
STATUTORY INSTRUMENTS

1998 No. 2211

SOCIAL SECURITY

**The Social Security (Contributions)
Amendment (No. 3) Regulations 1998**

Made - - - - 8th September 1998
Laid before Parliament 10th September 1998
Coming into force in accordance with regulation 1

The Secretary of State for Social Security, in exercise of powers conferred by sections 3(2), (3) and (5)(1), 4(6)(2), 122(1) and 175(1) to (3) of, and paragraph 5(a)(3) of Schedule 1 to, the Social Security Contributions and Benefits Act 1992(4), section 50(4) of the Social Security Act 1998 and of all other powers enabling him in that behalf, after agreement by the Social Security Advisory Committee that proposals to make regulations 2(1), 5(2) to (4), 6, 9 and 10 of these Regulations should, in so far as they relate to matters which are not otherwise exempt from the requirement of referral to the Committee by virtue of section 173(5) of the Social Security Administration Act 1992(5), not be referred to it(6), hereby makes the following Regulations:

Citation, commencement and interpretation

1.—(1) These Regulations may be cited as the Social Security (Contributions) Amendment (No. 3) Regulations 1998 and shall come into force—

- (a) for the purposes of regulations 2(1), 4, 5, 6, 9 and 10, on 1st October 1998;
- (b) for all other purposes, on 6th April 1999.

(2) In these Regulations “the principal Regulations” means the Social Security (Contributions) Regulations 1979(7).

(1) Section 3(5) was inserted by section 49 of the Social Security Act 1998 (c. 14).
(2) Section 4(6) was inserted by section 50(2) of the Social Security Act 1998.
(3) Paragraph 5 of Schedule 1 was substituted by paragraph 77(6) of Schedule 7 to the Social Security Act 1998.
(4) 1992 c. 4. Section 122(1) is cited because of the meaning ascribed to the word “prescribe”.
(5) 1992 c. 5.
(6) See section 173(1) of the Social Security Administration Act 1992.
(7) S.I.1979/591; the relevant amending provisions are paragraph 1(3)(a) of Schedule 8 to the Health and Social Services and Social Security Adjudications Act 1983 (c. 41), S.I. 1981/82, 1983/10 and 395, 1984/77, 1985/396, 1987/2111 and 413, 1988/992, 1990/605 and 1935, 1991/640, 1632 and 2505, 1992/97, 667 and 1440, 1993/2925, 1994/667 and 2194, 1995/730 and 1003, 1996/195, 777, 1245, 2407, 2637 and 3031 and 1998/680.

Amendment of regulation 1 of the principal Regulations

2.—(1) In paragraph (2) of regulation 1 of the principal Regulations (citation, commencement and interpretation)—

(a) at the appropriate places in the alphabetical order, insert—

““conditional interest in shares” means an interest which is conditional for the purposes of sections 140A and 140B of the Income and Corporation Taxes Act 1988(8);

“convertible shares” means shares which are convertible within the meaning of section 140D of the Income and Corporation Taxes Act 1988;

“readily convertible asset” has the meaning assigned to it in section 203F(2) of the Income and Corporation Taxes Act 1988(9);”;

(b) omit the definition of “trading arrangements”(10).

(2) After paragraph (2) of that regulation, add—

“(3) For the purposes of regulation 32(11), regulation 35(12) and regulation 46(13) of these Regulations, references to “contributions”, “Class 1 contributions” and “earnings-related contributions” shall, unless the context otherwise requires, include any amount paid on account of earnings-related contributions in accordance with the provisions of regulation 6A(6)(14) of these Regulations.”.

Amendment of regulation 6A of the principal Regulations

3. In regulation 6A of the principal Regulations (earnings period for directors) after paragraph (5), add—

“(6) Without prejudice to the foregoing provisions of this regulation, a director and any company employing him may pay on account of any earnings-related contributions that may become payable by them such amounts as would be payable by way of such contributions if the foregoing provisions of this regulation did not apply.”.

