed remittances

Section 36: Election in respect of delayed remittances

Section 37: Claims for relief on delayed remittances

Section 38: Earnings for period of absence from employment

Section 39: Duties in UK merely incidental to duties outside UK

Section 40: Duties on board vessel or aircraft

Section 41: Employment in UK sector of continental shelf

## **Chapter 6: Disputes as to domicile or residence**

### **Overview**

Section 42: Board to determine dispute as to domicile or ordinary residence

Section 43: Appeal against Board’s decision on domicile or ordinary residence

## **Chapter 7: Application of provisions to agency workers**

### **Overview**

Section 44: Treatment of workers supplied by agencies

Section 45: Arrangements with agencies

Section 46: Cases involving unincorporated bodies etc.

Section 47: Interpretation of this Chapter

## **Chapter 8: Application of provisions to workers under arrangements made by intermediaries**

### **Overview**

Section 48: Scope of this Chapter

Section 49: Engagements to which this Chapter applies

Section 50: Worker treated as receiving earnings from employment

Section 51: Conditions of liability where intermediary is a company

Section 52: Conditions of liability where intermediary is a partnership

Section 53: Conditions of liability where intermediary is an individual

Section 54: Calculation of deemed employment payment

Section 55: Application of rules relating to earnings from employment

Section 56: Application of Income Tax Acts in relation to deemed employment

Section 57: Earlier date of deemed employment payment in certain cases

Section 58: Relief in case of distributions by intermediary

Section 59: Provisions applicable to multiple intermediaries

Section 60: Meaning of “associate”

Section 61: Interpretation

## **PART 3: EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS**

### **Chapter 1: Earnings**

Section 62: Earnings

### **Chapter 2: Taxable benefits: the benefits code**

#### **Overview**

Section 63: The benefits code

Section 64: Relationship between earnings and benefits code

Section 65: Dispensations relating to benefits within provisions not applicable to lower-paid employment

Section 66: Meaning of “employment” and related expressions

Section 67: Meaning of “director” and “full-time working director”

Section 68: Meaning of “material interest” in a company

Section 69: Extended meaning of “control”

### **Chapter 3: Taxable benefits: expenses payments**

#### **Overview**

Section 70: Sums in respect of expenses

Section 71: Meaning of paid or put at disposal by reason of the employment

Section 72: Sums in respect of expenses treated as earnings

### **Chapter 4: Taxable benefits: vouchers and credit-tokens**

#### **Overview**

Section 73: Cash vouchers to which this Chapter applies

Section 74: Provision for, or receipt by, member of employee’s family

Section 75: Meaning of “cash voucher”

Section 76: Sickness benefits-related voucher

$$\mathbf{£150(Pe) - £60(E) = £90}$$

#### **Example 2**

$$\mathbf{£150(Pe) - £60(E) = £90}$$

#### **Example 3**

$$\mathbf{£150(Pe) - £50(E) = £100}$$

Section 77: Apportionment of cost of provision of voucher

Section 78: Voucher made available to public generally

Section 79: Voucher issued under approved scheme

Section 80: Vouchers where payment of sums exempt from tax

Section 81: Benefit of cash voucher treated as earnings

Section 82: Non-cash vouchers to which this Chapter applies

Section 83: Provision for, or receipt by, member of employee’s family

Section 84: Meaning of “non-cash voucher”

Section 85: Non-cash voucher made available to public generally

Section 86: Transport vouchers under pre-26March 1982 arrangements

Section 87: Benefit of non-cash voucher treated as earnings

Section 88: Year in which earnings treated as received

Section 89: Reduction for meal vouchers

Section 90: Credit-tokens to which this Chapter applies

Section 91: Provision for, or use by, member of employee's family

Section 92: Meaning of "credit-token"

Section 93: Credit-token made available to public generally

Section 94: Benefit of credit-token treated as earnings

Section 95: Disregard for money, goods or services obtained

Section 96: Dispensations relating to vouchers or credit-tokens

## **Chapter 5: Taxable benefits: living accommodation**

### **Overview**

Section 97: Living accommodation to which this Chapter applies

Section 98: Accommodation provided by local authority

Section 99: Accommodation provided for performance of duties

Section 100: Accommodation provided as result of security threat

Section 101: Chevening House

Section 102: Benefit of living accommodation treated as earnings

Section 103: Method of calculating cash equivalent

Section 104: General rule for calculating cost of providing accommodation

Section 105: Cash equivalent: cost of accommodation not over £75,000

Section 106: Cash equivalent: cost of accommodation over £75,000

Section 107: Special rule for calculating cost of providing accommodation

Section 108: Cash equivalent: accommodation provided for more than one employee

Section 109: Priority of this Chapter over Chapter 1 of this Part

Section 110: Meaning of “annual value”

Section 111: Disputes as to annual value

Section 112: Meaning of “person involved in providing the accommodation”

Section 113: Meaning of “the property”

## **Chapter 6: Taxable benefits: cars, vans and related benefits**

### **Overview**

Section 114: Cars, vans and related benefits

Section 115: Meaning of “car” and “van”

Section 116: Meaning of when car or van is available to employee

Section 117: Meaning of car or van made available by reason of employment

Section 118: Availability for private use

Section 119: Where alternative to benefit of car offered

Section 120: Benefit of car treated as earnings

Section 121: Method of calculating the cash equivalent of the benefit of a car

Section 122: The price of the car

Section 123: The list price of a car

Section 124: The notional price of a car with no list price

Section 125: Meaning of “accessory” and related terms

Section 126: Amounts taken into account in respect of accessories

Section 127: The list price of an accessory

Section 128: Accessory: published price of the car manufacturer etc.

Section 129: Accessory: published price of the accessory manufacturer etc.

Section 130: The notional price of an accessory

Section 131: Replacement accessories

Section 132: Capital contributions by employee

Section 133: How to determine the “appropriate percentage”

Section 134: Meaning of car with or without a CO2 emissions figure

Section 135: Car with a CO2 emissions figure: pre-October 1999 registration

Section 136: Car with a CO2 emissions figure: post-September 1999 registration

Section 137: Car with a CO2 emissions figure: bi-fuel cars

Section 138: Car with a CO2 emissions figure: automatic car for a disabled employee

Section 139: Car with a CO2 emissions figure: the appropriate percentage

Section 140: Car without a CO2 emissions figure: the appropriate percentage

Section 141: Diesel cars: the appropriate percentage

Section 142: Car first registered before 1st January 1998: the appropriate percentage

Section 143: Deduction for periods when car unavailable

Section 144: Deduction for payments for private use

Section 145: Modification of provisions where car temporarily replaced

Section 146: Cars that run on road fuel gas

Section 147: Classic cars: 15 years of age or more

Section 148: Reduction of cash equivalent where car is shared

Section 149: Benefit of car fuel treated as earnings

Section 150: Car fuel: calculating the cash equivalent

Section 151: Car fuel: nil cash equivalent

Section 152: Car fuel: proportionate reduction of cash equivalent

Section 153: Car fuel: reduction of cash equivalent

Section 154: Benefit of van treated as earnings

Section 155: Method of calculating the cash equivalent of the benefit of a van

Section 156: Meaning of “shared van”

Section 157: Value of exclusive availability

Section 158: Deduction for periods of unavailability or shared use



Section 159: Deduction for payments for private use

Section 160: Value of shared availability

Section 161: Value of shared availability: normal calculation

Section 162: Shared van: meaning of “participating employee”

Section 163: Shared van: basic value

Section 164: Value of shared availability: alternative calculation

Section 165: Deduction for payments for private use

Section 166: Vans: limit of cash equivalent

Section 167: Pooled cars

Section 168: Pooled vans

Section 169: Car available to more than one member of family or household employed by same employer

Section 170: Orders etc. relating to this Chapter

Section 171: Minor definitions: general

Section 172: Minor definitions: equipment to enable a disabled person to use a car

## **Chapter 7: Taxable Benefits: Loans**

### **Overview**

Section 173: Loans to which this Chapter applies

Section 174: Employment-related loans

Section 175: Benefit of taxable cheap loan treated as earnings

Section 176: Exception for loans on ordinary commercial terms

Section 177: Exceptions for loans at fixed rate of interest

Section 178: Exceptions for loans where interest qualifies for tax relief

Section 179: Exception for certain advances for necessary expenses

Section 180: Threshold for benefit of loan to be treated as earnings

Section 181: The official rate of interest

Section 182: Normal method of calculation: averaging

Section 183: Alternative method of calculation

Section 184: Interest treated as paid

Section 185: Apportionment of cash equivalent in case of joint loan etc.

