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*Changes to legislation: There are currently no known outstanding effects  
for the Finance Act 2013, SCHEDULE 2. (See end of Document for details)*

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## SCHEDULES

### SCHEDULE 2

Section 14

#### TAX ADVANTAGED EMPLOYEE SHARE SCHEMES

##### PART 1

##### RETIREMENT OF PARTICIPANTS

###### *Introduction*

- 1 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

###### *Share incentive plans*

- 2 In section 498 (no charge on shares ceasing to be subject to plan in certain circumstances) in subsection (2)(e) omit the words from “on” to “2”.
- 3 In Part 4 of Schedule 2 (types of shares that may be awarded) in paragraph 32 (provision for forfeiture) in sub-paragraph (2)(e) omit the words from “on” to “98”.
- 4 Part 11 of Schedule 2 (supplementary provisions) is amended as follows.
- 5 Omit paragraph 98 (meaning of “specified retirement age”).
- 6 In paragraph 100 (index of defined expressions) omit the entry for “the specified retirement age”.

###### *SAYE option schemes*

- 7 Part 6 of Schedule 3 (requirements etc relating to share options) is amended as follows.
- 8 In paragraph 27 (introduction) in sub-paragraph (1)—
- (a) omit the entry for paragraph 31,
  - (b) after the entry for paragraph 32 insert “ and ”, and
  - (c) omit the entry for paragraph 33 and the “and” after it.
- 9 In paragraph 30 (time for exercising options) in sub-paragraph (2)(a)—
- (a) for “32 to” substitute “ 32, ”, and
  - (b) omit “reaching the specified age without retiring”.
- 10 Omit paragraph 31 (requirement to have a “specified age”).
- 11 Omit paragraph 33 (exercise of options: reaching specified age without retiring).
- 12 In paragraph 34 (exercise of options: scheme-related employment ends) in sub-paragraph (2)(b) omit the words from “on” to “employment”.

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- 13 In Part 9 of Schedule 3 (supplementary provisions) in paragraph 49 (index of defined expressions) omit the entry for “specified age”.

*CSOP schemes*

- 14 In section 524 (no charge in respect of exercise of option) in subsection (2C) omit the definition of “retirement” and the “and” before it.
- 15 In Part 8 of Schedule 4 (supplementary provisions) omit paragraph 35A (retirement age).

*Transitional provision*

- 16 The amendment made by paragraph 11 above has no effect in relation to options granted before the day on which this Act is passed; and the effect of the amendments made by paragraphs 8 to 10 and 13 above is limited accordingly.
- 17 (1) A SIP, SAYE option scheme or CSOP scheme approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendments made by this Part of this Schedule.
- (2) In relation to any shares awarded under a SIP before that day which are subject to provision for forfeiture, that provision has effect with any modifications needed to reflect the amendment made by paragraph 3 above.
- (3) Because of paragraphs 48 and 58 below, that amendment is not relevant to shares awarded under a SIP on or after that day.

**PART 2**

“GOOD LEAVERS” (OTHER THAN RETIREES)

*Introduction*

- 18 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

*Share incentive plans*

- 19 In section 498 (no charge on shares ceasing to be subject to plan in certain circumstances) after subsection (2) insert—

“(3) A participant is not liable to income tax on shares (“the relevant shares”) in a company (“the relevant company”) being withdrawn from the plan if—

(a) the withdrawal of the relevant shares from the plan relates to—

- (i) a transaction resulting from a compromise, arrangement or scheme falling within subsection (9),
- (ii) an offer forming part of a general offer falling within subsection (10), or
- (iii) the application of sections 979 to 982 or 983 to 985 of the Companies Act 2006 in the case of a takeover offer (as defined in section 974 of that Act) falling within subsection (13), and

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- (b) as a result of, as the case may be—
    - (i) the transaction,
    - (ii) the offer, or
    - (iii) the application of sections 979 to 982 or 983 to 985 of the Companies Act 2006,the participant receives cash (and no other assets) in exchange for the relevant shares.
- (4) For the purposes of subsection (3)(b) it does not matter if the participant receives other assets in exchange for shares other than the relevant shares.
- (5) Subsection (3) does not apply to the relevant shares (or to a proportion of them) if in connection with, as the case may be—
  - (a) the compromise, arrangement or scheme,
  - (b) the general offer, or
  - (c) the takeover offer,a course of action was open to the participant which, had it been followed, would have resulted in other assets being received in exchange for the relevant shares (or the proportion of them) instead of cash.
- (6) Subsection (3) does not apply to the relevant shares (or to a proportion of them) if it is reasonable to suppose that the relevant shares (or the proportion of them) would not have been awarded to the participant—
  - (a) had, as the case may be—
    - (i) the compromise, arrangement or scheme,
    - (ii) the general offer, or
    - (iii) the takeover offer,not been made, or
  - (b) had any arrangements for the making of—
    - (i) a compromise, arrangement or scheme which would fall within subsection (9),
    - (ii) a general offer which would fall within subsection (10), or
    - (iii) a takeover offer (as defined in section 974 of the Companies Act 2006) which would fall within subsection (13),which were in place or under consideration at any time not been in place or under consideration.
- (7) In subsection (6) the reference to shares being awarded to the participant is to be read, in the case of dividend shares, as a reference to the shares being acquired by the trustees on the participant's behalf.
- (8) In subsection (6)(b) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.
- (9) A compromise, arrangement or scheme falls within this subsection if it is applicable to or affects—
  - (a) all the ordinary share capital of the relevant company or all the shares of the same class as the relevant shares, or
  - (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or their participation in an approved SIP.

