



# Finance Act 1988

## 1988 CHAPTER 39

### PART III

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER II

#### UNAPPROVED EMPLOYEE SHARE SCHEMES

#### *Supplementary*

#### **87 Other interpretation provisions**

(1) In this Chapter, except where the context otherwise requires,—

“associated company” has the same meaning as, by virtue of section 416 of the Taxes Act 1988, it has for the purposes of Part XI of that Act;

“director” includes a person who is to be, or who has ceased to be, a director;

“employee” includes a person who is to be, or who has ceased to be, an employee;

“shares” includes stock and also includes securities as defined in section 254(1) of the Taxes Act 1988;

“subsidiary” means 51 per cent. subsidiary;

“value”, in relation to shares or a benefit, means the amount which the person holding the shares or receiving the benefit might reasonably expect to obtain from a sale in the open market;

and references to an interest in any shares include references to an interest in the proceeds of sale of part of the shares.

(2) For the purposes of this Chapter a company is “employee-controlled” by virtue of shares of a class if —

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*Status: This is the original version (as it was originally enacted).*

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- (a) the majority of the company's shares of that class (other than any held by or for the benefit of an associated company) are held by or for the benefit of employees or directors of the company or a company controlled by the company, and
  - (b) those directors and employees are together able as holders of the shares to control the company.
- (3) Sections 839 (connected persons) and 840 (control) of the Taxes Act 1988 shall apply for the purposes of this Chapter.
- (4) Where a right to acquire shares or an interest in shares in a company is assigned to a person and the right was conferred on some other person by reason of the assignee's office as a director of, or his employment by, that or any other company, the assignee shall be treated for the purposes of this Chapter as acquiring the shares or interest in pursuance of a right conferred on him by reason of that office or employment.