Section 186: Replacement loans

Section 187: Aggregation of loans by close company to director

Section 188: Loan released or written off: amount treated as earnings

Section 189: Exception where double charge

Section 190: Exclusion of charge after death of employee

Section 191: Claim for relief to take account of event after assessment

## **Chapter 8: Taxable benefits: notional loans in respect of acquisitions of shares**

### **Overview**

Section 192: Application of this Chapter

Section 193: Notional loan where acquisition for less than market value

Section 194: The amount of the notional loan

Section 195: Discharge of notional loan: amount treated as earnings

Section 196: Effects on other income tax charges

Section 197: Minor definitions

## **Chapter 9: Taxable benefits: disposals of shares for more than market value**

### **Overview**

Section 198: Shares to which this Chapter applies

Section 199: Disposal for more than market value: amount treated as earnings

Section 200: Minor definitions

## **Chapter 10: Taxable benefits: residual liability to charge**

### **Overview**

Section 201: Employment-related benefits

Section 202: Excluded benefits

Section 203: Cash equivalent of benefit treated as earnings

Section 204: Cost of the benefit: basic rule

Section 205: Cost of the benefit: asset made available without transfer

Section 206: Cost of the benefit: transfer of used or depreciated asset

Section 207: Meaning of “annual rental value”

Section 208: Meaning of “market value”

Section 209: Meaning of “persons providing benefit”

Section 210: Power to exempt minor benefits

### **Special rules for scholarships**

#### **Overview**

Section 211: Special rules for scholarships: introduction

Section 212: Scholarships provided under arrangements entered into by employer or connected person

Section 213: Exception for certain scholarships under trusts or schemes

Section 214: Scholarships: cost of the benefit

Section 215: Limitation of exemption for scholarship income in section 331 of ICTA

### **Chapter 11: Taxable benefits: exclusion of lower-paid employments from parts of benefits code**

#### **Introduction**

Section 216: Provisions not applicable to lower-paid employments

Section 217: Meaning of “lower-paid employment”

Section 218: Calculation of earnings rate for a tax year

Section 219: Extra amounts to be added in connection with a car

Section 220: Related employments

### **Chapter 12: Payments treated as earnings**

#### **Overview**

Section 221: Payments where employee absent because of sickness or disability

Section 222: Payments by employer on account of tax where deduction not possible

Section 223: Payments on account of director's tax other than by the director

Section 224: Payments to non-approved personal pension arrangements

Section 225: Payments for restrictive undertakings

Section 226: Valuable consideration given for restrictive undertakings

## **PART 4: EMPLOYMENT INCOME: EXEMPTIONS**

### **Chapter 1: Exemptions: general**

Section 227: Scope of Part 4

Section 228: Effect of exemptions on liability under provisions outside Part 2

### **Chapter 2: Exemptions: mileage allowances and passenger payments**

#### **Overview**

Section 229: Mileage allowance payments

Section 230: The approved amount for mileage allowance payments

Section 231: Mileage allowance relief

Section 232: Giving effect to mileage allowance relief

Section 233: Passenger payments

Section 234: The approved amount for passenger payments

Section 235: Vehicles to which this Chapter applies

Section 236: Interpretation of this Chapter

### **Chapter 3: Exemptions: other transport, travel and subsistence**

Section 237: Parking provision and expenses

Section 238: Modest private use of heavy goods vehicles

Section 239: Payments and benefits connected with taxable cars and vans and exempt heavy goods vehicles

Section 240: Incidental overnight expenses and benefits

Section 241: Incidental overnight expenses and benefits: overall exemption limit

Section 242: Works transport services

Section 243: Support for public bus services

Section 244: Cycles and cyclist's safety equipment

Section 245: Travelling and subsistence during public transport strikes

Section 246: Transport between work and home for disabled employees: general

Section 247: Provision of cars for disabled employees

Section 248: Transport home: late night working and failure of car-sharing arrangements

Section 249: Interpretation of this Chapter

## **Chapter 4: Exemptions: education and training**

### **Overview**

Section 250: Exemption of work-related training provision

Section 251: Meaning of "work-related training"

Section 252: Exception for non-deductible travel expenses

Section 253: Exception where provision for excluded purposes

Section 254: Exception where unrelated assets are provided

Section 255: Exemption for contributions to individual learning account training

Section 256: Meaning of "individual learning account training"

Section 257: Exception for non-deductible travel expenses

Section 258: Exception where provision for excluded purposes

Section 259: Exception where unrelated assets are provided

Section 260: Exception where training not generally available to staff

## **Chapter 5: Exemptions: recreational benefits**

### **Recreational facilities**

Section 261: Exemption of recreational benefits

Section 262: Benefits not exempted by section 261

Section 263: Power to alter benefits to which section 261 applies

Section 264: Annual parties and functions

Section 265: Third party entertainment

## **Chapter 6: Exemptions: Non-cash vouchers and credit-tokens**

### **Overview**

Section 266: Exemption of non-cash vouchers for exempt benefits

Section 267: Exemption of credit-tokens used for exempt benefits

Section 268: Exemption of vouchers and tokens for incidental overnight expenses

Section 269: Exemption where benefits or money obtained in connection with taxable car or van or exempt heavy goods vehicle

Section 270: Exemption for small gifts of vouchers and tokens from third parties

## **Chapter 7: Exemptions: Removal benefits and expenses**

Section 271: Limited exemption of removal benefits and expenses: general

Section 272: Removal benefits and expenses to which section 271 applies

Section 273: Conditions applicable to change of residence

Section 274: Meaning of “the limitation day”

Section 275: Meaning of “the employment change”

Section 276: Meaning of “residence”, “former residence” and “new residence” etc.

Section 277: Acquisition benefits and expenses

Section 278: Abortive acquisition benefits and expenses

Section 279: Disposal benefits and expenses

Section 280: Transporting belongings

Section 281: Travelling and subsistence

Section 282: Exclusion from section 281 of benefits and expenses where deduction allowed

Section 283: Exclusion from section 281 of taxable car and van facilities

Section 284: Bridging loan expenses

Section 285: Replacement of domestic goods

Section 286: Power to amend sections 279 to 285

Section 287: Limit on exemption

Section 288: Limited exemption of certain bridging loans connected with employment moves

Section 289: Relief for certain bridging loans not qualifying for exemption under section 288

### **Chapter 8: Exemptions: Special kinds of employees**

Section 290: Accommodation benefits of ministers of religion

Section 291: Termination payments to MPs and others ceasing to hold office

Section 292: Overnight expenses allowances of MPs

Section 293: Overnight expenses of other elected representatives

Section 294: EU travel expenses of MPs and other representatives

Section 295: Transport and subsistence for Government ministers etc.

