

## SCHEDULES

### SCHEDULE 2

#### APPROVED SHARE INCENTIVE PLANS

#### PART 6

##### PARTNERSHIP SHARES

###### *Partnership shares: introduction*

- 43 (1) If a SIP provides for partnership shares, the following paragraphs apply—
- paragraph 44 (partnership share agreements),
  - paragraph 45 (deductions from salary),
  - paragraph 46 (maximum amount of deductions),
  - paragraph 47 (minimum amount of deductions),
  - paragraph 48 (notice of possible effect of deductions on benefit entitlement),
  - paragraph 49 (partnership share money held for employee),
  - paragraph 50 (application of money deducted where no accumulation periods),
  - paragraph 51 (accumulation periods),
  - paragraph 52 (application of money deducted in accumulation period),
  - paragraph 53 (restriction on number of shares awarded),
  - paragraph 54 (stopping and re-starting deductions),
  - paragraph 55 (withdrawal from partnership share agreement),
  - paragraph 56 (repayment of partnership share money on withdrawal of approval or termination), and
  - paragraph 57 (access to partnership shares).
- (2) The plan must meet any plan requirements contained in those paragraphs.
- (3) References in the SIP code to the trustees acquiring partnership shares on behalf of an employee include their appropriating to an employee shares already held by them.
- (4) In the SIP code references to an employee's "salary" are to be read as follows—
- (a) in the case of an individual within the scope of the charge to tax under Part 2 of this Act, they are to be read as references to such of the earnings of the eligible employment—
    - (i) as are liable to be paid under deduction of tax under PAYE regulations, after deducting any amounts included by virtue of the benefits code, or
    - (ii) as would be liable to be so paid apart from the SIP code;
  - (b) in the case of an individual not within the scope of the charge to tax under Part 2 of this Act, they are to be read as references to such of the earnings of the eligible employment as would have fallen within sub-paragraph (i)

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or (ii) of paragraph (a) if the individual had been within the scope of that charge to tax.

- (5) In sub-paragraph (4) “the eligible employment” means the employment by reference to which the employee is eligible to participate in the plan.

#### *Partnership share agreements*

- 44 (1) The plan must provide for qualifying employees to enter into agreements with the company (“company A”) under which—
- (a) the employee authorises the employer company to deduct part of the employee’s salary for the purchase of partnership shares, and
  - (b) company A undertakes to arrange for partnership shares to be awarded to the employee in accordance with the plan.
- (2) Such agreements are referred to in the SIP code as “partnership share agreements”.
- (3) In sub-paragraph (1) “the employer company” means the company by reference to which the employee meets the employment requirement in relation to the plan.

#### *Deductions from salary*

- 45 (1) The plan must provide for a partnership share agreement to be given effect by deductions from the employee’s salary.
- (2) Amounts so deducted are referred to in the SIP code as “partnership share money”.
- (3) The partnership share agreement must specify—
- (a) what amounts are to be deducted, and
  - (b) at what intervals;
- but this does not prevent the employee and the company agreeing to vary those amounts or intervals.
- (4) For the purposes of sub-paragraph (3)(a) the agreement may specify a percentage of the employee’s salary.
- (5) The plan must require the employer company to calculate the amounts and intervals having regard to paragraph 46 (maximum amount of deductions from salary).
- (6) In sub-paragraph (5) “the employer company” means the company by reference to which the employee meets the employment requirement in relation to the plan.

#### *Maximum amount of deductions*

- 46 (1) The amount of partnership share money deducted from an employee’s salary must not exceed—
- (a) £125 in any month, or
  - (b) where the salary is not paid at monthly intervals, such amount as bears to £125 the same proportion as the pay interval in question bears to one month.
- (2) The amount of partnership share money deducted from an employee’s salary must not exceed 10% of the employee’s salary.
- “10% of the employee’s salary” means—

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- (a) if the plan does not provide for an accumulation period, 10% of the salary payment from which the deduction is made;
  - (b) if the plan provides for an accumulation period, 10% of the total of the employee's salary payments over that period.
- (3) The plan may authorise the company to specify lower limits than those specified in sub-paragraphs (1) and (2).
- (4) If it does so, different limits may be specified in relation to different awards of shares.
- (5) Any amount deducted in excess of that allowed by sub-paragraph (1) or (2), or any lower limit in the plan, must be paid over to the employee as soon as practicable.

