



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

EMPLOYMENT INCOME: SHARE-RELATED INCOME AND EXEMPTIONS

CHAPTER 3

CONVERTIBLE SHARES

Introduction

435 Application of this Chapter

- (1) This Chapter applies where a person (“the employee”)—
 - (a) has acquired convertible shares or an interest in such shares in a company, and
 - (b) did so as a director or employee of that or another company.
- (2) For the purposes of this Chapter shares are “convertible” if—
 - (a) they confer on the holder an immediate or conditional entitlement to convert them into shares of a different class, or
 - (b) they are held on terms that authorise or require the grant of such an entitlement to the holder if certain circumstances arise, or do not arise.
- (3) The references, in relation to the terms of a person’s entitlement, to circumstances arising include references to—
 - (a) the expiry of a period specified in or determined under those terms,
 - (b) the death of that or any other person, and
 - (c) the exercise by any person of a power conferred on that person by or under those terms.

Status: Point in time view as at 06/04/2003.

Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Cross Heading: Introduction is up to date with all changes known to be in force on or before 14 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)

(4) In this Chapter—

“the employer company” means the company as a director or employee of which the employee acquired the convertible shares or the interest in them, and
“the shares” means the shares mentioned in subsection (1)(a);
and “director” and “employee” have the extended meaning given by section 446(1).

436 Shares acquired “as a director or employee”

(1) For the purposes of this Chapter a person (“E”) acquires shares or an interest in shares “as a director or employee” of a company if E acquires the shares or interest in pursuance of—

- (a) a right conferred on, or opportunity offered to, E by reason of E’s office or employment as a director or employee of the company;
- (b) a right or opportunity assigned to E, having been conferred on or offered to some other person by reason of E’s office or employment as a director or employee of the company; or
- (c) an assignment, the shares or interest having been acquired by some other person by reason of E’s office or employment as a director or employee of the company.

(2) The references in subsection (1) to a right or opportunity conferred or offered by reason of E’s office or employment include—

- (a) one so conferred or offered after E has ceased to hold the office or employment, and
- (b) one that arises from the fact that shares—
 - (i) which E acquired as a director or employee (or is treated as so acquiring by virtue of this paragraph), or
 - (ii) in which E so acquired an interest,
were convertible shares.

(3) A person who—

- (a) has acquired an interest in shares which is only conditional, convertible shares or an interest in convertible shares,
- (b) acquired that interest or those shares as a director or employee of a company, or is treated by virtue of this subsection as having done so, and
- (c) as a result of any two or more transactions—
 - (i) ceases to be entitled to that interest or those shares, and
 - (ii) becomes entitled to another interest in shares which is only conditional or to any convertible shares or to an interest in convertible shares,

is to be treated for the purposes of this Chapter as if the interest or shares mentioned in paragraph (c)(ii) were also acquired as a director or employee of the company.

(4) Subsection (3) also applies where the interest or shares mentioned in subsection (3) (c)(ii) were acquired by a person connected with the first-mentioned person.

(5) Nothing in subsection (3) or (4) affects the rights or opportunities included by virtue of subsection (2)(b).

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- (6) In this section “an interest in shares which is only conditional” has the same meaning as in Chapter 2 of this Part (conditional interests in shares) (see section 424 and the definition of shares in section 434(1)).

437 Cases where this Chapter does not apply

- (1) This Chapter does not apply where a person has acquired convertible shares or an interest in such shares as a director or employee of a company if the earnings from the office or employment in question were not (or would not have been if there had been any) general earnings to which section 15 or 21 applies (earnings for year when employee resident and ordinarily resident in the UK).
- (2) This Chapter does not apply by virtue of section 436(2)(a) (right or opportunity conferred or offered after person has ceased to hold office or employment) if it would not apply if the right or opportunity had been conferred or offered in the last tax year in which the office or employment was held.

Status:

Point in time view as at 06/04/2003.

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