

Changes to legislation: Income Tax (Earnings and Pensions) Act 2003, Part 3 is up to date with all changes known to be in force on or before 15 June 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) View outstanding changes

SCHEDULES

SCHEDULE 2 **U.K.**

^{F1} ... SHARE INCENTIVE PLANS

Textual Amendments

- F1** Word in Sch. 2 title omitted (6.4.2014) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 14, 89](#) (with [Sch. 8 paras. 90-96](#))

PART 3 **U.K.**

ELIGIBILITY OF INDIVIDUALS

Eligibility of individuals: introduction

- 13 A SIP must meet the plan requirements contained in—
paragraph 14 (time of eligibility to participate),
paragraph 15 (the employment requirement),
[^{F1}paragraph 18 (requirement not to participate simultaneously in connected SIPs), [^{F2}and] paragraph 18A (successive participation in connected SIPs)]
^{F3}
...

Textual Amendments

- F1** Words in Sch. 2 para. 13 substituted (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 21 para. 3](#)
F2 Word in Sch. 2 para. 13 inserted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 34\(a\)](#)
F3 Words in Sch. 2 para. 13 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 34\(b\)](#)

Time of eligibility to participate

- 14 (1) The plan must provide that an individual may only participate in an award of shares if the individual is eligible to participate in the award at the appropriate time mentioned below.
- (2) In the case of an award of free shares, the appropriate time is the time when the award is made.
- (3) In the case of an award of partnership shares where the plan does not provide for an accumulation period, the appropriate time is the time of the deduction of the partnership share money relating to the award.

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- (4) In the case of an award of partnership shares where the plan does provide for an accumulation period, the appropriate time is the time of the first deduction of partnership share money relating to the award.
- (5) In the case of an award of matching shares where the plan does not provide for an accumulation period, the appropriate time is the time of the deduction of the partnership share money relating to the award of partnership shares to which the matching shares relate.
- (6) In the case of an award of matching shares where the plan does provide for an accumulation period, the appropriate time is the time of the first deduction of partnership share money relating to the award of partnership shares to which the matching shares relate.
- (7) For the purposes of this paragraph an individual is eligible to participate in an award of shares under the plan if and only if the requirements of the plan are met as to—
- (a) employment (see paragraph 15),
 - ^{F4}(b) not participating simultaneously in connected SIPs (see paragraph 18),
^{F5}and]
 - (ba) successive participation in connected SIPs (see paragraph 18A), ^{F6}...]
 - ^{F6}(c)
- (8) In the case of an individual within paragraph 8(5) (all-employee nature of plan: non-UK resident taxpayer), the individual is not eligible to participate in an award of shares under the plan unless (in addition to the requirements mentioned in sub-paragraph (7)) any further eligibility requirements of the plan are met.

Textual Amendments

- F4** Sch. 2 para. 14(7)(b)(ba) substituted for Sch. 2 para. 14(7)(b) (10.7.2003) by [Finance Act 2003 \(c. 14\), Sch. 21 para. 4](#)
- F5** Word in Sch. 2 para. 14(7)(b) inserted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by [Finance Act 2013 \(c. 29\), Sch. 2 para. 35\(a\)](#)
- F6** Sch. 2 para. 14(7)(c) and word omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\), Sch. 2 para. 35\(b\)](#)

The employment requirement

- 15 (1) The plan must provide that an individual is not eligible to participate in an award of shares unless the individual meets the requirement in sub-paragraph (2).
- (2) The requirement is that the individual—
- (a) is an employee of—
 - (i) the company, or
 - (ii) in the case of a group plan, a constituent company, and
 - (b) if the plan provides for a qualifying period, has at all times during that period been an employee of a qualifying company.
- (3) In the SIP code “the employment requirement” means the requirement in sub-paragraph (2).
- (4) This paragraph is supplemented—

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- (a) as regards qualifying periods, by paragraph 16, and
- (b) as regards the meaning of “qualifying company”, by paragraph 17.

Qualifying periods

- 16 (1) This paragraph applies if the plan provides for a qualifying period in relation to an award.
- (2) In the case of an award of free shares, the qualifying period must be a period of not more than 18 months ending with the date on which the award is made.
- (3) In the case of an award of partnership shares where the plan does not provide for an accumulation period, the qualifying period must be a period of not more than 18 months ending with the deduction of partnership share money relating to the award.
- (4) In the case of an award of partnership shares where the plan does provide for an accumulation period, the qualifying period must be a period of not more than 6 months ending with the start of the accumulation period relating to the award.
- (5) In the case of an award of matching shares where the plan does not provide for an accumulation period, the qualifying period must be a period of not more than 18 months ending with the deduction of partnership share money relating to the award of partnership shares to which the matching shares relate.
- (6) In the case of an award of matching shares where the plan does provide for an accumulation period, the qualifying period must be a period of not more than 6 months ending with the start of the accumulation period relating to the award of partnership shares to which the matching shares relate.
- (7) In relation to an award, the same qualifying period must apply in relation to all employees—
- (a) of the company, or
 - (a) in the case of a group plan, of the constituent companies.
- (8) The plan may authorise the company to specify different qualifying periods in respect of different awards of shares, but the requirements in sub-paragraphs (2) to (7) apply to periods so specified.

