

SCHEDULES

SCHEDULE 8

EMPLOYEE SHARE OWNERSHIP PLANS

PART V

PARTNERSHIP SHARES

Introduction

- 33 If the plan provides for partnership shares it must comply with the requirements of this Part of this Schedule.

Partnership share agreements

- 34 The plan must provide for qualifying employees to enter into agreements with the company (“partnership share agreements”) under which—
- (a) the employee authorises the company to deduct part of his salary for the purchase of partnership shares, and
 - (b) the company undertakes to arrange for partnership shares to be awarded to the employee in accordance with the plan.

Deductions from salary

- 35 (1) The plan must provide for a partnership share agreement to be given effect by deductions from the employee’s salary.

Amounts so deducted are referred to in this Part of this Schedule as “partnership share money”.

- (2) The partnership share agreement must specify—
- (a) what amounts are to be deducted, and
 - (b) at what intervals.

This does not prevent the employee and the company agreeing to vary those amounts or intervals.

- (3) For the purposes of sub-paragraph (2)(a) the agreement may specify a percentage of the employee’s salary.
- (4) The plan must require the employer company to calculate the amounts and intervals having regard to the provisions of paragraph 36 (maximum amount of deductions from salary).

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For this purpose “the employer company” is the company by reference to which the employee meets the requirement of paragraph 14 (the employment requirement) in relation to the plan.

Maximum amount of deductions

- 36 (1) The amount of partnership share money deducted from an employee’s salary must not exceed—
- (a) £125 in any month, or
 - (b) where the salary is not paid at monthly intervals, such amount as bears to £125 the same proportion as the pay interval in question bears to one month.
- (2) The amount of partnership share money deducted from an employee’s salary must not exceed 10% of the employee’s salary.

This means—

- (a) if the plan does not provide for an accumulation period, 10% of the salary payment from which the deduction is made;
 - (b) if the plan provides for an accumulation period, 10% of the total of the employee’s salary payments over that period.
- (3) The plan may authorise the company to specify lower limits than those specified in sub-paragraphs (1) and (2).

Different limits may be specified in relation to different awards of shares.

- (4) Any amount deducted in excess of that allowed by sub-paragraph (1) or (2), or any lower limit in the plan, must be paid over to the employee as soon as practicable.

Minimum amount of deductions

- 37 (1) The plan may provide that the amount to be deducted in pursuance of a partnership share agreement in any month must not be less than a minimum amount specified in the plan.
- (2) The specified minimum amount must not be greater than £10.
- (3) Sub-paragraphs (1) and (2) apply whatever the intervals at which the employee is paid.

Notice of possible effect of deductions on benefit entitlement

- 38 (1) The plan must provide that the company may not enter into a partnership share agreement with an employee unless the agreement contains a notice under this paragraph.
- (2) A notice under this paragraph is a notice in a prescribed form containing prescribed information as to the possible effect of deductions on an employee’s entitlement to social security benefits, statutory sick pay and statutory maternity pay.
- (3) In this paragraph “prescribed” means prescribed by regulations made by the Board.

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Partnership share money held for employee

- 39 (1) The plan must provide that partnership share money deducted in accordance with a partnership share agreement is—
- (a) paid to the trustees as soon as practicable, and
 - (b) held by them on behalf of the employee until such time as it is applied by them in acquiring partnership shares on the employee's behalf.
- This is subject to paragraphs 40(4)(b) and 42(5)(b) and (6) (obligations to pay money to employee).
- (2) References in this Schedule to the trustees acquiring partnership shares on behalf of an employee include their appropriating to an employee shares already held by them.
- (3) The plan must provide for the trustees to keep any money required to be held by them under this paragraph in an account (interest bearing or otherwise) with—
- (a) an institution authorised under the Banking Act 1987,
 - (b) a building society, or
 - (c) a relevant European institution.
- (4) If the partnership share money held on behalf of an employee is held in an interest bearing account the plan must provide for the trustees to account to the employee for the interest.

Plan with no accumulation period

- 40 (1) If the plan does not provide for an accumulation period, it must provide for partnership share money to be applied by the trustees in acquiring partnership shares on behalf of the employee on the acquisition date.
- (2) For this purpose “the acquisition date” means the date set by the trustees in relation to the award of partnership shares, being a date within 30 days after the last date on which the partnership share money to be applied in acquiring the shares was deducted.
- (3) The number of shares awarded to each employee must be determined in accordance with the market value of the shares on the acquisition date.
- (4) Any surplus partnership share money remaining after the acquisition of shares by the trustees—
- (a) may with the agreement of the employee be carried forward and added to the amount of the next deduction, and
 - (b) in any other case must be paid over to the employee as soon as practicable.
- (5) This paragraph is subject to paragraph 43 (restriction imposed on number of shares awarded).

Plan with accumulation period

- 41 (1) The plan may provide for accumulation periods not exceeding twelve months.
- (2) Where it does so—
- (a) the partnership share agreement must specify when each accumulation period begins and ends (the beginning of the first period being not later than the date on which the first deduction is made), and

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- (b) the accumulation period which applies in relation to each award of partnership shares must be the same for all individuals who are eligible to participate in the award.
- (3) The partnership share agreement may specify that an accumulation period comes to an end on the occurrence of a specified event.

This is subject to sub-paragraph (2)(b).