Section 296: Armed forces' leave travel facilities

Section 297: Armed forces' food, drink and mess allowances

Section 298: Reserve and auxiliary forces' training allowances

Section 299: Crown employees' foreign service allowances

Section 300: Consuls

Section 301: Official agents

Section 302: Consular employees

Section 303: Visiting forces and staff of designated allied headquarters

Section 304: Experts seconded to European Commission

Section 305: Offshore oil and gas workers: mainland transfers

Section 306: Miners etc.: coal and allowances in lieu of coal

### **Chapter 9: Exemptions: Pension provision**

Section 307: Death or retirement benefit provision

Section 308: Exemption of contributions to approved personal pension arrangements

### **Chapter 10: Exemptions: Termination of employment**

Section 309: Limited exemptions for statutory redundancy payments

Section 310: Counselling and other outplacement services

Section 311: Retraining courses

Section 312: Recovery of tax

### **Chapter 11: Miscellaneous exemptions**

Section 313: Repairs and alterations to living accommodation

Section 314: Council tax etc. paid for certain living accommodation

Section 315: Limited exemption for expenses connected with certain living accommodation

**Ne = £10,000; Da = 365; De = 365; Smg = 0**

**Ne = £10,000; Da = 183; De = 365; Smg = 0**

**Ne = £5,000; Da = 183; De = 183; Smg = 0**

Section 316: Accommodation, supplies and services used in employment duties

Section 317: Subsidised meals

Section 318: Care for children

Section 319: Mobile telephones

Section 320: Limited exemption for computer equipment

Section 321: Suggestion awards

Section 322: Suggestion awards: "the permitted maximum"

Section 323: Long service awards

Section 324: Small gifts from third parties

Section 325: Overseas medical treatment

Section 326: Expenses incidental to transfer of a kind not normally met by transferor



## **PART 5: EMPLOYMENT INCOME: DEDUCTIONS ALLOWED FROM EARNINGS**

### **Background**

### **Overview**

#### **Chapter 1: Deductions allowed from earnings: general rules**

##### **Overview**

Section 327: Deductions from earnings: general

Section 328: The income from which deductions may be made

Section 329: Deductions from earnings not to exceed earnings

Section 330: Prevention of double deductions

Section 331: Order for making deductions

Section 332: Meaning of “the deductibility provisions”

#### **Chapter 2: Deductions for employee’s expenses**

##### **Overview**

Section 333: Scope of this Chapter: expenses paid by the employee

Section 334: Effect of reimbursement etc.

Section 335: Application of deductions provisions: “earnings charged on receipt” and “earnings charged on remittance”

Section 336: Deductions for expenses: the general rule

Section 337: Travel in performance of duties

Section 338: Travel for necessary attendance

Section 339: Meaning of “workplace” and “permanent workplace”

Section 340: Travel between group employments

Section 341: Travel at start or finish of overseas employment

Section 342: Travel between employments where duties performed abroad

## **Fees and Subscriptions**

### **Overview**

Section 343: Deduction for professional membership fees

Section 344: Deduction for annual subscriptions

Section 345: Decisions of the Inland Revenue under section 344

Section 346: Deduction for employee liabilities

Section 347: Payments made after leaving the employment

Section 348: Liabilities related to the employment

Section 349: Meaning of “qualifying insurance contract”

Section 350: Connected contracts

Section 351: Expenses of ministers of religion

Section 352: Limited deduction for agency fees paid by entertainers

Section 353: Deductions from earnings charged on remittance

Section 354: Disallowance of expenses relating to earnings taxed on different basis or untaxed

### **Example**

Section 355: Deduction for corresponding payments by non-domiciled employees with foreign employers

Section 356: Disallowance of business entertainment and gifts expenses

Section 357: Business entertainment and gifts: exception where employer’s expenses disallowed

Section 358: Business entertainment and gifts: other exceptions

Section 359: Disallowance of travel expenses: mileage allowances and reliefs

Section 360: Disallowance of certain accommodation expenses of MPs and other representatives

## **Chapter 3: Deductions from benefits code earnings**

### **Overview**

Section 361: Scope of this Chapter: cost of benefits deductible as if paid by employee

Section 362: Deductions where non-cash voucher provided

Section 363: Deductions where credit-token provided

Section 364: Deductions where living accommodation provided

Section 365: Deductions where employment-related benefit provided

#### **Chapter 4: Fixed allowances for employee's expenses**

##### **Overview**

Section 366: Scope of this Chapter: amounts fixed by Treasury

Section 367: Fixed sum deductions for repairing and maintaining work equipment

Section 368: Fixed sum deductions from earnings payable out of public revenue

#### **Chapter 5: Deductions for earnings representing benefits or reimbursed expenses**

##### **Background**

##### **Overview**

Section 369: Scope of this Chapter: earnings representing benefits or reimbursed expenses

##### **Travel costs and expenses where duties performed abroad**

Section 370: Travel costs and expenses where duties performed abroad: employee's travel

Section 371: Travel costs and expenses where duties performed abroad: visiting spouse's or child's travel

Section 372: Where seafarers' duties are performed

##### **Travel costs and expenses of non-domiciled employees where duties performed in UK**

Section 373: Non-domiciled employee's travel costs and expenses where duties performed in UK

Section 374: Non-domiciled employee's spouse's or child's travel costs and expenses where duties performed in UK

Section 375: Meaning of "qualifying arrival date"

Section 376: Foreign accommodation and subsistence costs and expenses (overseas employments)

Section 377: Costs and expenses in respect of personal security assets and services

### **Chapter 6: Deductions from seafarers' earnings**

Section 378: Deduction from seafarers' earnings: eligibility

Section 379: Calculating the deduction

Section 380: Limit on deduction where UK duties etc. make amount unreasonable

Section 381: Taking account of other deductions

Section 382: Duties on board ship

Section 383: Place of performance of incidental duties

Section 384: Meaning of employment "as a seafarer"

Section 385: Meaning of "ship"

## **PART 6: EMPLOYMENT INCOME: INCOME WHICH IS NOT EARNINGS OR SHARE-RELATED**

### **Chapter 1: Payments to non-approved pension schemes**

#### **Overview**

Section 386: Charge on payments to non-approved retirement benefits schemes

Section 387: Meaning of "non-approved retirement benefits scheme"

Section 388: Apportionment of payments in respect of more than one employee

Section 389: Exception: employments where earnings charged on remittance

Section 390: Exception: non-domiciled employees with foreign employers

Section 391: Exception: seafarers with overseas earnings

Section 392: Relief where no benefits are paid or payable

### **Chapter 2: Benefits from non-approved schemes**

#### **Overview**

Section 393: Application of this Chapter

Section 394: Charge on benefit to which this Chapter applies

Section 395: Application of sections 396 and 397: general rules

Section 396: Certain lump sums not taxed by virtue of section 394

Section 397: Certain lump sums: calculation of amount taxed by virtue of section 394

Section 398: Valuation of benefits

Section 399: Employment-related loans: interest treated as paid

Section 400: Interpretation

### **Chapter 3: Payments and benefits on termination of employment etc.**

#### **Overview**

Section 401: Application of this Chapter

Section 402: Meaning of “benefit”

Section 403: Charge on payment or other benefit

Section 404: How the £30,000 threshold applies

Section 405: Exception for certain payments exempted when received as earnings.

Section 406: Exception for death or disability payments and benefits

Section 407: Exception for payments and benefits under tax-exempt pension schemes

Section 408: Exception for contributions to tax-exempt pension schemes

Section 409: Exception for payments and benefits in respect of employee liabilities and indemnity insurance

Section 410: Exception for payments and benefits in respect of employee liabilities and indemnity insurance: individual deceased

Section 411: Exception for payments and benefits for forces

Section 412: Exception for payments and benefits provided by foreign governments etc.

