



Income Tax (Earnings and Pensions) Act 2003

2003 CHAPTER 1

PART 7

[^{F1}EMPLOYMENT INCOME: INCOME AND EXEMPTIONS RELATING TO SECURITIES]

CHAPTER 9

ENTERPRISE MANAGEMENT INCENTIVES

Tax advantages where disqualifying events

538 Share conversions excluded for purposes of section 536

- (1) This section has effect for the purposes of section 536(1)(d) (other disqualifying events: share conversions).
- (2) A conversion of shares is not a disqualifying event if—
 - (a) it is a conversion of shares of one class only (“the original class”) into shares of one other class only (“the new class”);
 - (b) all the shares of the original class are converted into shares of the new class; and
 - (c) one of the conditions in subsection (3) is met.
- (3) The conditions are—
 - (a) that immediately before the conversion the majority of the relevant company’s shares of the original class are held otherwise than by or for the benefit of—
 - (i) directors or employees of the relevant company,
 - (ii) an associated company of the relevant company, or
 - (iii) directors or employees of such an associated company;

Changes to legislation: *Income Tax (Earnings and Pensions) Act 2003, Section 538 is up to date with all changes known to be in force on or before 23 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

(b) that immediately before the conversion the relevant company is employee-controlled as a result of holdings of shares of the original class.

[^{F1}(4) “associated company” has the [^{F2}meaning given by section 449 of CTA 2010],

“director” has the same meaning as in the benefits code (see section 67) but also includes a person who is to be or has been a director,

“employee” includes a person who is to be or has been an employee, and

“employee-controlled” has the same meaning as in Chapters 1 to 4 of this Part (see section 421H(1)).]

Textual Amendments

- F1** S. 538(4) substituted (1.9.2003) by Finance Act 2003 (c. 14), **Sch. 22 para. 39(1)(2)**; S.I. 2003/1997, art. 2
- F2** Words in s. 538(4) substituted (with effect in accordance with s. 1184(1) of the amending Act) by Corporation Tax Act 2010 (c. 4), s. 1184(1), **Sch. 1 para. 392** (with Sch. 2)

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

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

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)