

SCHEDULES

SCHEDULE 9

Section 52

EMPLOYMENT-RELATED SECURITIES ETC

PART 1

INTERNATIONALLY MOBILE EMPLOYEES

ITEPA 2003

- 1 ITEPA 2003 is amended as follows.
- 2 Part 2 (employment income: charge to tax) is amended as follows.
- 3 In section 6 (nature of charge to tax on employment income), in subsection (3A), for “Chapter 5A” substitute “Chapter 5B”.
- 4 In section 10 (meaning of “taxable earnings” and “taxable specific income”), in subsection (4), for the words from “Chapter 5A” to the end substitute “Chapter 5B (taxable specific income from employment-related securities etc: internationally mobile employees)”.
- 5 For Chapter 5A (taxable specific income: effect of remittance basis) substitute—

“CHAPTER 5B

TAXABLE SPECIFIC INCOME FROM EMPLOYMENT-RELATED SECURITIES ETC: INTERNATIONALLY MOBILE EMPLOYEES

41F Taxable specific income: internationally mobile employees etc

- (1) This section applies if—
 - (a) an amount counts under Chapters 2 to 5 of Part 7 (employment-related securities etc) as employment income of an individual for a tax year (“the securities income”) in respect of an employment (“the relevant employment”), and
 - (b) one or more of the international mobility conditions is met in relation to the individual (see subsection (2)).
- (2) The “international mobility conditions” are—
 - (a) that any part of the relevant period (see section 41G) is within a tax year for which section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the individual;
 - (b) that any part of the relevant period is within a tax year for which the individual is not UK resident;

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- (c) that any part of the relevant period is within the overseas part of a tax year that is a split year with respect to the individual.
- (3) An amount equal to—
 SI – FSI
 is an amount of “taxable specific income” from the relevant employment for the tax year mentioned in subsection (1)(a).
- (4) In subsection (3)—
 (a) SI is the amount of the securities income, and
 (b) FSI is the amount of the securities income that is “foreign”.
- (5) The amount of the securities income that is “foreign” is the sum of any chargeable foreign securities income and any unchargeable foreign securities income (see sections 41H to 41L).
- (6) The full amount of any chargeable foreign securities income which is remitted to the United Kingdom in a tax year is an amount of “taxable specific income” from the relevant employment for that year.
- (7) Subsection (6) applies whether or not the relevant employment is held when the chargeable foreign securities income is remitted.
- (8) For the purposes of Chapter A1 of Part 14 of ITA 2007 (remittance basis), treat the relevant securities or relevant securities option as deriving from the chargeable foreign securities income.
- (9) But where—
 (a) the chargeable event is the disposal of the relevant securities or the assignment or release of the relevant securities option, and
 (b) the individual receives consideration for the disposal, assignment or release of an amount equal to or exceeding the market value of the relevant securities or relevant securities option,
 for the purposes of that Chapter treat the consideration (and not the relevant securities or relevant securities option) as deriving from the chargeable foreign securities income.
- (10) See Chapter A1 of Part 14 of ITA 2007 for the meaning of “remitted to the United Kingdom”.
- (11) In this section and section 41G—
 “the chargeable event” means the event giving rise to the securities income, and
 “the relevant securities” or “the relevant securities option” means the employment-related securities or employment-related securities option by virtue of which the amount mentioned in subsection (1)(a) counts as employment income.

41G Section 41F: the relevant period

- (1) “The relevant period” is to be determined as follows.
- (2) In the case of an amount that counts as employment income by virtue of Chapter 2 of Part 7 (restricted securities) (other than where subsection (4)

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- applies) or Chapter 3 of that Part (convertible securities), the relevant period—
- (a) begins with the day of the acquisition, and
 - (b) ends with the day of the chargeable event.
- (3) In the case of an amount that counts as employment income by virtue of section 446B (securities with artificially depressed market value: charge on acquisition), the relevant period is the tax year in which the acquisition occurs.
- (4) In a case within subsection (1)(aa) or (b) of section 446E (securities with artificially depressed market value: charge on restricted securities) where an amount counts as employment income by virtue of that section, the relevant period—
- (a) begins at the beginning of the tax year in which the chargeable event is treated as occurring, and
 - (b) ends with the day on which the chargeable event is treated as occurring.
- (5) In the case of an amount that counts as employment income by virtue of section 446L (securities with artificially enhanced market value), the relevant period—
- (a) begins at the beginning of the tax year in which the valuation date (within the meaning of that section) falls, and
 - (b) ends with the valuation date.
- (6) In the case of an amount that counts as employment income by virtue of section 446U (securities acquired for less than market value: discharge of notional loan) or 446UA (avoidance cases in respect of such securities)—
- (a) if the relevant securities were acquired by virtue of the exercise of a securities option (“the option”), the relevant period—
 - (i) begins with the day of the acquisition of the option, and
 - (ii) ends with the day the option vests, and
 - (b) otherwise, the relevant period is—
 - (i) the tax year in which the notional loan (within the meaning of Chapter 3C of Part 7) is treated as made, or
 - (ii) if the chargeable event occurs in that year, the period beginning at the beginning of that year and ending with the day of that event.
- (7) In the case of an amount that counts as employment income by virtue of—
- (a) Chapter 3D of Part 7 (securities disposed of for more than market value), or
 - (b) Chapter 4 of that Part (post-acquisition benefits from securities),
- the relevant period is the tax year in which the chargeable event occurs.
- (8) In the case of an amount that counts as employment income by virtue of Chapter 5 of Part 7 (employment-related securities options), the relevant period—
- (a) begins with the day of the acquisition, and
 - (b) ends with the day of the chargeable event or, if earlier, the day the relevant securities option vests.

