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STATUTORY INSTRUMENTS

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**2000 No. 2084**

**SOCIAL SECURITY**

**The Social Security (Contributions)  
(Amendment No. 6) Regulations 2000**

<i>Made</i>	- - - -	<i>29th July 2000</i>
<i>Laid before Parliament</i>		<i>1st August 2000</i>
<i>Coming into force</i>	- -	<i>4th August 2000</i>

The Treasury, with the concurrence of the Secretary of State in so far as required, in exercise of the powers conferred on them by sections 3(2) and (3), 4(5) to (7), and 175(3) to (5) of the Social Security Contributions and Benefits Act 1992<sup>(1)</sup> and of all other powers enabling them in that behalf, hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Social Security (Contributions) (Amendment No. 6) Regulations 2000 and shall come into force on 4th August 2000.

**Interpretation**

2. In these Regulations “the principal Regulations” means the Social Security (Contributions) Regulations 1979<sup>(2)</sup>.

**Amendment of the principal Regulations**

3. The principal Regulations are amended in accordance with regulations 4 to 9 below.

4. In regulation 1(2) (interpretation) in the definition of “readily convertible asset”<sup>(3)</sup> at the end there is added “, but this is subject to paragraph 128(2) of Schedule 8 to the Finance Act 2000 (approved employee share ownership plans—meaning of readily convertible asset)<sup>(4)</sup>”.

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(1) 1992 c. 4. Section 3(2) was amended by paragraph 3 of Schedule 3 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2) (“the Transfer Act”). Section 4(6) was substituted by section 74(3) of the Child Support, Pensions and Social Security Act 2000 (c. 19) and subsection (7) was inserted by paragraph 4 of Schedule 3 to the Transfer Act. Section 175(4) was amended by paragraph 29(4) of Schedule 3 to the Transfer Act.

(2) S.I. 1979/591: the relevant amending instruments are S.I. 1983/10, 1996/3031, 1998/2211 and 1999/567.

(3) This definition was inserted by regulation 2(1)(a) of S.I. 1998/2211.

(4) 2000 c. 17.

5. For regulation 17A (payments to directors to be treated as earnings)(5) there is substituted—

**“Payments to be treated as earnings**

**17A.**—(1) For the purposes of section 3 of the Act (earnings) the amounts specified in paragraphs (2) to (4) of this regulation shall be treated as remuneration derived from an employed earner’s employment.

(2) The amount specified in this paragraph is the amount of any payment by a company to or for the benefit of any of its directors if—

- (a) apart from this paragraph the payment would, when made, not be earnings for the purposes of the Act; and
- (b) the payment is made on account of or by way of an advance on a sum which would be earnings for those purposes.

(3) The amount specified in this paragraph is any amount in respect of which an employed earner is chargeable to tax under Schedule E under any provision of sections 140A to 140H of the Income and Corporation Taxes Act 1988 (conditional acquisition of shares and convertible shares)(6) in respect of the acquisition, on or after 9th April 1998, of shares or an interest in shares.

(4) The amount specified in this paragraph is any amount in respect of which—

- (a) an employed earner is chargeable to tax under Schedule E under any provision of Part X of Schedule 8 to the Finance Act 2000 (employee share ownership plans—income tax); and
- (b) income tax is deductible under regulations made under section 203 of the Income and Corporation Taxes Act 1988 (PAYE regulations).”.

6. Regulation 17AB (further provision as to payments to be treated as earnings)(7) is revoked.

7. In regulation 18 (calculation of earnings) in paragraph (15)(c)(8) for “by virtue of regulation 17AB” there is substituted “under regulation 17A(3)”.

8.—(1) Regulation 19 (payments to be disregarded)(9) is amended in accordance with the following provisions of this regulation.

(2) In paragraph (1)—

(a) after sub-paragraph (m)(10) there are inserted the following sub-paragraphs—

- “(ma) a payment by way of the grant of a qualifying option within the meaning of Schedule 14 to the Finance Act 2000 (enterprise management incentives) which is capable of being exercised more than ten years after the grant;
- (mb) a payment deducted from the earnings of the employment under a partnership share agreement;
- (mc) a payment by way of an award of shares under an employee share ownership plan;”;

(b) in head (ii) of sub-paragraph (zj)(11) for “by virtue of regulation 17AB of these Regulations (further provision as to payments to be treated as earnings)” there is

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

(6) 1988 c. 1. These sections were inserted by sections 50 to 53 of the Finance Act 1998 (c. 36).