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- (10) A general offer falls within this subsection if—
- (a) it is made to holders of shares of the same class as the relevant shares or to holders of shares in the relevant company, and
  - (b) it is made in the first instance on a condition such that if it is satisfied the person making the offer will have control of the relevant company.
- (11) For the purposes of subsection (10) it does not matter if the general offer is made to different shareholders by different means.
- (12) In subsection (10)(b) “control” has the meaning given by sections 450 and 451 of CTA 2010.
- (13) A takeover offer falls within this subsection if—
- (a) it relates to the relevant company, and
  - (b) where there is more than one class of share in the relevant company, the class or classes to which it relates is or include the class of the relevant shares.”
- 20 (1) In Part 5 of Schedule 2 (free shares) in paragraph 37 (holding period: power of participant to direct trustees to accept general offers etc) after sub-paragraph (6) insert—
- “(7) For the purposes of sub-paragraph (5) it does not matter if the general offer is made to different shareholders by different means.
- (8) If in the case of a takeover offer (as defined in section 974 of the Companies Act 2006) there arises a right under section 983 of that Act to require the offeror to acquire the participant's free shares, or such of them as are of a particular class, the participant may direct the trustees to exercise that right.”
- (2) A SIP approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendment made by this paragraph.

*SAYE option schemes*

- 21 In section 519 (no charge in respect of exercise of option) after subsection (3) insert—
- “(3A) In relation to any shares acquired by the exercise of the share option, no liability to income tax arises in respect of its exercise if—
- (a) the individual exercises the option before the third anniversary of the date on which the option was granted at a time when the SAYE option scheme is approved,
  - (b) the option is exercised by virtue of a provision included in the scheme—
    - (i) under paragraph 37(1) of Schedule 3 where the relevant date is the relevant date for the purposes of paragraph 37(2) or (4), or
    - (ii) under paragraph 37(6) of Schedule 3,
  - (c) as a result of, as the case may be—
    - (i) the general offer,

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- (ii) the compromise or arrangement, or
      - (iii) the takeover offer,
    - the individual receives cash (and no other assets) in exchange for the shares,
  - (d) when the decision to grant the option was taken—
    - (i) the general offer,
    - (ii) the compromise or arrangement, or
    - (iii) the takeover offer,as the case may be, had not been made,
  - (e) when that decision was taken, no arrangements were in place or under consideration for—
    - (i) the making of a general offer which would fall within subsection (3D),
    - (ii) the making of any compromise or arrangement which would fall within subsection (3H), or
    - (iii) the making of a takeover offer (as defined in section 974 of the Companies Act 2006) which would fall within subsection (3I),
  - (f) if the scheme includes a provision under paragraph 38 of Schedule 3 (“the paragraph 38 provision”), in connection with—
    - (i) the general offer,
    - (ii) the compromise or arrangement, or
    - (iii) the takeover offer,as the case may be, no course of action was open to the individual which, had it been followed, would have resulted in the individual making an agreement under the paragraph 38 provision which would have prevented the individual from acquiring the shares by the exercise of the option, and
  - (g) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.
- (3B) In subsection (3A)(c)(iii), (d)(iii) and (f)(iii) “the takeover offer” means the takeover offer (as defined in section 974 of the Companies Act 2006) giving rise to the application of sections 979 to 982 or 983 to 985 of that Act.
- (3C) In subsection (3A)(e) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.
- (3D) A general offer falls within this subsection if it is—
- (a) a general offer to acquire the whole of the issued ordinary share capital of the relevant company which is made on a condition such that, if it is met, the person making the offer will have control of the relevant company, or
  - (b) a general offer to acquire all the shares in the relevant company which are of the same class as those acquired by the exercise of the option.
- (3E) In subsection (3D)(a) the reference to the issued ordinary share capital of the relevant company does not include any capital already held by the person making the offer or a person connected with that person and in

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subsection (3D)(b) the reference to the shares in the relevant company does not include any shares already held by the person making the offer or a person connected with that person.

