SCHEDULES

SCHEDULE 2

APPROVED SHARE INCENTIVE PLANS

PART 8

CASH DIVIDENDS AND DIVIDEND SHARES

Reinvestment of cash dividends

62 (1) A SIP may provide that, where the company so directs, the trustees must apply all cash dividends in respect of plan shares held on behalf of—

(a) all participants, or

(b) all participants who elect to reinvest their dividends,

in acquiring further shares on their behalf.

(2) Sub-paragraph (1) is subject to paragraph 63 (requirements to be met as regards cash dividends).

(3) In the SIP code—

(a) the application of cash dividends as mentioned in sub-paragraph (1) is referred to as "reinvestment"; and

(b) the further plan shares acquired are referred to as "dividend shares".

(4) The company may revoke a direction requiring the reinvestment of cash dividends.

(5) References in the SIP code to the trustees acquiring dividend shares on behalf of a participant include their appropriating to a participant shares already held by them.

Requirements to be met as regards cash dividends

63 (1) If a SIP makes the provision authorised by paragraph 62(1) (reinvestment of cash dividends), the following paragraphs apply—

paragraph 64 (limit on amount reinvested),
paragraph 65 (general requirements as to dividend shares),
paragraph 66 (acquisition of dividend shares),
paragraph 67 (holding period for dividend shares), and
paragraph 68 (reinvestment: amounts to be carried forward).

(2) The plan must meet any plan requirements contained in those paragraphs.

(3) A SIP must in any event meet the plan requirement contained in paragraph 69 (cash dividends not required to be reinvested).

Limit on amount reinvested

64 (1) The plan must provide that the total dividend reinvestment in respect of a participant must not exceed £1,500 in a tax year.

(2) For this purpose "the total dividend reinvestment" in respect of a participant is the sum of—

(a) the amount applied by the trustees in acquiring dividend shares on behalf of the participant under the plan, and

(b) the amount applied in acquiring dividend shares on behalf of the participant by the trustees of other approved SIPs that are established by the company or an associated company.

(3) If the amounts received by the trustees exceed the limit in sub-paragraph (1), the plan must provide for the balance to be paid over to the participant as soon as practicable.

General requirements as to dividend shares

65 The plan must provide that dividend shares are to be shares—

(a) which are in the same company and of the same class, and carry the same rights, as the shares in respect of which the dividend is paid, and

(b) which are not subject to any provision for forfeiture.

Acquisition of dividend shares

66 (1) The plan must provide that the trustees must treat participants fairly and equally in exercising their powers in relation to the acquisition of dividend shares.

(2) The plan must provide for the trustees to acquire dividend shares on behalf of participants on the acquisition date.

(3) The number of dividend shares acquired on behalf of each participant must be determined in accordance with the market value of the shares on the acquisition date.

(4) In this paragraph "the acquisition date" means the date set by the trustees for the acquisition of dividend shares and falling not later than 30 days after the dividend is received by them.

Holding period for dividend shares

67 Paragraphs 36 and 37 (the holding period and related matters) apply in relation to dividend shares as they apply in relation to free shares, except that the holding period must be 3 years.

Reinvestment: amounts to be carried forward

68 (1) This paragraph applies where an amount is not reinvested—

(a) because the amount of the cash dividend to which the participant is entitled is not sufficient to acquire a share, or

(b) because there is an amount remaining after acquiring one or more dividend shares on the participant's behalf.

(2) The amount may be retained by the trustees and carried forward to be added to the amount of the next cash dividend to be reinvested.

(3) If so retained, the trustees must hold the amount so as to be separately identifiable for the purposes of sub-paragraphs (4) and (5).

(4) An amount retained under this paragraph must be paid over to the participant—
(a) if or to the extent that it is not reinvested within the period of 3 years beginning with the date on which the dividend was paid, or
(b) if during that period the participant ceases to be in relevant employment (see paragraph 95), or
(c) if during that period a plan termination notice is issued in respect of the plan (see paragraph 90).

(5) An amount required to be paid over to the participant under sub-paragraph (4) must be paid over as soon as practicable.

(6) For the purposes of this paragraph an amount carried forward under this paragraph derived from an earlier cash dividend is to be treated as reinvested before an amount derived from a later cash dividend.

Cash dividends where no requirement to reinvest

69 (1) The plan must require any distributable cash dividends in respect of plan shares held on behalf of a participant to be paid over to the participant as soon as practicable.

(2) “Distributable cash dividends” means cash dividends which are not required to be reinvested under the plan.

Status:
Point in time view as at 01/04/2009.

Changes to legislation:
Income Tax (Earnings and Pensions) Act 2003, Part 8 is up to date with all changes known to be in force on or before 19 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.