



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 3

EMPLOYMENT INCOME: EARNINGS AND BENEFITS ETC. TREATED AS EARNINGS

### CHAPTER 12

[<sup>F1</sup>OTHER AMOUNTS] TREATED AS EARNINGS

*[<sup>F1</sup>Shares of employee shareholders*

#### [<sup>F1</sup>226D Shareholder or connected person having material interest in company

- (1) No payment is treated as made under section 226B in respect of any shares if, on the date on which the shares are acquired—
  - (a) the employee has a material interest in the employer company or a relevant parent undertaking, or
  - (b) the employee is connected with an individual who has a material interest in the employer company or a relevant parent undertaking.
- (2) No payment is treated as made under section 226B in respect of any shares if—
  - (a) at any time in the period of one year ending with the date on which the shares are acquired, the employee had a material interest in the employer company or a relevant parent undertaking, or
  - (b) on the date on which the shares are acquired, the employee is connected with an individual who, at any time in the period of one year ending with that date, had a material interest in the employer company or a relevant parent undertaking.
- (3) Subsections (4) and (5) define “material interest” for the purposes of this section.

*Status: Point in time view as at 06/04/2016. This version of this provision has been superseded.*

*Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Section 226D is up to date with all changes known to be in force on or before 19 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)*

Those subsections must be read together with subsections (6) to (8).

- (4) An individual (“A”) has a material interest in a company if at least 25% of the voting rights in the company are exercisable—
- (a) by A,
  - (b) by persons connected with A, or
  - (c) by A and persons connected with A together.

- (5) If a company is a close company, an individual (“A”) has a material interest in it if—
- (a) A,
  - (b) persons connected with A, or
  - (c) A and persons connected with A together,
- possess such rights as would, in the event of the winding up of the company or in any other circumstances, give an entitlement to receive at least 25% of the assets that would then be available for distribution among the participators.

- (6) For the purposes of subsection (1), A is to be treated as having a material interest in a company at any time if either of the following conditions is met.

- (7) The first condition is that—
- (a) A,
  - (b) persons connected with A, or
  - (c) A and persons connected with A together,
- have an entitlement to acquire such rights as would (together with any existing rights) give A a material interest in the company.

- (8) The second condition is that there are arrangements in place between—
- (a) the employer company or a relevant parent undertaking, and
  - (b) A, or persons connected with A, or A and persons connected with A together,
- which enable A or those persons to acquire such rights as would (together with any existing rights) give A a material interest in the company.

- (9) In this section—
- “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);
- “close company” includes a company that would be a close company but for—
- (a) section 442(a) of CTA 2010 (exclusion of companies not resident in the United Kingdom), or
  - (b) sections 446 and 447 of CTA 2010 (exclusion of certain quoted companies);
- “relevant parent undertaking” means any parent undertaking of the employer company and for this purpose “parent undertaking” is to be read in accordance with section 1162 of the Companies Act 2006.]

#### **Textual Amendments**

**F1** Ss. 226A-226D and cross-heading inserted (1.9.2013) by [Finance Act 2013 \(c. 29\)](#), [Sch. 23 paras. 3, 38](#); [S.I. 2013/1755, art. 2](#)

**Status:**

Point in time view as at 06/04/2016. This version of this provision has been superseded.

**Changes to legislation:**

Income Tax (Earnings and Pensions) Act 2003, Section 226D is up to date with all changes known to be in force on or before 19 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.