



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

EMPLOYMENT INCOME: SHARE-RELATED INCOME AND EXEMPTIONS

CHAPTER 5

SHARE OPTIONS

Tax charge on exercise, assignment or release of share option

479 Amount of gain realised by exercising option

- (1) The amount of the gain realised by exercising the share option is—

$$MV - DC$$

where—

MV is the amount that a person might reasonably expect to obtain from a sale of the shares acquired in the open market at the time the option is exercised, and DC is the total of any deductible costs.

- (2) For the purposes of subsection (1) each of the following is a “deductible cost”—
- subject to subsection (3), the amount or value of any consideration given for the grant of the share option;
 - the amount or value of any consideration given for the shares acquired;
 - in a case within section 477(1)(b) or (c), the amount of any gain realised by a previous holder on an assignment of the option; and
 - if an amount counts as employment income of the employee under section 526 (approved CSOP schemes: charge where option granted at a discount) in

Status: This is the original version (as it was originally enacted).

respect of the share option, so much of that amount as is attributable to the shares in question.

- (3) If section 476 or 477 has already applied to the share option by virtue of an earlier event, so much of the consideration given for the grant of the share option as was deducted in calculating the amount of the gain on that occasion is not a deductible cost.
- (4) The amount of the gain is calculated in accordance with section 531 (enterprise management incentives: limitation of charge on exercise of option to acquire shares below market value) or 532 (enterprise management incentives: modified tax consequences following disqualifying events) if—
 - (a) it is being calculated for the purposes of section 476 (charge on exercise etc. of option by employee), and
 - (b) section 531 or 532, as the case may be, applies.