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STATUTORY INSTRUMENTS

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**1991 No. 733**

**INCOME TAX**

**The Personal Equity Plan (Amendment) Regulations 1991**

<i>Made</i>	- - - -	<i>19th March 1991</i>
<i>Laid before the House of Commons</i>	- - - -	<i>19th March 1991</i>
<i>Coming into force</i>	- -	<i>6th April 1991</i>

The Treasury, in exercise of the powers conferred on them by section 333 of the Income and Corporation Taxes Act 1988<sup>(1)</sup> and section 149D of the Capital Gains Tax Act 1979<sup>(2)</sup>, hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Personal Equity Plan (Amendment) Regulations 1991 and shall come into force on 6th April 1991.

**Interpretation**

2. In these Regulations “the principal Regulations” means the Personal Equity Plan Regulations 1989<sup>(3)</sup> and, unless the context otherwise requires, “regulation” means a regulation of those Regulations.

**Amendments to the principal Regulations**

3. In regulation 2(1)(a) the definition of “the 1986 Regulations” and the semi-colon preceding it shall be omitted.

4. In regulation 4(4)—

(a) in paragraph (1) the words “(subject to regulation 10)” shall be omitted;

(b) in paragraph (3)(a) for “30” there shall be substituted “42”.

5. In regulation 5—

(a) for paragraph (3) there shall be substituted—

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(1) 1988 c. 1.

(2) 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).

(3) S.I. 1989/469; amended by S.I. 1990/678

(4) Amended by S.I. 1990/678

- “(3) A plan investor’s cash subscription and any other cash held by a plan manager under a plan shall be held only in sterling and be deposited in an account with a deposit-taker or a building society which is designated for the purposes of these Regulations only.”;
- (b) in paragraph (5) after the words “regulation 6(3)(b)” there shall be inserted the words “, or in paired shares,” and for the words “and investment trusts” there shall be substituted the words “, investment trusts and paired shares”.
6. In regulation 6—
- (a) in paragraph (2)(5) after sub-paragraph (b) there shall be inserted—
- “(ba) subject to the condition specified in paragraph (3)(a), investments in units comprising shares issued by a body corporate incorporated in the United Kingdom which are paired with shares issued by a body corporate which is not so incorporated (“paired shares”);”.
- (b) in paragraph (3)(a)(6) for the words “and investment trusts” there shall be substituted the words “, investment trusts and paired shares”;
- (c) in paragraph (4)(7) for “£900” there shall be substituted the words “one quarter of the subscription limit”.
- (d) after paragraph (4) there shall be added—
- “(5) For the purposes of this regulation, shares issued by a body corporate incorporated in the United Kingdom (“the UK company”) are paired with shares in a body corporate which is not so incorporated (“the foreign company”) where—
- (a) the articles of association of the UK company and the equivalent instruments governing the foreign company each provide that no share in the company to which they relate may be transferred otherwise than as part of a unit comprising one share in that company and one share in the other; and
- (b) such units have been offered for sale to the public in the United Kingdom and, at the same time, other such units have been offered for sale to the public at a broadly equivalent price in the country in which the foreign company is incorporated.”
7. In regulation 6A(8)—
- (a) in paragraph (1) for the words “in accordance with the condition in paragraph (2)(b)” there shall be substituted the words “with the proceeds of sale of those investments”;
- (b) for paragraph (2)(b)(8) there shall be substituted—
- “(b) that the total amount of the cash subscription to the plan for the year ending 5th April 1991 which was invested in non-qualifying investments on that date did not exceed £900;
- (c) 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 beginning after 5th April 1991 does not exceed one quarter of the subscription limit.”
8. In regulation 7(2)(b) the words “(subject to regulation 10)” shall be omitted.
9. Regulation 10 shall be omitted.

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(5) Amended by S.I. 1990/678  
(6) Amended by S.I. 1990/678  
(7) Added by S.I. 1990/678.  
(8) Inserted by S.I. 1990/678.  
(8) Inserted by S.I. 1990/678.

- 10.**—(1) Regulation 17 shall be renumbered as paragraph (1) of that regulation.
- (2) In regulation 17—
- (a) in paragraph (1) the words from “, except interest” to “for his benefit” shall be omitted.
  - (b) after paragraph (1) there shall be added—
    - “(2) Interest on a cash deposit which is a plan investment—
    - (a) where the cash is deposited in an account with a deposit-taker, shall be paid or credited gross and the deposit shall not be treated as a relevant deposit within the meaning of section 481(4) of the Income and Corporation Taxes Act 1988<sup>(9)</sup>, and
    - (b) where the cash is deposited in an account with a building society, shall be treated as a gross payment to which regulation 4 of the Income Tax (Building Societies) (Dividends and Interest) Regulations 1990<sup>(10)</sup> applies.”
- 11.** After regulation 17 there shall be inserted—

**“Interest on cash deposits paid to plan investor**

**17A.**—(1) When in any year an amount of interest paid or credited in respect of a cash deposit which is a plan investment—

- (a) is paid by the plan manager to or at the direction of the plan investor or otherwise applied for his benefit, and
- (b) the aggregate of that amount and of all other amounts so paid in the year exceeds £180,

paragraph (2) shall apply.