#### *Minimum amount of deductions*

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- (1) The plan may provide that the amount to be deducted under a partnership share agreement in any month must not be less than a minimum amount specified in the plan.
  - (2) The specified minimum amount must not be greater than £10.
  - (3) Sub-paragraphs (1) and (2) apply whatever the intervals at which the employee is paid may be.

#### *Notice of possible effect of deductions on benefit entitlement*

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- (1) The plan must provide that the company may not enter into a partnership share agreement with an employee unless the agreement contains a notice under this paragraph.
  - (2) A notice under this paragraph is a notice in a prescribed form containing prescribed information as to the possible effect of deductions on an employee's entitlement to social security benefits, statutory sick pay and statutory maternity pay.
  - (3) In this paragraph "prescribed" means prescribed by regulations made by the Board of Inland Revenue.

#### *Partnership share money held for employee*

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- (1) The plan must provide that partnership share money deducted under a partnership share agreement is—
    - (a) paid to the trustees as soon as practicable, and
    - (b) held by them on behalf of the employee until such time as it is applied by them in acquiring partnership shares on the employee's behalf.
  - (2) Sub-paragraph (1) is subject to paragraphs 50(5)(b) and 52(6)(b) and (7) (obligations to pay money to the employee).
  - (3) The plan must provide for the trustees to keep any money required to be held by them under this paragraph in an account (interest bearing or otherwise) with—
    - (a) a person falling within section 840A(1)(b) of ICTA (certain institutions permitted to accept deposits),
    - (b) a building society, or
    - (c) a firm falling within section 840A(1)(c) of ICTA (EEA firms permitted to accept deposits).

- (4) The plan must provide for the trustees to account to an employee for the interest if the partnership share money held on behalf of the employee is held in an interest bearing account.

*Application of money deducted where no accumulation periods*

- 50 (1) If the plan does not provide for an accumulation period, it must provide for partnership share money to be applied by the trustees in acquiring partnership shares on behalf of the employee on the acquisition date.
- (2) The number of shares awarded to each employee must be determined in accordance with the market value of the shares on the acquisition date.
- (3) Sub-paragraphs (1) and (2) are subject to paragraph 53 (restriction on number of shares awarded).
- (4) In those sub-paragraphs “the acquisition date” means the date set by the trustees in relation to the award of partnership shares, which must be not later than 30 days after the last date on which the partnership share money to be applied in acquiring the shares was deducted.
- (5) Any surplus partnership share money remaining after the acquisition of shares by the trustees—
- (a) may with the agreement of the employee be carried forward and added to the amount of the next deduction, and
  - (b) in any other case must be paid over to the employee as soon as practicable.

*Accumulation periods*

- 51 (1) The plan may provide for accumulation periods not exceeding 12 months.
- (2) If the plan does so, the following provisions apply.
- (3) The partnership share agreements—
- (a) must specify when each accumulation period begins and ends;
  - (b) may specify that an accumulation period comes to an end on the occurrence of a specified event.
- (4) However—
- (a) the beginning of the first accumulation period must not be later than the date on which the first deduction of partnership share money is made; and
  - (b) the accumulation period which applies in relation to each award of partnership shares must be the same for all individuals entering into the partnership share agreements.
- (5) The plan may also provide that if—
- (a) during an accumulation period, a transaction occurs in relation to any of the shares (“the original holding”) to be acquired under a partnership share agreement which results in a new holding of shares being equated with the original holding for the purposes of capital gains tax, and
  - (b) the employee consents,
- the partnership share agreement is to have effect after the time of the transaction as if it were an agreement for the purchase of the shares comprised in the new holding.

