



Corporation Tax Act 2010

2010 CHAPTER 4

PART 23

COMPANY DISTRIBUTIONS

CHAPTER 3

MATTERS WHICH ARE NOT DISTRIBUTIONS

Purchase of own shares

[^{F1}1038 Exclusion of other deductions

- (1) Subsection (2) applies if relief is or, apart from condition 2 in section 1009(1), would be available under this Part.

For this purpose, it does not matter if the amount of the relief is or would be calculated as nil.

- (2) Except as provided for by this Part, for the purpose of calculating any company's profits for corporation tax purposes for any accounting period, no deduction is allowed—
- (a) in relation to the provision of the shares or to any matter connected with the provision of the shares, or
 - (b) so far as not covered by paragraph (a) in a case in which the shares are acquired pursuant to an option, in relation to the option or to any matter connected with the option.
- (3) In a case in which section 1022 has applied, in subsection (2)(b) references to the option cover the new option and any relevant earlier qualifying option.
- (4) For the purposes of subsection (2) it does not matter if the accounting period in question falls wholly before or after the time at which the shares are acquired.

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 1038. (See end of Document for details)

- (5) In a case in which the shares are acquired under an employee share scheme, the deductions disallowed by subsection (2) include (in particular) deductions for amounts paid or payable by the employing company in relation to the participation of the employee in the scheme.
- (6) But subsection (2) does not disallow deductions for—
- (a) expenses incurred in setting up the scheme,
 - (b) expenses incurred in meeting, or contributing to, the costs of administering the scheme,
 - (c) the costs of borrowing for the purposes of the scheme, or
 - (d) fees, commission, stamp duty, stamp duty reserve tax, and similar incidental expenses of acquiring the shares.
- (7) “Employee share scheme” means a scheme or arrangement for enabling shares to be acquired because of persons' employment.
- (8) In a case in which relief is or, apart from condition 2 in section 1009(1), would be available under Chapter 5 by virtue of section 1030(2), subsection (2) does not disallow deductions in relation to the provision of the convertible securities.]

Textual Amendments

- F1** S. 1038 substituted (with effect in accordance with s. 40(4)-(6) of the amending Act) by [Finance Act 2013 \(c. 29\)](#), s. 40(2)

Changes to legislation:

There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 1038.