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- (9) If the relevant period determined in accordance with subsections (2) to (8) would not, in all the circumstances, be just and reasonable, the relevant period is to be such period as is just and reasonable.
- (10) In this section “the acquisition” has the same meaning as in Chapters 2 to 4 or Chapter 5 of Part 7 (see section 421B or 471).
- (11) For the purposes of this section an option “vests”—
 - (a) when it becomes exercisable, or
 - (b) if earlier, when it becomes exercisable subject only to a period of time expiring.
- (12) See section 41F(11) for the definitions of “the chargeable event”, “the relevant securities” and “the relevant securities option”.

41H Section 41F: chargeable and unchargeable foreign securities income

- (1) The extent to which the securities income is “chargeable foreign securities income” or “unchargeable foreign securities income” is to be determined as follows.
- (2) Treat an equal amount of the securities income as accruing on each day of the relevant period.
- (3) If any part of the relevant period is within a tax year to which subsection (4) applies, the securities income treated as accruing in that part of the relevant period is “chargeable foreign securities income”.

This is subject to subsection (9) and section 41I (limit where duties of associated employment performed in UK).

- (4) This subsection applies to a tax year if—
 - (a) section 809B, 809D or 809E of ITA 2007 applies to the individual for the year,
 - (b) the individual does not meet the requirement of section 26A for the year (reading references there to the employee as references to the individual),
 - (c) the relevant employment is with a foreign employer, and
 - (d) the duties of the relevant employment are performed wholly outside the United Kingdom in the year.
- (5) But subsection (4) does not apply to a tax year if section 24A applies in relation to the relevant employment for the tax year.
- (6) If any part of the relevant period is within a tax year to which subsection (7) applies—
 - (a) if the duties of the relevant employment are performed wholly outside the United Kingdom, the securities income treated as accruing in that part of the relevant period is “chargeable foreign securities income”, and
 - (b) if some, but not all, of those duties are performed outside the United Kingdom—
 - (i) the securities income mentioned in paragraph (a) is to be apportioned (on a just and reasonable basis) between duties

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- performed in the United Kingdom and duties performed outside the United Kingdom, and
- (ii) the income apportioned in respect of duties performed outside the United Kingdom is “chargeable foreign securities income”.

This is subject to subsection (9).

- (7) This subsection applies to a tax year if—
- (a) section 809B, 809D or 809E of ITA 2007 applies to the individual for the year,
 - (b) the individual meets the requirement of section 26A for the year (reading references there to the employee as references to the individual), and
 - (c) some or all of the duties of the relevant employment are performed outside the United Kingdom in the year.
- (8) If any part of the relevant period is within a tax year for which the individual is not UK resident—
- (a) if the duties of the relevant employment are performed wholly outside the United Kingdom in that year, the securities income treated as accruing in that part of the relevant period is “unchargeable foreign securities income”, or
 - (b) if some, but not all, of those duties are performed outside the United Kingdom in that year—
 - (i) the securities income mentioned in paragraph (a) is to be apportioned (on a just and reasonable basis) between duties performed in the United Kingdom and duties performed outside the United Kingdom, and
 - (ii) the income apportioned in respect of duties performed outside the United Kingdom is “unchargeable foreign securities income”.
- (9) If any part of the relevant period is within the overseas part of a tax year that is a split year with respect to the individual—
- (a) if the duties of the relevant employment are performed wholly outside the United Kingdom in that overseas part, the securities income treated as accruing in that part of the relevant period is “unchargeable foreign securities income”, or
 - (b) if some, but not all, of those duties are performed outside the United Kingdom in that overseas part—
 - (i) the securities income mentioned in paragraph (a) is to be apportioned (on a just and reasonable basis) between duties performed in the United Kingdom and duties performed outside the United Kingdom, and
 - (ii) the income apportioned in respect of duties performed outside the United Kingdom is “unchargeable foreign securities income”.
- (10) If subsection (4) does not apply to a tax year by virtue of subsection (5), it is to be assumed for the purposes of section 41L that it is just and reasonable

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for none of the securities income treated as accruing in the tax year to be “chargeable foreign securities income”.

- (11) See section 41J for further provision about the location of employment duties.
- (12) This section is subject to—
- (a) section 41K (securities income from overseas Crown employment), and
 - (b) section 41L (chargeable and unchargeable foreign securities income: just and reasonable apportionment).

41I Limit on “chargeable foreign securities income” where duties of associated employment performed in UK

- (1) This section imposes a limit on the extent to which section 41H(3) applies in relation to a period when—
- (a) the individual holds associated employments as well as the relevant employment, and
 - (b) the duties of the associated employments are not performed wholly outside the United Kingdom.
- (2) The amount of the securities income for the period that is to be regarded as “chargeable foreign securities income” is limited to such amount as is just and reasonable, having regard to—
- (a) the employment income for the period from all the employments mentioned in subsection (1)(a),
 - (b) the proportion of that income that is general earnings to which section 22 applies (chargeable overseas earnings),
 - (c) the nature of, and time devoted to, the duties performed outside the United Kingdom, and those performed in the United Kingdom, in the period, and
 - (d) all other relevant circumstances.
- (3) In this section “associated employments” means employments with the same employer or with associated employers.
- (4) Section 24(5) and (6) (meaning of “associated employer”) applies for the purposes of this section.

