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## EXPLANATORY NOTE

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

These Regulations further amend the Social Security (Contributions) Regulations 1979 (“the principal Regulations”).

Regulation 3 amends regulation 18 of the principal Regulations (calculation of earnings).

A new paragraph 7A is inserted so that where a payment of earnings is made in the form of a beneficial interest in an option to acquire an asset listed in Schedule 1A the value of the payment is determined by reference to the value of the asset concerned.

Paragraph (8) is amended to include any vouchers for which trading arrangements exist and vouchers for assets for which such arrangements exist. Where a payment of earnings is made in the form of a voucher the value of the payment is determined by reference to the cost of the voucher and the cost of the asset for which the voucher is exchangeable.

Paragraph (9) is amended so that where a payment of earnings is made in the form of the beneficial interest in any asset listed in Schedule 1A (other than a voucher) for which trading arrangements exist the value of the payment is determined by reference to the amount obtainable under the trading arrangements if that is greater than the value of the beneficial interest in the asset.

Regulation 4 amends regulation 19 of the principal Regulations (payments to be disregarded) so that the exclusion from the computation of a person’s earnings of shares forming part of the ordinary share capital of the secondary contributor or a company having control in relation to that contributor is limited to those shares which are provided under a scheme approved under Schedule 9 to the Income and Corporation Taxes Act 1988 or which are not tradeable on a recognised investment exchange and for which no trading arrangements exist. Options to acquire shares which are provided under a scheme approved under this Schedule or which are not tradeable on a recognised investment exchange or for which no trading arrangements exist are also excluded from the computation of a person’s earnings.

Regulations 1, 2, 3, and 4 will not impose a significant additional administrative cost on business. An assessment of the compliance costs for business has been placed in the libraries of both Houses of Parliament. Copies can be obtained by post from the Department of Social Security, Deregulation Unit, 11th Floor, Adelphi, 1 – 11 John Adam Street, London WC2N 6HT.