

SCHEDULES

SCHEDULE 2

APPROVED SHARE INCENTIVE PLANS

PART 1

INTRODUCTION

Approval of share incentive plans (SIPs)

- 1 (1) This Schedule makes provision for—
 - (a) the approval of share incentive plans (“SIPs”) by the Inland Revenue, and
 - (b) the administration and operation of such plans.
- (2) Parts 2 to 9 of this Schedule contain requirements that have to be met in order for plans to be approved under this Schedule.
- (3) The requirements consist of general requirements (see Part 2) and requirements as to—
 - the eligibility of individuals (see Part 3),
 - the types of shares that may be awarded (see Part 4),
 - free shares (see Part 5),
 - partnership shares (see Part 6),
 - matching shares (see Part 7),
 - cash dividends and dividend shares (see Part 8), and
 - the trustees (see Part 9).
- (4) Part 10 of this Schedule deals with the approval of plans and the withdrawal of approval.

SIPs: free shares and partnership shares

- 2 (1) In the SIP code a “share incentive plan” (or “SIP” for short) means (in accordance with section 488(4)) a plan established by a company providing—
 - (a) for shares to be appropriated to employees without payment (“free shares”),
or
 - (b) for shares to be acquired on behalf of employees out of sums deducted from their salary (“partnership shares”).
- (2) In the SIP code, in relation to a SIP—
 - “the company” means the company which established the plan;
 - “plan requirements” means requirements applying to the plan;
 - “the trustees” means the body of persons established under Part 9 to exercise functions in connection with the plan.

Status: This is the original version (as it was originally enacted).

Matching shares

- 3 (1) A SIP that provides for partnership shares may also provide for shares to be appropriated without payment to employees in proportion to the partnership shares acquired by them (“matching shares”).
- (2) If a SIP contains provision for all, or more than one, of the following—
free shares,
partnership shares, and
matching shares,
the plan may provide for the company to decide when the provisions relating to each kind of share are to have effect.

Group plans

- 4 (1) A SIP established by a company that controls other companies (a “parent company”) may extend to all or any of those other companies.
- (2) In the SIP code a SIP established by a parent company which so extends is referred to as a “group plan”.
- (3) In relation to a group plan a “constituent company” means—
(a) the parent company, or
(b) any other company to which for the time being the plan is expressed to extend.
- (4) Paragraph 91 deals with jointly owned companies and companies controlled by them.

Meaning of “award of shares”, “participant” etc.

- 5 (1) For the purposes of the SIP code an “award of shares” is made under a SIP on each occasion when in accordance with the plan—
(a) free or matching shares are appropriated to employees, or
(b) partnership shares are acquired on behalf of employees.
- (2) Accordingly, references to shares awarded to an individual under a SIP are to—
(a) free or matching shares appropriated to the individual, or
(b) partnership shares acquired on the individual’s behalf,
under the plan.
- (3) For the purposes of the SIP code an individual participates in an award of free, matching or partnership shares under a SIP if shares included in that award are—
(a) in the case of an award of free or matching shares, appropriated to the individual, or
(b) in the case of an award of partnership shares, acquired on the individual’s behalf.
- (4) In the SIP code, in relation to a SIP, “participant” means an individual to whom shares have been awarded under the plan.