Meaning of “qualifying company”

- 17 (1) For the purposes of paragraph 15(2) “qualifying company” has the meaning given by this paragraph.
- (2) Except in the case of a group plan, “qualifying company” means—
- (a) the company, or
 - (b) a company that, when the individual was employed by it, was an associated company—
 - (i) of the company, or
 - (ii) of another company qualifying under this paragraph.
- (3) In the case of a group plan, “qualifying company” means—
- (a) a company that is a constituent company at the end of the qualifying period mentioned in paragraph 15(2),

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- (b) a company that, when the individual was employed by it, was a constituent company, or
- (c) a company that, when the individual was employed by it, was an associated company of—
 - (i) (i)a company qualifying under paragraph (a) or (b), or
 - (ii) another company qualifying under this paragraph.

Requirement not to participate in other SIPs

- 18 (1) The plan must provide that an individual is not eligible to participate in an award of free, matching or partnership shares under the plan in a tax year if the individual—
- ^{F7}(a)
 - (b) is at the same time to participate, in an award of shares under another [^{F8}Schedule 2] SIP established by the company or a connected company.
- (2) For the purposes of this paragraph an individual is to be treated as having participated in an award of free shares under a SIP if the individual would have participated in that award but for the individual's failure to obtain a performance allowance (see paragraph 34).
- (3) In this paragraph “connected company” means— (a)a company which controls or is controlled by the company or which is controlled by a company which also controls the company, or (b)a company which is a member of a consortium owning the company or which is owned in part by the company as a member of a consortium.

Textual Amendments

- F7** Sch. 2 para. 18(1)(a) repealed (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 21 para. 5](#), [Sch. 43 Pt. 3\(3\)](#)
- F8** Words in Sch. 2 para. 18(1) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 20, 89](#) (with [Sch. 8 paras. 90-96](#))

[^{F9}Participation in more than one connected SIP in a tax year

Textual Amendments

- F9** Sch. 2 para. 18A and cross-heading inserted (10.7.2003) by [Finance Act 2003 \(c. 14\)](#), [Sch. 21 para. 2](#)

- 18A (1) The plan must provide that, if an individual participates in an award of shares under the plan in a tax year in which he has already participated in an award of shares under one or more other [^{F10}Schedule 2] SIPs established by the company or a connected company—
- (a) paragraph 35 (maximum annual award of free shares),
 - (b) paragraph 46 (maximum amount of partnership share money deductions), and (c) paragraph 64 (limit on amount reinvested), apply as if the plan and the other plan or plans were a single plan.
- (2) In this paragraph “connected company” has the same meaning as in paragraph 18.]

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Textual Amendments

F10 Words in [Sch. 2 para. 18A\(1\)](#) substituted (6.4.2014) by [Finance Act 2014 \(c. 26\)](#), [Sch. 8 paras. 21, 89](#) (with [Sch. 8 paras. 90-96](#))

The “no material interest” requirement

F11¹⁹

Textual Amendments

F11 Sch. 2 paras. 19-24 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 36](#)

Meaning of “material interest”

F11²⁰

Textual Amendments

F11 Sch. 2 paras. 19-24 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 36](#)

Material interest: options and interests in SIPs

F11²¹

Textual Amendments

F11 Sch. 2 paras. 19-24 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 36](#)

Meaning of “associate”

F11²²

Textual Amendments

F11 Sch. 2 paras. 19-24 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 36](#)

Meaning of “associate”: trustees of employee benefit trust

F11²³

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Textual Amendments

F11 Sch. 2 paras. 19-24 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 36](#)

Meaning of “associate”: trustees of discretionary trust

^{F11}24

Textual Amendments

F11 Sch. 2 paras. 19-24 omitted (with effect in accordance with Sch. 2 para. 38 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 2 para. 36](#)

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 452(2)(aa) inserted by [2013 c. 29 Sch. 23 para. 11](#)
- s. 707A inserted by [2024 c. 3 s. 36\(4\)](#)