Section 413: Exception in certain cases of foreign service

Section 414: Reduction in other cases of foreign service

Section 415: Valuation of benefits

Section 416: Notional interest treated as paid if amount charged for beneficial loan

## **PART 7: EMPLOYMENT INCOME: SHARE-RELATED INCOME AND EXEMPTIONS**

### **Overview**

### **Background**

### **Arrangement of material for share schemes**

#### **Chapter 1: Introduction**

##### **Overview**

Section 417: Scope of Part 7

Section 418: Other provisions about share-related income and exemptions

Section 419: Duties to provide information

Section 420: Negative amounts treated as nil

Section 421: Application of Part 7 to office-holders

#### **Chapter 2: Conditional interests in shares**

##### **Overview**

Section 422: Application of this Chapter

Section 423: Interests in shares acquired “as a director or employee”

Section 424: Meaning of interest being “only conditional”

Section 425: Cases where this Chapter does not apply

Section 426: No charge in respect of acquisition of employee’s interest in certain circumstances

Section 427: Charge on interest in shares ceasing to be only conditional or on disposal

Section 428: Amount of charge

Section 429: Amount or value of consideration given for employee’s interest

Section 430: Amount or value of consideration given for right to acquire shares

Section 431: Application of this Chapter where employee dies

Section 432: Duty to notify provision of conditional interests in shares

Section 433: Duty to notify events resulting in charges under section 427

Section 434: Minor definitions

### **Chapter 3: Convertible shares**

#### **Overview**

Section 435: Application of this Chapter

Section 436: Shares acquired “as a director or employee”

Section 437: Cases where this Chapter does not apply

Section 438: Charge on conversion of shares

Section 439: Amount of charge

Section 440: Case outside charge under section 438: conversion of entire class

Section 441: Case outside charge under section 438: acquisition of conditional interest

Section 442: Amount or value of consideration given for shares or conversion

Section 443: Amount or value of consideration given for right to acquire shares

Section 444: Conversion in consequence of employee’s death

Section 445: Duty to notify conversions of shares

Section 446: Minor definitions

### **Chapter 4 – Post-acquisition benefits from shares**

#### **Overview**

Section 447: Application of this Chapter

Section 448: Cases where this Chapter does not apply

Section 449: Charge on occurrence of chargeable event

Section 450: Chargeable events

Section 451: Amount of charge

Section 452: Cases outside charge under section 449

Section 453: Charge on increase in value of shares of dependent subsidiary

Section 454: Chargeable increases

Section 455: Amount of charge

Section 456: Cases outside charge under section 453

Section 457: Charge on other chargeable benefits from shares

Section 458: Chargeable benefits

Section 459: Amount of charge

Section 460: Cases outside charge under section 457

Section 461: Related acquisitions of additional shares

Section 462: Company reorganisations etc.

Section 463: Disposals of shares to connected persons etc. ignored

Section 464: Application to interests in shares

Section 465: Duty to notify acquisitions of shares or interests in shares

Section 466: Duty to notify chargeable events and chargeable benefits

Section 467: Meaning of “dependent subsidiary”

Section 468: Meaning of “employee-controlled”

Section 469: Shares “held by outside shareholders”

Section 470: Minor definitions

## **Chapter 5: Share options**

### **Overview**

Section 471: Share options to which this Chapter applies

Section 472: Introduction to taxation of share options

Section 473: Share options to which this Chapter does not apply

Section 474: No charge in respect of receipt of shorter-term option

Section 475: Value of longer-term option for purposes of liability to tax in respect of receipt

Section 476: Charge on exercise, assignment or release of option by employee



Section 477: Charge on employee where option exercised, assigned or released by another person

Section 478: Amount of charges

Section 479: Amount of gain realised by exercising option

Section 480: Amount of gain realised by assigning or releasing option

Section 481: Deductible amount in respect of secondary Class 1 contributions met by employee

Section 482: Deductible amount in respect of special contribution met by employee

Section 483: Extended meaning of “assign” and “release”

Section 484: Amount or value of consideration given for grant of share option

Section 485: Application of this Chapter where share option exchanged for another

Section 486: Duty to notify matters relating to share options

Section 487: Minor definitions

## **Chapter 6: Approved share incentive plans**

### **Background**

#### **Overview**

Section 488: Approved share incentive plans (SIPs)

#### **The tax advantages**

Section 489: Operation of tax advantages in connection with approved SIP

Section 490: No charge on award or acquisition of shares: general

Section 491: No charge on award of shares as taxable benefit

Section 492: No charge on partnership share money deducted from salary

Section 493: No charge on acquisition of dividend shares

Section 494: No charge on removal of restrictions applying to shares

Section 495: No charge on increase in value of shares of dependent subsidiary

Section 496: No charge on cash dividend retained for reinvestment

Section 497: Limitations on charges on shares ceasing to be subject to plan

Section 498: No charge on shares ceasing to be subject to plan in certain circumstances

Section 499: No charge in respect of incidental expenditure

### **The charges to tax**

Section 500: Operation of tax charges in connection with approved SIP

Section 501: Charge on capital receipts in respect of plan shares

Section 502: Meaning of “capital receipt” in section 501

Section 503: Charge on partnership share money paid over to employee

Section 504: Charge on cancellation payments in respect of partnership share agreement

Section 505: Charge on free or matching shares ceasing to be subject to plan

Section 506: Charge on partnership shares ceasing to be subject to plan

Section 507: Charge on disposal of beneficial interest during holding period

Section 508: Identification of shares ceasing to be subject to plan

### **PAYE implications**

Section 509: Modification of section 696 where charge on shares ceasing to be subject to plan

Section 510: Payments by trustees to employer company on shares ceasing to be subject to plan

Section 511: PAYE deductions to be made by trustees on shares ceasing to be subject to plan

Section 512: Disposal of beneficial interest by participant

Section 513: Capital receipts: payments by trustees to employer company

Section 514: Capital receipts: PAYE deductions to be made by trustees

Section 515: Tax advantages and charges under other Acts

## **Chapter 7: Approved SAYE option schemes**

### **Overview**

Section 516: Approved SAYE option schemes

Section 517: Share options to which this Chapter applies

Section 518: No charge in respect of receipt of option

Section 519: No charge in respect of exercise of option

Section 520: No charge in respect of post-acquisition benefits

## **Chapter 8: Approved CSOP schemes**

### **Overview**

Section 521: Approved CSOP Schemes

Section 522: Share options to which this Chapter applies

Section 523: No charge in respect of receipt of option

Section 524: No charge in respect of exercise of option

Section 525: No charge in respect of post-acquisition benefits

Section 526: Charge where option granted at a discount

## **Chapter 9: Enterprise management incentives**

### **Overview**

Section 527: Enterprise management incentives: qualifying options

Section 528: No charge on receipt of qualifying option

Section 529: Scope of tax advantages: option must be exercised within 10 years

Section 530: No charge on exercise of option to acquire shares at market value

Section 531: Limitation of charge on exercise of option to acquire shares below market value

Section 532: Modified tax consequences following disqualifying events

Section 533: Disqualifying events

Section 534: Disqualifying events relating to relevant company

Section 535: Disqualifying events relating to employee

Section 536: Other disqualifying events

Section 537: Alterations of share capital for purposes of section 536

Section 538: Share conversions excluded for purposes of section 536

Section 539: CSOP and other options relevant for purposes of section 536

Section 540: No charge on acquisition of shares as taxable benefit

Section 541: Effects on other income tax charges

## **Chapter 10: Priority share allocations**

### **Overview**

Section 542: Exemption: offer made to public and employees

Section 543: Discount not covered by exemption in section 542

Section 544: Exemption: different offers made to public and employees

Section 545: Discount not covered by exemption in section 544

Section 546: Meaning of being entitled “on similar terms”

Section 547: Meaning and amount or value of “registrant discount”

Section 548: Minor definitions

## **Chapter 11: Supplementary Provisions about employee benefit trusts**

### **Background**

#### **Overview**

Section 549: Application of this Chapter

Section 550: Meaning of “employee benefit trust”

Section 551: “Qualifying disposals” for purposes of section 550

Section 552: Attribution of interest in company to beneficiary or associate

Section 553: Meaning of “appropriate percentage” for purposes of section 552

Section 554: Attribution of further interest in company

## **PART 8: FORMER EMPLOYEES: DEDUCTIONS FOR LIABILITIES**

### **Overview**

Section 555: Former employee entitled to deduction from total income

Section 556: Deductible payments made outside the time limits allowed

Section 557: Deductible payments wholly or partly borne by the former employer etc.

