



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

[^{F1}EMPLOYMENT INCOME: INCOME AND EXEMPTIONS RELATING TO SECURITIES]

CHAPTER 6

^{F1} ... SHARE INCENTIVE PLANS

Charges connected with holding of shares

501 Charge on capital receipts in respect of plan shares

- (1) This section applies if conditions A and B are met.
- (2) Condition A is that a capital receipt is received by a participant in respect of, or by reference to, any of the participant's plan shares.
- (3) Condition B is that the plan shares in respect of, or by reference to, which the capital receipt is received are—
 - (a) free, matching or partnership shares that were awarded to the participant less than 5 years before the participant received the capital receipt, or
 - (b) dividend shares that were acquired on behalf of the participant less than 3 years before the participant received the capital receipt.
- (4) If this section applies, the amount or value of the capital receipt counts as employment income of the participant for the relevant tax year.
- (5) The “relevant tax year” is the tax year in which the participant receives the capital receipt.

Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Charges connected with holding of shares is up to date with all changes known to be in force on or before 12 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (6) This section does not apply if the capital receipt is received by the participant's personal representatives after the death of the participant.
- (7) Section 502 explains what is meant by a "capital receipt".

502 Meaning of "capital receipt" in section 501

- (1) This section applies for determining whether any money or money's worth is a "capital receipt" for the purposes of section 501.
- (2) The general rule is that any money or money's worth is a "capital receipt" for the purposes of section 501.
- (3) The general rule is subject to the following exceptions.
- (4) Money or money's worth is not a capital receipt for the purposes of section 501 to the extent that—
 - (a) it constitutes income in the hands of the recipient for the purposes of income tax or would do so but for sections 489 to 498 (SIPs: tax advantages) [^{F1}or section 770 of ITTOIA 2005 (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment)],
 - (b) it consists of the proceeds of disposal of the plan shares mentioned in section 501, or
 - (c) it consists of new shares within the meaning of paragraph 87 of Schedule 2 (company reconstructions).
- (5) If, as a result of a direction given by or on behalf of the participant for the purposes of paragraph 77 of Schedule 2 (power of trustees to raise funds to subscribe for rights issues), the trustees—
 - (a) dispose of some of the rights under a rights issue, and
 - (b) use the proceeds of that disposal to exercise other such rights,
 the money or money's worth constituting the proceeds of that disposal is not a capital receipt for the purposes of section 501.

Textual Amendments

- F1** Words in s. 502(4)(a) inserted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), [Sch. 1 para. 603](#) (with [Sch. 2](#))

503 Charge on partnership share money paid over to employee

- (1) Any amount paid over to an individual under any of the provisions of Schedule 2 mentioned in subsection (2) counts as employment income of the individual for the relevant tax year.
- (2) The provisions are—
 - paragraph 46(5) (deductions in excess of permitted maximum amount),
 - paragraph 50(5)(b) or paragraph 52(6)(b) (surplus partnership share money remaining after acquisition of shares),
 - paragraph 52(7) (partnership share money paid over on individual ceasing to be in relevant employment),

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paragraph 52(8) (partnership share money paid over where accumulation period brought to an end by event specified in plan),
paragraph 55(3) (partnership share money paid over on withdrawal from partnership share agreement), or
paragraph 56 (partnership share money paid over on [^{F2}plan ceasing to be a Schedule 2 SIP] or termination of plan).

(3) The “relevant tax year” is the tax year in which the amount is paid over.

Textual Amendments

F2 Words in s. 503(2) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 7, 89](#) (with [Sch. 8 paras. 90-96](#))

504 Charge on cancellation payments in respect of partnership share agreement

- (1) This section applies if an individual who has entered into a partnership share agreement receives any money or money’s worth in respect of the cancellation of the agreement.
- (2) The amount of the money or the value of the money’s worth counts as employment income of the individual for the relevant tax year.
- (3) The “relevant tax year” is the tax year in which the individual receives the money or money’s worth.

Changes to legislation:

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)