

## SCHEDULES

### SCHEDULE 8

#### PROFIT-RELATED PAY SCHEMES: CONDITIONS FOR REGISTRATION

##### *Distributable pool*

- 11 The scheme must contain provisions by reference to which the aggregate sum that may be paid to employees in respect of a profit period (“the distributable pool”) may be determined.
- 12 Except where the scheme is a replacement scheme (within the meaning of paragraph 10 above), the provisions for the determination of the distributable pool must employ either the method specified in paragraph 13 below (“method A”) or the method specified in paragraph 14 below (“method B”).
- 13 (1) Method A is that the distributable pool is equal to a fixed percentage of the profits of the employment unit in the profit period.
- (2) That percentage must be such that, on the assumption as to profits mentioned in sub-paragraph (3) below, it will produce a distributable pool equal to not less than 5 per cent. of the standard pay of the employment unit.
- (3) The assumption referred to in sub-paragraph (2) above is that the profits in the profit period are the same as those in a base year specified in the scheme; and that base year must be a period of 12 months ending at a time within the period of two years immediately preceding the profit period, or the first of the profit periods, to which the scheme relates.
- (4) Notwithstanding sub-paragraph (1) above, a scheme employing method A may include provision for disregarding profits in the profit period so far as they exceed 160 per cent. (or such greater percentage as may be specified in the scheme) of—
- (a) if the profit period is the first or only period to which the scheme relates, the profits for the base year referred to in sub-paragraph (3) above;
- (b) in any other case, the profits for the previous profit period.
- (5) Notwithstanding sub-paragraph (1) above, a scheme employing method A may include provision to the effect that there shall be no distributable pool if the profits in the profit period are less than an amount specified in, or ascertainable by reference to, the scheme; but that amount must be less than the amount which would produce a distributable pool of 5 per cent. of the standard pay of the employment unit.
- (6) The references in this paragraph to the standard pay of the employment unit are references to the amount which the scheme employer, at the time when he applies for registration of the scheme, reasonably estimates will be the annual equivalent of the pay, at the beginning of the profit period or first profit period, of the employees to whom the scheme will then relate; and for this purpose an estimate shall (in the absence of evidence to the contrary) be taken to be a reasonable one if it is based on

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*Status: This is the original version (as it was originally enacted).*

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the most recent information available to the employer as to the monthly or annual pay of the relevant employees.

- 14 (1) Method B is that the distributable pool is—
- (a) if the profit period is the first or only profit period to which the scheme relates, a percentage of a notional pool of an amount specified in the scheme;
  - (b) in any other case, a percentage of the distributable pool for the previous profit period.
- (2) The amount of the notional pool referred to in sub-paragraph (1) above must not be less than 5 per cent. of the standard pay of the employment unit.
- (3) The percentage referred to in sub-paragraph (1) above must be either—
- (a) that arrived at by expressing the profits in the profit period as a percentage of the profits in the preceding period of 12 months; or
  - (b) the percentage mentioned in paragraph (a) above reduced (if it is more than 100) or increased (if it is less than 100) by a specified fraction of the difference between it and 100;
- and the reference in paragraph (b) above to a specified fraction is a reference to a fraction of not more than one half specified in the scheme.
- (4) Notwithstanding sub-paragraph (1) above, a scheme employing method B may include provision for disregarding profits in the profit period so far as they exceed 160 per cent. (or such greater percentage as may be specified in the scheme) of the profits in the preceding period of 12 months.
- (5) Notwithstanding sub-paragraph (1) above, a scheme employing method B may include provision to the effect that there shall be no distributable pool if the profits in the profit period are less than an amount specified in, or ascertainable by reference to, the scheme; but that amount must be less than the amount which would produce a distributable pool of 5 per cent. of the standard pay of the employment unit.
- (6) Where by virtue of a provision of the kind described in sub-paragraph (5) above there is no distributable pool for a profit period, any comparison required in accordance with sub-paragraph (1)(b) to be made with the distributable pool for that period shall be made with what would have been the pool but for sub-paragraph (5).
- (7) In this paragraph “standard pay of the employment unit” has the same meaning as it has in paragraph 13 above.
- 15 If the scheme is a replacement scheme (within the meaning of paragraph 10 above), it must provide for the distributable pool for a profit period to be equal to a specified percentage of the profits for the period.