Section 558: Meaning of “deductible payment”

Section 559: Liabilities related to the former employment

Section 560: Meaning of “qualifying insurance contract”

Section 561: Connected contracts

Section 562: Meaning of “former employee” and “employment”

Section 563: Other interpretation

Section 564: Application of this Part to office-holders

## **PART 9: PENSION INCOME**

### **Overview**

#### **Chapter 1: Introduction**

##### **Overview**

Section 565: Structure of Part 9

#### **Chapter 2: Tax on pension income**

##### **Overview**

Section 566: Nature of charge to tax on pension income and relevant definitions

Section 567: Amount charged to tax

Section 568: Person liable for tax

### **Chapter 3: United Kingdom pensions: general rules**

#### **Overview**

Section 569: United Kingdom pensions

Section 570: “Pension”: interpretation

Section 571: Taxable pension income

Section 572: Person liable for tax

### **Chapter 4: Foreign Pensions: general rules**

#### **Overview**

Section 573: Foreign pensions

Section 574: “Pension”: interpretation

Section 575: Taxable pension income

Section 576: Person liable for tax

### **Chapter 5: United Kingdom social security pensions**

#### **Overview**

Section 577: United Kingdom social security pensions

Section 578: Taxable pension income

Section 579: Person liable for tax

### **Chapter 6: Approved retirement benefits schemes**

#### **Overview**

Section 580: Pensions and annuities

Section 581: Taxable pension income

Section 582: Person liable for tax

Section 583: Unauthorised payments

Section 584: Taxable pension income

Section 585: Person liable for tax

Section 586: Meaning of “retirement benefits scheme” etc.

Section 587: Application to marine pilots’ benefit fund

Section 588: Meaning of “employee” and “ex-spouse”

Section 589: Regulations

## **Chapter 7: Former approved superannuation funds**

### **Overview**

Section 590: Annuities

Section 591: Taxable pension income

Section 592: Person liable for tax

Section 593: Unauthorised payments: application of section 583

Section 594: Meaning of “former approved superannuation fund”

## **Chapter 8: Approved personal pension schemes**

### **Overview**

Section 595: Annuities

Section 596: Taxable pension income

Section 597: Person liable for tax

Section 598: Income withdrawals

Section 599: Taxable pension income

Section 600: Person liable for tax

Section 601: Unauthorised personal pension payments

Section 602: Taxable pension income

Section 603: Person liable for tax

Section 604: Meaning of “personal pension scheme” and related expressions

## **Chapter 9: Retirement annuity contracts**

### **Overview**

Section 605: Annuities

Section 606: Meaning of “retirement annuity contract”

Section 607: Taxable pension income

Section 608: Person liable for tax

## **Chapter 10: Other employment-related annuities**

### **Overview**

Section 609: Annuities for the benefit of dependants

Section 610: Annuities under sponsored superannuation schemes

Section 611: Annuities in recognition of another's services

Section 612: Taxable pension income: UK annuities

Section 613: Taxable pension income: foreign annuities

Section 614: Person liable for tax

## **Chapter 11: Certain overseas government pensions paid in the UK**

### **Overview**

Section 615: Certain overseas government pensions paid in the United Kingdom

Section 616: Taxable pension income

Section 617 Deduction allowed from taxable pension income

Section 618: Person liable for tax

## **Chapter 12: House of Commons Members' Fund**

### **Overview**

Section 619: The House of Commons Members' Fund

Section 621: Taxable pension income

Section 622: Person liable for tax

## **Chapter 13: Return of surplus employee additional voluntary contributions**

### **Overview**

Section 623: Return of surplus employee additional voluntary contributions

Section 624: Taxable pension income

Section 625: Person liable for tax

Section 627: Meaning of "grossing up"

Section 628: Interpretation



## **Chapter 14: Pre-1973 pensions paid under the Overseas Pensions Act 1973**

### **Overview**

Section 629: Pre-1973 pensions paid under the Overseas Pensions Act 1973

Section 630: Interpretation

Section 631: Taxable pension income

Section 632: Person liable for tax

## **Chapter 15: Voluntary annual payments**

### **Overview**

Section 633: Voluntary annual payments

Section 634: Taxable pension income: UK voluntary annual payments

Section 635: Taxable pension income: foreign voluntary annual payments

Section 636: Person liable for tax

## **Chapter 16: Exemption for certain lump sums**

### **Overview**

Section 637: Exemption for lump sums provided under certain pension schemes etc.

## **Chapter 17: Exemptions: any taxpayer**

### **Overview**

Section 638: Awards for bravery

Section 639: Pensions in respect of death due to military or war service

Section 640: Exemption under section 639 where income withheld

Section 641: Wounds and disability pensions

Section 642: Compensation for National-Socialist persecution

Section 643: Malawi, Trinidad and Tobago and Zambia government pensions

Section 644: Pensions payable where employment ceased due to disablement

Section 645: Social security pensions: increases in respect of children

Section 646: Former miners etc: coal and allowances in lieu of coal

## **Chapter 18: Exemptions: Non-UK resident taxpayers**

### **Overview**

Section 647: Introduction and meaning of “foreign residence condition” etc.

Section 648: The Central African Pension Fund

Section 649: Commonwealth government pensions

Section 650: Oversea Superannuation Scheme

Section 651: Overseas Pensions Act 1973

Section 652: Overseas Service Act 1958

Section 653: Overseas Service Pensions Fund

Section 654: The Pensions (India, Pakistan and Burma) Act 1955

## **PART 10: SOCIAL SECURITY INCOME**

### **Overview**

#### **Chapter 1: Introduction**

##### **Overview**

Section 655: Structure of Part 10

#### **Chapter 2: Tax on social security income**

##### **Overview**

Section 656: Nature of charge to tax on social security income

Section 657: Meaning of “social security income”, “taxable benefits” etc.

Section 658: Amount charged to tax

Section 659: Person liable for tax

#### **Chapter 3: Taxable UK social security benefits**

##### **Overview**

Section 660: Taxable benefits: UK benefits – Table A

Section 661: Taxable social security income

Section 662: Person liable for tax

#### **Chapter 4 Taxable UK social security benefits: exemptions**

##### **Overview**

Section 663: Long-term incapacity benefit: previous entitlement to invalidity benefit