Insertion of regulation 17AB into the principal Regulations

4. After regulation 17A of the principal Regulations (payments to directors to be treated as earnings)(15), insert—

“Further provision as to payments to be treated as earnings

17AB. For the purposes of section 3 of the Social Security Contributions and Benefits Act 1992 (“earnings”) there shall be treated as remuneration derived from an employed earner’s employment any amount on which an employed earner is, by virtue of any provision of sections 140A to 140H of the Income and Corporation Taxes Act 1988 (conditional acquisition of shares and convertible shares), chargeable to tax under Schedule E in respect of the acquisition, on or after 9th April 1998, of shares or an interest in shares.”.

(8) 1988 c. 1. Sections 140A–H were inserted by sections 50 to 53 of the Finance Act 1998 (c. 36).

(9) Section 203F was inserted by section 127 of the Finance Act 1994 (c. 9) and amended by section 65 of the Finance Act 1998.

(10) The definition of “trading arrangements” was inserted by regulation 2 of S.I. 1996/3031.

(11) Regulation 32 was amended by regulation 11 of S.I. 1984/77, regulation 6 of S.I. 1987/2111, regulation 3 of S.I. 1988/992, regulation 3 of S.I. 1992/97, regulation 2 of S.I. 1992/1440, regulation 4 of S.I. 1996/1245 and regulation 4 of S.I. 1996/2407.

(12) Regulation 35 was amended by paragraph 1(3)(a) of Schedule 8 to the Health and Social Services and Social Security Adjudications Act 1983, regulation 12 of S.I. 1984/77, regulation 4 of S.I. 1988/992 and regulation 5 of S.I. 1996/2407.

(13) Regulation 46 was amended by regulation 5 of S.I. 1992/97.

(14) Regulation 6A was inserted by regulation 4 of S.I. 1983/10.

(15) Regulation 17A was inserted by regulation 5 of S.I. 1983/10.

Amendment of regulation 18 of the principal Regulations

5.—(1) Regulation 18 of the principal Regulations (calculation of earnings) shall be amended in accordance with the following provisions of this regulation.

(2) In paragraph (6)(**16**), omit “or” at the end of sub-paragraph (a), and sub-paragraph (b).

(3) For paragraph (8)(**17**), substitute—

“(8) The amount of earnings which is comprised in any payment by way of the conferment of a beneficial interest in—

(a) any asset falling within paragraph 9ZA or 9ZB of Schedule 1A to these Regulations (assets not to be disregarded as payments under regulation 19(1)(d))(**18**) which is not a readily convertible asset;

(b) any voucher falling within paragraph 9B(**19**) of that Schedule which is not capable of being exchanged for a readily convertible asset,

and which falls to be taken into account in the computation of a person’s earnings shall, for the purposes of earnings-related contributions, be calculated or estimated on the basis of the cost of the asset in question; and for the purposes of this paragraph “the cost of the asset” in relation to any voucher includes the cost of any asset for which that voucher is capable of being exchanged.”.

(4) For paragraph (9)(**20**), substitute—

“(9) The amount of earnings which is comprised in—

(a) any payment by way of the conferment of a beneficial interest in—

(i) any asset falling within Schedule 1A to these Regulations which is a readily convertible asset;

(ii) any voucher falling within paragraph 9B of that Schedule (any voucher capable of being exchanged for an asset falling within paragraphs 1 to 9ZB thereof) where the asset for which it is capable of being exchanged is a readily convertible asset;

(b) any payment by way of any asset or voucher falling within Schedule 1B to these Regulations (readily convertible assets not to be disregarded as payments under regulation 19(1)(d)),

where that payment falls to be taken into account in the computation of a person’s earnings, shall, for the purposes of earnings-related contributions be calculated by reference to the amount determined in accordance with paragraph (10) of this regulation for the purposes of section 203F(1) of the Income and Corporation Taxes Act 1988 (PAYE: readily convertible assets).

(10) The amount referred to in paragraph (9) of this regulation is—

(a) in the case of any asset falling within paragraph (9)(a)(i) of this regulation or paragraph 1 of Schedule 1B to these Regulations, the best estimate that can reasonably be made of the amount of income likely to be chargeable to tax under Schedule E in accordance with the Income and Corporation Taxes Act 1988 in respect of the provision of the asset;

(16) Paragraph (6) was substituted by regulation 2 of S.I. [1993/2925](#).

