

1990 No. 678

INCOME TAX

The Personal Equity Plan (Amendment) Regulations
1990

Made - - - - - 20th March 1990
Laid before the House of Commons 21st March 1990
Coming into force - - - - - 6th April 1990

The Treasury, in exercise of the powers conferred on them by section 333 of the Income and Corporation Taxes Act 1988(a) and section 149D of the Capital Gains Tax Act 1979(b), hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Personal Equity Plan (Amendment) Regulations 1990 and shall come into force on 6th April 1990.

Interpretation

2. In these Regulations "the Principal Regulations" means the Personal Equity Plan Regulations 1989(c) and "regulation" means a regulation of those Regulations.

Amendments to the Principal Regulations

3.—(1) In regulation 2(1)—

(a) in sub-paragraph (a)—

(i) at the beginning there shall be inserted—

““approved profit sharing scheme” and “approved share option scheme” have the same meaning as in Chapter IV of Part V of the Taxes Act;”

(ii) for the definition of “ordinary share” there shall be substituted—

““ordinary share” means a share forming part of a company’s share capital other than—

(a) a share which carries no right to share in the profits of a company except a right to dividends of a fixed amount or at a fixed rate per cent. of its nominal value, and

(b) a share which carries no such right but carries a right to conversion into a share which carries such a right;”;

(b) in sub-paragraph (b)—

(i) in the definition of “authorised unit trust” for the words “within the

(a) 1988 c.1.

(b) 1979 c.14; section 149D was inserted by paragraph 26 of Schedule 29 to the Income and Corporation Taxes Act 1988 and amended by section 116 of the Finance Act 1988 (c.39).

(c) S.I. 1989/469.

meaning of” to the end there shall be substituted the words “or a fund of funds”;

(ii) after the definition of “authorised unit trust” there shall be inserted—

““authorised securities scheme” means a unit trust scheme the sole object of which is to enable participants to participate in or receive profits or income arising from the acquisition, holding, management or disposal of transferable securities or sums paid out of such profits or income being a scheme which is not a fund of funds;

“fund of funds” means a unit trust scheme the sole object of which is to enable participants to participate in or receive profits or income arising from the acquisition, holding, management or disposal of units in authorised securities schemes or sums paid out of such profits or income;”.

4. In regulation 3 paragraph (b) and the word “and” preceding it shall be omitted.

5.—(1) In regulation 4(1) for sub-paragraphs (a) and (b) there shall be substituted—

“(a) that it is the only plan to which the qualifying individual subscribes in any year;

(b) that it is a plan to which only one qualifying individual subscribes;

(c) that, subject to paragraph (2), it is a plan to which the qualifying individual subscribes only by payment directly to the plan manager of a sum or sums of the individual’s cash which do not in the aggregate exceed the subscription limit in any year.”

(2) For regulation 4(2) there shall be substituted—

“(2) Subject to the conditions prescribed by paragraph (3), a plan fulfils the condition in paragraph (1)(c) if the qualifying individual subscribes to it by transferring, or renouncing his rights to, any shares allotted or allocated to him in the circumstances specified in paragraph (2A) to the plan manager or a nominee for the plan manager.

(2A) The circumstances specified in this paragraph are where—

(a) in pursuance of a public offer, an application is made by the qualifying individual for the allotment or allocation to him of shares in a company which are qualifying shares and shares are allotted or allocated to him in consequence of that application; or

(b) in connection with the transfer of the whole of the business of a building society to a company (“the successor company”) in accordance with section 97 and the other applicable provisions of the Building Societies Act 1986(a) shares in the successor company which are qualifying shares are allotted or allocated to the qualifying individual by virtue of his membership of, or employment by, the society—

(i) in priority to other persons, or

(ii) for consideration of an amount or value lower than the market price of the shares, or

(iii) free,

but not so as to include shares which are acquired by, or appropriated to, an individual who is an employee of the society in accordance with the provisions of an approved share option scheme or an approved profit sharing scheme.”

(3) In regulation 4(3)—

(a) in sub-paragraph (a) after the words “their allotment” there shall be inserted the words “or allocation”;

(a) 1986 c.53.

(b) in sub-paragraph (b) after the words "such an application" there shall be inserted the words "as is referred to in paragraph (2A)(a), any sum payable for such an allotment or allocation as is referred to in paragraph (2A)(b)".

(4) In regulation 4(4) for "£4,800" there shall be substituted "£6,000".

6.—(1) In regulation 5(1) after the words "at the price" there shall be inserted the word "for" and for the word "fetch" there shall be substituted the words "be sold, purchased or otherwise transacted as the case may be".

(2) In regulation 5(2) in sub-paragraph (a) the words "(and is entitled under the provisions of these Regulations to hold)" shall be omitted.

(3) In regulation 5(3) the words "which he is entitled to hold" shall be omitted.

(4) In regulation 5(5) for the words "or in an investment trust" there shall be substituted the words ", in a fund of funds or in an investment trust satisfying in each case the condition specified in regulation 6(3)(b)" and after the words "authorised unit trusts" there shall be inserted the words ", funds of funds".

7.—(1) In regulation 6(2)—

(a) in sub-paragraph (b)—

(i) after the word "subject" there shall be inserted the word "either" and after the words "paragraph (3)" there shall be inserted the words "or to the condition specified in paragraph (4)";

(ii) for paragraph (ii) there shall be substituted—

"(ii) a fund of funds, or

(iii) an investment trust;";

(b) for sub-paragraph (c) there shall be substituted—

"(c) cash deposited in accordance with regulation 5(3) which a plan manager holds for the purpose of investment in investments which are qualifying investments within sub-paragraph (a) or (b)".