Section 664: Short-term incapacity benefit not payable at the higher rate

##### **Income support**

Section 665: Exempt unless payable to member of couple involved in trade dispute

Section 666: Child maintenance bonus

Section 667: Amounts in excess of taxable maximum

Section 668: Taxable maximum

Section 669: Interpretation

##### **Jobseeker's allowance**

Section 670: Child maintenance bonus

Section 671: Amounts in excess of taxable maximum

Section 672: Taxable maximum: general

Section 673: Taxable maximum: income-based jobseeker's allowance

Section 674: Taxable maximum: contribution-based jobseeker's allowance

Section 675: Interpretation

Section 676: Increases in respect of children

#### **Chapter 5: UK social security benefits wholly exempt from income tax**

##### **Overview**

Section 677: UK social security benefits wholly exempt from tax: Table B

#### **Chapter 6: Taxable foreign benefits**

##### **Overview**

Section 678: Taxable benefits: foreign benefits

*These notes refer to the Income Tax (Earnings and Pensions) Act 2003 (c.1)*

Section 679: Taxable social security income

Section 680: Person liable for tax

## **Chapter 7: Taxable and other foreign benefits: exemptions**

### **Overview**

Section 681: Taxable and other foreign benefits: exemptions

## **PART 11: PAY AS YOU EARN**

### **Overview**

### **Approach taken in Part 11**

### **Added material**

### **Omitted material**

Section 139(4) of FA 1994

Section 205(1) to (3) and (5) of ICTA

### **Background**

### **History**

**Income Tax (Employments) Act 1943 (6&7 Geo. 6. (1942-43) c.45)**

**Regulations of Commissioners of Inland Revenue**

**The Income Tax (Offices and Employments) Act 1944 (7&8 Geo. 6. (1943-44) c.12)**

**Extension of principal Act (subject to exceptions) to all emoluments taxable under Schedule E**

**The scope of PAYE**

**What is and is not a payment for PAYE**

**Machinery of PAYE**

### **Chapter 1: Introduction**

#### **Overview**

Section 682: Scope of this Part

Section 683: PAYE Income

### **Chapter 2: PAYE: general**

#### **Overview**

Section 684: PAYE regulations

Section 685: Tax tables

Section 686: Meaning of “payment”

### **Chapter 3 PAYE: special types of payer or payee**

#### **Overview**

Section 687: Payments by intermediary

Section 688: Agency workers

Section 689: Employee of non-UK employer

Section 690: Employee non-resident etc.

Section 691: Mobile UK workforce

Section 692: Organised arrangements for sharing tips

### **Chapter 4: PAYE: special types of income**

#### **Overview**

Section 693: Cash vouchers

Section 694: Non-cash vouchers

Section 695: Credit-tokens

Section 696: Readily convertible assets

Section 697: Enhancing the value of an asset

Section 698: PAYE: shares ceasing to be only conditional or being disposed of

Section 699: PAYE: conversion of shares

Section 700: PAYE: gains from share options

Section 701: Meaning of “asset”

Section 702: Meaning of “readily convertible asset”

### **Chapter 5: PAYE settlement agreements**

#### **Overview**

#### **Omitted material**

Section 703: Introduction

Section 704: Sums payable by employers under agreements

Section 705: Approximations allowed in calculations

Section 706: Exclusions of general earnings from income etc.

*These notes refer to the Income Tax (Earnings and Pensions) Act 2003 (c.1)*

Section 707: Interpretation of this Chapter

## **Chapter 6: Miscellaneous and supplemental**

### **Overview**

Section 708: PAYE repayments

Section 709: Additional provision for certain assessments

Section 710: Notional payments: accounting for tax

Section 711: Right to make a return

Section 712: Interpretation of this Part

## **PART 12: PAYROLL GIVING**

### **Overview**

Section 713: Donations to charity: payroll deduction scheme

Section 714: Meaning of “donations”

Section 715: Approval of schemes: regulation by Treasury

## **PART 13: SUPPLEMENTARY PROVISIONS**

Section 716: Alteration of amounts by Treasury order

Section 717: Orders and regulations made by Treasury or Board

Section 718: Connected persons

Section 719: Control in relation to a body corporate

Section 720: Meaning of “the Inland Revenue” etc.

Section 721: Other definitions

Section 722: Consequential amendments

Section 723: Commencement and transitional provisions and savings

Section 724: Repeals and revocations

Section 725: Citation

Schedule 1: Abbreviations and Defined Expressions

### **PART 1: ABBREVIATIONS OF ACTS AND INSTRUMENTS**

### **PART 2: INDEX OF DEFINED EXPRESSIONS**

Schedule 2: Approved Share Incentive Plans

## **Overview**

### **PART 1: INTRODUCTION**

Paragraph 1: Approval of share incentive plans (SIPs)

Paragraph 2: SIPs: free shares and partnership shares

Paragraph 3: Matching shares

Paragraph 4: Group plans

Paragraph 5: Meaning of “award of shares”, “participant” etc.

### **PART 2: GENERAL REQUIREMENTS**

Paragraph 6: General requirements for approval: introduction

Paragraph 7: The purpose of the plan

Paragraph 8: All-employee nature of plan

Paragraph 9: Participation on same terms

Paragraph 10: No preferential treatment for directors and senior employees

Paragraph 11: No further conditions

Paragraph 12: No loan arrangements

### **PART 3: ELIGIBILITY OF INDIVIDUALS**

Paragraph 13: Eligibility of individuals: introduction

Paragraph 14: Time of eligibility to participate

Paragraph 15: The employment requirement

Paragraph 16: Qualifying periods

Paragraph 17: Meaning of “qualifying company”

Paragraph 18: Requirement not to participate in other SIPs

Paragraph 19: The “no material interest” requirement

Paragraph 20: Meaning of “material interest”

Paragraph 21: Material interest: options and interests in SIPs

Paragraph 22: Meaning of “associate”

Paragraph 23: Meaning of “associate”: trustees of employee benefit trust

Paragraph 24: Meaning of “associate”: trustees of discretionary trust

#### **PART 4: TYPES OF SHARES THAT MAY BE AWARDED**

Paragraph 25: Types of shares that may be awarded: introduction

Paragraph 26: Shares must be part of ordinary share capital of certain companies

Paragraph 27: Requirement as to listing etc.

Paragraph 28: Shares must be fully paid up and not redeemable

Paragraph 29: Prohibited shares

Paragraph 30: Only certain kinds of restriction allowed

Paragraph 31: Permitted restrictions: voting rights

Paragraph 32: Permitted restrictions: provision for forfeiture

Paragraph 33: Permitted restrictions: pre-emption conditions

#### **PART 5: FREE SHARES**

Paragraph 34: Free shares: introduction

Paragraph 35: Maximum annual award

Paragraph 36: The holding period

Paragraph 37: Holding period: power of participant to direct trustees to accept general offers etc.

Paragraph 38: Performance allowances: general application

Paragraph 39: Performance allowances: targets and measures

Paragraph 40: Performance allowances: information to be given to employees

Paragraph 41: Performance allowances: method one

Paragraph 42: Performance allowances: method two

#### **PART 6: PARTNERSHIP SHARES**

Paragraph 43: Partnership shares: introduction

Paragraph 44: Partnership share agreements

Paragraph 45: Deductions from salary

Paragraph 46: Maximum amount of deductions

Paragraph 47: Minimum amount of deductions

Paragraph 48: Notice of possible effect of deductions on benefit entitlement



Paragraph 49: Partnership share money held for employee

Paragraph 50: Application of money deducted where no accumulation periods

Paragraph 51: Accumulation periods

Paragraph 52: Application of money deducted in accumulation period

Paragraph 53: Restriction on number of shares awarded

Paragraph 54: Stopping and re-starting deductions

Paragraph 55: Withdrawal from partnership share agreement

Paragraph 56: Repayment of partnership share money on withdrawal of approval or termination

Paragraph 57: Access to partnership shares

#### **PART 7: MATCHING SHARES**

Paragraph 58: Matching shares: introduction

Paragraph 59: General requirements for matching shares

Paragraph 60: Ratio of matching shares to partnership shares

Paragraph 61: Holding period for matching shares

#### **PART 8: CASH DIVIDENDS AND DIVIDEND SHARES**

Paragraph 62: Reinvestment of cash dividends

Paragraph 63: Requirements to be met as regards cash dividends

Paragraph 64: Limit on amount reinvested

Paragraph 65: General requirements as to dividend shares

Paragraph 66: Acquisition of dividend shares

Paragraph 67: Holding period for dividend shares

Paragraph 68: Reinvestment: amounts to be carried forward

Paragraph 69: Cash dividends where no requirement to reinvest

#### **PART 9: TRUSTEES**

Paragraph 70: Requirements etc. relating to trustees: introduction

Paragraph 71: Establishment of trustees

Paragraph 72: Duty to act in accordance with participant's directions

Paragraph 73: Duty not to dispose of plan shares

Paragraph 74: Duty to make payments to participants

Paragraph 75: Duty to give notice of award of shares etc.

