



# Income Tax (Earnings and Pensions) Act 2003

## 2003 CHAPTER 1

### PART 7

[<sup>F1</sup>EMPLOYMENT INCOME: INCOME AND EXEMPTIONS RELATING TO SECURITIES]

#### [<sup>F1</sup>CHAPTER 3C

SECURITIES ACQUIRED FOR LESS THAN MARKET VALUE

#### [<sup>F1</sup>446U Discharge of notional loan

- (1) The notional loan is treated as discharged when—
- (a) the employment-related securities are disposed of otherwise than to an associated person, <sup>F2</sup>...
  - [<sup>F3</sup>(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]
  - [<sup>F4</sup>(c) something which affects the employment-related securities is done as part of a scheme or arrangement the main purpose (or one of the main purposes) of which is the avoidance of tax or national insurance contributions.]
- [ Subsection (1)(a) does not apply if, at the time of the acquisition, there was an actual or <sup>F5</sup>(1A) contingent liability to make one or more further payments equal to the amount initially outstanding for the employment-related securities.]
- (2) If the notional loan is discharged as the result of an event specified in subsection (1), the amount of the notional loan outstanding immediately before the occurrence of the event counts as employment income of the employee for the relevant tax year (whether or not the employment has terminated before or since the acquisition).

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*Changes to legislation: There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 446U. (See end of Document for details)*

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- (3) The “relevant tax year” is the tax year in which the notional loan is treated as discharged.
- (4) The notional loan is also treated as discharged when—
- (a) payments or further payments for the employment-related securities equal to the amount initially outstanding in relation to them have been made by an associated person,<sup>F6</sup> ...
    - [ the employment-related securities, together with the liability to make such
    - <sup>F7</sup>(aa) 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]
    - (b) the employee dies.]

#### **Textual Amendments**

- F1** Pt. 7 Ch. 3C inserted (with effect in accordance with Sch. 22 para. 7(2) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), **Sch. 22 para. 7(1)**
- F2** Word in s. 446U(1)(a) omitted (17.7.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 9 para. 37(2)**
- F3** S. 446U(1)(b) substituted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 9 para. 37(2)**
- F4** S. 446U(1)(c) and word inserted (with effect in accordance with Sch. 2 para. 14(2) of the amending Act) by [Finance \(No. 2\) Act 2005 \(c. 22\)](#), **Sch. 2 para. 14**
- F5** S. 446U(1A) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 9 para. 37(3)**
- F6** Word in s. 446U(4)(a) omitted (17.7.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 9 para. 37(4)**
- F7** S. 446U(4)(aa) inserted (17.7.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 9 para. 37(4)**

**Changes to legislation:**

There are currently no known outstanding effects for the Income Tax (Earnings and Pensions) Act 2003, Section 446U.