



Finance Act 2017

2017 CHAPTER 10

PART 1

DIRECT AND INDIRECT TAXES

Employee shareholder shares

12 Employee shareholder shares: amount treated as earnings

- (1) In section 226A of ITEPA 2003 (amount treated as earnings)—
 - (a) in subsection (2), for “calculated in accordance with subsection (3)” substitute “equal to the market value of the shares”;
 - (b) omit subsection (3);
 - (c) in subsection (6), omit “and sections 226B to 226D”;
 - (d) in subsection (7), after “subsection (1)” insert “(but not subsection (2))”.
- (2) Omit sections 226B to 226D of ITEPA 2003 (deemed payment).
- (3) In consequence of subsection (2), in ITEPA 2003 omit the following—
 - (a) section 479(3A);
 - (b) section 531(3A);
 - (c) section 532(4A).
- (4) In consequence of subsection (2), in CTA 2009 omit the following—
 - (a) in section 1005, the definition of “employee shareholder share”;
 - (b) section 1009(6);
 - (c) in section 1010(1), “and, in the case of employee shareholder shares, section 1038B”;
 - (d) in section 1011(4)(b), “(but see also section 1038B of this Act)”;
 - (e) in sections 1018(1) and 1019(1), “and, in the case of employee shareholder shares, section 1038B”;
 - (f) sections 1022(5), 1026(5), 1027(5), 1033(5) and 1034(5);

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- (g) section 1038B;
 - (h) sections 1292(6ZA) and 1293(5A);
 - (i) in Schedule 4, the entry relating to “employee shareholder share”.
- (5) The amendments made by this section have effect in relation to shares acquired in consideration of an employee shareholder agreement entered into on or after the relevant day.
- (6) The relevant day is 1 December 2016, subject to subsection (7).
- (7) Where the individual entering into an employee shareholder agreement receives the advice referred to in section 205A(6)(a) of the Employment Rights Act 1996—
- (a) on 23 November 2016, but
 - (b) before 1.30 pm on that day,
- the relevant day is 2 December 2016.

13 Employee shareholder shares: abolition of CGT exemption

- (1) TCGA 1992 is amended as follows.
- (2) In section 58 (spouses and civil partners)—
- (a) in subsection (2)—
 - (i) at the end of paragraph (a) insert “ or ”;
 - (ii) omit paragraph (c) and the preceding “or”;
 - (b) omit subsections (3) to (5).
- (3) In section 149AA (restricted and convertible employment-related securities and employee shareholder shares), for subsection (6A) substitute—
- “(6A) For the purposes of this section—
- shares are “acquired” by an employee if the employee becomes beneficially entitled to them (and they are acquired at the time when the employee becomes so entitled);
- “employee shareholder share” means a share acquired in consideration of an employee shareholder agreement and held by the employee;
- “employee shareholder agreement” means an agreement by virtue of which an employee is an employee shareholder (see section 205A(1)(a) to (d) of the Employment Rights Act 1996);
- “employee” and “employer company”, in relation to an employee shareholder agreement, mean the individual and the company which enter into the agreement.”
- (4) Omit sections 236B to 236F (exemption for employee shareholder shares).
- (5) In section 236G (relinquishment of employment rights is not disposal of an asset), in subsection (1), for “employee shareholder agreement” substitute “ agreement by virtue of which the individual is an employee shareholder (see section 205A(1)(a) to (d) of the Employment Rights Act 1996) ”.
- (6) The amendments made by this section have effect in relation to shares acquired in consideration of an employee shareholder agreement entered into on or after the relevant day.
- (7) The relevant day is 1 December 2016, subject to subsection (8).

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- (8) Where the individual entering into an employee shareholder agreement receives the advice referred to in section 205A(6)(a) of the Employment Rights Act 1996—
- (a) on 23 November 2016, but
 - (b) before 1.30 pm on that day,
- the relevant day is 2 December 2016.

14 Employee shareholder shares: purchase by company

- (1) In ITTOIA 2005, omit section 385A (no charge to income tax on purchase by company of exempt employee shareholder shares).
- (2) The amendment made by this section has effect in relation to the purchase from an individual of shares which were acquired in consideration of an employee shareholder agreement entered into on or after the relevant day.
- (3) The relevant day is 1 December 2016, subject to subsection (4).
- (4) Where the individual entering into an employee shareholder agreement receives the advice referred to in section 205A(6)(a) of the Employment Rights Act 1996—
 - (a) on 23 November 2016, but
 - (b) before 1.30 pm on that day,the relevant day is 2 December 2016.

Changes to legislation:

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