



Income Tax Act 2007

2007 CHAPTER 3

PART 9

SPECIAL RULES ABOUT SETTLEMENTS AND TRUSTEES

CHAPTER 5

SHARE INCENTIVE PLANS

488 Application of section 479 to trustees of [^{F1}Schedule 2] share incentive plans

- (1) This section applies if—
 - (a) income arises to the trustees of [^{F2}a Schedule 2] share incentive plan, and
 - (b) the income consists of dividends or other distributions in respect of shares held by the trustees in relation to which the requirements of Part 4 of Schedule 2 to ITEPA 2003 (^{F3}... share incentive plans: types of shares that may be awarded) are met.
- (2) Section 479 applies in relation to the income only if and when condition A or condition B has been met.
- (3) Condition A is that—
 - (a) the applicable period in relation to the shares has ended, and
 - (b) that period came to an end without the shares being awarded to a participant in accordance with the plan.
- (4) Condition B is that the trustees disposed of the shares before the end of the applicable period in relation to the shares.
- (5) For the purpose of determining whether shares are awarded to a participant within the applicable period in relation to them, shares acquired by the trustees at an earlier time are taken to be awarded to a participant before shares of the same class acquired by the trustees at a later time.

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- (6) References in this section to shares being awarded to a participant include references to the shares being acquired on behalf of the participant as dividend shares.

Textual Amendments

- F1** Words in s. 488 heading substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 71\(2\)](#), 89 (with [Sch. 8 paras. 90-96](#))
- F2** Words in s. 488(1)(a) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 71\(3\)\(a\)](#), 89 (with [Sch. 8 paras. 90-96](#))
- F3** Word in s. 488(1)(b) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 71\(3\)\(b\)](#), 89 (with [Sch. 8 paras. 90-96](#))

489 “The applicable period” in relation to shares

- (1) This section sets out how the applicable period in relation to any shares (“the relevant shares”) is determined for the purposes of section 488.
- (2) The length of the applicable period depends on whether any shares in the relevant company were readily convertible assets at the time the relevant shares were acquired by the trustees.
- (3) If any were, the applicable period is the period of two years beginning with the acquisition date.
- (4) If none were, the applicable period is—
- (a) the period of 5 years beginning with the acquisition date, or
 - (b) if within that period any shares in the relevant company become readily convertible assets, the period of two years beginning with the date on which they did so,
- whichever ends first.
- (5) Subsections (2) to (4) are subject to subsection (6).
- (6) If the relevant shares were acquired by the trustees by virtue of a payment in respect of which a deduction is allowed under [^{F4}section 989 of CTA 2009] (deduction for contribution to plan trust), the applicable period is the period of 10 years beginning with the acquisition date.
- (7) In this section—
- “the acquisition date” means the date on which the trustees acquired the relevant shares,
- “readily convertible assets” has, subject to subsection (8), the meaning given by sections 701 and 702 of ITEPA 2003, and
- “the relevant company” means the company in which the relevant shares are shares.
- (8) In determining for the purposes of this section whether shares are readily convertible assets, ignore any market for the shares that—
- (a) is created by virtue of the trustees acquiring shares for the purposes of the [^{F5}Schedule 2] share incentive plan, and
 - (b) exists solely for the purposes of that plan.

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Textual Amendments

- F4** Words in s. 489(6) substituted (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 1 para. 702** (with [Sch. 2 Pts. 1, 2](#))
- F5** Words in s. 489(8)(a) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 72, 89** (with [Sch. 8 paras. 90-96](#))

490 Interpretation of Chapter

- (1) This Chapter forms part of the SIP code (see section 488 of ITEPA 2003 (^{F6}... share incentive plans)).
- (2) Therefore expressions used in this Chapter and contained in the index at the end of Schedule 2 to ITEPA 2003 have the meaning indicated by that index.
- (3) For the purposes of this Chapter shares which are subject to provision for forfeiture are treated as acquired by the trustees if and when the forfeiture occurs.

Textual Amendments

- F6** Word in s. 490(1) omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), **Sch. 8 paras. 73, 89** (with [Sch. 8 paras. 90-96](#))

Changes to legislation:

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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. 24B inserted by [2023 c. 30 Sch. 2 para. 10\(3\)](#)
- s. 788(7) inserted by [2007 c. 29 Sch. 21 para. 161\(b\)](#) (The amending provision was repealed before coming into force.)