(3F) For the purposes of subsection (3D)(a) and (b) it does not matter if the general offer is made to different shareholders by different means.

(3G) For the purposes of subsection (3D)(a) a person is to be treated as obtaining control of a company if that person and others acting in concert together obtain control of it.

(3H) A compromise or arrangement falls within this subsection if it is applicable to or affects—

- (a) all the ordinary share capital of the relevant company or all the shares of the same class as those acquired by the exercise of the option, or
- (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in an approved SAYE option scheme.

(3I) A takeover offer falls within this subsection if—

- (a) it relates to the relevant company, and
- (b) where there is more than one class of share in the relevant company, the class or classes to which it relates is or include the class of the shares acquired by the exercise of the option.

(3J) In subsections (3D), (3H) and (3I) “the relevant company” means the company whose shares are acquired by the exercise of the option.”

22 Part 6 of Schedule 3 (requirements etc relating to share options) is amended as follows.

23 (1) Paragraph 34 (exercise of options: scheme-related employment ends) is amended as follows.

(2) In sub-paragraph (2)—

- (a) omit the “or” after paragraph (a), and
- (b) after paragraph (b) insert—
  - “(c) a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or
  - (d) if P holds office or is employed in a company which is an associated company (as defined in paragraph 35(4)) of the scheme organiser, that company ceasing to be an associated company of the scheme organiser by reason of a change of control (as determined in accordance with sections 450 and 451 of CTA 2010),”.

(3) In sub-paragraphs (4) and (5A)(b) for “or (b)” substitute “to (d) ”.

(4) A SAYE option scheme approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendments made by this paragraph.

24 (1) Paragraph 37 (exercise of options: company events) is amended as follows.

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- (2) After sub-paragraph (3) insert—
- “(3A) In sub-paragraph (3)(a) the reference to the issued ordinary share capital of the company does not include any capital already held by the person making the offer or a person connected with that person and in sub-paragraph (3)(b) the reference to the shares in the company does not include any shares already held by the person making the offer or a person connected with that person.
- (3B) For the purposes of sub-paragraph (3)(a) and (b) it does not matter if the general offer is made to different shareholders by different means.”
- (3) A SAYE option scheme approved before the day on which this Act is passed which contains provision under paragraph 37(1) of Schedule 3 to ITEPA 2003 by reference to paragraph 37(2) has effect with any modifications needed to reflect the amendment made by sub-paragraph (2).
- (4) In sub-paragraph (4) for the words from “proposed” to the end substitute “applicable to or affecting—
- (a) all the ordinary share capital of the company or all the shares of the same class as the shares to which the option relates, or
- (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in an approved SAYE option scheme.”
- (5) A SAYE option scheme approved before the day on which this Act is passed which contains provision under paragraph 37(1) of Schedule 3 to ITEPA 2003 by reference to paragraph 37(4) has effect with any modifications needed to reflect the amendment made by sub-paragraph (4).
- (6) In sub-paragraph (6)—
- (a) after “982” insert “ or 983 to 985 ”, and
- (b) after “shareholder” insert “ etc ”.
- (7) A SAYE option scheme approved before the day on which this Act is passed which contains provision under paragraph 37(6) of Schedule 3 to ITEPA 2003 has effect with any modifications needed to reflect the amendments made by sub-paragraph (6).
- 25 (1) In Part 7 of Schedule 3 (exercise of share options) paragraph 38 (exchange of options on company reorganisation) is amended as follows.
- (2) In sub-paragraph (2)(c)—
- (a) after “982” insert “ or 983 to 985 ”, and
- (b) after “shareholder” insert “ etc ”.
- (3) After sub-paragraph (2) insert—
- “(2A) In sub-paragraph (2)(a)(i) the reference to the issued ordinary share capital of the scheme company does not include any capital already held by the person making the offer or a person connected with that person and in sub-paragraph (2)(a)(ii) the reference to the shares in the scheme company does not include any shares already held by the person making the offer or a person connected with that person.

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(2B) For the purposes of sub-paragraph (2)(a)(i) and (ii) it does not matter if the general offer is made to different shareholders by different means.”

- (4) A SAYE option scheme approved before the day on which this Act is passed which contains provision under paragraph 38 of Schedule 3 to ITEPA 2003 has effect with any modifications needed to reflect the amendments made by this paragraph.

