

**BOARD OF INLAND REVENUE
RESOLUTION 30**

**FINANCE BILL 2003
COMMITTEE
SCHEDULE 22**

Amendment	Page	Line
*SC 171	266	27
*SC 172	266	28

Mr Paul Boateng

(Brent South - Lab)

Amendment 171

Schedule 22, page 266, line 27, at end insert—
'() if the employment-related securities were acquired on a conversion of other employment-related securities, any amount that counted as employment income of the employee under Chapter 3 of this Part (including that Chapter as originally enacted) (convertible securities) by reason of the conversion,'.

Amendment 172

Schedule 22, page 266, line 28 leave out from beginning to ' , and' in line 32

EXPLANATORY NOTE

SUMMARY

1. The purpose of this amendment is to correct an error in section 428(8)(d) which would result in an incorrect deduction in the formula that calculates the taxable amount in relation to restricted employment-related securities. The Amendment removes the incorrect Chapter reference and replaces it with the correct Chapter reference.

DETAILS

2. The formula in section 428(1) in Chapter 2 is used to compute the amount on which tax is payable when restrictions on employment-related securities that reduce the market value of those securities are lifted or varied.

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3. IUP (Initial Untaxed Proportion) in the formula represents the proportion of the securities' value that remains to be taxed at a later date when restrictions are lifted, varied or the securities are sold. IUP is arrived at by deducting from the initial unrestricted market value of the securities amounts defined in subsection 428(8) (deductible amounts) and expressing the result as a decimal proportion.
4. The deductible amounts are consideration given and amounts on which tax was payable at acquisition. Amounts taxable on acquisition under Chapter 3A (Securities with artificially depressed market value) and Chapter 3C (Securities acquired for less than market value) are not to be deductible amounts. This is because such charges are unconnected with the calculation of the proportion of the market value of the securities that remains untaxed at acquisition as a result of the restrictions.
5. There is a drafting error in subsection 428(8)(d). That subsection refers, incorrectly, to Chapter 3C taxable amounts rather than Chapter 3 taxable amounts. This amendment puts in the correct reference to ensure proper operation of the formula.