

Status: Point in time view as at 17/07/2013.

Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, SCHEDULE 4 is up to date with all changes known to be in force on or before 10 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)

SCHEDULES

SCHEDULE 4

Section 521

APPROVED CSOP SCHEMES

PART 1

INTRODUCTION

Approval of CSOP schemes

- 1 (1) This Schedule makes provision for the approval of CSOP schemes by [^{F1}an officer of Revenue and Customs].
- (2) Parts 2 to 6 of this Schedule contain requirements that have to be met in order for schemes to be approved under this Schedule.
- (3) The requirements consist of general requirements (see Part 2) and requirements as to—
- the eligibility of individuals to participate in a scheme (see Part 3),
 - the shares to which a scheme can apply (see Part 4),
 - the share options which may be granted under a scheme (see Part 5), and
 - the exchange of share options (see Part 6).
- (4) Part 7 of this Schedule deals with the approval of schemes and the withdrawal of approval.

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)

CSOP schemes

- 2 (1) In the CSOP code a “CSOP scheme” means (in accordance with section 521(4)) a scheme which—
- (a) is established by a company,
 - (b) provides for share options to be granted to employees and directors, and
 - (c) is not an SAYE option scheme (within the meaning of the SAYE code: see section 516(4)).
- (2) In the CSOP code, in relation to a CSOP scheme—
- “participant” means an individual who has been granted (but has not yet exercised) share options under the scheme (“the options”);
 - “participate” means obtain and exercise share options under the scheme;

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“the scheme organiser” means the company which has established the scheme.

Group schemes

- 3 (1) A CSOP scheme established by a company that controls one or more other companies (a “parent scheme company”) may extend to all or any of those other companies.
- (2) In the CSOP code a CSOP scheme established by a parent scheme company which so extends is called a “group scheme”.
- (3) In relation to a group scheme a “constituent company” means—
- (a) the parent scheme company, or
 - (b) any other company to which for the time being the scheme is expressed to extend.
- (4) Paragraph 34 deals with jointly owned companies and companies controlled by them.

PART 2

GENERAL REQUIREMENTS FOR APPROVAL

General requirements for approval: introduction

- 4 A CSOP scheme must meet the requirements of—
- paragraph 5 (general restriction on contents of scheme), and
 - paragraph 6 (limit on value of shares subject to options).

General restriction on contents of scheme

- 5 The scheme must not contain features which are neither essential nor reasonably incidental to the purpose of providing benefits for employees and directors in the nature of share options.

Limit on value of shares subject to options

- 6 (1) The scheme must provide that an individual may not be granted share options under it which would at the time when they are granted cause the aggregate market value of the shares which the individual may acquire by exercising share options granted under—
- (a) the scheme, or
 - (b) any other approved CSOP scheme established by the scheme organiser or an associated company of the scheme organiser,
- to exceed or further exceed £30,000.
- (2) For the purposes of sub-paragraph (1) share options that have already been exercised are to be left out of account.
- (3) For the purposes of sub-paragraph (1) the market value of shares is to be calculated as at—
- (a) the time when the options relating to them were granted, or

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- (b) if an agreement relating to them has been made under paragraph 22 (requirements as to price for acquisition of shares) the earlier time or times stated in the agreement.

[^{F2}(4) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.]

Textual Amendments

- F2** Sch. 4 para. 6(4) inserted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by Finance Act 2013 (c. 29), Sch. 2 para. 68

PART 3

ELIGIBILITY OF INDIVIDUALS TO PARTICIPATE IN SCHEME

Requirements relating to the eligibility of individuals: introduction

- 7 A CSOP scheme must meet the requirements of—
paragraph 8 (the employment requirement), and
paragraph 9 (the “no material interest” requirement).

The employment requirement

- 8 (1) The scheme must ensure that an individual is not eligible to be granted share options under the scheme at a particular time unless the individual is then a full-time director or a qualifying employee of—
(a) the scheme organiser, or
(b) in the case of a group scheme, a constituent company.
- (2) A “qualifying employee”, in relation to a company, means an employee of the company other than one who is a director of—
(a) the company, or
(b) in the case of a group scheme, a constituent company.

The “no material interest” requirement

- 9 (1) The scheme must ensure that an individual is not eligible to participate in the scheme on any date if the individual has on that date, or has had within the 12 months preceding that date, a material interest in a close company—
(a) whose shares may be acquired as a result of exercising share options granted under the scheme, or
(b) which has control of a company whose shares may be acquired as a result of exercising share options granted under the scheme, or
(c) which is a member of a consortium which owns a company within paragraph (b).
- (2) For the purposes of this paragraph an individual is to be regarded as having a material interest in a company if—
(a) the individual, or

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- (b) the individual together with one or more of the individual’s associates, or
 - (c) any such associate, with or without any other such associates,
- has a material interest in the company.
- (3) This paragraph is supplemented—
- (a) as regards the meaning of “material interest”, by paragraphs 10 and 11, and
 - (b) as regards the meaning of “associate”, by paragraph 12 (read with paragraphs 13 and 14).
- (4) In this paragraph and paragraph 10 “close company” includes a company that would be a close company but for—
- (a) [F³section 442(a) of CTA 2010] (exclusion of companies not resident in the United Kingdom), or
 - (b) [F⁴sections 446 and 447 of CTA 2010] (exclusion of certain quoted companies).