(7) Regulation 17AB was inserted by regulation 4 of S.I. 1998/2211.

(8) Regulation 18 has been amended: paragraph (15) was inserted by regulation 5(4) of S.I. 1998/2211.

(9) Regulation 19 has been amended: the relevant amending instruments are S.I. 1996/3031, 1998/2211 and 1999/567.

(10) Sub-paragraph (m) was substituted by regulation 6(3) of S.I. 1998/2211.

(11) Sub-paragraphs (zj) and (zk) were inserted by regulation 3(2)(b) of S.I. 1999/567.

substituted “under regulation 17A(3) (payments to be treated as earnings—conditional acquisition of shares and convertible shares)”;

(c) in sub-paragraph (zk) for “by virtue of regulation 17AB” there is substituted “under regulation 17A(3)”.

(3) After paragraph (7A)(12) there are inserted the following paragraphs—

“(7B) In paragraph (1)(mb) “partnership share agreement” has the meaning given in paragraph 34 of Schedule 8 to the Finance Act 2000.

“(7C) In paragraph (1)(mc) “employee share ownership plan” has the meaning given in paragraph 1(1) of Schedule 8 to the Finance Act 2000.”.

9. In Regulation 13(3D)(b)(ii) of Schedule 1 to the principal Regulations (calculation of deduction in respect of earnings-related contributions)(13) for “17AB” there is substituted “17A(3)”.

### **Consequential amendment of the Social Security Contributions (Intermediaries) Regulations 2000**

10. In regulation 7(1) of the Social Security Contributions (Intermediaries) Regulations 2000(14), in paragraph (a) of Step Seven for “17A ” there is substituted “17A(2)”.

28th July 2000

*Jim Dowd*  
*Greg Pope*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

The Secretary of State hereby concurs.

29th July 2000

*P. Hollis*  
Parliamentary Under-Secretary of State,  
Department of Social Security

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(12) Paragraph (7A) was inserted by regulation 4(d) of S.I. [1996/3031](#).

(13) Paragraph (3D) was inserted by regulation 11(3)(d) of S.I. [1999/567](#).

(14) S.I. [2000/727](#).

*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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## EXPLANATORY NOTE

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

These Regulations amend the Social Security (Contributions) Regulations 1979 (S.I. 1979/591) (“the principal Regulations”) to make provision for enterprise management incentives under Schedule 14 to the Finance Act 2000 (c. 17) and approved employee share ownership plans under Schedule 8 to that Act.

Regulation 1 provides for the citation and commencement of these Regulations.

Regulation 2 provides a definition of “the principal Regulations” and regulation 3 introduces the amendments made to the principal Regulations.

Regulation 4 amends the definition of “readily convertible asset” used in the principal Regulations to secure consistency of approach between income tax chargeable under Schedule E and contributions in respect of shares held subject to an approved employee share ownership plan.

Regulation 5 substitutes for the existing regulations 17A and 17AB of the principal Regulations a new regulation 17A which specifies certain amounts which are to be treated as earnings for the purposes of the Social Security Contributions and Benefits Act 1992. In addition to sums payable to directors and payments by way of conditional acquisition of shares and convertible shares (now covered by paragraphs (2) and (3) of the replacement regulation 17A), payments in respect of which income tax is chargeable under Schedule 8 to the Finance Act 2000 to Schedule E and deductible under PAYE regulations are brought within the charge to social security contributions.

Regulation 8(2)(a) and (3) amends regulation 19 of the principal Regulations (sums to be disregarded in computing earnings-related contributions) to secure the disregard, in computing the amount of employed earner’s earnings, of payments (a) by way of the grant of a qualifying option under Schedule 14 to the Finance Act 2000 (enterprise management incentives) which is capable of being exercised more than ten years after the grant; or (b) deducted under an employee share ownership plan and of payments by way of an award of shares under an employee share ownership plan approved under Schedule 8 to that Act.

Regulation 6 consequentially revokes regulation 17AB of the principal Regulations (covered by the new regulation 17A(3)), whilst regulations 7, 8(2)(b) and (c), 9 and 10 contain consequential amendments.