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**Changes to legislation:** Finance Act 2003, Part 3 is up to date with all changes known to be in force on or before 01 July 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

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## SCHEDULES

### SCHEDULE 21 **U.K.**

#### APPROVED SHARE PLANS AND SCHEMES

#### **PART 3** **U.K.**

#### CSOP SCHEMES

##### *Introductory*

13 The Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.

##### *Exercise of options: exclusion of income tax liability*

14 (1) Section 524 (no charge in respect of exercise of option under CSOP scheme) is amended as follows.

(2) For subsection (1)(b) substitute—

“(b) Condition A or B is met.”.

(3) For subsections (2) and (3) substitute—

“(2) Condition A is that the option is exercised—

(a) on or after the third anniversary of the date on which it was granted, but

(b) not later than the tenth anniversary of that date.

(2A) Condition B is that the option—

(a) is exercised before the third anniversary of the date on which it was granted, and

(b) is so exercised by virtue of a provision included in the scheme under paragraph 24 of Schedule 4 (exercise of options after ceasing to be director or employee) in circumstances in which subsection (2B) applies.

(2B) This subsection applies if the individual exercising the option—

(a) has ceased to be a full-time director or qualifying employee of the scheme organiser (or, in the case of a group scheme, a constituent company) because of injury, disability, redundancy or retirement, and

(b) exercises the option within 6 months of the day on which he ceases to be such a director or employee.

(2C) In subsection (2B)—

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“redundancy” means redundancy within the meaning of ERA 1996 or ER(NI)O 1996, and

“retirement” means retirement on or after reaching a retirement age specified in the scheme.”.

- (4) For section 525(1)(b) (no charge in respect of post-acquisition benefits) substitute—  
“(b) Condition A or B (as set out in section 524(2) or (2A)) is met.”.
- (5) This paragraph has effect in relation to any exercise of an option on or after 9th April 2003.
- 15 (1) Schedule 4 (approved CSOP schemes) is amended as follows.  
(2) After paragraph 35 insert—

*“Retirement age*

- 35A A retirement age specified in a CSOP scheme—  
(a) must be the same for men and women, and  
(b) must not be less than 55.”.

*Meaning of “material interest”*

- 16 (1) In paragraphs 10(2) and (3), 11(3) and (4) and 13(2) (material interest), for “10%” substitute “25%”.
- (2) This paragraph has effect for the purpose of determining whether a person is eligible to participate in a scheme on the date on which this Act is passed or any later date (by altering what constitutes a material interest on that date and within the 12 months preceding that date).

*Alteration of schemes*

- 17 (1) Paragraph 30 (withdrawal of approval) is amended as follows.  
(2) In sub-paragraph (2), after “to be met;” insert—  
“(aa) an alteration is made in a key feature of the scheme without the approval of the Inland Revenue;”.
- (3) After that sub-paragraph insert—  
“(3) For the purposes of sub-paragraph (2)(aa) the Inland Revenue may not withhold their approval unless it appears to them 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.”.
- (4) For paragraph 31 (approval ineffective after unapproved alteration and notice of decisions) and the heading before it substitute—

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*“Notice of decision about alteration*

- 31 Where the Inland Revenue—
- (a) have been requested to approve any alteration in a CSOP scheme that has been approved, and
  - (b) have decided whether or not to approve the alteration,
- they must give notice of their decision to the scheme organiser.”

- (5) For paragraph 32(1)(b) (appeal against decision not to approve alteration) substitute—
- “(b) decide to refuse approval under paragraph 30(2)(aa).”.

*PAYE*

- 18 (1) Section 701(2)(c) (PAYE: exclusions from meaning of “asset”) is amended as follows.
- (2) In sub-paragraph (i), omit “or 4 (approved CSOP schemes)”.
- (3) After that sub-paragraph insert—
- “(ia) any shares acquired by the employee (whether or not as a result of the exercise of a right to acquire shares) under a scheme approved under Schedule 4 (approved CSOP schemes), other than shares acquired as a result of the exercise of the right before the third anniversary of the date on which it was granted or later than the tenth anniversary of that date;”.

<sup>F1</sup>(4) .....

- (5) This paragraph has effect in relation to shares acquired on or after 9th April 2003.

**Textual Amendments**

**F1** Sch. 21 para. 18(4) repealed (with effect in accordance with s. 88(11) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(11\)](#)

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**Changes and effects yet to be applied to :**

- specified provision(s) savings for amendments by 2018 anaw 1, s. 6, Sch. 6 by [S.I. 2019/110 reg. 5](#)

**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. 57(3) inserted by [2011 c. 11 Sch. 22 para. 4](#)
- s. 87(3)(a)(ia) inserted by [S.I. 2003/2760 Sch. para. 3\(4\)\(a\)](#) (This amendment not applied to legislation.gov.uk. The affecting S.I. is revoked and superseded by [S.I. 2003/2816](#))
- Sch. 12 para. 3(2)(aa) inserted by [2007 asp 3 Sch. 5 para. 32](#) (This effect was superseded by the repeal of Sch. 12 para. 3 by Finance Act 2008 (c. 9), s. 129(4), Sch. 43 para. 16)
- Sch. 12 para. 1A inserted by [2007 c. 15 Sch. 13 para. 147\(2\)](#) (The amending provision was repealed before coming into force.)
- Sch. 12 para. 1A omitted by [2008 c. 9 Sch. 43 para. 9](#) (The amending provision was repealed before coming into force.)