Textual Amendments

- F3** Words in Sch. 4 para. 9(4)(a) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 398(2)(a)** (with Sch. 2)
- F4** Words in Sch. 4 para. 9(4)(b) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 398(2)(b)** (with Sch. 2)

Meaning of “material interest”

- 10 (1) In paragraph 9 (the “no material interest” requirement) references to a “material interest” in a company are to—
- (a) a material interest in the share capital of the company, or
 - (b) a material interest in its assets.
- (2) A material interest in the share capital of a company means—
- (a) beneficial ownership of, or
 - (b) the ability to control (directly or through the medium of other companies or by any other indirect means),
- more than [F⁵30%] of the ordinary share capital of the company.
- (3) A material interest in the assets of a company means—
- (a) possession of, or
 - (b) an entitlement to acquire,
- such rights as would, in the event of the winding up of the company or in any other circumstances, give an entitlement to receive more than [F⁵30%] of the assets that would then be available for distribution among the participators.
- (4) In this paragraph “participator” has the meaning given by [F⁶section 454 of CTA 2010].
- (5) This paragraph is supplemented by paragraph 11 (material interest: options etc.).

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Textual Amendments

- F5** Word in [Sch. 4 para. 10\(2\)\(3\)](#) substituted (with effect in accordance with Sch. 2 para. 44(2)(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 44\(1\)](#)
- F6** Words in Sch. 4 para. 10(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by [Corporation Tax Act 2010 \(c. 4\)](#), s. 1184(1), [Sch. 1 para. 398\(3\)](#) (with [Sch. 2](#))

Material interest: options and interests in SIPs

- 11 (1) For the purposes of paragraph 10 (meaning of “material interest”) a right to acquire shares (however arising) is to be treated as a right to control them.
- (2) Sub-paragraph (3) also applies for the purposes of paragraph 10 in a case where—
- (a) the shares to be attributed to an individual consist of or include shares which the individual or another person has a right to acquire, and
 - (b) the circumstances are such that, if that right were to be exercised, the shares acquired would be shares which were previously unissued and which the company would be contractually bound to issue in the event of the exercise of the right.
- (3) In determining at any time prior to the exercise of the right whether the number of shares to be attributed to the individual exceeds [^{F7}30%] of the ordinary share capital of the company, that ordinary share capital is to be treated as increased by the number of unissued shares referred to in sub-paragraph (2)(b).
- (4) The references in sub-paragraphs (2) and (3) to the shares to be attributed to an individual are to the shares which—
- (a) for the purposes of paragraph 10(2) (material interest in share capital), and
 - (b) in accordance with paragraph 9(2) (material interest can consist of or include that of individual’s associates),
- fall to be brought into account in the individual’s case so that it can be determined whether their number exceeds [^{F7}30%] of the company’s ordinary share capital.
- (5) In applying paragraph 10 the following are to be disregarded—
- (a) the interest of the trustees of any approved SIP (within the meaning of the SIP code: see section 488(4)) in any shares which are held by them in accordance with the plan but which have not been appropriated to, or acquired on behalf of, an individual, and
 - (b) any rights exercisable by the trustees as a result of that interest.

Textual Amendments

- F7** Word in [Sch. 4 para. 11\(3\)\(4\)](#) substituted (with effect in accordance with Sch. 2 para. 44(2)(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 44\(1\)](#)

Meaning of “associate”

- 12 (1) In paragraph 9(2) (the “no material interest” requirement) “associate”, in relation to an individual, means—
- (a) any relative or partner of that individual,

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- (b) the trustee or trustees of any settlement in relation to which that individual, or any of the individual’s relatives (living or dead), is or was a settlor, or
 - (c) where that individual is interested in any shares or obligations of the company mentioned in paragraph 9(2) which are subject to any trust or are part of the estate of a deceased person—
 - (i) the trustee or trustees of the settlement concerned, or
 - (ii) the personal representatives of the deceased,
 as the case may be.
- (2) Sub-paragraph (1)(c) needs to be read with paragraphs 13 and 14 (which relate to employee benefit trusts and discretionary trusts).
- (3) In this paragraph—
- “relative” means—
 - (a) spouse [^{F8}or civil partner],
 - (b) parent, child or remoter relation in the direct line, or
 - (c) brother or sister;
 - “settlor” and “settlement” have the same meaning as in [^{F9}Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)].

