

Status: Point in time view as at 01/01/1994. This version of this cross heading contains provisions that are not valid for this point in time.

Changes to legislation: Income and Corporation Taxes Act 1988, Cross Heading: Parts of undertakings is up to date with all changes known to be in force on or before 17 September 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 8 **U.K.**

^{M1}PROFIT-RELATED PAY SCHEMES: CONDITIONS FOR REGISTRATION

Marginal Citations

M1 Source—987 (No.2) Sch.1

Parts of undertakings

- [^{F1}21 (1) This paragraph shall apply to a scheme if the employment unit is a part of an undertaking, and the scheme states that the profits or losses of the unit are for the purposes of the scheme to be taken to be equivalent to those of the whole undertaking (which must be identified by the scheme).
- (2) Where this paragraph applies to a scheme, this Schedule shall have effect as if any reference to the profits or losses of the employment unit were a reference to the profits or losses of the undertakings of which it forms part.]

Textual Amendments

F1 1989 s.61 and Sch.4 para.15.

- 22 (1) Where paragraph 21 above applies to a scheme, the scheme must contain provisions ensuring that no payments are made under it by reference to a profit period unless, at the beginning of that profit period,—
- (a) there is at least one other registered scheme which relates to employees employed in the same undertaking as that of which the employment unit forms part, and
- (b) the number of the employees to whom the scheme relates does not exceed 33 per cent. of the number of the employees to whom that other scheme relates (or if there is more than one other scheme, the aggregate number of the employees to whom they relate).
- (2) Another registered scheme shall be disregarded for the purposes of sub-paragraph (1) above—
- (a) if paragraph 21 above applies to it, or
- (b) if, by virtue of provisions of the kind described in paragraph 6 above, no payments could be made under it by reference to the profit period concerned.
- (3) Where paragraph 21 above applies to two or more schemes relating to employment units which are parts of the same undertaking, an employee to whom another scheme

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relates shall not be counted for the purposes of sub-paragraph (1)(b) above in connection with more than one of those schemes.

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- 23 (1) In a case where—
- (a) paragraph 21 above applies to a scheme, and
 - (b) method A (specified in paragraph 13 above) is employed for the purposes of the scheme,
- the scheme must contain provisions which comply with this paragraph and which apply as regards each profit period to which the scheme relates.
- (2) The scheme must ensure that no payments are made under it by reference to a given profit period if the percentage mentioned in paragraph 13(1) above exceeds the permitted percentage.
 - (3) The scheme must ensure that the permitted percentage is a percentage found by—
 - (a) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (b) taking the profit-related pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the profit-related pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (c) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the scheme mentioned in paragraph 21 above relates;
 - (d) taking the fraction whose denominator is equal to the number of whole pounds found under paragraph (a) above and whose numerator is equal to the number of whole pounds found under paragraph (b) above;
 - (e) multiplying the amount found under paragraph (c) above by the fraction found under paragraph (d) above;
 - (f) taking the profits for the relevant year of the undertaking mentioned in paragraph 21 above;
 - (g) expressing the amount found under paragraph (e) above as a percentage of the amount found under paragraph (f) above;
 - (h) taking the percentage found under paragraph (g) above as the permitted percentage.
 - (4) The scheme must ensure that the relevant year is a period of 12 months identified in the scheme and ending at a time within the period of two years immediately preceding the given profit period.

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- 24 (1) In a case where—
- (a) paragraph 21 above applies to a scheme, and
 - (b) method B (specified in paragraph 14 above) is employed for the purposes of the scheme,
- the scheme must contain provisions which comply with this paragraph and which apply as regards each profit period to which the scheme relates.
- (2) The scheme must ensure that no payments are made under it by reference to the first or only profit period to which the scheme relates if the notional pool mentioned in paragraph 14(1)(a) above exceeds the permitted limit.
- (3) The scheme must also ensure that no payments are made under it by reference to a given profit period other than the first if the distributable pool for the previous profit period (mentioned in paragraph 14(1)(b) above) exceeds the permitted limit.
- (4) The scheme must ensure that the permitted limit is a limit found by—
- (a) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (b) taking the profit-related pay paid to employees in respect of employment in the relevant year in the employment unit to which the other scheme mentioned in paragraph 22(1)(a) above relates or (if there are two or more other schemes) the aggregate of the profit-related pay paid to employees in respect of employment in the relevant year in the employment units to which the other schemes relate;
 - (c) taking the pay paid to employees in respect of employment in the relevant year in the employment unit to which the scheme mentioned in paragraph 21 above relates;
 - (d) taking the fraction whose denominator is equal to the number of whole pounds found under paragraph (a) above and whose numerator is equal to the number of whole pounds found under paragraph (b) above;
 - (e) multiplying the amount found under paragraph (c) above by the fraction found under paragraph (d) above;
 - (f) taking the amount found under paragraph (e) above as the permitted limit.
- (5) The scheme must ensure that the relevant year is—
- (a) a period of 12 months identified in the scheme and ending at a time within the period of two years immediately preceding the first or only profit period to which the scheme relates (in the case of provisions contained in the scheme by virtue of sub-paragraph (2) above);
 - (b) a period of 12 months identified in the scheme and ending at a time within the period of two years immediately preceding the given profit period (in the case of provisions contained in the scheme by virtue of sub-paragraph (3) above).

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