Paragraph 76: Power of trustees to borrow

Paragraph 77: Power of trustees to raise funds to subscribe for rights issue

Paragraph 78: Acquisition by trustees of shares from employee share ownership trust

Paragraph 79: Meeting by trustees of PAYE obligations

Paragraph 80: Other duties of trustees in relation to tax liabilities

#### **PART 10: APPROVAL OF PLANS**

Paragraph 81: Application for approval

Paragraph 82: Appeal against refusal of approval

Paragraph 83: Withdrawal of approval

Paragraph 84: Disqualifying events for purposes of paragraph 83

Paragraph 85: Appeal against withdrawal of approval

#### **PART 11: SUPPLEMENTARY PROVISIONS**

Paragraph 86: Company reconstructions

Paragraph 87: Consequences of company reconstructions

Paragraph 88: Treatment of shares acquired under rights issue

Paragraph 89: Termination of plan

Paragraph 90: Effect of plan termination notice

Paragraph 91: Jointly owned companies

Paragraph 92: Determination of market value

Paragraph 93: Power to require information

Paragraph 94: Meaning of "associated company"

Paragraph 95: Meaning of participant ceasing to be in relevant employment

Paragraph 96: Meaning of shares being withdrawn from plan

Paragraph 97: Meaning of shares ceasing to be subject to plan

Paragraph 98: Meaning of "the specified retirement age"

Paragraph 99: Minor definitions

Paragraph 100: Index of defined expressions

Schedule 3: Approved Saye Option Schemes

## **Overview**

### **PART 1: INTRODUCTION**

Paragraph 1: Approval of SAYE option schemes

Paragraph 2: SAYE option schemes

Paragraph 3: Group schemes

### **PART 2: GENERAL REQUIREMENTS FOR APPROVAL**

Paragraph 4: General requirements for approval: introduction

Paragraph 5: General restriction on contents of scheme

Paragraph 6: All-employee nature of scheme

Paragraph 7: Participation on similar terms

Paragraph 8: No preferential treatment for directors and senior employees

### **PART 3: ELIGIBILITY OF INDIVIDUALS TO PARTICIPATE IN SCHEME**

Paragraph 9: Requirements relating to the eligibility of individuals: introduction

Paragraph 10: The employment requirement

Paragraph 11: The “no material interest” requirement

Paragraph 12: Meaning of “material interest”

Paragraph 13: Material Interest: options and interests in SIPs

Paragraph 14: Meaning of “associate”

Paragraph 15: Meaning of “associate”: trustees of employee benefit trust

Paragraph 16: Meaning of “associate”: trustees of discretionary trust

### **PART 4: SHARES TO WHICH SCHEMES CAN APPLY**

Paragraph 17: Requirements relating to shares that may be subject to share options: introduction

Paragraph 18: Shares must be ordinary shares of certain companies

Paragraph 19: Requirements as to listing

Paragraph 20: Shares must be fully paid up and not redeemable

Paragraph 21: Only certain kinds of restriction allowed

Paragraph 22: Requirements as to other shareholdings

#### **PART 5: REQUIREMENT FOR LINKED SAVINGS SCHEME**

Paragraph 23: Requirements as to linked savings scheme: introduction

Paragraph 24: Payment for shares to be linked to approved savings schemes

Paragraph 25: Requirements as to contributions to savings schemes

Paragraph 26: Repayments under a savings scheme: whether bonuses included

#### **PART 6: REQUIREMENTS ETC. RELATING TO SHARE OPTIONS**

Paragraph 27: Requirements etc. relating to share options: introduction

Paragraph 28: Requirements as to price for acquisition of shares

Paragraph 29: Share options must not be transferable

Paragraph 30: Time for exercising options: general

Paragraph 31: Requirement to have a “specified age”

Paragraph 32: Exercise of options: death

Paragraph 33: Exercise of options: reaching specified age without retiring

Paragraph 34: Exercise of options: scheme-related employment ends

Paragraph 35: Time when scheme-related employment ends

Paragraph 36: Exercise of options: employment in associated company at bonus date

Paragraph 37: Exercise of options: company events

#### **PART 7: EXCHANGE OF SHARE OPTIONS**

Paragraph 38: Exchange of options on company reorganisation

Paragraph 39: Requirements about share options granted in exchange

## **PART 8: APPROVAL OF SCHEMES**

Paragraph 40: Application for approval

Paragraph 41: Appeal against refusal of approval

Paragraph 42: Withdrawal of approval

Paragraph 43: Approval ineffective after unapproved alteration

Paragraph 44: Appeal against withdrawal of approval etc.

## **PART 9: SUPPLEMENTARY PROVISIONS**

Paragraph 45: Power to require information

Paragraph 46: Jointly owned companies

Paragraph 47: Meaning of “associated company”

Paragraph 48: Minor definitions

Paragraph 49: Index of defined expressions

Schedule 4: Approved Csop Schemes

### **Overview**

#### **PART 1: INTRODUCTION**

Paragraph 1: Approval of CSOP schemes

Paragraph 2: CSOP schemes

Paragraph 3: Group Schemes

#### **PART 2: GENERAL REQUIREMENTS FOR APPROVAL**

Paragraph 4: General requirements for approval: introduction

Paragraph 5: General restriction on contents of scheme

Paragraph 6: Limit on value of shares subject to options

#### **PART 3: ELIGIBILITY OF INDIVIDUALS TO PARTICIPATE IN SCHEME**

Paragraph 7: Requirements relating to the eligibility of individuals: introduction

Paragraph 8: The employment requirement

Paragraph 9: The “no material interest” requirement

Paragraph 10: Meaning of “material interest”

Paragraph 11: Material Interest: options and interests in SIPs

Paragraph 12: Meaning of “associate”

Paragraph 13: Meaning of “associate”: trustees of employee benefit trust

Paragraph 14: Meaning of “associate”: trustees of discretionary trust

#### **PART 4: SHARES TO WHICH SCHEMES CAN APPLY**

Paragraph 15: Requirements relating to shares that may be subject to share options: introduction

Paragraph 16: Shares must be ordinary shares of certain companies

Paragraph 17: Requirements as to listing

Paragraph 18: Shares must be fully paid up and not redeemable

Paragraph 19: Only certain kinds of restriction allowed

Paragraph 20: Requirements as to other shareholdings

#### **PART 5: REQUIREMENTS ETC. RELATING TO SHARE OPTIONS**

Paragraph 21: Requirements etc. relating to share options: introduction

Paragraph 22: Requirements as to price for acquisition of shares.

Paragraph 23: Share options must not be transferable

Paragraph 24: Exercise of options: ceasing to be director or employee

Paragraph 25: Exercise of options: death

#### **PART 6: EXCHANGE OF SHARE OPTIONS**

Paragraph 26: Exchange of options on company reorganisation

Paragraph 27: Requirements about share options granted in exchange

#### **PART 7: APPROVAL OF SCHEMES**

Paragraph 28: Application for approval

Paragraph 29: Appeal against refusal of approval

Paragraph 30: Withdrawal of approval

Paragraph 31: Approval ineffective after unapproved alteration

Paragraph 32: Appeal against withdrawal of approval etc.