(17) Paragraph (8) was added by regulation 2(b) of S.I. [1994/2194](#) and amended by regulation 3(c) of S.I. [1996/3031](#).

(18) Schedule 1A was inserted by regulation 5 of S.I. [1991/2505](#). Paragraphs 9ZA and 9ZB were inserted by regulation 3(b) of S.I. [1994/2194](#).

(19) Paragraph 9B was inserted by regulation 3(b) of S.I. [1993/2595](#).

(20) Paragraph (9) was substituted by regulation 3(d) of S.I. [1996/3031](#).

- (b) in the case of an asset falling within paragraph 2 of that Schedule, the best estimate that can reasonably be made of the amount of income likely to be chargeable to tax under Schedule E in accordance with that Act in respect of the enhancement of its value;
- (c) in the case of any voucher falling within paragraph (9)(a)(ii) of this regulation or paragraph 3 of that Schedule, the best estimate that can reasonably be made of the amount of income likely to be chargeable to tax under Schedule E in accordance with that Act in respect of the provision of any asset for which the voucher is capable of being exchanged.

(11) The amount of earnings which is comprised in any payment by way of the conferment of a conditional interest in shares and which falls to be taken into account in the computation of a person's earnings, shall, for the purposes of earnings-related contributions, be calculated on the basis of the best estimate that can reasonably be made of the difference between—

- (a) the market value of that person's interest immediately after that interest ceases to be only conditional or, as the case may be, at the time of the sale or other disposal of that interest; and
- (b) the amount or value of the consideration given by that person for that interest together with any amounts which have previously been included in that person's earnings for the purposes of his assessment of earnings-related contributions in respect of his acquisition of that interest.

(12) For the purposes of paragraph (11) of this regulation—

- (a) "market value" has the meaning assigned to it in section 140A(6) of the Income and Corporation Taxes Act 1988 (conditional acquisition of shares);
- (b) the "amount or value of the consideration given" shall be determined in accordance with section 140B of that Act (consideration for shares conditionally acquired) as if it were being determined for the purposes of section 140A of that Act.

(13) The amount of earnings which is comprised in any payment by way of the conferment of a beneficial interest in convertible shares and which falls to be taken into account in the computation of a person's earnings shall, for the purposes of earnings-related contributions, be calculated on the basis of the best estimate that can reasonably be made of the gain from their conversion.

(14) For the purposes of paragraph (13) of this regulation, the "gain from their conversion" is the difference between—

- (a) the market value at the time of the conversion of the shares into which the convertible shares are converted; and
- (b) the sum of—
 - (i) the amount or value of any consideration given for the convertible shares;
 - (ii) any amount or value of any consideration given for the conversion in question;
 - (iii) the amounts which have previously been included in that person's earnings for the purposes of his assessment of earnings-related contributions in respect of his acquisition of the interest in the convertible shares;
 - (iv) if the convertible shares were acquired through a series of conversions each of which gives rise to a liability for earnings-related contributions, any amount of the gain from each conversion, so far as not falling within head (iii) of this sub-paragraph.

- (15) For the purposes of paragraph (14) of this regulation—
- (a) “market value” has the meaning assigned to it in section 140F(3) of the Income and Corporation Taxes Act 1988 (supplemental provision with respect to convertible shares);
 - (b) the “amount or value of any consideration given” shall be determined in accordance with section 140E of that Act (consideration for convertible shares);
 - (c) the reference to a conversion which gives rise to a liability for earnings-related contributions is a reference to any conversion which gives rise to a gain which was treated as earnings by virtue of regulation 17AB of these Regulations or would have given rise to a gain but for the fact that the market value at the time of conversion of the shares into which the convertible shares are converted did not exceed the sum referred to in sub-paragraph (b) of paragraph (14) of this regulation.”.