41J Location of employment duties

- (1) The following provisions apply for the purposes of this Chapter—
- (a) section 39(1) and (2), and
 - (b) section 40 (but as if in subsections (3) and (4) of that section references to section 24(1)(b) were to section 41I(1)(b)).
- (2) Duties of an employment performed in the UK sector of the continental shelf in connection with exploration or exploitation activities are to be treated for the purposes of this Chapter as being performed in the United Kingdom.

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- (3) In subsection (2) “the UK sector of the continental shelf” and “exploration or exploitation activities” have the same meaning as in section 41 (treatment of general earnings from employment in the UK sector of the continental shelf).

41K Securities income from overseas Crown employment

- (1) If securities income is from overseas Crown employment subject to United Kingdom tax, it is (notwithstanding any other provision of this Chapter) not “foreign”.
- (2) “Securities income from overseas Crown employment” means securities income from Crown employment (within the meaning given by section 28(2)) in respect of duties performed outside the United Kingdom.
- (3) Such securities income is to be taken as being “subject to United Kingdom tax” unless, by virtue of subsection (4), it falls within an exception contained in an order under section 28(5).
- (4) Subject to any provision made in an order under section 28(5) for the purposes of this section, provisions made in an order under that section for the purposes of excepting general earnings from overseas Crown employment from the operation of section 27(2) also have effect for the purposes of excepting securities income from such employment from the operation of subsection (1).
- (5) For the purposes of this section, if securities income is partly from overseas Crown employment subject to United Kingdom tax, a just and reasonable proportion of the securities income is to be taken to be from such employment.

41L Chargeable and unchargeable foreign securities income: just and reasonable apportionment

- (1) This section applies if the proportion of the securities income that would otherwise be regarded as “chargeable foreign securities income” or “unchargeable foreign securities income” is not, having regard to all the circumstances, just and reasonable.
- (2) The amounts of the securities income that are “chargeable foreign securities income” and “unchargeable foreign securities income” are such amounts as are just and reasonable (rather than the amounts calculated in accordance with section 41H).”

6 Part 7 (employment income: income and exemptions relating to securities) is amended as follows.

7 In section 418 (other related provisions), before subsection (1) insert—

“(A1) This Part needs to be read with Chapter 5B of Part 2 (taxable specific income from employment-related securities etc: internationally mobile employees).”

8 Omit section 421E (employment-related securities: exclusions, residence etc).

9 In section 425 (no charge in respect of acquisition in certain cases), after subsection (5) insert—

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- “(6) No election may be made under subsection (3) unless, at the time of the acquisition, the earnings from the employment are (or would be if there were any) general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applies.”
- 10 (1) Section 428 (restricted securities: amount of charge) is amended as follows.
- (2) In subsection (7), after paragraph (ba) insert—
- “(bb) any amount that was charged to non-UK income tax in respect of the acquisition of the employment-related securities, but only so far as that amount exceeds any amount within paragraph (b) or (ba).”
- (3) After subsection (7) insert—
- “(7A) In subsection (7)(b) and (ba) the references to an amount of exempt income, in a case in which the amount that constituted, or was treated as, earnings in respect of the acquisition was not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applied, includes any amount that would have been an amount of exempt income if any of those charging provisions had applied.
- (7B) In subsection (7)(bb) “non-UK income tax” means a tax chargeable on income under the law of a territory outside the United Kingdom that corresponds to United Kingdom income tax.
- (7C) A tax is not outside the scope of subsection (7B) by reason only that it—
- (a) is chargeable under the law of a province, state or other part of a country, or
- (b) is levied by or on behalf of a municipality or other local body.”
- 11 In section 430 (election for outstanding restrictions to be ignored), after subsection (3) insert—
- “(4) No election may be made under this section unless, at the time of the chargeable event, the earnings from the employment are (or would be if there were any) general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applies.”
- 12 In section 431 (election for full or partial disapplication of Chapter 2 of Part 7 of ITEPA 2003), after subsection (5) insert—
- “(6) No election may be made under this section unless, at the time of the acquisition, the earnings from the employment are (or would be if there were any) general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applies.”
- 13 In section 446T (securities acquired for less than market value: amount of notional loan), after subsection (3) insert—
- “(3A) In subsection (3)(b) and (ba) the references to an amount of exempt income, in a case in which the amount that constitutes, or is treated as, earnings in respect of the acquisition is not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applies, includes any amount that would be an amount of exempt income if any of those charging provisions were to apply.”

