

Disposals of shares. FA84 s17; FA89 s9(d) 498.—(1) Where an individual disposes of any eligible shares before the end of the relevant period, then—

(a) in a case where the disposal is otherwise than by means of a bargain made at arm's length, the individual shall not be entitled to any relief in respect of those shares, and

(b) in any other case, the amount of relief to which the individual is entitled in respect of those shares shall be reduced by the amount or value of the consideration which the individual receives for those shares.

(2) Subsection (1) shall not apply to a disposal made by a wife to her husband at a time when she is treated as living with him for income tax purposes in accordance with section 1015 or to a disposal made at such a time by him to her; but where shares issued to one of them have been transferred to the other by a transaction inter vivos—

(a) that subsection shall apply on the disposal of the shares by the transferee to a third person, and

(b) if at any time the wife ceases to be treated as living with her husband for income tax purposes in accordance with section 1015 and any of those shares have not been disposed of by the transferee before that time, any assessment for withdrawing relief in respect of those shares shall be made on the transferee.

(3) (a) For the purposes of this subsection, references to an option or an agreement shall include references to a right or obligation to acquire or grant an option or enter into an agreement, and references to the exercise of an option shall include references to the exercise of an option which may be acquired or granted by the exercise of such a right or under such an obligation.

(b) Where in the relevant period an individual, either directly or indirectly—

(i) (I) acquires an option where the exercise of the option, either under the terms of the option or under the terms of any arrangement or undertaking subject to which or otherwise in connection with which the option is acquired, would—

(A) bind the person from whom the option was acquired or any other person, or

(B) cause that person or such other person,

to purchase or otherwise acquire any eligible shares for a price which, having regard to the terms of the option or the terms of such arrangement or undertaking and the net effect of those terms considered as a whole, is other than the market value of the eligible shares at the time the purchase or acquisition is made, or

(II) enters into an agreement where, either under the terms of the agreement or under the terms of any arrangement or understanding subject to which or otherwise in connection with which the agreement is made, it

would—

(A) bind the person with whom the agreement is made or any other person, or

(B) cause that person or such other person,

to purchase or otherwise acquire any eligible shares in the manner described in clause (I),

or

(ii) (I) grants to any person an option where the exercise of the option, either under the terms of the option or under the terms of any arrangement or understanding subject to which or otherwise in connection with which the option is granted, would bind the individual to dispose, or cause the individual to dispose, of any eligible shares to the person to whom the individual granted the option or any other person for a price which, having regard to the terms of the option or the terms of such arrangement or understanding and the net effect of those terms considered as a whole, is other than the market value of the eligible shares at the time the disposal is made, or

(II) enters into an agreement where, either under the terms of the agreement or under the terms of any arrangement or understanding subject to which or otherwise in connection with which the agreement is made, it would bind the individual to dispose, or cause the individual to dispose, of any eligible shares to the person with whom the agreement is made or any other person in the manner described in clause (I),

the individual shall not be entitled to any relief in respect of the shares to which the option or the agreement relates.

(4) Where an individual holds ordinary shares of any class in a company and the relief has been given in respect of some shares of that class but not others, any disposal by the individual of ordinary shares of that class in the company shall be treated for the purposes of this section as relating to those in respect of which relief has been given under this Part rather than to others.

(5) Where the relief has been given to an individual in respect of shares of any class in a company which have been issued to the individual at different times, any disposal by the individual of shares of that class shall be treated for the purposes of this section as relating to those issued earlier rather than to those issued later.

(6) Where shares in respect of which the relief was given have by virtue of any such allotment mentioned in subsection (1) of section 584 (not being an allotment for payment) been treated under subsection (3) of that section as the same asset as a new holding—

(a) the new holding shall be treated for the purposes of subsection (4) as shares in respect of which the relief has been given, and

(b) a disposal of the whole or part of the new holding shall be treated for the purposes of this section as a disposal of the whole or a corresponding part of those shares.

(7) Shares in a company shall not be treated for the purposes of this section as being of the same class unless they would be so treated if dealt in on a stock exchange in the State.