Changes to legislation: *There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income and Corporation Taxes Act 1988. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

SCHEDULES

SCHEDULE 10

FURTHER PROVISIONS RELATING TO PROFIT SHARING SCHEMES

Modifications etc. (not altering text)

C1 Sch. 10 excluded (6.3.1992 with effect as mentioned in s. 289(1)(2) of the amending Act) by Taxation of Chargeable Gains Act 1992 (c. 12), **ss. 238(2)(c)(4)**, 289 (with ss. 60, 101(1), 171, 201(3))

C1 Sch. 10 modified (29.4.1996) by Finance Act 1996 (c. 8), **s. 116(3)**

C1 Sch. 10 continued (6.4.2003 with effect in accordance with s. 723(1) of the affecting Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **s. 418(3)** (with Sch. 7)

P.A.Y.E. deduction of tax

7 (1) [M1]Subject to sub-paragraphs (4) and (5) below, where the trustees of an approved profit sharing scheme receive a sum of money which constitutes (or forms part of)—

(a) the proceeds of a disposal of shares falling within section 186(4), or

(b) a capital receipt,

in respect of which **[**[F1]an amount counts as employment income of the participant**]** in accordance with section 186, the trustees shall pay out of that sum of money to the company specified in sub-paragraph (3) below an amount equal to that on which income tax is so payable; and the company shall then pay over that amount to the participant but in so doing shall make a P.A.Y.E. deduction.

(2) Where a participant disposes of his beneficial interest in any of his shares to the trustees of the scheme and the trustees are deemed by virtue of section 186(9) to have disposed of the shares in question, this paragraph shall apply as if the consideration payable by the trustees to the participant on the disposal had been received by the trustees as the proceeds of disposal of shares falling within section 186(4).

(3) The company to which the payment mentioned in sub-paragraph (1) above is to be made is the company—

(a) of which the participant is an employee or director at the time the trustees receive the sum of money referred to in that sub-paragraph, and

(b) whose employees are at that time eligible (subject to the terms of the scheme and Schedule 9) to be participants in the approved profit sharing scheme concerned,

and if there is more than one company which falls within paragraphs (a) and (b) above, such one of those companies as the Board may direct.

(4) Where the trustees of an approved profit sharing scheme receive a sum of money to which sub-paragraph (1) above applies but—

(a) there is no company which falls within paragraphs (a) and (b) of sub-paragraph (3) above, or

Changes to legislation: *There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income and Corporation Taxes Act 1988. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(b) the Board is of opinion that it is impracticable for the company which falls within those paragraphs (or, as the case may be, any of them) to make a P.A.Y.E. deduction and accordingly direct that this sub-paragraph shall apply,

then, in paying over to the participant the proceeds of the disposal or the capital receipt, the trustees shall make a P.A.Y.E. deduction in respect of an amount equal to that on which income tax is payable as mentioned in sub-paragraph (1) above as if the participant were a former employee of the trustees.

(5) Where the trustees of an approved profit sharing scheme receive a sum of money to which sub-paragraph (1) above applies and the Board direct that this sub-paragraph shall apply—

(a) the trustees shall make the payment mentioned in that sub-paragraph to the company specified in the Board's direction; and

(b) that company shall pay over that amount to the participant but in so doing shall make a P.A.Y.E. deduction, and for that purpose if the participant is not an employee of that company he shall be treated as a former employee;

but no such direction shall be given except with the consent of the trustees, the company or companies (if any) specified in sub-paragraph (3) above and the company specified in the direction.

(6) Where, in accordance with this paragraph any person is required to make a P.A.Y.E. deduction in respect of any amount, that amount shall be treated for the purposes of **[**[F2]section 684 of ITEPA 2003 (PAYE regulations) and PAYE regulations as PAYE income payable to the recipient**]**, and, accordingly, such deduction shall be made as is required by those regulations.

(7) Where, in connection with a transfer of a participant's shares to which sub-paragraph (c) of paragraph 2(2) of Schedule 9 applies, the trustees receive such a sum as is referred to in that sub-paragraph, that sum shall be treated for the purposes of the Income Tax Acts—

(a) as a sum deducted by the trustees pursuant to a requirement to make a P.A.Y.E. deduction under sub-paragraph (4) above; and

(b) as referable to the income tax [F3]. . . which, as a result of the transfer, **[**[F4]is charged on the participant**]** by virtue of section 186(4).

(8) Unless the Board otherwise direct, in the application of this paragraph to a sum of money which constitutes or forms part of the proceeds of a disposal of, or a capital receipt referable to, excess or unauthorised shares (within the meaning of paragraph 6 above), the trustees shall determine the amount of the payment mentioned in sub-paragraph (1) above or, as the case may be, the amount of the P.A.Y.E. deduction to be made under sub-paragraph (4) above as if the shares were not excess or unauthorised shares.

Textual Amendments

F1 Words in Sch. 10 para. 7(1) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 6 para. 113(3)(a)** (with Sch. 7)

F2 Words in Sch. 10 para. 7(6) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 6 para. 113(3)(b)** (with Sch. 7)

Changes to legislation: *There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income and Corporation Taxes Act 1988. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

F3 Word in Sch. 10 para. 7(7)(b) repealed (6.4.2003 with effect in accordance with s. 723(1) of the repealing Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), Sch. 6 para. 113(3)(c)(i), **Sch 8 Pt. 1** (with Sch. 7)

F4 Words in Sch. 10 para. 7(7)(b) substituted (6.4.2003 with effect in accordance with s. 723(1) of the amending Act) by Income Tax (Earnings and Pensions) Act 2003 (c. 1), **Sch. 6 para. 113(3)(c)(ii)** (with Sch. 7)

Marginal Citations

M1 Source—1978 s.59; 1980 s.46(8); 1987 Sch.15 11(3)

Changes to legislation:
There are outstanding changes not yet made by the legislation.gov.uk editorial team to Income and Corporation Taxes Act 1988. Any changes that have already been made by the team appear in the content and are referenced with annotations.
View outstanding changes

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Act Tax Acts: power to modify conferred by 2004 c. 25 s. 18
- Act Taxes Acts modified by 1970 c. 9, Sch. A1 para. 10(7) (as inserted) by 2017 c. 32 s. 60(3)
- Act Taxes Acts modified by 1970 c. 9, s. 8(7) (as inserted) by 2017 c. 32 Sch. 14 para. 3(15)
- Act Taxes Acts modified by 1970 c. 9, s. 8A(7) (as inserted) by 2017 c. 32 Sch. 14 para. 4(12)
- Act applied (with modifications) by S.I. 2010/875 reg. 16Sch. 2 (This amendment not applied to legislation.gov.uk. S.I. 2010/875 was revoked (27.8.2010) by SI 2010/1906, reg. 2 without having come into force)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 109A(4B) inserted by 2005 c. 7 Sch. 4 para. 6(3) (This amendment not applied to legislation.gov.uk. The amending provision (2005 c. 7, Sch. 4 para. 6) repealed retrospectively by 2005 c. 22, Sch. 6 para. 4(1)(6))
- Sch. 19AB para. 5(5)(a)(b) words substituted by S.I. 2001/3629 art. 52(2)(n) (This amendment not applied to legislation.gov.uk. The words to be substituted do not occur in Sch. 19AB para. 5)