



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 shares ceasing to be subject to plan

505 Charge on free or matching shares ceasing to be subject to plan

- (1) When free or matching shares cease to be subject to the plan, there may be an amount that counts as employment income of the participant depending on the period that has elapsed between—
 - (a) the date when the shares were awarded to the participant (“the award date”), and
 - (b) the date when they cease to be subject to the plan (“the exit date”).
- (2) If the period is less than 3 years, the market value of the shares at the exit date counts as employment income of the participant for the relevant tax year (see subsection (5)).
- (3) If the period is 3 years or more but less than 5 years, whichever is the lesser of—
 - (a) the market value of the shares at the award date, and
 - (b) the market value of the shares at the exit date,counts as employment income of the participant for the relevant tax year (see subsection (5)).
- (4) Where—

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 505 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*

- (a) subsection (3) applies, and
 - (b) the applicable amount is the market value of the shares at the award date, the tax due is reduced by the amount or aggregate amount of any tax paid by virtue of section 501 (charge on capital receipts in respect of plan shares) on any capital receipts in respect of the shares.
- [^{F1}(4A) Any tax due under subsection (2) or (3) is reduced by the amount or aggregate amount of any tax paid by virtue of Chapter 3B of this Part in relation to the shares.]
- (5) The “relevant tax year” is the tax year in which the exit date falls.
 - (6) No liability to tax arises by virtue of this section—
 - (a) on the forfeiture of free or matching shares,
 - (b) if section 498 (no charge on shares ceasing to be subject to plan in certain circumstances) applies, or
 - (c) if section 507 (charge on disposal of beneficial interest in holding period) applies.

Textual Amendments

- F1** S. 505(4A) inserted (18.6.2004 with effect in accordance with s. 88(11)-(13) of the amending Act) by [Finance Act 2004 \(c. 12\), s. 88\(5\)](#)

Changes to legislation:

Income Tax (Earnings and Pensions) Act 2003, Section 505 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.

[View outstanding changes](#)

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\(4\)](#)