## **PART 8: SUPPLEMENTARY PROVISIONS**

Paragraph 33: Power to require information

Paragraph 34: Jointly owned companies

Paragraph 35: Meaning of “associated company”

Paragraph 36: Minor definitions

Paragraph 37: Index of defined expressions

Schedule 5: Enterprise Management Incentives

### **Overview**

## **PART 1: INTRODUCTION**

Paragraph 1: Enterprise management incentives: qualifying options

Paragraph 2: Meaning of “the relevant company” and “the employer company”

## **PART 2: GENERAL REQUIREMENTS**

Paragraph 3: General requirements: introduction

Paragraph 4: Purpose of granting the option

Paragraph 5: Maximum entitlement of employee: financial limit on unexercised options

Paragraph 6: Maximum entitlement of employee: further limit of 3 years

Paragraph 7: Maximum value of options in respect of relevant company’s shares

## **PART 3: QUALIFYING COMPANIES**

Paragraph 8: Qualifying companies: introduction

Paragraph 9: The independence requirement

Paragraph 10: The qualifying subsidiaries requirement

Paragraph 11: Meaning of “qualifying subsidiary”

Paragraph 12: The gross assets requirement

Paragraph 13: The trading activities requirement: single company

Paragraph 14: The trading activities requirement: parent company

Paragraph 15: Meaning of “qualifying trade”

Paragraph 16: Excluded activities

Paragraph 17: Excluded activities: wholesale and retail distribution

Paragraph 18: Excluded activities: leasing of certain ships

Paragraph 19: Excluded activities: receipt of royalties or licence fees

Paragraph 20: Excluded activities: property development

Paragraph 21: Excluded activities: hotels and comparable establishments

Paragraph 22: Excluded activities: nursing homes and residential care homes

Paragraph 23: Excluded activities: provision of facilities for another business

#### **PART 4: ELIGIBLE EMPLOYEES**

Paragraph 24: Eligible employees: introduction

Paragraph 25: The employment requirement

Paragraph 26: The requirement as to commitment of working time

Paragraph 27: Meaning of “working time”

Paragraph 28: The “no material interest” requirement

Paragraph 29: Meaning of “material interest”

Paragraph 30: Material interest: options and interests in SIPs

Paragraph 31: Meaning of “associate”

Paragraph 32: Meaning of “associate”: trustees of employee benefit trust

Paragraph 33: Meaning of “associate”: trustees of discretionary trust

#### **PART 5: REQUIREMENTS RELATING TO OPTIONS**

Paragraph 34: Requirements relating to options: introduction

Paragraph 35: Type of shares that may be acquired

Paragraph 36: Option to be capable of exercise within 10 years

Paragraph 37: Terms of option to be agreed in writing

Paragraph 38: Non-assignability of rights

#### **PART 6: COMPANY REORGANISATIONS**

Paragraph 39: Company reorganisations: introduction



Paragraph 40: Meaning of “qualifying exchange of shares”

Paragraph 41: Grant of replacement option

Paragraph 42: Period within which replacement option must be granted

Paragraph 43: Further requirements to be met as to replacement option

#### **PART 7: NOTIFICATION OF OPTION TO INLAND REVENUE**

Paragraph 44: Notice of option to be given to Inland Revenue

Paragraph 45: Correction of notice by Inland Revenue

Paragraph 46: Notice of enquiry

Paragraph 47: Completion of enquiry: closure notices

Paragraph 48: Completion of enquiry: application for closure notice to be given

Paragraph 49: Effect of enquiry

Paragraph 50: Appeals

#### **PART 8: SUPPLEMENTARY PROVISIONS**

Paragraph 51: Power to require information

Paragraph 52: Annual returns

Paragraph 53: Compliance with time limits

Paragraph 54: Power to amend by Treasury order

Paragraph 55: Meaning of “market value” of shares

Paragraph 56: Determination of market value of shares

Paragraph 57: Appeal against determination of market value of shares

Paragraph 58: Minor definitions

Paragraph 59: Index of defined expressions

#### Schedule 6: Consequential Amendments

##### **General**

#### **PART 1: INCOME AND CORPORATION TAXES ACT 1988**

Paragraph 2

Paragraph 4

Paragraph 5

Paragraph 6

Paragraph 10

Paragraph 12

Paragraph 16

Paragraph 22

Paragraph 26

Paragraph 28

Paragraph 34

Paragraph 36

Paragraph 44

Paragraph 47

Paragraph 48

Paragraph 55

Paragraph 65

Paragraphs 67 to 70

Paragraphs 72 and 73

Paragraph 100

Paragraph 108

Paragraph 109

Paragraphs 112 and 113

**PART 2: OTHER ENACTMENTS**

Paragraph 126

Paragraph 127

Paragraph 137

Paragraph 147

Paragraphs 157 and 158

Paragraphs 169 to 185

Paragraphs 190 to 204

Paragraph 210

Paragraph 212

Paragraph 216

Paragraph 217

Paragraph 221

Paragraph 241

Paragraph 257

Paragraphs 268 and 269

Schedule 7: Transitionals and Savings

**PART 1: CONTINUITY OF THE LAW**

Paragraphs 1 to 7

**PART 2: EMPLOYMENT INCOME: CHARGE TO TAX**

Paragraph 8

Paragraphs 9 to 11

Paragraph 12

Paragraph 13

Paragraph 14

**PART 3: EMPLOYMENT INCOME: EARNINGS AND BENEFITS  
ETC. TREATED AS EARNINGS**

Paragraph 15

Paragraph 16

Paragraph 17

Paragraph 18

Paragraph 19

Paragraph 20

Paragraph 21

Paragraphs 22

Paragraph 23

Paragraph 24

Paragraph 25

Paragraph 26

Paragraph 27

Paragraph 28

Paragraph 29

Paragraph 30

Paragraph 31

Paragraph 32

**PART 4: EMPLOYMENT INCOME: EXEMPTIONS**

Paragraphs 33 and 34

Paragraph 35

Paragraph 36

Paragraph 37

Paragraph 38

**PART 5: EMPLOYMENT INCOME: DEDUCTIONS**

Paragraph 39

Paragraph 40

**PART 6: EMPLOYMENT INCOME: INCOME WHICH IS NOT EARNINGS OR SHARE-RELATED**

Paragraph 41

Paragraph 42

Paragraph 43

**PART 7: EMPLOYMENT INCOME: SHARE-RELATED INCOME**

Paragraph 44

Paragraph 45

Paragraph 46

Paragraph 47

Paragraph 48

Paragraph 49

Paragraph 50

Paragraph 51

Paragraph 52

Paragraph 53

Paragraphs 54 to 56

Paragraph 57

Paragraph 58

Paragraph 59

Paragraph 60

Paragraph 61

Paragraph 62

Paragraph 63

Paragraphs 64 to 66

Paragraph 67

Paragraph 68

Paragraph 69

Paragraph 70

Paragraph 71

Paragraph 72

Paragraph 73

Paragraph 74

Paragraph 75

Paragraph 76

Paragraph 77

Paragraph 78

Paragraphs 79 and 80

Paragraph 81

Paragraph 82

Paragraph 83

Paragraph 84

**PART 8: APPROVED PROFIT SHARING SCHEMES**

*These notes refer to the Income Tax (Earnings and Pensions) Act 2003 (c.1)*

Paragraph 85

Paragraph 86

Paragraph 87

**PART 9: SOCIAL SECURITY INCOME**

Paragraph 88

**PART 10: PAYE**

Paragraph 89

**PART 11: CONSEQUENCES FOR CORPORATION TAX**

Paragraphs 90 to 92

Schedule 8: Repeals and Revocations

**COMMENCEMENT**

**HANSARD REFERENCES**