(2) In regulation 6(3)—

(a) in sub-paragraph (a) after the words "authorised unit trusts" there shall be inserted the words ", funds of funds";

(b) for sub-paragraph (b) there shall be substituted—

"(b) that either—

(i) at least 50 per cent. in value of the investments subject to the trusts of a unit trust scheme which is an authorised unit trust, or held by an investment trust, are ordinary shares (not being shares in an investment trust) issued by companies which are incorporated in the United Kingdom, or are shares in an investment trust where at least 50 per cent. in value of the investments held by that trust are such ordinary shares, or

(ii) in the case of a unit trust scheme which is a fund of funds, at least 50 per cent. in value of the investments subject to the trusts of the unit trust schemes, the units in which are subject to the trusts of the scheme, are ordinary shares (not being shares in an investment trust) issued by companies which are incorporated in the United Kingdom;".

(3) After regulation 6(3) there shall be added—

"(4) The condition specified in this paragraph is that the total amount of the cash subscription to the plan invested in authorised unit trusts, funds of funds and investment trusts in any year does not exceed £900."

8. After regulation 6 there shall be inserted—

"Non-qualifying investments held on 5th April 1990

6A.—(1) Subject to the conditions specified in paragraph (2), where investments were held under a plan on 5th April 1990 in authorised unit trusts, funds of funds or

investment trusts which after that date fail to satisfy the condition specified in regulation 6(3)(b) (in this regulation referred to as "non-qualifying investments"), those investments, and any further non-qualifying investments purchased in accordance with the condition in paragraph (2)(b), may continue to be held under the plan notwithstanding the provisions of regulation 6.

(2) The conditions specified in this paragraph are—

- (a) that the total amount of the cash subscription to the plan for the year ending 5th April 1990 which was invested in non-qualifying investments on that date did not exceed one half of the subscription limit in force for that year;
- (b) that, except where non-qualifying investments are purchased with the proceeds of the sale of non-qualifying investments, the total amount of cash invested in non-qualifying investments in any year beginning after 5th April 1990 does not exceed £900."

9. In regulation 9(3) in sub-paragraph (c) for the words "made no other application to subscribe to another" there shall be substituted "not subscribed to any other".

10. Regulation 29 shall be omitted.

Revocations

11. The Regulations specified in the Schedule to these Regulations are hereby revoked to the extent specified in the third column of that Schedule.

Stephen Dorrell
Thomas Sackville

20th March 1990

Two of the Lords Commissioners of Her Majesty's Treasury

SCHEDULE REVOCATIONS

Regulation 11

(1)	(2)	(3)
<i>Regulations revoked</i>	<i>References</i>	<i>Extent of revocation</i>
The Personal Equity Plan Regulations 1986.	S.I. 1986/1948.	The whole Regulations.
The Personal Equity Plan (Amendment) Regulations 1987.	S.I. 1987/2128.	The whole Regulations.
The Personal Equity Plan (Amendment) Regulations 1988.	S.I. 1988/657.	The whole Regulations.
The Personal Equity Plan (Amendment No. 2) Regulations 1988.	S.I. 1988/1348.	The whole Regulations.
The Personal Equity Plan Regulations 1989.	S.I. 1989/469.	In regulation 3, paragraph (b) and the word "and" preceding it. In regulation 5(2) in sub-paragraph (a) the words "(and is entitled under the provisions of these Regulations to hold)". In regulation 5(3) the words "which he is entitled to hold". Regulation 29.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 6th April 1990, amend the Personal Equity Plan Regulations 1989 ("the Principal Regulations"). The principal effects of the amendments are to increase the amount which may be subscribed to a plan in any year to £6,000, to add funds of funds to the category of qualifying investments for the purposes of plans, to permit shares received on the conversion of a building society into a company to be transferred into plans, and to reduce the percentage of the value of investments that must be held by authorised unit trusts, funds of funds and investment trusts in United Kingdom companies to 50 per cent. Alternatively plan investors may invest not more than £900 in any year in authorised unit trusts, funds of funds and investment trusts which do not satisfy that requirement. Special rules are provided for plans in which such non-qualifying investments are held on 5th April 1990.

Regulation 1 provides for citation and commencement.

Regulation 2 provides for interpretation.

Regulation 3 inserts new definitions in the Principal Regulations and substitutes other definitions for the existing definitions of "ordinary shares" and "authorised securities scheme".

Regulation 4 removes a reference to the transitional provisions of the Principal Regulations.

Regulation 5 makes amendments to regulation 4 of the Principal Regulations clarifying the general conditions for plans, providing for the transfer into plans of shares received on the conversion of a building society to a company and increasing the subscription limit to £6,000.

Regulation 6 makes amendments to regulation 5 of the Principal Regulations clarifying the rules under which plan managers may carry out transactions in plan investments and for cash investments in plans.

Regulation 7 makes amendments to regulation 6 of the Principal Regulations adding funds of funds to the list of qualifying investments, reducing to 50 per cent. the value of investments that must be held by unit trusts, funds of funds and investment trusts in United Kingdom companies, and providing an alternative cash subscription limit for plan investors wishing to invest in trusts not satisfying that requirement.

Regulation 8 inserts a new regulation 6A in the Principal Regulations which provides special rules for plans in which non-qualifying investment were held in unit trusts, funds of funds or investment trusts on 5th April 1990.

Regulation 9 makes a minor amendment to regulation 9 of the Principal Regulations and regulation 10 amends the Principal Regulations by omitting the transitional provisions of regulation 29.

Regulation 11 provides for the revocations listed in the Schedule.