Amendment of regulation 19 of the principal Regulations

6.—(1) Regulation 19 of the principal Regulations (payments to be disregarded) shall be amended in accordance with the following provisions of this regulation.

(2) For paragraph (1)(l)(**21**), substitute—

- “(l) a payment by way of shares where such shares are not readily convertible assets and form part of the ordinary share capital of—
- (i) the secondary contributor; or
 - (ii) a company which has control of the secondary contributor; or
 - (iii) a company which either is, or has control of, a body corporate which is a member of a consortium owning either that secondary contributor or a body corporate having control of that secondary contributor;”.

(3) For paragraph (1)(m)(**22**), substitute—

- “(m) a payment by way of a right to acquire shares where neither that right nor those shares are readily convertible assets;”.

(4) After paragraph (1)(zc)(**23**), add—

- “(zd) a payment by way of—
- (i) the conferment of a conditional interest in shares in respect of which, by virtue of section 140A(3) of the Income and Corporation Taxes Act 1988 (conditional acquisition of shares), no tax is chargeable under Schedule E except any tax which is so chargeable by virtue only of section 135 or 162(**24**) of that Act;
 - (ii) convertible shares in respect of which, by virtue of section 140D(8) or (10) of the Income and Corporation Taxes Act 1988 (convertible shares), tax is not chargeable under that section of that Act; or
 - (iii) shares appropriated under a profit sharing scheme to which the provisions of section 186 of the Income and Corporation Taxes Act 1988 (approved profit sharing schemes)(**25**) apply;

(21) Paragraph (1)(l) was substituted by regulation 4(a) of S.I. 1996/3031.

(22) Paragraph (1)(m) was substituted by regulation 4(a) of S.I. 1996/3031.

(23) Sub-paragraph (zc) was added by regulation 2(2) of S.I. 1998/680.

(24) Section 162 was amended by paragraph 3 of Schedule 13 to the Finance Act 1988 (c. 39), section 53(2) of the Finance Act 1989 (c. 26) and paragraph 14(11) of Schedule 10 to the Taxation of Chargeable Gains Act 1992 (c. 12).

(25) Section 186 was amended by section 89(a) of the Finance Act 1988 and section 118(1) of, and paragraph 11 of Schedule 20 to, the Finance Act 1996 (c. 8).

- (ze) a payment by way of a conditional interest in shares where at the time of payment–
 - (i) that earner is treated by virtue of section 203FB(4) of the Income and Corporation Taxes Act 1988 (PAYE: gains from share options etc.)(**26**) as having been provided with a further interest, which interest would not, for the purposes of section 140A of that Act, be treated as only conditional; and
 - (ii) the conditional interest together with that further interest are not readily convertible assets;
- (zf) a payment by way of a beneficial interest in convertible shares where–
 - (i) that earner is treated by virtue of section 203FB(5) of the Income and Corporation Taxes Act 1988 as if the original provision of those shares included the shares into which they are converted; and
 - (ii) those shares, and the shares into which they are converted, are not readily convertible assets;
- (zg) a payment of, or contribution towards, qualifying travelling expenses which the holder of an office or employment is obliged to incur and defray out of the emoluments of the office or employment.”.
- (5) For paragraph (5)(**27**), substitute–
 - “(5) Payments under paragraph (1)(d) of this regulation shall not include any payment by way of–
 - (a) the conferment of any beneficial interest in–
 - (i) any asset falling within Schedule 1A to these Regulations; or
 - (ii) any contract the effecting and carrying out of which constitutes long term business falling within Class I (life and annuity business), Class III (linked long term business) or Class VI (capital redemption business) specified in Schedule 1 to the Insurance Companies Act 1982(**28**);
 - (b) any asset falling within Schedule 1B to these Regulations.”.
- (6) In paragraph (6) for “paragraph (5)(b)”, substitute “paragraph (5)(a)(ii)”.
- (7) In paragraph (7)(**29**), omit sub-paragraph (g).
- (8) In paragraph (7A)(**30**), omit sub-paragraph (a).
- (9) After paragraph (9)(**31**), add–
 - “(10) For the purposes of paragraph (1)(zg) of this regulation–
 - (a) “qualifying travelling expenses” means–
 - (i) amounts necessarily expended on travelling in the performance of the duties of the office or employment; or
 - (ii) other expenses of travelling which are attributable to the necessary attendance at any place of the holder of the office or employment in the performance of the duties of the office or employment and are not expenses of ordinary commuting or private travel within the meaning of paragraph 2

(26) Section 203FB was inserted by section 67 of the Finance Act 1998.