- (4) Where the plan provides for accumulation periods, it may also provide that if—
 - (a) during an accumulation period, a transaction occurs in relation to any of the shares (“the original holding”) to be acquired under a partnership share agreement which results in a new holding of shares being equated with the original holding for the purposes of capital gains tax, and
 - (b) the employee gives his consent for the purposes of this sub-paragraph,
 the partnership share agreement shall have effect after the time of that transaction as if it were an agreement for the purchase of shares comprised in the new holding.

Application of money deducted in accumulation period

- 42 (1) This paragraph applies if the plan provides for one or more accumulation periods.
- (2) The plan must provide for the partnership share money deducted in each period to be applied by the trustees in acquiring partnership shares on behalf of the employee on the acquisition date.

This is subject to sub-paragraphs (6) and (7).

- (3) In sub-paragraph (2) “the acquisition date” means the date set by the trustees in relation to the award of partnership shares, being a date within 30 days after the end of the accumulation period which applies in relation to the award.
- (4) The number of shares awarded to each employee must be determined in accordance with the lower of—
 - (a) the market value of the shares at the beginning of the accumulation period, and
 - (b) the market value of the shares on the acquisition date.
- (5) Any surplus partnership share money remaining after the acquisition of shares by the trustees—
 - (a) may with the agreement of the employee be carried forward to the next accumulation period, and
 - (b) in any other case must be paid over to the employee as soon as practicable.
- (6) The plan must provide that where—
 - (a) partnership share money has been deducted in an accumulation period, and
 - (b) the employee ceases to be in relevant employment during that period,
 the partnership share money is paid over to the individual as soon as practicable.
- (7) The partnership share agreement may provide that, where an accumulation period comes to an end on the occurrence of a specified event, the partnership share money deducted in that period must be paid over to the individual as soon as practicable instead of being applied in acquiring shares.

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- (8) This paragraph is subject to paragraph 43 (restriction imposed on number of shares awarded).

Restriction imposed on number of shares awarded

- 43 (1) The plan may authorise the company to specify the maximum number of shares (“the award maximum”) to be included in an award of partnership shares.
- A different number may be specified in relation to different awards.
- (2) If the plan so authorises the company, it must require partnership share agreements to contain an undertaking by the company to notify the employee of any restriction on the number of shares to be included in an award.
- (3) The plan must require the notice to be given—
- (a) if there is no accumulation period, before the deduction of the partnership share money relating to the award, and
 - (b) if there is an accumulation period, before the beginning of the accumulation period relating to the award.
- (4) The plan must provide that where the award maximum in respect of an award of partnership shares is smaller than the number of shares which would otherwise be included in the award, the number of partnership shares included in each individual award under paragraph 40(1) or 42(2) shall be reduced proportionately.

Stopping and re-starting deductions

- 44 (1) The plan must provide that an employee may at any time give notice in writing to the company to stop deductions in pursuance of a partnership share agreement.
- (2) The plan must also provide that an employee who has stopped deductions may subsequently give notice in writing to the company to re-start deductions in pursuance of the agreement, but may not make up deductions that have been missed.
- (3) If the plan makes provision for one or more accumulation periods, it may prevent an employee re-starting deductions more than once in any accumulation period.
- (4) The plan must provide that unless a later date is specified in the notice—
- (a) the company must within 30 days of receiving a notice within sub-paragraph (1), ensure that no further deductions are made by it under the partnership share agreement;
 - (b) the company must on receiving a notice within sub-paragraph (2) re-start deductions under the partnership share agreement not later than the re-start date.
- (5) For the purposes of sub-paragraph (4)(b) “the re-start date” is the date of the first deduction due under the partnership share agreement more than 30 days after receipt of the notice within sub-paragraph (2).

Withdrawal from partnership share agreement

- 45 (1) The plan must provide that an employee may withdraw from a partnership share agreement at any time by notice in writing to the company.

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- (2) The plan must provide that, unless a later date is specified in the notice, a notice of withdrawal takes effect 30 days after it is received by the company.
- (3) The plan must provide that where an employee withdraws from a partnership share agreement, any partnership share money held on his behalf is to be paid over to him as soon as practicable.

Repayment of partnership share money on withdrawal of approval or termination

- 46 (1) The plan must provide that where—
- (a) the approval of the plan is withdrawn (see paragraph 118), or
 - (b) a plan termination notice is issued in respect of the plan (see paragraph 120),
- any partnership share money held on behalf of an employee is paid over to him.
- (2) The plan must require the payment to be made—
- (a) in a case within sub-paragraph (1)(a), as soon as practicable after notice of the withdrawal is given to the company, and
 - (b) in a case within sub-paragraph (1)(b), as soon as practicable after the plan termination notice is notified to the trustees under paragraph 120(2).

Access to partnership shares

- 47 (1) The plan must provide that when partnership shares have been awarded to an employee, the employee may at any time withdraw any or all of the partnership shares from the plan.
- (2) There may be a charge to tax under paragraph 86 (charge on partnership shares ceasing to be subject to plan).

Meaning of “salary”

- 48 References in this Part of this Schedule to an employee’s “salary” are to such of the emoluments of the employment by reference to which he is eligible to participate in the plan as are liable to be paid under deduction of tax pursuant to section 203 of the Taxes Act 1988 (PAYE), after deducting amounts included by virtue of Chapter II of Part V of that Act (expenses and benefits in kind), or would be so liable apart from this Schedule.