Textual Amendments

- F8** Words in Sch. 4 para. 12(3) inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), regs. 1(1), **172**
- F9** Words in Sch. 4 para. 12(3) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), **Sch. 1 para. 619** (with Sch. 2)

Meaning of “associate”: trustees of employee benefit trust

- 13 (1) This paragraph applies for the purposes of paragraph 12(1)(c) (meaning of “associate”: trustees of settlement) where the individual is interested as a beneficiary of an employee benefit trust in shares or obligations of the company mentioned in paragraph 9(2).
- (2) The trustees of the employee benefit trust are not to be regarded as associates of the individual as a result only of the individual’s being so interested if neither—
- (a) the individual, nor
 - (b) the individual together with one or more of the individual’s associates, nor
 - (c) any such associate, with or without any other such associates,
- has at any time after 13th March 1989 been the beneficial owner of, or been able (directly or through the medium of other companies or by any other indirect means) to control, more than [^{F10}30%] of the ordinary share capital of the company.
- (3) In sub-paragraph (2)(b) and (c) “associate” has the meaning given by paragraph 12(1), but does not include the trustees of an employee benefit trust as a result only of the individual’s having an interest in shares or obligations of the trust.
- (4) Chapter 11 of Part 7 of this Act (which deals with the attribution of interests in companies to beneficiaries of employee benefit trusts) applies for the purposes of sub-paragraph (2).

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- (5) In this paragraph “employee benefit trust” has the same meaning as in that Chapter (see sections 550 and 551).

Textual Amendments

F10 Word in [Sch. 4 para. 13\(2\)](#) substituted (with effect in accordance with Sch. 2 para. 44(2)(3) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 44\(1\)](#)

Meaning of “associate”: trustees of discretionary trust

- 14 (1) This paragraph applies for the purposes of paragraph 12(1)(c) (meaning of “associate”: trustees of settlement) where—
- (a) the individual (“the beneficiary”) is one of the objects of a discretionary trust,
 - (b) the property subject to the trust has at any time consisted of, or included, shares or obligations of the company mentioned in paragraph 9(2),
 - (c) the beneficiary has ceased to be eligible to benefit under the trust as a result of—
 - (i) an irrevocable disclaimer or release executed by the beneficiary, or
 - (ii) the irrevocable exercise by the trustees of a power to exclude the beneficiary from the objects of the trust,
 - (d) immediately after the beneficiary ceased to be so eligible, no associate of the beneficiary was interested in the shares or obligations of the company that were subject to the trust, and
 - (e) during the period of 12 months ending with the date on which the beneficiary ceased to be so eligible, neither the beneficiary nor any associate of the beneficiary received any benefit under the trust.
- (2) The beneficiary is not, as a result only of the matters referred to in sub-paragraph (1) (a) and (b), to be regarded as having been interested in the shares or obligations of the company at any time during that period of 12 months.
- (3) In sub-paragraph (1) “associate” has the meaning given by paragraph 12(1) but with the omission of paragraph (c).

PART 4

SHARES TO WHICH SCHEMES CAN APPLY

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

- 15 (1) A CSOP scheme must meet the requirements of—
- 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), ^{F11}and] ^{F12}
...
paragraph 20 (requirements as to other shareholdings).
- (2) In this Part “eligible shares” means shares which may be acquired by the exercise of share options under the scheme.

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Textual Amendments

- F11** Word in Sch. 4 para. 15 inserted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by Finance Act 2013 (c. 29), **Sch. 2 para. 70(a)**
- F12** Words in Sch. 4 para. 15 omitted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by virtue of Finance Act 2013 (c. 29), **Sch. 2 para. 70(b)**

Shares must be ordinary shares of certain companies

- 16 Eligible shares must form part of the ordinary share capital of—
- (a) the scheme organiser,
 - (b) a company which has control of the scheme organiser, or
 - (c) a company which either is, or has control of, a company which is a member of a consortium owning either the scheme organiser or a company having control of the scheme organiser.

Requirements as to listing

- 17 (1) Eligible shares must be —
- (a) shares of a class listed on a recognised stock exchange, ^{F13}or]
 - (b) shares in a company which is not under the control of another company, ^{F14}...
 - ^{F15}(c)
- ^{F16}(2)

Textual Amendments

- F13** Word in Sch. 4 para. 17(1)(a) inserted (24.9.2010 with effect in accordance with s. 39(3)-(9) of the amending Act) by Finance Act 2010 (c. 13), **s. 39(2)(a)(i)(3)(a)**
- F14** Word in Sch. 4 para. 17(1)(b) omitted (24.9.2010 with effect in accordance with s. 39(3)-(9) of the amending Act) by virtue of Finance Act 2010 (c. 13), **s. 39(2)(a)(ii)(3)(a)**
- F15** Sch. 4 para. 17(1)(c) omitted (24.9.2010 with effect in accordance with s. 39(3)-(9) of the amending Act) by virtue of Finance Act 2010 (c. 13), **s. 39(1)(3)(a)**
- F16** Sch. 4 para. 17(2) omitted (24.9.2010 with effect in accordance with s. 39(3)-(9) of the amending Act) by virtue of Finance Act 2010 (c. 13), **s. 39(2)(a)(iii)(3)(a)**

Shares must be fully paid up and not redeemable

- 18 Eligible shares must be—
- (a) fully paid up, and
 - (b) not redeemable.