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- 14 Omit section 474 (cases where Chapter 5 of Part 7 of ITEPA 2003 (employment-related securities options) does not apply).
- 15 In section 480 (securities options: deductible amounts), after subsection (5) insert—
- “(5A) In subsection (5)(a) the reference to an amount of exempt income, in a case in which the amount that constituted earnings in respect of the acquisition was not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applied, includes any amount that would have been an amount of exempt income if any of those charging provisions had applied.”
- 16 (1) Section 540 (no charge on acquisition of shares as taxable benefit) is amended as follows.
- (2) In subsection (1), omit “In its application in relation to a UK resident employee,”.
- (3) Omit subsection (2).
- 17 Part 7A (employment income provided through third parties) is amended as follows.
- 18 In section 554L (exclusions: earmarking for employee share schemes (3)), in subsection (10)(c)(i), for “section 474” substitute “Chapter 5B of Part 2”.
- 19 (1) Section 554M (exclusions: earmarking for employee share schemes (4)) is amended as follows.
- (2) In subsection (9)(b)(i), for “section 474” substitute “Chapter 5B of Part 2”.
- (3) In subsection (10)(b)(i), for “section 474” substitute “Chapter 5B of Part 2”.
- 20 (1) Section 554N (exclusions: other cases involving employment-related securities etc) is amended as follows.
- (2) In subsection (1)(b), omit “, or would apply apart from section 421E(1),”.
- (3) In subsection (2)(b), omit “, or would apply apart from section 474(1),”.
- (4) In subsection (6)—
- (a) omit “421E(1),” and
- (b) omit “, 474(1)”.
- (5) In subsection (10)—
- (a) in paragraph (b), omit “, but ignoring section 474(1),” and
- (b) in paragraph (c), omit “or would be a chargeable event apart from section 474(1)”.
- (6) In subsection (13)(c)(i), for “section 474” substitute “Chapter 5B of Part 2”.
- 21 In Chapter 4 of Part 11 (PAYE: special types of income), in section 700A (employment-related securities etc: remittance basis), in subsection (3), for “41A” substitute “41F”.

Consequential amendments to other Acts

- 22 TCGA 1992 is amended as follows.
- 23 In section 119A (increase in expenditure by reference to tax charged in relation to employment-related securities), in subsection (5A), for “unremitted foreign

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- securities income” substitute “unchargeable, and unremitted chargeable, foreign securities income”.
- 24 (1) Section 119B (section 119A: unremitted foreign securities income) is amended as follows.
- (2) In the heading, for “unremitted foreign securities income” substitute “unchargeable, and unremitted chargeable, foreign securities income”.
- (3) In subsection (1), for the words from “unremitted” to the end substitute “—
- (a) unchargeable foreign securities income, or
- (b) unremitted chargeable foreign securities income.”
- (4) After subsection (1) insert—
- “(1A) In this section “unchargeable foreign securities income” means unchargeable foreign securities income for the purposes of section 41F of ITEPA 2003 (taxable specific income: internationally mobile employees etc) (see sections 41H to 41L of that Act).”
- (5) In subsection (2)—
- (a) after “unremitted” insert “chargeable”, and
- (b) for paragraph (a) substitute—
- “(a) is chargeable foreign securities income for the purposes of section 41F of ITEPA 2003, and”.
- (6) In subsection (3), after “unremitted” insert “chargeable”.
- 25 In section 144ZB (exception to rule in section 144ZA), in subsection (2)(a), omit “or would, apart from section 474 of that Act, apply”.
- 26 In section 149A (employment-related securities options), in subsection (1)(b), omit “or would, apart from section 474 of that Act, apply”.
- 27 In section 149AA (restricted and convertible employment-related securities and employee shareholder shares), in subsection (7)—
- (a) after “include” insert “—
- (a)”,
- and
- (b) at the end insert “, or
- (b) in a case in which the amount that constituted, or was treated as, earnings was not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 of ITEPA 2003 applied, any amount that would have been an amount of such exempt income if any of those charging provisions had applied.”
- 28 In section 288 (interpretation), in subsection (1A), omit “or would, apart from section 474 of that Act, apply”.
- 29 In section 809K of ITA 2007 (remittance of income and gains: introduction), in subsection (1), for paragraph (c) substitute—
- “(c) Chapter 5B of Part 2 of that Act (taxable specific income from employment-related securities etc: internationally mobile employees).”.
- 30 CTA 2009 is amended as follows.

- 31 In section 1017 (condition relating to employee’s income tax position for CT relief following acquisition of shares pursuant to option), omit subsections (2) to (4).
- 32 In section 1025 (additional CT relief available if shares are restricted shares), omit subsections (3) to (5).
- 33 In section 1032 (meaning of “chargeable event” for the purposes of additional CT relief in cases involving convertible securities), omit subsections (3) to (5).

PART 2

RESTRICTED SECURITIES AND SECURITIES ACQUIRED FOR LESS THAN MARKET VALUE: REPLACEMENT AND ADDITIONAL SECURITIES AND ROLLOVER RELIEF ETC

- 34 ITEPA 2003 is amended as follows.
- 35 (1) In Chapter 1 of Part 7 (income and exemptions relating to securities: general), section 421D (replacement and additional securities and changes in interests) is amended as follows.
- (2) In subsection (3), insert at the end “and for the purposes of Chapter 3C as a payment made for their acquisition at or before the time of the acquisition”.
- (3) In subsection (4), insert at the end “or a payment was made for their acquisition at or before the time of the acquisition”.
- 36 In Chapter 2 of Part 7 (restricted securities), before section 431 (election for full or partial disapplication of Chapter 2) but after the heading before that section (supplementary) insert—

“430A Application of this Chapter where securities exchanged for further securities

