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STATUTORY INSTRUMENTS

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**2003 No. 2085**

**The Social Security (Contributions)  
(Amendment No. 5) Regulations 2003**

**Amendment of the principal Regulations**

7.—(1) Amend Schedule 2 (calculation of earnings for the purposes of earnings-related contributions in particular cases) as follows.

(2) In paragraph 5 for “the amount of income likely to be chargeable to tax under Schedule E”, in each place where it occurs, substitute “the amount of general earnings”.

(3) For paragraph 7 and the heading preceding it substitute—

**“Convertible and restricted interests in securities and convertible and restricted securities**

7. The amount of earnings comprised in any payment by way of the conferment of—

- (a) a convertible interest in securities;
- (b) a restricted interest in securities; or
- (c) an interest in convertible or restricted securities,

falling to be taken into account in computing a person’s earnings from employed earner’s employment shall be computed in the same manner, and shall be taken into account at the same time, as applies under Chapters 1 to 5 of Part 7 of ITEPA 2003, as substituted or inserted by Schedule 22 to the Finance Act 2003<sup>(1)</sup>, for the purpose of computing his employment income.”.

(4) Omit paragraphs 8 to 10.

(5) For paragraph 11 and the heading preceding it substitute—

**“Exercise of a replacement right to acquire shares, obtained as an earner before 6th April 1999**

11.—(1) This paragraph applies if—

- (a) an earner obtained, before 6th April 1999, a right to acquire shares in a body corporate;
- (b) the earner subsequently obtained a replacement right (within the meaning given in paragraph 16A(3) of Part 9 of Schedule 3<sup>(2)</sup>);
- (c) the replacement right is exercised;
- (d) paragraph 11A of this Schedule<sup>(3)</sup> does not apply; and

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(1) See paragraphs 2 to 10 of Schedule 22.

(2) Paragraph 16A is inserted by regulation 12(13) of this instrument as part of the substitution for the former paragraph 16.

(3) Paragraph 11A was inserted by regulation 3 of [S.I. 2003/1059](#).

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**Status:** This is the original version (as it was originally made).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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- (e) paragraph 16A of Part 9 of Schedule 3 does not apply because sub-paragraph (4) of that paragraph is not satisfied.
- (2) If this paragraph applies, the amount of earnings comprised in any payment realised by the exercise of the replacement right shall be calculated or estimated in accordance with sub-paragraph (3).
- (3) The basis for calculating the amount of a gain realised by the exercise of the replacement right shall be the best estimate that can reasonably be made of the amount found as follows.”.
- (6) In paragraph 11A(2) after “paragraph 16” insert “or 16A”.
- (7) Omit paragraph 12.