Only certain kinds of restriction allowed

- ^{F17}19

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Textual Amendments

F17 Sch. 4 para. 19 omitted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by virtue of Finance Act 2013 (c. 29), Sch. 2 para. 71

Requirements as to other shareholdings

- 20 (1) The majority of the issued shares of the same class as the eligible shares must be—
- (a) employee-control shares, or
 - (b) open market shares,
- unless the eligible shares are shares in a company whose ordinary share capital consists of shares of one class only.
- (2) Shares in a company are “employee-control shares” if—
- (a) the persons holding the shares are, by virtue of their holding, together able to control the company, and
 - (b) those persons are or have been employees or directors of the company or of another company which is under the control of the company.
- (3) Shares in a company are “open market shares” if the persons holding the shares are not—
- (a) persons who acquired their shares as a result of a right conferred on them or an opportunity afforded to them as a director or employee of the scheme organiser or any other company, and not as a result of an offer to the public, or
 - (b) trustees holding shares on behalf of persons who acquired their beneficial interests in the shares as mentioned in paragraph (a),^{F18} ...
- ^{F18}(c)

Textual Amendments

F18 Sch. 4 para. 20(3)(c) and preceding word omitted (24.9.2010 with effect in accordance with s. 39(3)-(9) of the amending Act) by virtue of Finance Act 2010 (c. 13), s. 39(2)(b)(3)(a)

PART 5

REQUIREMENTS ETC. RELATING TO SHARE OPTIONS

Requirements etc. relating to share options: introduction

- 21 (1) A CSOP scheme must meet the requirements of—
- paragraph 22 (requirements as to price for acquisition of shares), and
 - paragraph 23 (share options may not be transferred).
- (2) A CSOP scheme may make any provision authorised by—
- paragraph 24 (exercise of options: ceasing to be director or employee),^{F19} ...
 - paragraph 25 (exercise of options: death) [^{F20}, or
 - paragraph 25A (exercise of options: company events)]

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Textual Amendments

- F19** Word in Sch. 4 para. 21(2) omitted (17.7.2013) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 28\(a\)](#)
F20 Words in Sch. 4 para. 21(2) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 28\(b\)](#)

Requirements as to price for acquisition of shares

- 22 (1) The price at which shares may be acquired by the exercise of a share option granted under the scheme—
- (a) must be stated at the time when the option is granted, and
 - (b) must not be manifestly less than the market value of shares of the same class at that time.
- This is subject to sub-paragraphs (2) and (3).
- (2) ^[F1]An officer of Revenue and Customs] and the scheme organiser may agree in writing that sub-paragraph (1)(b) is to apply as if the reference to the time when the option is granted were to an earlier time or times stated in the agreement.
- (3) The scheme may provide for one or more of the following—
- (a) the price at which shares may be acquired by the exercise of a share option granted under the scheme,
 - (b) the number of shares which may be so acquired, or
 - (c) the description of shares which may be so acquired,
- to be varied so far as necessary to take account of a variation in the share capital of which the shares form part.
- (4) But the scheme must provide that no such variation is to be made without the prior approval of ^[F1]an officer of Revenue and Customs].
- ^[F21](5) At the time a share option is granted—
- (a) it must be stated whether or not the shares which may be acquired by the exercise of the option may be subject to any restriction, and
 - (b) if so, the details of the restriction must also be stated.
- (6) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.]

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
F21 [Sch. 4 para. 22\(5\)\(6\)](#) inserted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 72](#)

Share options must not be transferable

- 23 (1) The scheme must ensure that share options granted to a participant are not capable of being transferred by the participant.
- (2) Paragraph 25 provides for the exercise of the options where the participant has died.

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Exercise of options: ceasing to be director or employee

- 24 (1) The scheme may provide that an individual may exercise share options under it after ceasing to be a full-time director or qualifying employee.
- (2) “Qualifying employee” has the same meaning as in paragraph 8 (the employment requirement).

Exercise of options: death

- 25 The scheme may provide that, if a participant dies before exercising the options, they may be exercised on or after the date of death but not later than 12 months after that date.

[^{F22}Exercise of options: company events

Textual Amendments

F22 Sch. 4 para. 25A and cross-heading inserted (17.7.2013) by Finance Act 2013 (c. 29), Sch. 2 para. 29

- 25A (1) The scheme may provide that share options relating to shares in a company may be exercised within 6 months after the relevant date for the purposes of sub-paragraph (2) or (6).
- (2) The relevant date for the purposes of this sub-paragraph is the date when—
- (a) a person has obtained control of the company as a result of making an offer falling within sub-paragraph (3), and
 - (b) any condition subject to which the offer is made has been satisfied.
- (3) An offer falls within this sub-paragraph if it is—
- (a) a general offer to acquire the whole of the issued ordinary share capital of the company which is made on a condition such that, if it is met, the person making the offer will have control of the company, or
 - (b) a general offer to acquire all the shares in the company which are of the same class as the shares to which the option relates.
- (4) In sub-paragraph (3)(a) the reference to the issued ordinary share capital of the company does not include any capital already held by the person making the offer or a person connected with that person and in sub-paragraph (3)(b) the reference to the shares in the company does not include any shares already held by the person making the offer or a person connected with that person.
- (5) For the purposes of sub-paragraph (3)(a) and (b) it does not matter if the general offer is made to different shareholders by different means.
- (6) The relevant date for the purposes of this sub-paragraph is the date when the court sanctions under section 899 of the Companies Act 2006 (court sanction for compromise or arrangement) a compromise or arrangement applicable to or affecting—
- (a) all the ordinary share capital of the company or all the shares of the same class as the shares to which the option relates, or

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- (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in an approved CSOP scheme.
- (7) The scheme may provide that share options relating to shares in a company may be exercised at any time when any person is bound or entitled to acquire shares in the company under sections 979 to 982 or 983 to 985 of the Companies Act 2006 (takeover offers: right of offeror to buy out minority shareholder etc).
- (8) For the purposes of this paragraph a person is to be treated as obtaining control of a company if that person and others acting in concert together obtain control of it.]

