



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

EMPLOYMENT INCOME: SHARE-RELATED INCOME AND EXEMPTIONS

CHAPTER 3

CONVERTIBLE SHARES

Tax charge

440 Case outside charge under section 438: conversion of entire class

- (1) Section 438 (charge on conversion of shares) does not apply if—
 - (a) the conversion is a conversion of shares of one class only (“the original class”) into shares of one other class only (“the new class”), and
 - (b) all shares of the original class are converted into shares of the new class, and
 - (c) condition A or B is met.
- (2) Condition A is that immediately before the conversion the majority of the company’s shares of the original class are not held by or for the benefit of—
 - (a) directors or employees of the company,
 - (b) an associated company of the company, or
 - (c) directors or employees of such an associated company.
- (3) Condition B is that immediately before the conversion the company is employee-controlled by virtue of holdings of shares of the original class.
- (4) A company is “employee-controlled” by virtue of holdings of shares of a class if—

Status: *This is the original version (as it was originally enacted).*

- (a) the majority of the company's shares of that class (other than any held by or for the benefit of an associated company) are held by or for the benefit of employees or directors of the company or a company controlled by the company, and
 - (b) those directors and employees are together able as holders of the shares to control the company.
- (5) In this section "associated company" has the meaning given by section 416 of ICTA.