(27) Paragraph (5) was added by regulation 3(5) of S.I. 1991/2505.

(28) 1982 c. 50.

(29) Paragraph (7) was added by regulation 3(5) of S.I. 1991/2505 and sub-paragraph (g) was inserted by regulation 4(c) of S.I. 1996/3031.

(30) Paragraph (7A) was inserted by regulation 4(d) of S.I. 1996/3031.

(31) Paragraph (9) was added by regulation 2(3) of S.I. 1998/680.

- of Schedule 12A to the Income and Corporation Taxes Act 1988 (ordinary commuting and private travel)(32);
- (b) paragraphs 1(2) and 2 to 7 of that Schedule shall apply as they apply for the purposes of section 198(1A)(b)(ii) of that Act (relief for necessary expenses)(33);
- (c) expenses of travel by the holder of an office or employment between two places at which he performs duties of different offices or employments under or with companies in the same group are treated as necessarily expended in the performance of the duties which he is to perform at his destination; and for this purpose companies are taken to be members of the same group if, and only if, one is a 51 per cent. subsidiary of the other or both are 51 per cent. subsidiaries of a third company within the meaning of section 838(1)(a) of the Income and Corporation Taxes Act 1988 (subsidiaries).”.

Insertion of regulation 22H into the principal Regulations

7. After regulation 22G of the principal Regulations (exception from liability to pay Class 1A contributions in respect of cars made available to disabled employed earners for business and home to work travel only)(34), insert–

“Calculation of Class 1A contributions

22H. A Class 1A contribution calculated in accordance with the provisions of section 10 of the Social Security Contributions and Benefits Act 1992 (Class 1A contributions)(35) shall be calculated to the nearest £0.01 and any amount of £0.005 or less shall be disregarded.”.

Amendment of Schedule 1 to the principal Regulations

8. After regulation 2(1) of Schedule 1 to the principal Regulations (interpretation), add–
- “(2) For the purposes of regulation 13(6)(36), regulation 25(37), regulation 26(38), regulation 26A(39) and regulation 30(40), “primary Class 1 contributions” and “earnings-related contributions” shall, unless the context otherwise requires, include any amount paid on account of earnings-related contributions in accordance with the provisions of regulation 6A(6) of the Main Regulations.”.

Amendment of Schedule 1A to the principal Regulations

9. In Schedule 1A to the principal Regulations–

(32) Schedule 12A was inserted by Schedule 10 to the Finance Act 1998.

(33) Section 198 was amended by paragraph 8(1) and (10) of Schedule 1 to the Capital Allowances Act 1990 (c. 1) and section 61(1) of the Finance Act 1998.

(34) Regulation 22G was inserted by regulation 2 of S.I. 1992/667.

(35) Section 10 was amended by regulation 4 of S.I. 1994/667 and section 52 of the Social Security Act 1998.

(36) Regulation 13(6) was amended by regulation 5(a) and (c) of S.I. 1981/82, regulation 8(b) of S.I. 1983/395, regulation 16(a) of S.I. 1984/77, regulation 11(3) of S.I. 1987/413, regulation 3(2) of S.I. 1991/640, regulation 4 of S.I. 1992/1440 and regulation 5(3) of S.I. 1996/777.

(37) Regulation 25 was inserted by regulation 17 of S.I. 1984/77 and amended by regulation 6 of S.I. 1992/1440.

(38) Regulation 26 was substituted by regulation 2(3) of S.I. 1991/1632 and amended by regulation 13(3) of S.I. 1996/195.

(39) Regulation 26A was inserted by regulation 2(3) of S.I. 1991/1632 and amended by regulation 3(2) of S.I. 1995/730 and regulation 13(4) of S.I. 1996/195.