PART 6

EXCHANGE OF SHARE OPTIONS

Exchange of options on company reorganisation

- 26 (1) A CSOP scheme may provide that if—
- (a) there is a company reorganisation affecting a scheme company (that is, a company whose shares may be acquired by the exercise of share options obtained under the scheme: see paragraph 16), and
 - (b) a participant has obtained share options under the scheme which are to acquire shares of the scheme company (“the old options”),
- the participant may agree with the acquiring company to release the old options in consideration of the participant being granted new share options.
- (2) For the purposes of this paragraph there is a company reorganisation affecting a scheme company if another company (“the acquiring company”)—
- (a) obtains control of the scheme company—
 - (i) as a result of making a general offer to acquire the whole of the issued ordinary share capital of the scheme company which is made on a condition such that, if it is met, the person making the offer will have control of that company, or
 - (ii) as a result of making a general offer to acquire all the shares in the scheme company which are of the same class as those subject to the old options;
 - [^{F23}(b) obtains control of the scheme company as a result of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006 (court sanction for compromise or arrangement);]
 - [^{F24}(c) becomes bound or entitled to acquire shares in the scheme company under sections 979 to 982 [^{F25}or 983 to 985] of the Companies Act 2006 (takeover offers: right of offeror to buy out minority shareholder [^{F26}etc]).]
- [^{F27}(2A) In sub-paragraph (2)(a)(i) the reference to the issued ordinary share capital of the scheme company does not include any capital already held by the person making the offer or a person connected with that person and in sub-paragraph (2)(a)(ii) the reference to the shares in the scheme company does not include any shares already held by the person making the offer or a person connected with that person.
- (2B) For the purposes of sub-paragraph (2)(a)(i) and (ii) it does not matter if the general offer is made to different shareholders by different means.]

Status: Point in time view as at 17/07/2013.

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- (3) A scheme that makes provision under sub-paragraph (1) must require the agreement referred to in that sub-paragraph to be made—
- (a) where control is obtained in the way set out in sub-paragraph (2)(a)(i) or (ii), within the period of 6 months beginning with the time when the acquiring company obtains control and any condition subject to which the offer is made is met,
 - (b) where control is obtained in the way set out in sub-paragraph (2)(b), within the period of 6 months beginning with the time when the court sanctions the compromise or arrangement, and
 - (c) where sub-paragraph (2)(c) applies, within the period during which the acquiring company remains bound or entitled as mentioned in that provision.

Textual Amendments

- F23** Sch. 4 para. 26(2)(b) substituted (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments\) \(Taxes and National Insurance\) Order 2008 \(S.I. 2008/954\)](#), arts. 1(1), **33** (with art. 4)
- F24** Sch. 4 para. 26(2)(c) substituted (1.10.2007) by [The Companies Act 2006 \(Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings\) Order 2007 \(S.I. 2007/2194\)](#), **Sch. 4 para. 100** (with art. 12)
- F25** Words in Sch. 4 para. 26(2)(c) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **Sch. 2 para. 30(2)(a)** (with Sch. 2 para. 30(4))
- F26** Word in Sch. 4 para. 26(2)(c) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **Sch. 2 para. 30(2)(b)** (with Sch. 2 para. 30(4))
- F27** [Sch. 4 para. 26\(2A\)\(2B\)](#) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **Sch. 2 para. 30(3)** (with Sch. 2 para. 30(4))

Requirements about share options granted in exchange

- 27 (1) This paragraph applies to a scheme that makes provision under paragraph 26 (exchange of options on company reorganisation).
- (2) The scheme must require the new share options to relate to shares in a company which—
- (a) is different from the company whose shares are subject to the old options, and
 - (b) is either the acquiring company itself or some other company within sub-paragraph (b) or (c) of paragraph 16 (shares must be ordinary shares of certain companies), namely—
 - (i) a company which has control of the scheme organiser, or
 - (ii) a company which is, or has control of a company which is, a member of a consortium owning either the scheme organiser or a company having control of the scheme organiser.
- For this purpose the control in question may be through the medium of the acquiring company.
- (3) The scheme must also require the new share options to be equivalent to the old options.
- (4) For the new options to be regarded as equivalent to the old options—

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- (a) the shares to which they relate must meet the conditions in paragraphs 16 to 20 (types of share that may be used),
 - (b) they must be exercisable in the same manner as the old options and subject to the provisions of the scheme as it had effect immediately before the release of the old options,
 - (c) the total market value of the shares subject to the old options immediately before the release of those options by the participant must equal the total market value, immediately after the grant of the new options to the participant, of the shares subject to those options, and
 - (d) the total amount payable by the participant for the acquisition of shares under the new options must be equal to the total amount that would have been so payable under the old options.
- (5) For the purposes of the CSOP code, new share options granted under the terms of a provision included in a scheme under paragraph 26 are to be treated as having been granted at the time when the corresponding old options were granted.
- (6) This also applies for the purposes of the provisions of the scheme in their operation, after the grant of the new options, by virtue of a condition complying with subparagraph (4)(b).
- [^{F28}(7) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.]