- (1) This section applies if—
- (a) an associated person disposes of the employment-related securities (“the old securities”) for consideration, otherwise than to another associated person,
 - (b) the whole or part of the consideration consists of, or includes, other securities which are restricted securities (“the new securities”) being acquired by an associated person,
 - (c) the value of the consideration determined in accordance with subsection (2) is no more than what would have been the market value of the old securities immediately before the disposal but for any restrictions, and
 - (d) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of the disposal.
- (2) The value of the consideration is the sum of—
- (a) what would have been the market value of the new securities immediately before the disposal but for any restrictions, and
 - (b) the value of the rest of the consideration (if any).
- (3) If the consideration consists partly of the new securities and partly of other consideration, the disposal is to be treated for the purposes of this Chapter as being two separate disposals as follows—

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- (a) a disposal, that is a chargeable event within section 427(3)(c), of the appropriate amount of the old securities (see subsection (4)) for such of the consideration as does not consist of the new securities, and
- (b) a disposal, to which this section applies, of the remaining old securities for consideration consisting wholly of the new securities.
- (4) In subsection (3)(a) the appropriate amount of the old securities is—
- $$OS \times \frac{OC}{TC}$$
- where—
- OS is the total number of the old securities,
 - OC is the value of such of the consideration as does not consist of the new securities, and
 - TC is value of the consideration determined in accordance with subsection (2).
- (5) If the consideration consists wholly of the new securities—
- (a) neither the disposal of the old securities, nor the acquisition of the new securities, gives rise to any liability to income tax,
 - (b) the disposal is not a chargeable event within section 427(3)(c), and
 - (c) this Chapter applies to the new securities as it applies to the old securities, subject to subsections (6) to (17).
- (6) Sections 425 and 431 do not apply in relation to the new securities.
- (7) If, at the time of the disposal, sections 426 to 429 do not apply to the old securities by virtue of—
- (a) an election made under section 430(1) or 431(1) in relation to the old securities, or
 - (b) this subsection,
- sections 426 to 430 do not apply to the new securities.
- (8) If there is a chargeable event for the purposes of section 426 in relation to any of the new securities, for the purposes of section 428 (amount of charge)—
- (a) IUP (see subsection (3) of that section) is to be determined in accordance with subsection (9), and
 - (b) PCP (see subsection (4) of that section) is to be determined in accordance with subsection (10).
- (9) IUP is equal to what IUP was, for the purposes of determining the taxable amount for the purposes of section 426, in relation to chargeable events relating to the old securities that occurred before the disposal (or what it would have been had there been any such chargeable events).
- (10) PCP is the aggregate of—
- (a) PCP determined in accordance with section 428(4), and
 - (b) what PCP would have been, for the purposes of determining the taxable amount for the purposes of section 426, if a chargeable event relating to the old securities had occurred immediately before the disposal but after any chargeable events relating to the old securities that actually did occur before the disposal.

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- (11) Subsections (12) to (14) apply if—
- (a) section 425(2) (no liability to income tax on acquisition of certain securities subject to forfeiture etc) applied in relation to the old securities, and
 - (b) at the time of the disposal, there is still a restriction relating to those securities such that they are restricted securities by virtue of section 423(2) (provision for forfeiture etc).
- (12) This Chapter has effect in relation to any of the new securities that are not restricted securities by virtue of section 423(2) as if—
- (a) there were a restriction relating to them (“the deemed restriction”) corresponding to the restriction relating to the old securities mentioned in subsection (11)(b), and
 - (b) immediately after their acquisition, the deemed restriction were removed.
- (13) Subsection (14) applies if—
- (a) there is a restriction by virtue of which some or all of the new securities are, at the time of the disposal, restricted securities, by virtue of subsection (2) of section 423, and
 - (b) within 5 years after the acquisition of the old securities, the restriction is not removed or varied such that the new securities to which it relates cease to be restricted securities by virtue of that subsection.
- (14) For the purposes of this Chapter the restriction mentioned in subsection (13) is to be treated as being removed 5 years after the acquisition of the old securities.
- (15) Subsection (16) applies if, at the time of the disposal—
- (a) there is a restriction relating to the old securities such that they are restricted securities by virtue of section 423(2), and
 - (b) subsections (13) and (14) apply in relation to the old securities (including by virtue of subsection (16)).
- (16) Subsections (12) to (14) apply in relation to the new securities, but—
- (a) the reference in subsection (12)(a) to the restriction mentioned in subsection (11)(b) is to be read as a reference to the restriction mentioned in subsection (15)(a), and
 - (b) the references in subsections (13)(b) and (14) to the acquisition of the old securities are to be read as references to the acquisition of the original forfeitable securities.
- (17) In subsection (16) “original forfeitable securities” means the restricted securities by virtue of the application to which of section 425(2) subsections (13) and (14) apply to the old securities.
- (18) In this section references to restricted securities include a restricted interest in securities.”
- 37 (1) In Chapter 3C of Part 7 (securities acquired for less than market value), section 446U (discharge of notional loan) is amended as follows.

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- (2) In subsection (1), omit the “or” at the end of paragraph (a) and for paragraph (b) substitute—
- “(b) if there is an outstanding or contingent liability to pay for the employment-related securities, that liability is released, extinguished, transferred or adjusted so as no longer to bind any associated person (except in circumstances in which subsection (4) (aa) applies), or”.
- (3) After that subsection insert—
- “(1A) Subsection (1)(a) does not apply if, at the time of the acquisition, there was an actual or contingent liability to make one or more further payments equal to the amount initially outstanding for the employment-related securities.”
- (4) In subsection (4), omit the “or” at the end of paragraph (a) and after that paragraph insert—
- “(aa) the employment-related securities, together with the liability to make such further payment or payments, are disposed of otherwise than to an associated person and for consideration of an amount that reflects the transfer of the liability, or”.
- 38 In section 554N (exclusions from Chapter 2 of Part 7A: other cases involving employment related securities etc), in subsection (6), after “429,” insert “430A(5) (b),”.

