



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 11

PAY AS YOU EARN

CHAPTER 4

PAYE: SPECIAL TYPES OF INCOME

Income provided in other ways

[^{F1}698 PAYE: special charges on employment-related securities

- (1) This section applies where by reason of the operation of—
- (a) section 426 (chargeable events in relation to restricted securities and restricted interests in securities),
 - (b) section 438 (chargeable events in relation to convertible securities and interests in convertible securities),
 - (c) section 446B (charge on acquisition where market value of securities or interest artificially depressed),
 - (d) section 446L (charge where market value of securities artificially enhanced),
 - (e) section 446U (securities or interest acquired for less than market value: charge on discharge of notional loan),
 - [^{F2}(ea) section 446UA (securities or interest acquired for less than market value: charge in avoidance cases),]
 - (f) section 446Y (charge where securities or interest disposed of for more than market value), or
 - (g) section 447 (chargeable benefit from securities or interest),

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in relation to employment-related securities, an amount counts as employment income of an employee.

(2) Sections 684 to 691 and 696 have effect as if—

- (a) the employee were provided with PAYE income in the form of the employment-related securities by the employer on the relevant date, and
- (b) the reference in subsection (2) of section 696 to the amount of income likely to be PAYE income in respect of the provision of the asset were to the amount likely to count as employment income.

[^{F3}(2A) For the purposes of this section the amount likely to count as employment income under section 426 or 438 means the amount after deducting the amount of any relief likely to be available under section 428A or 442A (relief for secondary Class 1 contributions met by employee).]

(3) In a case in which the employment-related securities are not readily convertible assets, if—

- (a) the amount counts as income by virtue of section 427(3)(c), 439(3)(b), (c) or (d), 446Y or 447, and
- (b) the whole or any part of the consideration or benefit concerned takes the form of a payment or consists in the provision of an asset,

subsection (4) applies.

(4) Sections 684 to 691 and 696 have effect —

- (a) to the extent that the consideration or benefit takes the form of a payment, as if it were a payment of PAYE income of the employee by the employer, and
- (b) to the extent that the consideration or benefit consists in the provision of an asset, as if the provision of the asset were the provision of PAYE income in the form of the asset by the employer on the relevant date.

(5) Section 696 as applied by subsection (4)(b) has effect as if the reference in subsection (2) of that section to the amount of income likely to be PAYE income were to the same proportion of the amount likely to count as employment income as so much of the consideration or benefit as consists in the provision of the asset bears to the whole of the consideration or benefit.

(6) In this section “the relevant date” means—

- (a) in relation to an amount counting as employment income under section 426 or 438, the date on which the chargeable event in question occurs,
- (b) in relation to an amount counting as employment income under section 446B, the date of the acquisition of the securities or interest in securities in question,
- (c) in relation to an amount counting as employment income under section 446L, the valuation date in question,
- (d) in relation to an amount counting as employment income under section 446U, the date on which the notional loan in question is treated as discharged,

[^{F4}(da) in relation to an amount counting as employment income under section 446UA, the date of the acquisition of the securities or interest in securities in question,]

- (e) in relation to an amount counting as employment income under section 446Y, the date of the disposal of the securities or interest in securities in question, and
- (f) in relation to an amount counting as employment income under section 447, the date on which the benefit in question is received.

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(7) In this section “employment-related securities” has the same meaning as in Chapters 1 to 4 of Part 7.

[^{F5}(8) This section is subject to section 700A (employment-related securities etc: remittance basis).]

Textual Amendments

- F1** S. 698 substituted for ss. 698, 699 (1.9.2003 with effect in accordance with Sch. 22 para. 12(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 12\(1\)](#); S.I. 2003/1997, art. 2
- F2** S. 698(1)(ea) inserted (with effect in accordance with Sch. 2 para. 16(4) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 2 para. 16\(2\)](#)
- F3** S. 698(2A) inserted (1.9.2004) by [Finance Act 2004 \(c. 12\)](#), s. 85(2), [Sch. 16 para. 4\(2\)](#); S.I. 2004/1945, art. 2
- F4** S. 698(6)(da) inserted (with effect in accordance with Sch. 2 para. 16(4) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), [Sch. 2 para. 16\(3\)](#)
- F5** S. 698(8) inserted (with effect in accordance with Sch. 7 para. 81 of the amending Act) by [Finance Act 2008 \(c. 9\)](#), [Sch. 7 para. 36](#)

Changes to legislation:

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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\(4\)](#)