Textual Amendments

F28 Sch. 4 para. 27(7) inserted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by Finance Act 2013 (c. 29), Sch. 2 para. 73

Modifications etc. (not altering text)

C1 Sch. 4 para. 27(5) excluded (24.9.2010 with effect in accordance with s. 39(3)-(9) of the amending Act) by Finance Act 2010 (c. 13), s. 39(8)

PART 7

APPROVAL OF SCHEMES

Application for approval

- 28 (1) Where—
- (a) a CSOP scheme has been established, and
 - (b) the scheme organiser makes an application to [^{F1}an officer of Revenue and Customs] for approval of the scheme,
- [^{F1}an officer of Revenue and Customs] must approve the scheme if [^{F29}the officer][^{F30}is] satisfied that it meets the requirements of Parts 2 to 6 of this Schedule.
- (2) An application for approval—
- (a) must be in writing, and
 - (b) must contain such particulars and be supported by such evidence as [^{F1}an officer of Revenue and Customs] may require.

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- (3) Once [^{F1}an officer of Revenue and Customs][^{F31}has] decided whether or not to approve the scheme, [^{F29}the officer] must give notice of [^{F32}the] decision to the scheme organiser.

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 102(1)**; S.I. 2005/1126, art. 2(2)(h)
- F29** Words in Sch. 4 para. 28(1)(3) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 103(1)(s)**; S.I. 2005/1126, art. 2(2)(h); S.I. 2005/1126, art. 2(2)(h)
- F30** Word in Sch. 4 para. 28(1) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 123(a)(i)**; S.I. 2005/1126, art. 2(2)(h)
- F31** Word in Sch. 4 para. 28(3) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 123(a)(ii)**; S.I. 2005/1126, art. 2(2)(h)
- F32** Word in Sch. 4 para. 28(3) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 103(3)(f)**; S.I. 2005/1126, art. 2(2)(h)

Appeal against refusal of approval

- 29 (1) If [^{F1}an officer of Revenue and Customs][^{F33}refuses] to approve the scheme, the scheme organiser may appeal ^{F34}....
- (2) The notice of appeal must be given to [^{F1}an officer of Revenue and Customs] within 30 days after the date on which notice of [^{F35}the officer's] decision was given to the scheme organiser.
- (3) [^{F36}If the appeal is notified to and allowed by the tribunal, the tribunal may direct][^{F1}an officer of Revenue and Customs] to approve the scheme with effect from a date specified by the [^{F37}tribunal].
- (4) The date so specified must not be earlier than that of the application for approval.

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 102(1)**; S.I. 2005/1126, art. 2(2)(h)
- F33** Word in Sch. 4 para. 29(1) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 123(b)**; S.I. 2005/1126, art. 2(2)(h)
- F34** Words in Sch. 4 para. 29(1) omitted (1.4.2009) by virtue of The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 1(2), **Sch. 1 para. 349(2)**
- F35** Words in Sch. 4 para. 29(2) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 103(2)(g)**; S.I. 2005/1126, art. 2(2)(h)
- F36** Words in Sch. 4 para. 29(3) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 1(2), **Sch. 1 para. 349(3)(a)**
- F37** Word in Sch. 4 para. 29(3) substituted (1.4.2009) by The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 (S.I. 2009/56), art. 1(2), **Sch. 1 para. 349(3)(b)**

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Withdrawal of approval

- 30 (1) If any disqualifying event occurs in connection with an approved CSOP scheme, [F1an officer of Revenue and Customs] may by a notice given to the scheme organiser withdraw the approval with effect from—
- (a) the time at which the disqualifying event occurred, or
 - (b) a later time specified by [F1an officer of Revenue and Customs] in the notice.
- (2) A “disqualifying event” occurs in connection with a scheme if—
- (a) any of the requirements of Parts 2 to 6 of this Schedule ceases to be met;
 - [F38(aa) an alteration is made in a key feature of the scheme without the approval of [F1an officer of Revenue and Customs];] or
 - (b) the scheme organiser fails to provide information requested by [F1an officer of Revenue and Customs] under paragraph 33.
- [F39(3) For the purposes of sub-paragraph (2)(aa) [F1an officer of Revenue and Customs] may not withhold ^{F40} ... approval unless it appears to [F41the officer] at the time in question that the scheme as proposed to be altered would not then be approved on an application under paragraph 28.
- (4) For the purposes of that sub-paragraph a “key feature” of a scheme is a provision of the scheme which is necessary in order to meet the requirements of this Schedule.]