PART 3

CORPORATION TAX RELIEF FOR EMPLOYEE SHARE ACQUISITIONS

- 39 Part 12 of CTA 2009 (other relief for employee share acquisitions) is amended as follows.
- 40 In Chapter 1 (introduction), in section 1002 (“employment”), after subsection (4) insert—
- “(5) See also sections 1007A(2), 1015B(2), 1025B(2) and 1030B(2) (deemed employment for the purposes of Chapters 2, 3, 4 and 5 of certain employees of overseas companies who work for companies in the UK).”
- 41 In section 1005 (other definitions)—
- (a) at the end of the definition of “the employee” insert “(see also sections 1025A(7) and 1030A(8))”, and
- (b) in the definition of “the qualifying business”, for “or 1015(1)(b)” substitute “, 1015(1)(b), 1025A(1)(d)(i) or 1030A(1)(d)(ii)”.
- 42 In Chapter 2 (corporation tax relief if shares are acquired by employee or other person), after section 1007 insert—

“1007A Application of Chapter in relation to employees of overseas companies who work for companies in the UK

- (1) This section applies if—

Status: This is the original version (as it was originally enacted).

- (a) a person has an employment (“the actual employment”) with a non-UK resident company not within the charge to corporation tax (“the overseas employer”),
 - (b) in performing any of the duties of the actual employment, the person works in the United Kingdom for, but is not employed by, another company (“the host employer”), and
 - (c) the host employer is—
 - (i) a UK resident company, or
 - (ii) a non-UK resident company within the charge to corporation tax.
- (2) For the purposes of this Chapter, the person is to be treated as having an employment with the host employer (“the deemed employment”), the duties of which consist of the work the person does for the host employer.
- (3) Subsection (4) applies if—
- (a) shares (“relevant shares”) are acquired because of the actual employment, and
 - (b) because of the work the person does for the host employer, an amount of employment income of the person is charged to tax under ITEPA 2003 in relation to the acquisition of the relevant shares.
- (4) For the purposes of section 1007(1)(c) (requirement that shares are acquired because of employment) the relevant shares are (regardless of when the acquisition takes place) to be treated, so far as would not otherwise be the case, as if they are acquired because of the deemed employment.
- (5) In section 1008 (conditions relating to the shares acquired) references to the employing company are to be read as including references to the overseas employer.
- (6) If, in relation to an acquisition of shares, the amount of relief would otherwise be more than the total amount of employment income of the person charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.
- (7) If relief is available to more than one company in respect of the same acquisition of shares, relief may only be given to one of them in respect of that acquisition.
- (8) For the purposes of this section a person works for another person if the person provides, and is obliged to provide, personal service to the other person.”

43 In Chapter 3 (corporation tax relief if employee or other person obtains option to acquire shares), after section 1015 insert—

“1015A Application of Chapter: employees of overseas companies who take up employment with a UK company

- (1) This section applies if—

Status: This is the original version (as it was originally enacted).

- (a) a person (“E”) has, or had, an employment with a non-UK resident company not within the charge to corporation tax (“the overseas employment”),
 - (b) E or another person obtains an option to acquire shares because of the overseas employment,
 - (c) E has an employment (“the UK employment”) with a company that is a UK resident company or a non-UK resident company within the charge to corporation tax,
 - (d) the person who obtained the option acquires shares pursuant to it, and
 - (e) subsection (2) applies.
- (2) This subsection applies if—
- (a) an amount of employment income of E is charged to tax under ITEPA 2003 in relation to the acquisition because of the UK employment, or
 - (b) it is because of the UK employment that E or another person is able to acquire the shares pursuant to the option.
- (3) For the purposes of section 1015(1)(c) (requirement that option is obtained because of employment), the option is (regardless of when it is obtained) to be treated as if it is obtained because of the UK employment.
- (4) In section 1016 (conditions relating to the shares acquired) references to the employing company are to be read as including references to the company mentioned in subsection (1)(a).
- (5) If, in relation to the acquisition, an amount of relief would otherwise be available that is more than the total amount of employment income of E charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.
- (6) If relief is available to more than one company in respect of the same acquisition of shares pursuant to an option, relief may only be given to one of them in respect of that acquisition.

1015B Application of Chapter in relation to employees of overseas companies who work for companies in the UK

- (1) This section applies if—
- (a) a person has an employment (“the actual employment”) with a non-UK resident company not within the charge to corporation tax (“the overseas employer”),
 - (b) in performing any of the duties of the actual employment, the person works in the United Kingdom for, but is not employed by, another company (“the host employer”), and
 - (c) the host employer is—
 - (i) a UK resident company, or
 - (ii) a non-UK resident company within the charge to corporation tax.

Status: This is the original version (as it was originally enacted).

