

- Shares acquired: post-acquisition charges

This Help Sheet gives you information to help you fill in box 2.30 in the Share Schemes Pages of your Tax Return.

POST-ACQUISITION CHARGES

If you have acquired shares or an interest in shares:

- by reason of your employment, **and**
- at a time when you were resident and ordinarily resident in the United Kingdom, **and**
- not under an offer to the public generally,

you will be taxed on:

- some or all of the increase in the value of your shares in the period after you acquired them if your shares were
 - subject to restrictions, **or**
 - in a subsidiary company
- any special benefits you receive by virtue of your ownership of the shares.

RESTRICTED SHARES

When the value of your shares is increased by an alteration in the rights or any restrictions attaching to them, or to other shares in the company, you have to pay Income Tax on the amount of the increase, **unless**:

- your shares are in a subsidiary company which is a 'dependent' subsidiary (for which there may be a different tax charge - see below), **or**
- all of the shares of the same class as yours are similarly restricted, **and**
 - the majority of them are held by persons other than employees or directors, **or**
 - employees or directors control the company by virtue of their holdings of that class of shares, **or**
 - the company is a subsidiary (other than a 'dependent' subsidiary) which has only one class of shares.

A tax charge arises each time there is an alteration, and more than one charge may arise on the same shares.

Example 1

1.10.94	You acquire 1,000 shares in the company you work for. The shares restrict the right of employees to receive dividends.	
1.10.97	The restriction is lifted so that employee shareholders have dividend rights.	
	Value of share	
	- with dividend rights	£3
	- with no dividend rights	<u>£2</u>
	Increase due to alteration	£1
	1997-98 taxable amount (1,000 x £1)	£1,000

If this applies to any of your shares:

- complete boxes 2.28 and 2.29 on Page S1 of the Share Schemes Pages
- complete boxes 2.42 and 2.43 on Page S2 of the Share Schemes Pages
- complete boxes 2.44, 2.45, 2.47 and 2.48 in the 'Post-acquisition charges' column on Page S2 of the Share Schemes Pages.

Then use Working Sheet 1 to work out the taxable amount.

Working Sheet 1

Market value of each share after restrictions altered	A £ <input type="text"/>
Market value of each share before restrictions altered	B £ <input type="text"/>
	box A minus box B
Increase per share	C £ <input type="text"/>
Number of shares	D <input type="text"/>
	box C x box D
Taxable amount	E £ <input type="text"/>

Enter the taxable amount 'E' in box 2.30 on Page S1 of the Share Schemes Pages.

SHARES IN SUBSIDIARY COMPANIES

If the shares you have acquired are in a company which:

- was a 'dependent' subsidiary when you acquired them, **or**
- has become a 'dependent' subsidiary while you have held the shares

you will have to pay Income Tax on the increase in the value of your shares in a period of up to seven years after you acquire them, or after the company became a dependent subsidiary.

— **What is a dependent subsidiary?**

Every subsidiary company, 51% of whose shares are held by another company, is a dependent subsidiary throughout a period of account (the period for which the company makes up its accounts) **unless**:

- its business is carried on independently from other companies in the same group, **and**
- the directors of the parent company certify this to the Inland Revenue, with a report from the auditors of the subsidiary, within two years of the end of the period of account.

If the company was a dependent subsidiary when you acquired your shares, the increase in value period ends seven years after you acquired them or when you sell your shares, if that is earlier.

If the company became a dependent subsidiary after you acquired your shares, the period ends seven years after the company became a dependent subsidiary or when you sell your shares or the company ceases to be a dependent subsidiary, if that is earlier.

Example 2

1.12.90 You acquire 1,000 shares in a dependent subsidiary company, market value £2 each.
 1.12.97 You still hold the shares, market value £5 each.
 Increase in value in seven year period is £3 a share (£5 minus £2).
1997-98 taxable amount (1,000 x £3) £3,000

Your employer should be able tell you whether the company whose shares you have acquired has been a dependent subsidiary company at any time while you have held the shares.

If this applies to any of your shares:

- complete boxes 2.28 and 2.29 on Page S1 of the Share Schemes Pages
- complete boxes 2.42 and 2.43 on Page S2 of the Share Schemes Pages
- complete boxes 2.44, 2.45 and 2.48 in the 'Post-acquisition charges' column on Page S2 of the Share Schemes Pages

then use Working Sheet 2 to work out the taxable amount to go in box 2.30.

Working Sheet 2

Market value of each share when acquired or (if later) when company became a dependent subsidiary	A	£
Market value of each share seven years after date at which market value is given in box A on page 1, or (if earlier) when you sold shares	B	£
	box B minus box A	
Increase per share	C	£
Number of shares	D	
	box C x box D	
Taxable amount	E	£

Enter the taxable amount 'E' in box 2.30 on Page S1 of the Share Schemes Pages.

SPECIAL SHAREHOLDER BENEFITS

If you have received any benefits through owning your shares you will have to pay Income Tax on the value of those benefits at the time you received them.

Examples of such benefits include bonus or rights issues of shares, cash, and vouchers or tokens exchangeable for cash or services.

You will be taxed only if the benefits are 'special benefits' which:

- were not made available to at least 90% of holders of shares of the same class as yours, **or**
- did not satisfy any of the conditions for exemption set out below, **or**
- are not otherwise chargeable to Income Tax.

The taxable amount is the value of the benefit when you receive it.

— **Conditions for exemption**

You will not be taxed on benefits made available to less than 90% of holders of shares of the same class as yours if, at the time you received your benefits, one of the following conditions applied:

- employees or directors controlled the company by virtue of their holdings of that class of shares, **or**
- the majority of the company's issued shares (for which benefits are received) were not held by
 - directors or employees of the company or of companies associated with it, **and**
 - associated companies (excluding the parent company if the company is a subsidiary rather than a 'dependent subsidiary' company).

Your employer should be able to tell you whether either of these conditions was satisfied when you received your benefits.

If this applies to any of your shares:

- complete boxes 2.28 and 2.29 on Page S1 of the Share Schemes Pages
- complete boxes 2.42 and 2.43 on Page S2 of the Share Schemes Pages
- complete boxes 2.44, 2.45 and 2.48 in the 'Post-acquisition charges' column on Page S2 of the Share Schemes Pages

then use Working Sheet 3 to work out the taxable amount to go in box 2.30.

Working Sheet 3

Value of special benefit received for each share	A	£
Number of shares	B	
	box A x box B	
Taxable amount	C	£

Enter the taxable amount 'C' in box 2.30 on Page S1 of the Share Schemes Pages.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.