

CORPORATION TAX ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Part 5: Group relief

Chapter 6: Equity holders and profits or assets available for distribution

Section 173: Cases in which option arrangements are in place

694. This section defines “option arrangement” for the purpose of section 174. It is based on paragraph 5B of Schedule 18 to ICTA.
695. *Subsection (1)* is a cross-reference to section 174, which sets out the consequences of option arrangements.
696. *Subsection (2)* introduces the two conditions that have to be satisfied if an arrangement is to be an option arrangement.
697. *Subsection (3)* is the condition that the arrangement changes the equity holder’s entitlement. The subsection refers (twice) to beneficial entitlement but paragraph 5B(2) of Schedule 18 to ICTA refers only to entitlement. This is not a change in the law because the option arrangements are relevant only if they are used for a “determination” to be made under paragraph 5B(7) of the Schedule. The determination is made in accordance with paragraph 2(1) or 3(1) of the Schedule. Those sub-paragraphs make clear that the Schedule is concerned only with beneficial entitlements.
698. *Subsection (4)* is the condition that the option may lead to a person acquiring shares or securities. Shares must be ordinary shares (defined in section 160). The option may be a “call” option, which gives a person the right to acquire the shares or securities; or a “put” option, which gives a person the right to require another person to acquire shares or securities.
699. *Subsection (5)* excludes rights that arise from an SAYE option scheme or that are to acquire normal commercial loans. Rights to acquire restricted preference shares (see section 160) are excluded by the reference to “ordinary shares” in subsection (4).
700. *Subsections (6) and (7)* set out the excluded rights under an SAYE option scheme.