- (2) For the purposes of this Chapter, the person is to be treated as having an employment (“the deemed employment”) with the host employer, the duties of which consist of the work the person does for the host employer.
 - (3) Subsection (4) applies if—
 - (a) an option to acquire shares (“the relevant option”) is obtained because of the actual employment,
 - (b) shares are acquired pursuant to the relevant option, and
 - (c) because of the work the person does for the host employer, an amount of employment income of the person is charged to tax under ITEPA 2003 in relation to the acquisition of the shares.
 - (4) For the purposes of section 1015(1)(c) (requirement that option is obtained because of employment), the relevant option is (regardless of when it is obtained) to be treated, so far as would not otherwise be the case, as if it is obtained because of the deemed employment.
 - (5) In section 1016 (conditions relating to the shares acquired) references to the employing company are to be read as including references to the overseas employer.
 - (6) If, in relation to an acquisition of shares pursuant to an option, the amount of relief would otherwise be more than the total amount of employment income of the person charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.
 - (7) If relief is available to more than one company in respect of the same acquisition of shares pursuant to an option, relief may only be given to one of them in respect of that acquisition.
 - (8) For the purposes of this section a person works for another person if the person provides, and is obliged to provide, personal service to the other person.”
- 44 (1) Section 1016 (conditions relating to shares acquired) is amended as follows.
- (2) In subsection (1), omit the “or” at the end of paragraph (b) of Condition 2 and after paragraph (c) of that Condition insert “, or
 - (d) shares within subsection (1A)”.
 - (3) After subsection (1) insert—

“(1A) Shares are within this subsection if—

 - (a) after the option is obtained, the company in which the shares are to be acquired (“the relevant company”) comes to be controlled by another company (“the takeover”),
 - (b) immediately before the takeover, the shares were within any of paragraphs (a) to (c) of Condition 2,
 - (c) as a result of the takeover, the shares cease to be within any of those paragraphs,
 - (d) the shares are acquired pursuant to the option within the period of 90 days beginning with the day of the takeover, and

Status: This is the original version (as it was originally enacted).

- (e) the avoidance of tax is not the main purpose (or one of the main purposes) of the takeover.”
- 45 In Chapter 4 (additional corporation tax relief in cases involving restricted shares), after section 1025 insert—

“1025A Application of Chapter: employees of overseas companies who take up employment with, or work for, a UK company

- (1) This section applies if—
- (a) a person (“E”) has, or had, an employment (“the overseas employment”) with a non-UK resident company not within the charge to corporation tax (“the overseas company”),
 - (b) E or another person acquired restricted shares because of the overseas employment (whether or not pursuant to an option),
 - (c) the case is not within section 1025(1)(a),
 - (d) relief under Chapter 2 or 3 would have been available to the overseas company in relation to the acquisition if, at all material times—
 - (i) the overseas company had carried on a business within subsection (2) (“a qualifying business”), and
 - (ii) the overseas employment had related to that business,
 - (e) E has a UK employment with a UK company (see subsections (3) and (4)),
 - (f) the UK employment is in relation to a qualifying business carried on by the UK company,
 - (g) an event occurs that is a chargeable event in relation to the restricted shares for the purposes of section 426 of ITEPA 2003, and
 - (h) because of the UK employment, an amount of employment income of E is charged to tax under ITEPA 2003 in relation to the chargeable event.

For the purposes of paragraph (d) it does not matter if the amount of the relief would have been calculated as nil.

- (2) A business is within this subsection so far as—
 - (a) it is carried on by a company, and
 - (b) the company is within the charge to corporation tax in relation to the profits of the business or would be but for section 18A.
- (3) A company is a “UK company” if it is a UK resident company or a non-UK resident company within the charge to corporation tax.
- (4) E has a “UK employment” with a UK company if—
 - (a) E is employed by the UK company, or
 - (b) E is not employed by the UK company but provides, and is obliged to provide, personal service to the UK company, in the course of performing the duties of the overseas employment (in which case, references to the UK employment are to the personal service E provides).
- (5) Relief under this Chapter is available to the UK company as a result of the chargeable event.

Status: This is the original version (as it was originally enacted).

- (6) References in this Chapter to the original relief (other than in section 1025B) are to be treated as references to the relief that would have been available as mentioned in subsection (1)(d).
- (7) In section 1026(3) (amount of relief on occurrence of chargeable event), the reference to the employee is to be read as a reference to E.
- (8) For the purposes of section 1028(2) (giving relief), as that provision has effect by virtue of subsection (6), in section 1013(2) to (5) or (as the case may be) 1021(2) to (5)—
 - (a) references to the employing company are to be treated as references to the UK company,
 - (b) the reference to the relevant employment is to be treated as a reference to the UK employment, and
 - (c) references to a business within section 1007(2) or (as the case may be) 1015(2) are to be treated as references to a business within subsection (2).
- (9) If, in relation to the chargeable event, the amount of relief available would otherwise be more than the total amount of employment income of E charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.
- (10) If relief is available to more than one company as a result of the same chargeable event, relief may only be given to one of them in respect of that event.

1025B Application of Chapter where original relief a consequence of section 1007A, 1015A or 1015B

- (1) This section applies if the original relief is available under—
 - (a) Chapter 2 as a consequence of section 1007A, or
 - (b) Chapter 3 as a consequence of section 1015A or 1015B.
- (2) If the original relief is available as a consequence of section 1007A or 1015B, subsection (2) of the section concerned applies for the purposes of this Chapter.
- (3) If, in relation to a chargeable event, the amount of relief available would otherwise be more than the total amount of employment income of the employee charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.
- (4) If relief is available to more than one company as a result of the same chargeable event, relief may only be given to one of them in respect of that event.
- (5) No relief is available as a result of the employee's death.”