(40) Regulation 30 was amended by regulation 7 of S.I. 1981/82, regulation 11 of S.I. 1983/395, regulation 5 of S.I. 1985/396, regulation 11(7) of S.I. 1987/413, regulation 2(3) of S.I. 1990/605, regulation 2(2) of S.I. 1990/1935, regulation 19 of S.I. 1992/97, regulation 13 of S.I. 1992/1440, regulation 3 of S.I. 1994/667, regulation 13(5) of S.I. 1996/195 and regulation 5(4) of S.I. 1996/777.

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- (a) in paragraph 5(a)(**41**) of Part I (assets not to be disregarded under regulation 19(1)(d)) for “9ZA, 9ZB or 9A”, substitute “9ZA or 9ZB”;
- (b) omit paragraphs 9A and 9C(**42**) of that Part;
- (c) omit paragraph 15(**43**) of Part II (interpretation of Part I of this Schedule);
- (d) in paragraph 16(**44**) of that Part, omit “or 9C”.

Insertion of Schedule 1B into the principal Regulations

10. After Schedule 1A to the principal Regulations, insert the new Schedule 1B as set out in the Schedule to these Regulations.

Signed by authority of the Secretary of State for Social Security.

8th September 1998

Angela Eagle
Parliamentary Under-Secretary of State,
Department of Social Security

(41) Paragraph 5(a) was amended by regulation 3(a) of S.I. [1994/2194](#).

(42) Paragraph 9A was inserted by regulation 3(b) of S.I. [1993/2925](#) and amended by regulation 3(c) of S.I. [1994/2194](#). Paragraph 9C was inserted by regulation 3(a) of S.I. [1995/1003](#).

(43) Paragraph 15 was added by regulation 3(c) of S.I. [1993/2925](#).

(44) Paragraph 16 was added by regulation 3(c) of S.I. [1993/2925](#) and amended by regulation 3(b) of S.I. [1995/1003](#).

SCHEDULE

Regulation 10

New Schedule to be inserted after Schedule 1A to the principal Regulations–

“SCHEDULE 1B Regulations 18(9)(b) and (10) and 19(5)(b)

PART I

READILY CONVERTIBLE ASSETS NOT TO BE DISREGARDED AS PAYMENTS UNDER REGULATION 19(1)(d)

1. A readily convertible asset.
2. An asset which, in accordance with the provisions of section 203FA of the Income and Corporation Taxes Act 1988 (PAYE: enhancing the value of an asset)**(45)**, would be treated as a readily convertible asset for the purposes of section 203F of that Act (payment in the form of a readily convertible asset).
3. Any voucher which is capable of being exchanged for an asset falling within the foregoing paragraphs of this Schedule.

PART II

INTERPRETATION OF PART I OF THIS SCHEDULE

4. For the purposes of paragraph 1 of this Schedule, subsections (3A) to (6) of section 203F of the Income and Corporation Taxes Act 1988 shall apply as they apply for the purposes of that section of that Act.
5. In paragraph 3 of this Schedule, “voucher” means any voucher, stamp or similar document whether used singly or together with other such vouchers, stamps or documents.”

EXPLANATORY NOTE

(This note is not part of the Regulations)

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

Regulation 2 amends the definitions in regulation 1(2) of the principal Regulations to take account of the amendments made by the subsequent regulations.

Regulation 3 amends regulation 6A of the principal Regulations by adding a new paragraph (6) which enables directors and companies employing them to make payments on account of their social security contribution liability.

(45) Section 203FA was inserted by section 66(1) of the Finance Act 1998.

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Regulation 4 inserts a new regulation 17AB into the principal Regulations which treats as earnings for the purposes of section 3 of the Social Security Contributions and Benefits Act 1992 (c. 4) (“the Contributions and Benefits Act”) any amount on which an employed earner is, by virtue of any provision of sections 140A to 140H of the Income and Corporation Taxes Act 1988 chargeable to tax under Schedule E in respect of the acquisition of certain types of shares or an interest in them. In accordance with the provisions of section 50(4) of the Social Security Act 1998, new regulation 17AB applies to the acquisition of those shares, or an interest in them, on or after 9th April 1998.

