



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

[^{F1}EMPLOYMENT INCOME: INCOME AND EXEMPTIONS RELATING TO SECURITIES]

CHAPTER 7

^{F1}... SAYE OPTION SCHEMES

Tax advantages

519 No charge in respect of exercise of option

- (1) No liability to income tax arises in respect of the exercise of the share option if—
- the individual exercises it in accordance with the provisions of the SAYE option scheme at a time when the scheme is [^{F1}a Schedule 3 SAYE option scheme], ^{F2}...
 - condition A or B is met [^{F3}and
 - the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.]
- (2) Condition A is that the option is exercised on or after the third anniversary of the date on which it was granted.
- (3) Condition B is that the option—
- is exercised before the third anniversary of the date on which it was granted, and
 - is so exercised otherwise than by virtue of a provision included in the scheme under—

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paragraph 34(5) of Schedule 3 (exercise of option where scheme-related employment ends), or
 paragraph 37 of that Schedule (exercise of option where certain company events occur).

[^{F4}(3A) In relation to any shares acquired by the exercise of the share option, no liability to income tax arises in respect of its exercise if—

- (a) the individual exercises the option before the third anniversary of the date on which the option was granted at a time when the SAYE option scheme is [^{F5}a Schedule 3 SAYE option scheme],
- (b) the option is exercised by virtue of a provision included in the scheme—
 - (i) under paragraph 37(1) of Schedule 3 where the relevant date is the relevant date for the purposes of paragraph 37(2)[^{F6}, (4) or (4A)], or
 - (ii) under paragraph 37(6) of Schedule 3,
- (c) as a result of, as the case may be—
 - (i) the general offer,
 - (ii) the compromise or arrangement, ^{F7}...
 [the non-UK company reorganisation arrangement, or]

^{F8}(ia)

(iii) the takeover offer,

the individual receives cash (and no other assets) in exchange for the shares,

- (d) when the decision to grant the option was taken—
 - (i) the general offer,
 - (ii) the compromise or arrangement, ^{F9}...
 [the non-UK company reorganisation arrangement, or]

^{F10}(ia)

(iii) the takeover offer,

as the case may be, had not been made,

- (e) when that decision was taken, no arrangements were in place or under consideration for—
 - (i) the making of a general offer which would fall within subsection (3D),
 - (ii) the making of any compromise or arrangement which would fall within subsection (3H), ^{F11}...
 [the making of any non-UK company reorganisation arrangement

^{F12}(ia)

(iii) the making of a takeover offer (as defined in section 974 of the Companies Act 2006) which would fall within subsection (3I),

- (f) if the scheme includes a provision under paragraph 38 of Schedule 3 (“the paragraph 38 provision”), in connection with—
 - (i) the general offer,
 - (ii) the compromise or arrangement, ^{F13}...
 [the non-UK company reorganisation arrangement, or]

^{F14}(ia)

(iii) the takeover offer,

as the case may be, no course of action was open to the individual which, had it been followed, would have resulted in the individual making an agreement under the paragraph 38 provision which would have prevented the individual from acquiring the shares by the exercise of the option, and

