



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 11

PAY AS YOU EARN

CHAPTER 4

PAYE: SPECIAL TYPES OF INCOME

Supplemental

702 Meaning of “readily convertible asset”

- (1) In this Chapter “readily convertible asset” means—
- (a) an asset capable of being sold or otherwise realised on—
 - (i) a recognised investment exchange (within the meaning of the Financial Services and Markets Act 2000 (c. 8)),
 - (ii) the London Bullion Market,
 - (iii) the New York Stock Exchange, or
 - (iv) a market for the time being specified in PAYE regulations;
 - (b) an asset consisting in—
 - (i) the rights of an assignee, or any other rights, in respect of a money debt that is or may become due to the employer or any other person,
 - (ii) property that is subject to a warehousing regime, or any right in respect of property so subject, or
 - (iii) anything that is likely (without anything being done by the employee) to give rise to, or to become, a right enabling a person to obtain an amount or total amount of money which is likely to be similar to the expense incurred in the provision of the asset; or

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- (c) an asset for which trading arrangements are in existence, or are likely to come into existence in accordance with—
 - (i) any arrangements of another description existing when the asset is provided, or
 - (ii) any understanding existing at that time.
- (2) For the purposes of this section trading arrangements for any asset provided to any person exist whenever there exist any arrangements the effect of which in relation to that asset is to enable—
 - (a) that person, or
 - (b) a member of that person’s family or household,
 to obtain an amount or total amount of money that is, or is likely to be, similar to the expense incurred in the provision of that asset.
- (3) PAYE regulations may exclude any description of arrangements from being trading arrangements for the purposes of this section.
- (4) References in this section to enabling a person to obtain an amount of money are to be read—
 - (a) as references to enabling an amount to be obtained by that person by any means at all, including in particular—
 - (i) by using any asset or other property as security for a loan or advance, or
 - (ii) by using any rights comprised in or attached to any asset or other property to obtain any asset for which trading arrangements exist; and
 - (b) as including references to cases where a person is enabled to obtain an amount as a member of a class or description of persons, as well as where the person is so enabled in the person’s own right.
- (5) For the purposes of this section an amount is similar to the expense incurred in the provision of any asset if it is, or is an amount of money equivalent to—
 - (a) the amount of the expense so incurred, or
 - (b) a greater amount, or
 - (c) an amount that is less than that amount but not substantially so.
- [^{F1}(5A) An asset consisting in securities which is not a readily convertible asset apart from this subsection is to be treated as a readily convertible asset unless the securities are shares that are corporation tax deductible.
- (5B) For the purposes of subsection (5A) shares are corporation tax deductible if they are acquired by a person—
 - (a) by reason of that, or another person's, employment with a company, or
 - (b) pursuant to an option granted by reason of that, or another person's, employment with a company,
 and the company is entitled to corporation tax relief in respect of the shares under [^{F2}Part 12 of CTA 2009] (corporation tax relief for employee share acquisition).
- (5C) If a person acquires additional shares by virtue of holding shares that are corporation tax deductible, the additional shares are to be treated for the purposes of subsection (5A) as if they were corporation tax deductible.
- (5D) If—

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- (a) on a person ceasing to be beneficially entitled to shares that are corporation tax deductible, that person acquires other shares, and
- (b) the circumstances are such that the shares to which the person ceases to be beneficially entitled constitute “original shares” and the other shares constitute a “new holding” for the purposes of sections 127 to 130 of TCGA 1992,

the shares that constitute the new holding are to be treated for the purposes of subsection (5A) as if they were corporation tax deductible.]

(6) In this section—

“money” includes money expressed in a currency other than sterling;

“money debt” means any obligation which falls to be, or may be, settled—

- (a) by the payment of money, or
- (b) by the transfer of a right to settlement under an obligation which is itself a money debt;

[^{F3}“securities” has the same meaning as in Chapters 1 to 5 of Part 7 (employment income from securities) (see section 420),

“shares” includes—

- (a) an interest in shares, and
- (b) stock or an interest in stock,]

“warehousing regime” means—

- (a) a warehousing or fiscal warehousing regime (within the meaning of sections 18 to 18F of the Value Added Tax Act 1994 (c. 23)); or
- (b) any corresponding arrangements in a State other than the United Kingdom which is a Contracting Party to the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 as adjusted by the Protocol signed at Brussels on 17th March 1993.

Textual Amendments

F1 S. 702(5A)-(5D) inserted (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 15\(2\)](#)

F2 Words in s. 702(5B) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 555](#) (with [Sch. 2 Pts. 1, 2](#))

F3 Words in s. 702(6) inserted (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 15\(3\)](#)

Modifications etc. (not altering text)

C1 S. 702 modified (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 22 para. 15\(4\)](#)

C2 S. 702 modified (17.12.2020 for specified purposes, 31.12.2020 in so far as not already in force) by [1994 c. 23](#), [Sch. 9ZB para. 26\(3\)](#) (as inserted by [Taxation \(Post-transition Period\) Act 2020 \(c. 26\)](#), s. 11(1)(e), [Sch. 2 para. 2](#) (with s. 3(4), [Sch. 2 para. 7\(7\)-\(10\)](#)); S.I. 2020/1642, [reg. 9](#))

Changes to legislation:

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Changes and effects yet to be applied to :

- s. 702(5B) word substituted by [2009 c. 10 s. 126\(5\)\(b\)](#) (This effect was superseded by CTA 2009 (c. 4), Sch. 1 para. 555)

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\(4\)](#)