Status: This is the original version (as it was originally enacted).

“1030A Application of Chapter: employees of overseas companies who take up employment with, or work for, a UK company

- (1) This section applies if—
- (a) a person (“E”) has, or had, an employment (“the overseas employment”) with a non-UK resident company not within the charge to corporation tax (“the overseas company”),
 - (b) E or another person acquired convertible securities because of the overseas employment (whether or not pursuant to an option),
 - (c) the case is not within section 1030(1) or (2),
 - (d) relief under Chapter 2 or 3 would have been available to the overseas company in relation to the acquisition if—
 - (i) in a case in which the convertible securities were not shares, they had been shares in relation to which the conditions set out in section 1008 or (as the case may be) 1016 were met, and
 - (ii) at all material times, the overseas company had carried on a business within subsection (2) (“a qualifying business”) and the overseas employment had related to that business,
 - (e) E has a UK employment with a UK company (see subsections (3) and (4)),
 - (f) the UK employment is in relation to a qualifying business carried on by the UK company,
 - (g) an event occurs that is a chargeable event (within the meaning given by section 1032 modified in accordance with subsections (6) and (7)) in relation to the convertible securities, and
 - (h) because of the UK employment, an amount of employment income of E is charged to tax under ITEPA 2003 in relation to the chargeable event.

For the purposes of paragraph (d) it does not matter if the amount of the relief would have been calculated as nil.

- (2) A business is within this subsection so far as—
- (a) it is carried on by a company, and
 - (b) the company is within the charge to corporation tax in relation to the profits of the business or would be but for section 18A.
- (3) A company is a “UK company” if it is a UK resident company or a non-UK resident company within the charge to corporation tax.
- (4) E has a “UK employment” with a UK company if—
- (a) E is employed by the UK company, or
 - (b) E is not employed by the UK company but provides, and is obliged to provide, personal service to the UK company, in the course of performing the duties of the overseas employment (in which case, references to the UK employment are to the personal service E provides).
- (5) Relief under this Chapter is available to the UK company as a result of the chargeable event.

Status: This is the original version (as it was originally enacted).

- (6) References in this Chapter to the original relief (other than in section 1030B) are to be treated as references to the relief that would have been available as mentioned in subsection (1)(d).
- (7) For the purposes of section 1032(2), references to the employing company in the conditions set out in section 1008 or (as the case may be) 1016 are to be read as references to the overseas company or the UK company.
- (8) In section 1033(3) (amount of relief available on occurrence of chargeable event), the reference to the employee is to be read as a reference to E.
- (9) For the purposes of section 1035(2) (giving relief), as that provision has effect by virtue of subsection (6), in section 1013(2) to (5) or (as the case may be) 1021(2) to (5)—
 - (a) references to the employing company are to be treated as references to the UK company,
 - (b) the reference to the relevant employment is to be treated as a reference to the UK employment, and
 - (c) references to a business within section 1007(2) or (as the case may be) 1015(2) are to be treated as references to a business within subsection (2).
- (10) If, in relation to the chargeable event, the amount of relief available would otherwise be more than the total amount of employment income of E charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.
- (11) If relief is available to more than one company as a result of the same chargeable event, relief may only be given to one of them in respect of that event.

1030B Application of Chapter where original relief a consequence of section 1007A, 1015A or 1015B

- (1) This section applies if the original relief is, or would have been, available under—
 - (a) Chapter 2 as a consequence of section 1007A, or
 - (b) Chapter 3 as a consequence of section 1015A or 1015B.
- (2) If the original relief is, or would have been, available as a consequence of section 1007A or 1015B, subsection (2) of the section concerned applies for the purposes of this Chapter.
- (3) Section 1007A(5), 1015A(4) or (as the case may be) 1015B(5) applies for the purposes of section 1032(2).
- (4) If, in relation to a chargeable event, the amount of relief available would otherwise be more than the total amount of employment income of the employee charged to tax under ITEPA 2003, the amount of relief is (notwithstanding any other provision of this Chapter) limited to the total amount of that income so charged.

Status: This is the original version (as it was originally enacted).

- (5) If relief is available to more than one company as a result of the same chargeable event, relief may only be given to one of them in respect of that event.
- (6) No relief is available as a result of the employee's death.”

PART 4

COMMENCEMENT ETC

- 47 Part 1 and paragraphs 40 to 43, 45 and 46 of Part 3 of this Schedule come into force on 6 April 2015.
- 48 The amendments made by Part 1 have effect on and after that date in relation to employment-related securities and employment-related securities options irrespective of the date of the acquisition.
- 49 The Treasury may by regulations—
- (a) make transitional provision or savings in connection with the coming into force of any of the provisions mentioned in paragraph 47;
 - (b) make consequential, incidental or supplementary provision in connection with any of those provisions.
- 50 (1) Regulations made under paragraph 49 may—
- (a) modify any provision made by or under an Act (including paragraph 48 of this Schedule), as the Treasury think appropriate;
 - (b) make different provision for different cases or different circumstances.
- (2) In sub-paragraph (1)(a) “modify” includes amend, repeal or revoke.