



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

EMPLOYMENT INCOME: SHARE-RELATED INCOME AND EXEMPTIONS

CHAPTER 3

CONVERTIBLE SHARES

Supplementary provisions

442 Amount or value of consideration given for shares or conversion

- (1) This section applies for the purposes of section 439 (amount of charge) in determining the amount or value of the consideration given for the convertible shares, or for the interest in them, or for the conversion.
- (2) Subject to the following provisions of this section, the consideration given for the convertible shares, or for the interest in them, is any consideration given in respect of the acquisition by—
 - (a) the employee, or
 - (b) if section 436(1)(c) applies, the person by whom the shares were, or interest was, acquired.
- (3) The amount or value of the consideration given by a person for shares, or an interest in shares, includes the amount or value of any consideration given for a right to acquire the shares or interest.
- (4) If any consideration is given partly in respect of one thing and partly in respect of another, the amount given in respect of the different things is to be determined on a just and reasonable apportionment.

Status: This is the original version (as it was originally enacted).

- (5) The consideration which for the purposes of this section is taken to be given wholly or partly for anything does not include the performance of any duties of, or in connection with, the office or employment by reference to which the shares or interest in question have been acquired by a person as a director or employee of a company.
- (6) No amount is to be counted more than once in calculating the amount or value of any consideration.

443 Amount or value of consideration given for right to acquire shares

- (1) This section applies for the purposes of section 442(3) in determining the amount or value of any consideration given for a right to acquire shares.
- (2) Subsection (3) applies if the right to acquire shares (“the new option”) is the whole or part of the consideration for the assignment or release of another right to acquire shares (“the old option”).
- (3) The amount or value of the consideration given for the new option is to be treated as being the sum of—
 - (a) the amount by which the amount or value of the consideration given for the grant of the old option exceeds the amount or value of any consideration for the assignment or release of the old option, apart from the new option, and
 - (b) any valuable consideration given for the grant of the new option, apart from the old option.
- (4) Two or more transactions are to be treated for the purposes of subsection (2) as a single transaction by which a right to acquire shares is assigned for a consideration which consists of or includes another right to acquire shares if—
 - (a) the transactions result in—
 - (i) a person ceasing to hold a right to acquire shares, and
 - (ii) that person or a connected person coming to hold another right to acquire shares, and
 - (b) one or more of the transactions is effected under arrangements to which two or more persons who hold rights to acquire shares, in respect of which there may be liability to tax under Chapter 5 of this Part (share options), are parties.
- (5) Subsection (4) applies regardless of the order in which the assignment and the acquisition occur.
- (6) In this section “release” includes agreeing to the restriction of the exercise of the right.

444 Conversion in consequence of employee’s death

- (1) Subsection (2) applies if—
 - (a) the employee dies holding an interest in convertible shares,
 - (b) those shares are converted into shares of a different class either on, or within 12 months after, the death, and
 - (c) the conversion takes place wholly or partly as a consequence of the death.
- (2) This Chapter applies as if the conversion had taken place immediately before the death and had been in pursuance of an entitlement to convert conferred on the deceased.

445 Duty to notify conversions of shares

- (1) Subsection (2) applies if—
- (a) a person has provided an individual with convertible shares in a company, or an interest in such shares,
 - (b) those shares are subsequently converted into shares of a different class, and
 - (c) the circumstances are such that the conversion results or may result in an amount counting as employment income of that individual under section 438 (charge on conversion of shares).
- (2) Each of the following persons—
- (a) the person who provided the shares or interest, and
 - (b) the employer company,
- must provide the Inland Revenue with particulars in writing of the shares and their conversion.
- (3) The particulars must be provided before 7th July in the tax year following that in which the conversion takes place.

446 Minor definitions

- (1) In this Chapter—
- “director”—
- (a) in the case of a company whose affairs are managed by a board of directors or similar body, means a member of that board or similar body,
 - (b) in the case of a company whose affairs are managed by a single director or similar person, means that director or person,
 - (c) in the case of a company whose affairs are managed by its members, means a member,
- and includes any person who is to be or has been a director;
- “employee” includes—
- (a) in relation to a company, a person taking part in the management of the affairs of the company who is not a director, and
 - (b) a person who is to be or has been an employee;
- “shares” (except in section 436 in the expression “an interest in shares which is only conditional”) includes stock and any other interest of a member of a company;
- “terms” on which a person holds shares or an interest in shares means terms imposed by contract or arrangement or in any other way.
- (2) In this Chapter—
- “the employee”,
 - “the employer company”, and
 - “the shares”,
- have the meaning indicated in section 435(1) and (4).