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F38** Sch. 4 para. 30(2)(aa) inserted (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 21 para. 17\(2\)](#)
- F39** Sch. 4 para. 30(3)(4) inserted (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 21 para. 17\(3\)](#)
- F40** Word in Sch. 4 para. 30(3) repealed (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 103\(4\)\(c\), Sch. 5](#); S.I. 2005/1126, art. 2(2)(h)(i)
- F41** Words in Sch. 4 para. 30(3) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 103\(1\)\(t\)](#); S.I. 2005/1126, art. 2(2)(h)

[F42]Notice of decision about alteration

Textual Amendments

- F42** Sch. 4 para. 31 and crossheading substituted (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 21 para. 17\(4\)](#)

- 31 Where [F1an officer of Revenue and Customs] —
- (a) [F43has] been requested to approve any alteration in a CSOP scheme that has been approved, and
 - (b) [F43has] decided whether or not to approve the alteration,
- [F44the officer] must give notice of [F45the] decision to the scheme organiser.]

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Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F43** Word in Sch. 4 para. 31 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 123\(c\)](#); S.I. 2005/1126, art. 2(2)(h)
- F44** Words in Sch. 4 para. 31 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 103\(1\)\(u\)](#); S.I. 2005/1126, art. 2(2)(h)
- F45** Word in Sch. 4 para. 31 substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 103\(3\)\(g\)](#); S.I. 2005/1126, art. 2(2)(h)

Appeal against withdrawal of approval etc.

- 32 (1) This paragraph applies if a CSOP scheme has been approved by [^{F1}an officer of Revenue and Customs] and [^{F46}the officer] —
- (a) [^{F47}decides] to withdraw approval of the scheme under paragraph 30, or
- [^{F48}(b) [^{F47}decides] to refuse approval under paragraph 30(2)(aa).]
- (2) The scheme organiser may appeal against the decision ^{F49}....
- (3) The notice of appeal must be given to [^{F1}an officer of Revenue and Customs] within 30 days after the date on which notice of [^{F50}the officer's] decision was given to the scheme organiser.

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 102\(1\)](#); S.I. 2005/1126, art. 2(2)(h)
- F46** Words in Sch. 4 para. 32(1) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 103\(1\)\(v\)](#); S.I. 2005/1126, art. 2(2)(h)
- F47** Words in Sch. 4 para. 32(1) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 123\(d\)](#); S.I. 2005/1126, art. 2(2)(h)
- F48** Sch. 4 para. 32(1)(b) substituted (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 21 para. 17\(5\)](#)
- F49** Words in Sch. 4 para. 32(2) omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), [Sch. 1 para. 350](#)
- F50** Words in Sch. 4 para. 32(3) substituted (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\), s. 53\(1\), Sch. 4 para. 103\(2\)\(h\)](#); S.I. 2005/1126, art. 2(2)(h)

PART 8

SUPPLEMENTARY PROVISIONS

Power to require information

- 33 (1) [^{F1}An officer of Revenue and Customs] may by notice require any person to provide [^{F51}the officer] with any information—
- (a) which [^{F51}the officer] reasonably [^{F52}requires] for the performance of [^{F53}the officer's] functions under the CSOP code, and

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- (b) which the person to whom the notice is addressed has or can reasonably obtain.
- (2) The power conferred by this paragraph extends, in particular, to—
- (a) information to enable [F1an officer of Revenue and Customs] —
- (i) to decide whether to approve a CSOP scheme or to withdraw an approval already given, or
- (ii) to determine the liability to tax, including capital gains tax, of any person who has participated in a scheme, and
- (b) information about the administration of a scheme and any alteration of the terms of a scheme.
- (3) The notice must require the information to be provided within a specified time, which must not end earlier than 3 months after the date when the notice is given.

Textual Amendments

- F1** Words in Act substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 102(1)**; S.I. 2005/1126, art. 2(2)(h)
- F51** Words in Sch. 4 para. 33(1) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 103(1)(w)**; S.I. 2005/1126, art. 2(2)(h)
- F52** Word in Sch. 4 para. 33(1)(a) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 123(e)**; S.I. 2005/1126, art. 2(2)(h)
- F53** Words in Sch. 4 para. 33(1) substituted (18.4.2005) by Commissioners for Revenue and Customs Act 2005 (c. 11), s. 53(1), **Sch. 4 para. 103(2)(i)**; S.I. 2005/1126, art. 2(2)(h)

Jointly owned companies

- 34 (1) This paragraph applies for the purposes of the provisions of the CSOP code relating to group schemes.
- (2) Each joint owner of a jointly owned company is to be treated as controlling every company within sub-paragraph (3).
- (3) The companies within this sub-paragraph are—
- (a) the jointly owned company, and
- (b) any company controlled by that company.
- (4) However, no company within sub-paragraph (3) may be—
- (a) a constituent company in more than one group scheme, or
- (b) a constituent company in a particular group scheme if another company within that sub-paragraph is a constituent company in a different group scheme.
- (5) In this paragraph a “jointly owned company” means a company which (apart from sub-paragraph (2)) is not controlled by any one person and—
- (a) of which 50% of the issued share capital is owned by one person and 50% by another, or
- (b) which is otherwise controlled by two persons taken together.
- (6) In this paragraph “joint owner” means one of the persons mentioned in sub-paragraph (5)(a) or (b).