(2) Where this paragraph applies—

- (a) the plan manager shall pay to the Board a sum representing income tax at the basic rate in force for the year on—
  - (i) all amounts paid in that year before this paragraph first applies, and
  - (ii) the amount referred to in paragraph (1) and each further amount paid in that year;
- (b) any sum so payable shall be treated as an amount of tax due under an assessment which is final and conclusive and payable, in the case of the sum payable in respect of the amounts referred to in sub-paragraph (a)(i), not later than 30 days after the date on which this paragraph first applies in any year and, in any other case, not later than 30 days after payment of the amount referred to in paragraph (1);
- (c) the interest referred to in paragraph (1) shall be treated in all other respects as interest of money within the meaning of paragraph (a) of Case III of Schedule D in section 18(3) of the Taxes Act and chargeable to tax under that Case for the year in which it arises.

(3) The reference to interest in paragraph (1) includes a reference to any bonus and to a dividend paid or credited in respect of a share account with a building society.”

**12.** In regulation 18(3) after paragraph (a) there shall be inserted—

- “(aa) any sum representing income tax which is payable under regulation 17A on amounts of interest paid or credited gross and paid by the plan manager to or at the direction of the plan investor or otherwise applied for his benefit;”.

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<sup>(9)</sup> Section 481 was amended by paragraph 8 of Schedule 5 to the Finance Act 1990 (c. 29).

<sup>(10)</sup> S.I. 1990/2231.

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**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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19th March 1991

*Greg Knight*  
*Nicholas Baker*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations, which come into force on 6th April 1991, further amend the Personal Equity Plan Regulations 1989 (“the principal Regulations”). The principal effects of the Regulations are to remove the requirement that cash held by a plan manager in an account with a deposit-taker or building society be held in circumstances where, in the case of an account with a deposit-taker, the deposit-taker is liable to account for composite rate tax on interest payments or, in the case of an account with a building society, the reduced rate amount payable by the society includes an amount calculated by applying the reduced rate to interest payments; to authorise the holding of paired shares as plan investments subject to the same restrictions as apply to unit trusts, funds of funds and investment trusts; to increase the amount that may be invested in authorised unit trusts, funds of funds and investment trusts which do not satisfy the requirements of regulation 6 of the principal Regulations to £1,500; and to remove the relaxation of the subscription conditions in relation to rights issues.

The requirements as to the holding of cash deposits is replaced by provisions that interest on a cash deposit which is a plan investment is to be paid gross and that, if the plan manager makes payments of interest in excess of £180 in any year to or at the direction of the plan investor, he is to deduct, and account to the Commissioners of Inland Revenue (“the Board”) for, income tax at the basic rate on the amount of all such payments in the year.

The Regulations also make a number of minor amendments and corrections to the drafting of the principal Regulations.

Regulation 1 provides for citation and commencement.

Regulation 2 contains definitions.

Regulation 3 omits a redundant definition from regulation 2(1)(a) of the principal Regulations.

Regulation 4 amends regulation 4 of the principal Regulations by extending the time within which shares allotted or allocated following a public offer are to be transferred to a plan from 30 to 42 days.

Regulation 5 amends the requirements in regulation 5(3) of the principal Regulations which are to be satisfied when a plan manager holds cash in an account with a deposit-taker or building society.

Regulation 6 adds units comprising paired shares to the list of qualifying investments in regulation 6 of the principal Regulations subject to the condition referred to above and increases the amount which may be invested in authorised unit trusts, funds of funds and investment trusts which do not satisfy the requirements of that regulation to £1,500.

Regulation 7 amends regulation 6A(2) and adds a further rule applying after 5th April 1991 to plans in which non-qualifying investments were held on 5th April 1990.

Regulation 8 makes an amendment to regulation 7 of the principal Regulations which is consequent on regulation 9.

Regulation 9 omits regulation 10 of the principal Regulations.

Regulation 10 amends regulation 17 of the principal Regulations and provides that interest paid on a cash deposit with a deposit-taker or building society which is a plan investment is to be paid gross.

Regulation 11 inserts a new regulation 17A in the principal Regulations the effect of which is that, where a plan manager pays interest received by him on a cash deposit which is a plan investment to or

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at the direction of the plan investor, and the aggregate of such payments in any year exceeds £180, he is to account to the Board for basic rate tax on all such payments in the year.

Regulation 12 makes an amendment to regulation 18(3) of the principal Regulations which is consequent on the new regulation 17A.