*CSOP schemes*

- 26 (1) Section 524 (no charge in respect of exercise of option) is amended as follows.
- (2) In subsection (2B) for paragraph (a) substitute—
- “(a) has ceased to be in qualifying employment because of—
- (i) injury, disability, redundancy or retirement,
- (ii) a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or
- (iii) in the case of a group scheme where the qualifying employment is as a director or employee of a constituent company, that company ceasing to be controlled by the scheme organiser, and”.
- (3) After subsection (2B) insert—
- “(2BA) For the purposes of subsection (2B) an individual is in “qualifying employment” if the individual is a full-time director or qualifying employee (as defined in paragraph 8(2) of Schedule 4) of—
- (a) the scheme organiser, or
- (b) in the case of a group scheme, a constituent company.”
- (4) In subsection (2C) for “(2B)” substitute “ (2B)(a)(i) ”.
- (5) After subsection (2C) insert—
- “(2D) Subsection (2B)(a)(iii) does not cover a case where the constituent company was controlled by the scheme organiser by virtue of paragraph 34 of Schedule 4 (jointly owned companies).
- (2E) In relation to any shares acquired by the exercise of the share option, no liability to income tax arises in respect of its exercise if—
- (a) the individual exercises the option before the third anniversary of the date on which the option was granted at a time when the CSOP scheme is approved,
- (b) the option is exercised by virtue of a provision included in the scheme under paragraph 25A of Schedule 4,
- (c) as a result of, as the case may be—
- (i) the general offer,
- (ii) the compromise or arrangement, or
- (iii) the takeover offer,
- the individual receives cash (and no other assets) in exchange for the shares,
- (d) when the decision to grant the option was taken—



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- (i) the general offer,
    - (ii) the compromise or arrangement, or
    - (iii) the takeover offer,as the case may be, had not been made,
  - (e) when that decision was taken, no arrangements were in place or under consideration for—
    - (i) the making of a general offer which would fall within subsection (2H),
    - (ii) the making of any compromise or arrangement which would fall within subsection (2L), or
    - (iii) the making of a takeover offer (as defined in section 974 of the Companies Act 2006) which would fall within subsection (2M),
  - (f) if the scheme includes a provision under paragraph 26 of Schedule 4 (“the paragraph 26 provision”), in connection with—
    - (i) the general offer,
    - (ii) the compromise or arrangement, or
    - (iii) the takeover offer,as the case may be, no course of action was open to the individual which, had it been followed, would have resulted in the individual making an agreement under the paragraph 26 provision which would have prevented the individual from acquiring the shares by the exercise of the option, and
  - (g) the avoidance of tax or national insurance contributions is not the main purpose (or one of the main purposes) of any arrangements under which the option was granted or is exercised.
- (2F) In subsection (2E)(c)(iii), (d)(iii) and (f)(iii) “the takeover offer” means the takeover offer (as defined in section 974 of the Companies Act 2006) giving rise to the application of sections 979 to 982 or 983 to 985 of that Act.
- (2G) In subsection (2E)(e) “arrangements” includes any plan, scheme, agreement or understanding, whether or not legally enforceable.
- (2H) A general offer falls within this subsection if it is—
- (a) a general offer to acquire the whole of the issued ordinary share capital of the relevant company which is made on a condition such that, if it is met, the person making the offer will have control of the relevant company, or
  - (b) a general offer to acquire all the shares in the relevant company which are of the same class as those acquired by the exercise of the option.
- (2I) In subsection (2H)(a) the reference to the issued ordinary share capital of the relevant company does not include any capital already held by the person making the offer or a person connected with that person and in subsection (2H)(b) the reference to the shares in the relevant company does not include any shares already held by the person making the offer or a person connected with that person.
- (2J) For the purposes of subsection (2H)(a) and (b) it does not matter if the general offer is made to different shareholders by different means.

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- (2K) For the purposes of subsection (2H)(a) a person is to be treated as obtaining control of a company if that person and others acting in concert together obtain control of it.
- (2L) A compromise or arrangement falls within this subsection if it is applicable to or affects—
- (a) all the ordinary share capital of the relevant company or all the shares of the same class as those acquired by the exercise of the option, or
  - (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in an approved CSOP scheme.
- (2M) A takeover offer falls within this subsection if—
- (a) it relates to the relevant company, and
  - (b) where there is more than one class of share in the relevant company, the class or classes to which it relates is or include the class of the shares acquired by the exercise of the option.
- (2N) In subsections (2H), (2L) and (2M) “the relevant company” means the company whose shares are acquired by the exercise of the option.”
- 27 Part 5 of Schedule 4 (requirements etc relating to share options) is amended as follows.
- 28 In paragraph 21 (introduction) in sub-paragraph (2)—
- (a) after the entry for paragraph 24 omit “or”, and
  - (b) after the entry for paragraph 25 insert “, or
- paragraph 25A (exercise of options: company events)”.
- 29 After paragraph 25 insert—

