

*These notes refer to the Income Tax (Earnings and Pensions)
Act 2003 (c.1) which received Royal Assent on 6th March 2003*

INCOME TAX (EARNINGS AND PENSIONS) ACT 2003

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Example 3

Ne = £5,000; Da = 183; De = 183; Smg = 0

Part 7: Employment income: share-related income and exemptions

Overview

1798. This Part contains the provisions concerning the income tax treatment of share-related remuneration. The chapters in this Part reflect the major divisions in the legislation relating to shares acquired by employees:

- Chapter 1 is introductory;
- Chapters 2 to 5 deal with topics whose principal purpose is to impose charges to tax by providing that certain share-related benefits count as employment income (see background in paragraphs 1802 to 1812); and
- Chapters 6 to 9 deal with income tax aspects of the various schemes and plans that confer tax advantages (see background in paragraphs 1813 and 1814). The sections in these Chapters are supplemented in each case by a Schedule (see background in paragraph 1815) containing the administrative provisions for the scheme or plan in question.

Chapters 6 to 9 deal with income tax aspects of the various schemes and plans that confer tax advantages (see background in paragraphs 1813 and 1814). The sections in these Chapters are supplemented in each case by a Schedule (see background in paragraph 1815) containing the administrative provisions for the scheme or plan in question.

1799. Chapter 10 deals with a different topic: the exemption given to employees in connection with priority share allocations for employees when an offer of shares to the public is made. The material in Chapter 10 derives from section 68 of FA 1988.

1800. This Part also contains a final chapter (Chapter 11) which contains supplementary provisions relating to employee benefit trusts.

1801. This Part does not include any provisions dealing with the tax consequences of an employee acquiring employment related shares at less than market value. This topic is dealt with in section 162 of ICTA, which treats the acquisition of shares at less than market value as a notional loan to the employee, and uses the rules for beneficial loans to give a cash equivalent of the benefit. Section 162 also sets out the tax charge that arises when employment-related shares are disposed of for more than market value, treating the excess over market value as emoluments. Because of the relationship between

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section 162 and the rules on beneficial loans, those provisions appear, in this Act, as part of the benefits code, in Chapters 8 and 9 of Part 3, following on from the chapter concerning the treatment of employment-related loans. There are cross-references to Chapters 8 and 9 of Part 3 in section 418(1) of this Act.