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- (g) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.
- (3B) In subsection (3A)(c)(iii), (d)(iii) and (f)(iii) “the takeover offer” means the takeover offer (as defined in section 974 of the Companies Act 2006) giving rise to the application of sections 979 to 982 or 983 to 985 of that Act.
- (3C) In subsection (3A)(e) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.
- (3D) A general offer falls within this subsection if it is—
 - (a) a general offer to acquire the whole of the issued ordinary share capital of the relevant company which is made on a condition such that, if it is met, the person making the offer will have control of the relevant company, or
 - (b) a general offer to acquire all the shares in the relevant company which are of the same class as those acquired by the exercise of the option.
- (3E) In subsection (3D)(a) the reference to the issued ordinary share capital of the relevant company does not include any capital already held by the person making the offer or a person connected with that person and in subsection (3D)(b) the reference to the shares in the relevant company does not include any shares already held by the person making the offer or a person connected with that person.
- (3F) For the purposes of subsection (3D)(a) and (b) it does not matter if the general offer is made to different shareholders by different means.
- (3G) For the purposes of subsection (3D)(a) a person is to be treated as obtaining control of a company if that person and others acting in concert together obtain control of it.
- (3H) A compromise or arrangement [^{F15}or a non-UK company reorganisation arrangement] falls within this subsection if it is applicable to or affects—
 - (a) all the ordinary share capital of the relevant company or all the shares of the same class as those acquired by the exercise of the option, or
 - (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in [^{F16}a Schedule 3] SAYE option scheme.
- (3I) A takeover offer falls within this subsection if—
 - (a) it relates to the relevant company, and
 - (b) where there is more than one class of share in the relevant company, the class or classes to which it relates is or include the class of the shares acquired by the exercise of the option.
- (3J) In subsections (3D), (3H) and (3I) “the relevant company” means the company whose shares are acquired by the exercise of the option.]
- ^{F17}(4)
- (5) In Schedule 3—
 - (a) paragraph 32 provides for the exercise of an option where the holder has died, and
 - (b) [^{F18}paragraphs 40H(4) and 40I(9) provide] for an SAYE option scheme to be treated as [^{F19}a Schedule 3 SAYE option scheme] at the time when an option

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is exercised even though [^{F20}the scheme is not a Schedule 3 SAYE option scheme].

Textual Amendments

- F1** Words in s. 519(1)(a) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(2)**, 146 (with [Sch. 8 paras. 147-157](#))
- F2** Word in s. 519(1)(a) repealed (with effect in accordance with s. 88(11) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), **Sch. 42 Pt. 2(11)**
- F3** S. 519(1)(c) and word 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(6)**
- F4** S. 519(3A)-(3J) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), **Sch. 2 para. 21**
- F5** Words in s. 519(3A)(a) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(a)**, 146 (with [Sch. 8 paras. 147-157](#))
- F6** Words in s. 519(3A)(b)(i) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(b)**, 146 (with [Sch. 8 paras. 147-157](#))
- F7** Word in s. 519(3A)(c) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(c)**, 146 (with [Sch. 8 paras. 147-157](#))
- F8** Words in s. 519(3A)(c)(iia) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(c)**, 146 (with [Sch. 8 paras. 147-157](#))
- F9** Word in s. 519(3A)(d) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(c)**, 146 (with [Sch. 8 paras. 147-157](#))
- F10** S. 519(3A)(d)(iia) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(c)**, 146 (with [Sch. 8 paras. 147-157](#))
- F11** Word in s. 519(3A)(e) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(d)**, 146 (with [Sch. 8 paras. 147-157](#))
- F12** S. 519(3A)(e)(iia) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(d)**, 146 (with [Sch. 8 paras. 147-157](#))
- F13** Word in s. 519(3A)(f) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(c)**, 146 (with [Sch. 8 paras. 147-157](#))
- F14** S. 519(3A)(f)(iia) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(3)(c)**, 146 (with [Sch. 8 paras. 147-157](#))
- F15** Words in s. 519(3H) inserted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(4)(a)**, 146 (with [Sch. 8 paras. 147-157](#))
- F16** Words in s. 519(3H)(b) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(4)(b)**, 146 (with [Sch. 8 paras. 147-157](#))
- F17** S. 519(4) repealed (1.9.2003) by [Finance Act 2003 \(c. 14\)](#), Sch. 22 para. 30(1)(2), **Sch. 43 Pt. 3(4)**; S.I. 2003/1997, art. 2
- F18** Words in s. 519(5)(b) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(5)(a)**, 146 (with [Sch. 8 paras. 147-157](#))
- F19** Words in s. 519(5)(b) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(5)(b)**, 146 (with [Sch. 8 paras. 147-157](#))
- F20** Words in s. 519(5)(b) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 101(5)(c)**, 146 (with [Sch. 8 paras. 147-157](#))

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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\(4\)](#)