*“Exercise of options: company events*

- 25A (1) The scheme may provide that share options relating to shares in a company may be exercised within 6 months after the relevant date for the purposes of sub-paragraph (2) or (6).
- (2) The relevant date for the purposes of this sub-paragraph is the date when—
- (a) a person has obtained control of the company as a result of making an offer falling within sub-paragraph (3), and
  - (b) any condition subject to which the offer is made has been satisfied.
- (3) An offer falls within this sub-paragraph if it is—
- (a) a general offer to acquire the whole of the issued ordinary share capital of the company which is made on a condition such that, if it is met, the person making the offer will have control of the company, or
  - (b) a general offer to acquire all the shares in the company which are of the same class as the shares to which the option relates.
- (4) In sub-paragraph (3)(a) the reference to the issued ordinary share capital of the company does not include any capital already held by the person making

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- the offer or a person connected with that person and in sub-paragraph (3) (b) the reference to the shares in the company does not include any shares already held by the person making the offer or a person connected with that person.
- (5) For the purposes of sub-paragraph (3)(a) and (b) it does not matter if the general offer is made to different shareholders by different means.
- (6) The relevant date for the purposes of this sub-paragraph is the date when the court sanctions under section 899 of the Companies Act 2006 (court sanction for compromise or arrangement) a compromise or arrangement applicable to or affecting—
- (a) all the ordinary share capital of the company or all the shares of the same class as the shares to which the option relates, or
  - (b) all the shares, or all the shares of that same class, which are held by a class of shareholders identified otherwise than by reference to their employment or directorships or their participation in an approved CSOP scheme.
- (7) The scheme may provide that share options relating to shares in a company may be exercised at any time when any person is bound or entitled to acquire shares in the company under sections 979 to 982 or 983 to 985 of the Companies Act 2006 (takeover offers: right of offeror to buy out minority shareholder etc).
- (8) For the purposes of this paragraph a person is to be treated as obtaining control of a company if that person and others acting in concert together obtain control of it.”
- 30 (1) In Part 6 of Schedule 4 (exercise of share options) paragraph 26 (exchange of options on company reorganisation) is amended as follows.
- (2) In sub-paragraph (2)(c)—
- (a) after “982” insert “ or 983 to 985 ”, and
  - (b) after “shareholder” insert “ etc ”.
- (3) After sub-paragraph (2) insert—
- “(2A) In sub-paragraph (2)(a)(i) the reference to the issued ordinary share capital of the scheme company does not include any capital already held by the person making the offer or a person connected with that person and in sub-paragraph (2)(a)(ii) the reference to the shares in the scheme company does not include any shares already held by the person making the offer or a person connected with that person.
- (2B) For the purposes of sub-paragraph (2)(a)(i) and (ii) it does not matter if the general offer is made to different shareholders by different means.”
- (4) A CSOP scheme approved before the day on which this Act is passed which contains provision under paragraph 26 of Schedule 4 to ITEPA 2003 has effect with any modifications needed to reflect the amendments made by this paragraph.
- Enterprise management incentives*
- 31 (1) In Part 6 of Schedule 5 (company reorganisations) in paragraph 39 (introduction) after sub-paragraph (3) insert—

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“(4) In sub-paragraph (2)(a)(i) the reference to the issued share capital of the company does not include any capital already held by the person making the offer or a person connected with that person and in sub-paragraph (2)(a)(ii) the reference to the shares in the company does not include any shares already held by the person making the offer or a person connected with that person.

(5) For the purposes of sub-paragraph (2)(a)(i) and (ii) it does not matter if the general offer is made to different shareholders by different means.”

(2) The amendment made by this paragraph comes into force on such day as the Treasury may by order appoint.

**Commencement Information**

**II** Sch. 2 para. 31(1) in force at 31.10.2013 in so far as not already in force by [S.I. 2013/2796, art. 2](#)

**PART 3**

MATERIAL INTEREST RULES

*Introduction*

32 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

*Share incentive plans*

33 Part 3 of Schedule 2 (eligibility of individuals) is amended as follows.

34 In paragraph 13 (introduction)—

- (a) after the entry for paragraph 18 insert “ and ”, and
- (b) omit the entry for paragraph 19 and the “and” before it.

35 In paragraph 14 (time of eligibility to participate) in sub-paragraph (7)—

- (a) after paragraph (b) insert “ and ”, and
- (b) omit paragraph (c) and the “and” before it.

36 Omit paragraphs 19 to 24 (the “no material interest” requirement).

37 In Part 11 of Schedule 2 (supplementary provisions) in paragraph 100 (index of defined expressions), in the entry for “close company”, omit “(and see paragraph 20(4))”.

38 (1) The amendments made by paragraphs 33 to 37 above have effect for the purpose of determining whether an individual is eligible to participate in an award of shares on the day on which this Act is passed or any later day.

(2) A SIP approved before the day on which this Act is passed has effect accordingly with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by those paragraphs.

