

Amendment	Page	Line
*SC 174	270	3

Mr Paul Boateng

(Brent South - Lab)

Amendment 174

Schedule 22, page 270, line 3, at end insert—

‘(3) Section 431 has effect in relation to securities, or interests in securities, acquired before the day appointed under sub-paragraph (2)—

(a) with the substitution in subsections (1)(b) and (2)(b) for “sections 425 to 430” of “section 426 as originally enacted and sections 426 to 430 as substituted by paragraph 3(1) of Schedule 22 to the Finance Act 2003”, and

(b) with the substitution in subsection (5)(b) for “the acquisition” of “the day appointed under paragraph 3(2) of Schedule 22 to the Finance Act 2003”.

(4) But sub-paragraph (3) does not apply where in relation to the securities or interest in securities an amount counts as employment income of the employee under section 427 or 449 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) as originally enacted.’

EXPLANATORY NOTE

SUMMARY

1. This amendment will permit an employee who acquires securities subject to restrictions, in the period from 16 April 2003 to an appointed day after the Bill receives Royal Assent, to elect jointly with the employer to be taxed on the full value of the securities ignoring the effect of the restrictions on the value. The default position under the proposed new charging rules for restricted securities is that the employee is taxed on the value taking any restrictions into consideration when the securities are awarded and on the remaining value when the restriction is lifted.

DETAILS

2. Section 431 allows an employee and an employer to elect jointly and irrevocably that when restricted securities are acquired one or more of the restrictions should be disregarded in determining the market value of the securities.
3. If the election is that all the restrictions are to be disregarded the tax charge at the time of the acquisition will be higher because it is on the full value of the securities. But there is then no later charge to tax when the restrictions lift or waste away. The whole of any future growth in the value of the securities is outside the scope of the Chapter.
4. If the election is that only some of the restrictions should be disregarded, then there is a reduced tax charge on acquisition by reference to a reduced market value and a further tax charge at later dates as and when restrictions lift or waste away.
5. The election is made by agreement between the employer and employee. It is irrevocable. The election does not have to be notified to the Inland Revenue nor does any approval for the election have to be sought from the Revenue. However the election does have to be in a form approved by the Inland Revenue and it must be made within 14 days of the acquisition of the securities.