
Changes to legislation: Finance Act 2014, PART 2 is up to date with all changes known to be in force on or before 22 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

SCHEDULES

SCHEDULE 9

EMPLOYMENT-RELATED SECURITIES ETC

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—

Application of this Chapter where securities exchanged for further securities

“430A) 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).

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- (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—
- (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).

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- (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.
- (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.

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- (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.
- (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), ”.

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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):

- Sch. 31 para. 2(3)(b) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(iii\)](#)
- Sch. 31 para. 2(4A) inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(c\)](#)
- Sch. 31 para. 3(1A) inserted by [2017 c. 32 Sch. 14 para. 45\(3\)\(b\)](#)
- Sch. 31 para. 5(b) inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(c\)](#)
- Sch. 31 para. 2(3)(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(ii\)](#)
- Sch. 31 para. 5(a) words inserted by [2017 c. 32 Sch. 14 para. 45\(4\)\(b\)](#)
- Sch. 31 para. 2(3)(a) words renumbered as Sch. 31 para. 2(3)(a) by [2017 c. 32 Sch. 14 para. 45\(2\)\(a\)\(i\)](#)
- Sch. 31 para. 5(a) words renumbered as Sch. 31 para. 5(a) by [2017 c. 32 Sch. 14 para. 45\(4\)\(a\)](#)
- Sch. 32 para. 1(2)(b) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(iii\)](#)
- Sch. 32 para. 1(3A) inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(c\)](#)
- Sch. 32 para. 1(2)(a) words inserted by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(ii\)](#)
- Sch. 32 para. 1(2)(a) words renumbered as Sch. 32 para. 1(2)(a) by [2017 c. 32 Sch. 14 para. 46\(2\)\(a\)\(i\)](#)