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### *SAYE option schemes*

- 39 Part 3 of Schedule 3 (eligibility of individuals) is amended as follows.
- 40 In paragraph 9 (introduction) omit the entry for paragraph 11 and the “and” before it.
- 41 Omit paragraphs 11 to 16 (the “no material interest” requirement).
- 42 In Part 9 of Schedule 3 (supplementary provisions) in paragraph 49 (index of defined expressions), in the entry for “close company”, omit “(and see paragraph 11(4))”.
- 43 (1) The amendments made by paragraphs 39 to 42 above have effect for the purpose of determining whether an individual is eligible to participate in a scheme on the day on which this Act is passed or any later day.
- (2) A SAYE option scheme approved before the day on which this Act is passed has effect accordingly with the omission of any provision falling within a provision of Schedule 3 to ITEPA 2003 omitted by those paragraphs.

### *CSOP schemes*

- 44 (1) In Part 3 of Schedule 4 (eligibility of individuals) in paragraphs 10(2) and (3), 11(3) and (4) and 13(2) (which relate to the “no material interest” requirement) for “25%” substitute “ 30% ”.
- (2) The amendments made by this paragraph have effect for the purpose of determining whether a person is eligible to participate in a scheme on the day on which this Act is passed or any later day (by altering what constitutes a material interest on that day and within the 12 months preceding that day).
- (3) A CSOP scheme approved before the day on which this Act is passed has effect with any modifications needed to reflect the amendments made by this paragraph.

## **PART 4**

### **RESTRICTED SHARES**

#### *Introduction*

- 45 Part 7 of ITEPA 2003 (employment income: income and exemptions relating to securities) is amended as follows.

#### *Share incentive plans*

- 46 Part 4 of Schedule 2 (types of shares that may be awarded) is amended as follows.
- 47 In paragraph 25 (introduction) in sub-paragraph (1)—
- (a) after the entry for paragraph 28 insert “ and ”, and
- (b) omit the entry for paragraph 30 and the “and” before it.
- 48 Omit paragraphs 30 to 33 (only certain kinds of restrictions allowed).
- 49 In Part 5 of Schedule 2 (free shares) in paragraph 35 (maximum annual award) omit sub-paragraphs (3) and (4).

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- 50 In Part 6 of Schedule 2 (partnership shares) in paragraph 43 (introduction) after sub-paragraph (2) insert—
- “(2A) The plan must provide that partnership shares are not to be subject to any provision for forfeiture.”
- 51 In Part 7 of Schedule 2 (matching shares) in paragraph 59 (general requirement for matching shares) omit sub-paragraph (2).
- 52 In Part 9 of Schedule 2 (trustees) in paragraph 75 (duty to give notice of award of shares etc) in sub-paragraphs (2) and (3) after paragraph (a) insert—
- “(aa) if the shares are subject to any restriction, giving details of the restriction,”.
- 53 (1) In Part 10 of Schedule 2 (approval of plans) paragraph 84 (disqualifying events) is amended as follows.
- (2) In sub-paragraph (3)—
- (a) after paragraph (b) insert “ or ”, and
- (b) omit paragraph (c) and the “or” after it.
- (3) In sub-paragraph (4)(b) for “provision for forfeiture” substitute “ restriction ”.
- 54 Part 11 of Schedule 2 (supplementary provision) is amended as follows.
- 55 In paragraph 92 (determination of market value) for sub-paragraph (2) substitute—
- “(2) For the purposes of this Schedule the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 56 In paragraph 99 (minor definitions) after sub-paragraph (3) insert—
- “(4) For the purposes of the SIP code—
- (a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and
- (b) the “restriction” is that provision.”
- 57 In paragraph 100 (index of defined expressions) at the appropriate place insert—
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- “restriction (in relation to shares)                      paragraph 99(4)”.
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- 58 (1) The amendments made by paragraphs 46 to 48 and 50 to 52 above have effect in relation to awards of shares made on or after the day on which this Act is passed.
- (2) A SIP approved, or a trust instrument made, before that day has effect with any modifications needed to reflect the amendments made by paragraphs 46 to 57 above.
- (3) In particular, in relation to awards of shares on or after that day, such a SIP has effect with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by paragraph 48 above.

*SAYE option schemes*

- 59 Part 4 of Schedule 3 (shares to which schemes can apply) is amended as follows.

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- 60 In paragraph 17 (introduction) in sub-paragraph (1)—  
    (a) after the entry for paragraph 20 insert “ and ”, and  
    (b) omit the entry for paragraph 21 and the “and” after it.
- 61 Omit paragraph 21 (only certain kinds of restrictions allowed).
- 62 In Part 6 of Schedule 3 (requirements etc relating to share options) in paragraph 28 (requirements as to price of acquisition of shares) after sub-paragraph (4) insert—  
    “(5) At the time a share option is granted—  
        (a) it must be stated whether or not the shares which may be acquired by the exercise of the option may be subject to any restriction, and  
        (b) if so, the details of the restriction must also be stated.  
  