*Application of money deducted in accumulation period*

- 52 (1) This paragraph applies if the plan provides for one or more accumulation periods.
- (2) The plan must provide for the partnership share money deducted in each accumulation period under a partnership share agreement to be applied by the trustees in acquiring partnership shares on behalf of the employee on the acquisition date.
- (3) The number of shares awarded to each employee must be determined in accordance with the lower of—
- (a) the market value of the shares at the beginning of the accumulation period, and
  - (b) the market value of the shares on the acquisition date.
- (4) Sub-paragraphs (2) and (3) are subject to sub-paragraphs (7) and (8) and to paragraph 53 (restriction on number of shares awarded).
- (5) In sub-paragraphs (2) and (3) “the acquisition date” means the date set by the trustees in relation to the award of partnership shares, which must be not later than 30 days after the end of the accumulation period which applies in relation to the award.
- (6) Any surplus partnership share money remaining after the acquisition of shares by the trustees—
- (a) may with the agreement of the employee be carried forward to the next accumulation period, and
  - (b) in any other case must be paid over to the employee as soon as practicable.
- (7) The plan must provide that where the employee ceases to be in relevant employment during an accumulation period, any partnership share money deducted in the period is to be paid over to the individual as soon as practicable.
- (8) The partnership share agreement may provide that, where an accumulation period comes to an end on the occurrence of a specified event, the partnership share money deducted in that period must be paid over to the individual as soon as practicable instead of being applied in acquiring shares.

*Restriction on number of shares awarded*

- 53 (1) The plan may authorise the company to specify the maximum number of shares (“the award maximum”) to be included in an award of partnership shares.
- (2) If the plan does so—
- (a) a different number may be specified by the company in relation to different awards, and
  - (b) the following provisions apply to the plan.
- (3) The plan must require partnership share agreements to contain an undertaking by the company to notify the employee of any restriction on the number of shares to be included in an award.
- (4) The plan must require the notice to be given—
- (a) if there is no accumulation period, before the deduction of the partnership share money relating to the award, and
  - (b) if there is an accumulation period, before the beginning of the accumulation period relating to the award.

- (5) The plan must provide that, where the award maximum in respect of an award of partnership shares is smaller than the number of shares which would otherwise be included in the award, the number of partnership shares acquired on behalf of each employee under paragraph 50(1) or 52(2) must be reduced proportionately.

*Stopping and re-starting deductions*

- 54 (1) The plan must provide that an employee may at any time give notice to the company to stop deductions under a partnership share agreement.
- (2) The plan must provide that, unless a later date is specified in the notice, the company must, on receiving a notice within sub-paragraph (1), ensure within 30 days after receipt of the notice that no further deductions are made by it under the partnership share agreement.
- (3) The plan must also provide that an employee who has stopped deductions—
- (a) may subsequently give notice to the company to re-start deductions under the agreement, but
  - (b) may not make up deductions that have been missed.
- (4) If the plan makes provision for one or more accumulation periods, it may prevent an employee re-starting deductions more than once in any accumulation period.
- (5) The plan must provide that, unless a later date is specified in the notice, the company must, on receiving a notice within sub-paragraph (3), re-start deductions under the partnership share agreement not later than the re-start date.
- (6) “The re-start date” means the date of the first deduction due under the partnership share agreement more than 30 days after receipt of the notice under sub-paragraph (3).
- (7) In this paragraph “notice” means notice in writing.

*Withdrawal from partnership share agreement*

- 55 (1) The plan must provide that an employee may at any time give notice to the company of the employee’s withdrawal from a partnership share agreement.
- (2) The plan must provide that, unless a later date is specified in the notice, a notice of withdrawal takes effect 30 days after it is received by the company.
- (3) The plan must provide that, where an employee withdraws from a partnership share agreement, any partnership share money held on behalf of the employee is to be paid over to the employee as soon as practicable.
- (4) In this paragraph “notice” means notice in writing.

*Repayment of partnership share money on withdrawal of approval or termination*

- 56 (1) The plan must provide that, where the approval of the plan is withdrawn (see paragraph 83), any partnership share money held on behalf of an employee is to be paid over to the employee.
- (2) The plan must require the payment to be made as soon as practicable after notice of the withdrawal of approval is given to the company.

- (3) The plan must provide that, where a plan termination notice is issued in respect of the plan (see paragraph 90), any partnership share money held on behalf of an employee is to be paid over to the employee.
- (4) The plan must require the payment to be made as soon as practicable after the plan termination notice is notified to the trustees under paragraph 89(2).

*Access to partnership shares*

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- (1) The plan must provide that when partnership shares have been awarded to an employee, the employee may at any time withdraw any or all of the partnership shares from the plan.
  - (2) If the employee does so, there may be a charge to tax by virtue of section 506 (charge on partnership shares ceasing to be subject to plan).