



Finance Act 1989

1989 CHAPTER 26

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

Profit-related pay, share schemes etc.

61 Profit-related pay

Schedule 4 to this Act (which amends the provisions of the Taxes Act 1988 relating to profit-related pay) shall have effect.

62 Savings-related share option schemes

- (1) Part III of Schedule 9 to the Taxes Act 1988 (requirements applicable to savings-related share option schemes) shall be amended as follows.
- (2) In paragraph 24(2)(a) (scheme not to permit monthly amount of contributions linked to schemes to exceed £100), for “£100” there shall be substituted “£150”.
- (3) In paragraph 25(b) (requirement that price at which share may be acquired under scheme be not less than 90 per cent. of market value), for the words “90 per cent.” there shall be substituted the words “80 per cent.”.
- (4) Subsection (2) above shall come into force on such day as the Treasury may by order made by statutory instrument appoint.

Status: This is the original version (as it was originally enacted).

63 Profit sharing schemes

- (1) In section 187(2) of the Taxes Act 1988, in the definition of “relevant amount” (limit on the value of shares that may be appropriated to a participant in a year of assessment), for the words “not less than £1,250 and not more than £5,000” there shall be substituted the words “not less than £2,000 and not more than £6,000”.
- (2) This section shall apply for the year 1989-90 and subsequent years of assessment.

64 Share option and profit sharing schemes: shares of consortium member

In paragraph 10 of Schedule 9 to the Taxes Act 1988, paragraph (c)(ii) (which requires a consortium member to hold not less than three-twentieths of share capital of grantor company etc. if member’s shares are to qualify as scheme shares) shall cease to have effect.

65 Employee share schemes: material interest

In Schedule 9 to the Taxes Act 1988 the following paragraph shall be inserted after paragraph 39—

“Shares subject to an employee benefit trust

- 40 (1) Where an individual has an interest in shares or obligations of the company as a beneficiary of an employee benefit trust, the trustees shall not be regarded as associates of his by reason only of that interest unless sub-paragraph (3) below applies in relation to him.
- (2) In this paragraph “employee benefit trust” has the same meaning as in paragraph 7 of Schedule 8.
- (3) This sub-paragraph applies in relation to an individual if at any time on or after 14th March 1989—
 - (a) the individual, either on his own or with any one or more of his associates, or
 - (b) any associate of his, with or without other such associates,
 has been the beneficial owner of, or able (directly or through the medium of other companies or by any other indirect means) to control, more than 25 per cent., or in the case of a share option scheme which is not a savings-related share option scheme more than 10 per cent., of the ordinary share capital of the company.
- (4) Sub-paragraphs (9) to (12) of paragraph 7 of Schedule 8 shall apply for the purposes of this paragraph in relation to an individual as they apply for the purposes of that paragraph in relation to an employee.”

66 Priority share allocations for employees etc

- (1) In relation to offers made on or after 11th October 1988, section 68 of the Finance Act 1988 (which provides for the benefits derived from priority rights in share offers to be disregarded in certain circumstances) shall have effect with the following amendments.
- (2) In subsection (1), the words from “at the fixed price” to “tendered” shall be omitted.

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

(3) After that subsection there shall be inserted—

“(1A) Where the price payable by the director or employee is less than the fixed price or the lowest price successfully tendered, subsection (1) above shall not apply to the benefit represented by the difference in price.”

(4) In subsection (2), for paragraph (a) (priority shares not to exceed 10 per cent. of shares subject to the offer) there shall be substituted—

“(a) that the aggregate number of shares subject to the offer that may be allocated as mentioned in subsection (1)(b) above does not exceed the limit specified in subsection (2A) below or, as the case may be, either of the limits specified in subsection (2B) below”.

(5) After subsection (2) there shall be inserted—

“(2A) Except where subsection (2B) below applies, the limit relevant for the purposes of subsection (2)(a) above is 10 per cent. of the shares subject to the offer (including the shares that may be allocated as mentioned in subsection (1)(b) above).

(2B) Where the offer is part of arrangements which include one or more other offers to the public of shares of the same class, the limits relevant for the purposes of subsection (2)(a) above are—

- (a) 40 per cent. of the shares subject to the offer (including the shares that may be allocated as mentioned in subsection (1)(b) above), and
- (b) 10 per cent. of all the shares of the class in question (including the shares that may be so allocated) that are subject to any of the offers forming part of the arrangements.”