



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

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).

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 502 is up to date with all changes known to be in force on or before 23 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*

- (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](#))

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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\(4\)](#)