        (6) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 63 In Part 7 of Schedule 3 (exchange of share options) in paragraph 39 (requirements about share options granted in exchange) after sub-paragraph (6) insert—  
    “(7) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”
- 64 Part 9 of Schedule 3 (supplementary provisions) is amended as follows.
- 65 In paragraph 48 (minor definitions) after sub-paragraph (2) insert—  
    “(3) For the purposes of the SAYE code—  
        (a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and  
        (b) the “restriction” is that provision.”
- 66 In paragraph 49 (index of defined expressions) at the appropriate place insert—  
    

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“restriction (in relation to shares)	paragraph 48(3)”.
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- 67 (1) The amendments made by paragraphs 59 to 62 above have effect in relation to options granted on or after the day on which this Act is passed.  
(2) The amendment made by paragraph 63 above has effect for cases where the old options are granted on or after that day.  
(3) A SAYE option scheme approved before that day has effect with any modifications needed to reflect the amendments made by paragraphs 59 to 66 above.  
(4) In particular, in relation to options granted on or after that day, such a SAYE option scheme has effect with the omission of any provision falling within a provision of Schedule 3 to ITEPA 2003 omitted by paragraph 61 above.

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*CSOP schemes*

68 In Part 2 of Schedule 4 (general requirements for approval) in paragraph 6 (limit on value of shares subject to options) after sub-paragraph (3) insert—

“(4) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”

69 Part 4 of Schedule 4 (shares to which schemes can apply) is amended as follows.

70 In paragraph 15 (introduction)—

(a) after the entry for paragraph 18 insert “ and ”, and

(b) omit the entry relating to paragraph 19 and the “and” after it.

71 Omit paragraph 19 (only certain kinds of restrictions allowed).

72 In Part 5 of Schedule 4 (requirements etc relating to share options) in paragraph 22 after sub-paragraph (4) insert—

“(5) At the time a share option is granted—

(a) it must be stated whether or not the shares which may be acquired by the exercise of the option may be subject to any restriction, and

(b) if so, the details of the restriction must also be stated.

(6) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”

73 In Part 6 of Schedule 4 (exchange of share options) in paragraph 27 (requirements about share options granted in exchange) after sub-paragraph (6) insert—

“(7) For the purposes of this paragraph the market value of shares subject to a restriction is to be determined as if they were not subject to the restriction.”

74 Part 8 of Schedule 4 (supplementary provisions) is amended as follows.

75 In paragraph 36 (minor definitions) after sub-paragraph (2) insert—

“(3) For the purposes of the CSOP code—

(a) shares are subject to a “restriction” if there is any contract, agreement, arrangement or condition which makes provision to which any of subsections (2) to (4) of section 423 (restricted securities) would apply if the references in those subsections to the employment-related securities were to the shares, and

(b) the “restriction” is that provision.”

76 In paragraph 37 (index of defined expressions) at the appropriate place insert—

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“restriction (in relation to shares)                      paragraph 36(3)”.

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77 (1) The amendment made by paragraph 68 above has effect for the purpose of determining whether options may be granted to an individual on or after the day on which this Act is passed; but the amendment is to be ignored in determining the market value of any shares to which an option granted before that day relates.



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- (2) The amendments made by paragraphs 69 to 72 above have effect in relation to options granted on or after that day.
- (3) The amendment made by paragraph 73 above has effect for cases where the old options are granted on or after that day.
- (4) A CSOP scheme approved before that day has effect with any modifications needed to reflect the amendments made by paragraphs 68 to 76 above.
- (5) In particular, in relation to options granted on or after that day, such a CSOP scheme has effect with the omission of any provision falling within a provision of Schedule 4 to ITEPA 2003 omitted by paragraph 71 above.

## PART 5

### SHARE INCENTIVE PLANS: PARTNERSHIP SHARES

- 78 Schedule 2 to ITEPA 2003 is amended as follows.
- 79 (1) In Part 6 (partnership shares) paragraph 52 (application of money deducted in accumulation period) is amended as follows.
- (2) After sub-paragraph (2) insert—
    - “(2A) The number of shares awarded to the employee must be determined in accordance with one of sub-paragraphs (3), (3A) and (3B) and the partnership share agreement must specify which one of those sub-paragraphs is to apply for the purposes of the agreement.”
  - (3) In sub-paragraph (3) for “The number of shares awarded to each” substitute “ If the agreement specifies that this sub-paragraph is to apply, the number of shares awarded to the ”.
  - (4) After sub-paragraph (3) insert—
    - “(3A) If the agreement specifies that this sub-paragraph is to apply, the number of shares awarded to the employee must be determined in accordance with the market value of the shares at the beginning of the accumulation period.
    - (3B) If the agreement specifies that this sub-paragraph is to apply, the number of shares awarded to the employee must be determined in accordance with the market value of the shares on the acquisition date.”
  - (5) In sub-paragraphs (4) and (5) for “and (3)” substitute “ to (3B) ”.
- 80 In Part 9 (trustees) in paragraph 75 (duty to give notice of award of shares etc) in sub-paragraph (3) for paragraph (c) substitute—
  - “(c) stating the market value in accordance with which the number of shares awarded to the employee was determined.”
- 81 (1) The amendments made by paragraphs 79 and 80 above have effect in relation to partnership share agreements made on or after the day on which this Act is passed.
- (2) A trust instrument made before that day has effect with any modifications needed to reflect the amendment made by paragraph 80 above.

