

Capital receipts in respect of scheme shares. FA82 s54 513.—(1) Subject to this section, where, in respect of or by reference to any of a participant's shares, the trustees become or the participant becomes entitled, before the release date, to receive any money or money's worth (in this section referred to as a "capital receipt"), the participant shall be chargeable to income tax under Schedule E for the year of assessment in which the entitlement arises on the appropriate percentage (determined as at the time when the trustees become or the participant becomes so entitled) of the amount or value of the receipt.

(2) Money or money's worth shall not be a capital receipt for the purposes of this section if or, as the case may be, to the extent that—

- (a) it constitutes income in the hands of the recipient for the purposes of income tax,
- (b) it consists of the proceeds of a disposal within section 512, or
- (c) it consists of new shares within the meaning of section 514.

(3) Where, pursuant to a direction given by or on behalf of the participant or any person in whom the beneficial interest in the participant's shares is for the time being vested, the trustees—

- (a) dispose of some of the rights arising under a rights issue within the meaning of section 512 (5)(b), and
- (b) use the proceeds of that disposal to exercise other such rights,

the money or money's worth which constitutes the proceeds of that disposal shall not be a capital receipt for the purposes of this section.

(4) Where apart from this subsection the amount or value of a capital receipt would exceed the sum which, immediately before the entitlement to the receipt arose, was the locked-in value of the shares to which the receipt is referable, subsection (1) shall apply as if the amount or value of the receipt were equal to that locked-in value.

(5) Subsection (1) shall not apply in relation to a receipt if the entitlement to it arises after the death of the participant to whose shares it is referable.

(6) Subsection (1) shall not apply in relation to any receipt the amount or value of which (after any reduction under subsection (4)) does not exceed £10.