Regulation 5 amends regulation 18 of the principal Regulations to provide for the calculation of earnings in respect of a payment in the form of a conditional interest in shares, convertible shares and a readily convertible asset.

The new paragraph (8) provides for the calculation of earnings comprised in any payment by way of the conferment of a beneficial interest in any asset falling within paragraph 9ZA or 9ZB of Schedule 1A to the principal Regulations which is not a readily convertible asset, and any voucher falling within paragraph 9B of that Schedule which is not capable of being exchanged for a readily convertible asset.

New paragraphs (9) and (10) provide for the calculation of earnings comprised in any payment by way of the conferment of a beneficial interest in any asset falling within Schedule 1A to the principal Regulations which is a readily convertible asset; any voucher falling within paragraph 9B of that Schedule where the asset for which it is capable of being exchanged is also a readily convertible asset; any payment by way of the conferment of a beneficial interest in any asset or voucher falling within the new Schedule 1B to the principal Regulations.

New paragraph (11) provides for the calculation of earnings comprised in any payment by way of the conferment of a conditional interest in shares. New paragraph (12) makes incidental provision for the purposes of new paragraph (11).

New paragraphs (13) and (14) provide for the calculation of earnings comprised in any payment by way of the conferment of a beneficial interest in convertible shares. New paragraph (15) makes incidental provision for the purposes of new paragraph (14).

Regulation 6 amends regulation 19 of the principal Regulations (payments to be disregarded) by substituting sub-paragraphs (l) and (m) and adding four new sub-paragraphs (zd) to (zg). Substituted sub-paragraph (l) relates to shares which are not readily convertible assets and which form part of the ordinary share capital of the secondary contributor or a company having control in relation to that contributor. Substituted sub-paragraph (m) relates to a right to acquire shares where neither that right nor those shares which can be acquired under it are readily convertible assets.

Regulation 6(4) adds new sub-paragraphs (zd) to (zg). New sub-paragraph (zd) relates to a payment by way of the conferment of a conditional interest in shares, new sub-paragraph (ze) to a payment by way of a conditional interest in shares, new sub-paragraph (zf) to a payment by way of a beneficial interest in convertible shares and new sub-paragraph (zg) relates to a payment of, or contribution towards, qualifying travelling expenses which the holder of an office or employment is obliged to incur and defray out of the emoluments of the office or employment.

Regulation 6(5) substitutes paragraph (5) of regulation 19 of the principal Regulations and limits the application of regulation 19(1)(d) by providing that that regulation shall not include any payment by way of the conferment of a beneficial interest in any asset falling within Schedule 1A to the principal Regulations or any contract of insurance constituting Class I (life and annuity business), Class III (linked long term business) and Class VI (capital redemption business) under Schedule 1 to the Insurance Companies Act 1982 or any beneficial interest in any asset falling within the new Schedule 1B to the principal Regulations.

Regulation 6(6) to (8) make amendments consequential upon the insertion of the new Schedule 1B to the principal Regulations and regulation 6(9) makes incidental provision for the purposes of new sub-paragraph (zg).

Regulation 7 inserts new regulation 22H into the principal Regulations which provides for a Class 1A contribution calculated in accordance with the provisions of section 10 of the Contributions and Benefits Act (Class 1A contributions) to be calculated to the nearest £0.01 and for any amount of £0.005 or less to be disregarded.

Regulation 8 amends Schedule 1 to the principal Regulations (interpretation) by adding a new paragraph (2) to regulation 2 which provides for references to “primary Class 1 contributions” and “earnings-related contributions” in that Schedule to extend to payments on account of earnings-related contributions for certain purposes.

Regulation 9 makes amendments to Schedule 1A to the principal Regulations consequential upon the insertion of the new Schedule 1B to those Regulations.

Regulation 10 inserts new Schedule 1B to the principal regulations.

[These Regulations impose no costs on business.]