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2013, SCHEDULE 2. (See end of Document for details)*

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## PART 6

### SHARE INCENTIVE PLANS: DIVIDEND SHARES

#### *Introduction*

82 Part 8 of Schedule 2 to ITEPA 2003 (cash dividends and dividend shares) is amended as follows.

#### *Company's power to direct reinvestment of cash dividends*

83 (1) Paragraph 62 (reinvestment of dividends) is amended as follows.

(2) In sub-paragraph (1) for the first “all” substitute “ some or all of the ”.

(3) After sub-paragraph (1) insert—

“(1A) The company's direction must set out—

- (a) the amount of the cash dividends to be applied as mentioned in sub-paragraph (1), or
- (b) how that amount is to be determined.”

(4) In sub-paragraph (4) after “may” insert “ modify or ”.

84 In paragraph 68 (reinvestment: amounts to be carried forward) for sub-paragraph (1) substitute—

“(1) This paragraph applies where an amount is not reinvested because it is not sufficient to acquire a share.”

85 In paragraph 69 (cash dividends with no requirement to reinvest) in sub-paragraph (2) for “which” substitute “ so far as they ”.

86 (1) A SIP approved before the day on which this Act is passed which contains provision under paragraph 62(1) of Schedule 2 to ITEPA 2003 has effect with any modifications needed to reflect the amendments made by paragraphs 83 to 85 above.

(2) Sub-paragraph (3) applies to a direction requiring the reinvestment of cash dividends which is given before that day.

(3) For the purposes of paragraph 62(1A) of Schedule 2 to ITEPA 2003 the direction is to be treated as requiring the reinvestment of all the cash dividends, subject to any modification of the direction which is made on or after that day under paragraph 62(4) of that Schedule.

#### *Removal of limit on amount reinvested*

87 In paragraph 63 (requirements to be met as regards cash dividends) in sub-paragraph (1) omit the entry for paragraph 64.

88 Omit paragraph 64 (limit on amount reinvested).

89 (1) The amendments made by paragraphs 87 and 88 above have effect in relation to the tax year 2013-14 and subsequent tax years.

(2) A SIP approved before 6 April 2013 has effect accordingly with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by paragraph 88 above.

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*Amounts to be carried forward*

- 90 (1) Paragraph 68 (reinvestment: amounts to be carried forward) is amended as follows.
- (2) In sub-paragraph (4)—
- (a) omit paragraph (a) and the “or” after it, and
  - (b) in paragraphs (b) and (c) omit “during that period”.
- (3) Omit sub-paragraph (6).
- (4) The amendments made by this paragraph have effect in relation to amounts held by trustees on or after 6 April 2013 (including amounts originally retained before that date in relation to which an event falling within paragraph 68(4)(a) to (c) of Schedule 2 to ITEPA 2003 did not occur before that date).
- (5) A SIP approved before 6 April 2013 has effect accordingly with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by this paragraph.

**PART 7**

SHARE INCENTIVE PLANS: EMPLOYEE SHARE OWNERSHIP TRUSTS

- 91 Part 9 of Schedule 2 to ITEPA 2003 (trustees) is amended as follows.
- 92 In paragraph 70 (introduction) in sub-paragraph (2)—
- (a) after the entry for paragraph 77 insert “ and ”, and
  - (b) omit the entry for paragraph 78.
- 93 (1) Omit paragraph 78 (acquisition of shares from employee share ownership trusts).
- (2) A trust instrument made before the day on which this Act is passed has effect with the omission of any provision falling within a provision of Schedule 2 to ITEPA 2003 omitted by this paragraph.

**PART 8**

ENTERPRISE MANAGEMENT INCENTIVES: CONSEQUENCES OF DISQUALIFYING EVENTS

- 94 (1) In section 532 of ITEPA 2003 (modified tax consequences following disqualifying events) in subsection (1)(b) for “40” substitute “ 90 ”.
- (2) The amendment made by this paragraph has effect in relation to disqualifying events occurring on or after the day on which this Act is passed.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2013, SCHEDULE 2.