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Meaning of “associated company”

- 35 (1) For the purposes of the CSOP code one company is an “associated company” of another company at a given time if, at that time or at any other time within one year previously—
- (a) one has control of the other, or
 - (b) both are under the control of the same person or persons.
- (2) For the purposes of sub-paragraph (1) the question whether a person controls a company is to be determined in accordance with [^{F54}sections 450 and 451 of CTA 2010].

Textual Amendments

F54 Words in Sch. 4 para. 35(2) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 398(4)** (with Sch. 2)

[^{F55}Retirement age]

Textual Amendments

F55 Sch. 4 para. 35A and cross-heading inserted (10.7.2003) by Finance Act 2003 (c. 14), **Sch. 21 para. 15(2)**

^{F56}35A

Textual Amendments

F56 Sch. 4 para. 35A omitted (17.7.2013) by virtue of Finance Act 2013 (c. 29), **Sch. 2 para. 15** (with Sch. 2 para. 17)

Minor definitions

- 36 (1) In the CSOP code—
- “company” means a body corporate;
 - “market value” has the same meaning as it has for the purposes of TCGA 1992 by virtue of Part 8 of that Act.
- (2) For the purposes of the CSOP code a company is a member of a consortium owning another company if it is one of a number of companies—
- (a) which between them beneficially own not less than 75% of the other company’s ordinary share capital, and
 - (b) each of which beneficially owns not less than 5% of that capital.
- [^{F57}(3) For the purposes of the CSOP code—
- (a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and
 - (b) the “restriction” is that provision.]

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Textual Amendments

F57 Sch. 4 para. 36(3) inserted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by Finance Act 2013 (c. 29), Sch. 2 para. 75

Index of defined expressions

37 In the CSOP code the following expressions are defined or otherwise explained by the provisions indicated below:

approved	section 521(4)
associated company	paragraph 35(1)
child	[^{F58} section 721(6)]
close company	[^{F59} section 989 of ITA 2007], (and see paragraph 9(4))
company	paragraph 36(1)
connected person	section 718
constituent company	paragraph 3(3)
control	section 719 (and see paragraph 35(2))
the CSOP code	section 521(3)
CSOP scheme	section 521(4)
distribution	[^{F60} section 989 of ITA 2007]
eligible shares (in Part 4 of this Schedule)	paragraph 15(2)
employee and employment	section 4
group scheme	paragraph 3(2) (and see paragraph 34)
^{F61}	^{F61}
...	...
market value	paragraph 36(1)
member of a consortium	paragraph 36(2)
notice	[^{F62} section 989 of ITA 2007]
the options (in relation to a participant)	paragraph 2(2)
ordinary share capital	[^{F63} section 989 of ITA 2007]
participant	paragraph 2(2)
participate	paragraph 2(2)
personal representatives	[^{F64} section 989 of ITA 2007]
recognised stock exchange	[^{F65} section 1005 of ITA 2007]
[^{F66} restriction (in relation to shares)	paragraph 36(3)]

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the scheme organiser	paragraph 2(2)
share option	section 521(4)
shares	section 521(4)
[^{F67} tribunal	section 989 of ITA 2007]
F68	F68
.
F69	F69
.

Textual Amendments

- F58** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(a)** (with [Sch. 2](#))
- F59** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(b)** (with [Sch. 2](#))
- F60** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(c)** (with [Sch. 2](#))
- F61** Words in Sch. 4 para. 37 repealed (18.4.2005) by [Commissioners for Revenue and Customs Act 2005 \(c. 11\)](#), s. 53(1), [Sch. 4 para. 123\(f\)](#), **Sch. 5**; S.I. 2005/1126, art. 2(2)(h)(i)
- F62** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(d)** (with [Sch. 2](#))
- F63** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(e)** (with [Sch. 2](#))
- F64** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(f)** (with [Sch. 2](#))
- F65** Words in Sch. 4 para. 37 substituted (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), **Sch. 1 para. 449(g)** (with [Sch. 2](#))
- F66** Words in [Sch. 4 para. 37](#) inserted (with effect in accordance with Sch. 2 para. 77 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), **Sch. 2 para. 76**
- F67** Words in Sch. 4 para. 37 inserted (1.4.2009) by [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 351(3)**
- F68** Words in Sch. 4 para. 37 omitted (1.4.2009) by virtue of [The Transfer of Tribunal Functions and Revenue and Customs Appeals Order 2009 \(S.I. 2009/56\)](#), art. 1(2), **Sch. 1 para. 351(2)**
- F69** Words in Sch. 4 para. 37 repealed (6.4.2007) by [Income Tax Act 2007 \(c. 3\)](#), s. 1034(1), [Sch. 1 para. 449\(h\)](#), **Sch. 3 Pt. 1** (with [Sch. 2](#))

Status:

Point in time view as at 17/07/2013.

Changes to legislation:

Income Tax (Earnings and Pensions) Act 2003, SCHEDULE 4 is up to date with all changes known to be in force on or before 10 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.