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STATUTORY INSTRUMENTS

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**1995 No. 1539**

**INCOME TAX**

**The Personal Equity Plan (Amendment) Regulations 1995**

<i>Made</i>	- - - -	<i>14th June 1995</i>
<i>Laid before the House of Commons</i>	- - - -	<i>15th June 1995</i>
<i>Coming into force</i>	- -	<i>6th July 1995</i>

The Treasury, in exercise of the powers conferred upon them by section 333 of the Income and Corporation Taxes Act 1988(1) and section 151 of the Taxation of Chargeable Gains Act 1992(2), hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Personal Equity Plan (Amendment) Regulations 1995 and shall come into force on 6th July 1995.

**Interpretation**

2. In these Regulations “the principal Regulations” means the Personal Equity Plan Regulations 1989(3) and “regulation” means a regulation of those Regulations.

**Amendments to the principal Regulations**

3.—(1) In regulation 2(1)(a)(4) —

(a) after the definition of “the Board” there shall be inserted—

““company” means any body corporate having a share capital other than—

(a) a building society within the meaning of the Building Societies Act 1986(5),

(b) an incorporated friendly society established under the Friendly Societies Act 1992(6),

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(1) 1988 c. 1; section 333 was amended by section 70 of the Finance Act 1991 (c. 31).  
(2) 1992 c. 12; section 151 was amended by section 85 of the Finance Act 1993 (c. 34).  
(3) S.I.1989/469, amended by S.I. 1990/678, 1991/733, 2774, 1992/623 and 1993/756.  
(4) Amended by S.I. 1990/678, 1991/773, 2774.  
(5) 1986 c. 53.  
(6) 1992 c. 40.

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- (c) an industrial and provident society registered under the Industrial and Provident Societies Act 1965(7), and
- (d) a body corporate which is a 51 per cent. subsidiary of any such building society, incorporated friendly society or industrial and provident society;
- “51 per cent. subsidiary” and “75 per cent. subsidiary” have the meaning given by section 838 of the Taxes Act;”
- (b) after the definition of “savings-related share option scheme” there shall be inserted—
- ““security” means any loan stock or similar security of a company whether secured or unsecured;”
- (c) after the definition of “single company plan” there shall be inserted—
- ““venture capital trust” has the meaning given by section 842AA of the Taxes Act(8);”
- (2) For the Table in regulation 2(2)(9) there shall be substituted—

<i>“Term defined</i>	<i>Regulation</i>
Annual claim	20
Designated company	4A(1)(a)
Interim claim	19
Other qualifying shares	6(2)(ab)
Paired shares	6B(4)
Plan	4(1)
Qualifying EC shares	6(2)(aa)
Qualifying individual	7
Qualifying investments for general plans	6
Qualifying investments for single company plans	6B
Qualifying securities	6(2)(ac)
Subscription limit	4(4)”

4. In regulation 4(6)(e)—
- (a) in paragraph (i) after the word “shareholders” there shall be inserted the words “, securities holders”;
- (b) in paragraph (iii) after the word “shareholders” there shall be inserted the words “, securities holders”.
5. In regulation 5(10) —
- (a) in paragraph (4) after the word “dividends,” there shall be inserted the word “interest,”;
- (b) in paragraph (5)(a) for the words “, not being shares in an investment trust,” there shall be substituted the words “or securities”.

(7) 1965 c. 12.

(8) Section 842AA was inserted by section 70 of the Finance Act 1995 (c. 4).

(9) Substituted by S.I. 1991/2774.

(10) Amended by S.I. 1990/678, 1991/773, 2774, 1992/623.

6.—(1) In regulation 6(2)(11)—

(a) after sub-paragraph (aa) there shall be inserted—

“(ab) shares other than ordinary shares (“other qualifying shares”), not being shares in an investment trust, authorised credit institution or European authorised credit institution, which—

(i) have been issued by a company which is incorporated in a member State, and

(ii) are quoted on the official list of a recognised stock exchange in a member State;

(ac) securities (“qualifying securities”), not being securities of an investment trust or authorised credit institution, which have been issued by a company which is incorporated in the United Kingdom and which satisfy at least one of the conditions specified in paragraph (2B) and all of the conditions specified in paragraph (2C);”

(b) for sub-paragraph (b) there shall be substituted—

“(b) units in an authorised unit trust or a fund of funds which, except in the circumstances described in paragraph (4), satisfies the relevant condition specified in paragraph (3);”

(c) after sub-paragraph (b) there shall be inserted—

“(ba) shares in, and securities satisfying the conditions specified in paragraph (2C) of, an investment trust which, except in the circumstances specified in paragraph (4), satisfies the relevant condition specified in paragraph (3);”

(d) in sub-paragraph (c) after “(aa)” there shall be inserted “, (ab), (ac)”.

(2) After regulation 6(2A)(12) there shall be inserted—

“(2B) The conditions specified in this paragraph are—

(a) that the ordinary shares in the company issuing the securities are quoted on the official list of a recognised stock exchange in a member State;

(b) that the securities are so quoted;

(c) that the company issuing the securities is a 75 per cent. subsidiary of a company whose ordinary shares are so quoted.

(2C) The conditions specified in this paragraph are—

(a) that at the date of issue and throughout the period of the loan the securities—

(i) carry a right to interest at a fixed rate (expressed as a percentage of the loan), or

(ii) carry a right to interest at a series of fixed rates (expressed as percentages of the loan), having effect consecutively, or

(iii) carry no right to interest;

(b) that the securities are denominated in sterling;

(c) that, judged at the date when each of the securities is first held under the plan, the terms on which it was issued do not—

(i) require the loan to be repaid or the security to be re-purchased or redeemed, or

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(11) Amended by S.I. 1990/678, 1991/733, 2774, 1992/623, 1993/756.

(12) Inserted by S.I. 1991/2774 and amended by S.I. 1993/756.

- (ii) allow the holder to require the loan to be repaid or the security to be re-purchased or redeemed except in circumstances which are neither certain nor likely to occur,  
within the period of five years from that date;
- (d) that the securities—
  - (i) are not deep gain securities for the purposes of Schedule 11 to the Finance Act 1989<sup>(13)</sup>; and
  - (ii) do not fall by virtue of paragraph 21(2), 22(2), 22A(2) or 22B(3) of that Schedule to be treated as deep gain securities as mentioned in the paragraph concerned.”
- (3) In regulation 6(3)<sup>(14)</sup> —
  - (a) in sub-paragraph (a) for paragraphs (i) and (ii) there shall be substituted—
    - “(i) ordinary shares (not being shares in an investment trust) issued by companies which are incorporated in the United Kingdom, or
    - (ii) qualifying EC shares and other qualifying shares and shares which would be qualifying EC shares or other qualifying shares if they were quoted on the official list of a recognised stock exchange in a member State, or
    - (iii) securities which would be qualifying securities if paragraph (2C)(c) required the terms on which they were issued to be judged at the date when they first became subject to the trusts of the scheme and securities which would be qualifying securities if they satisfied one of the conditions specified in paragraph (2B) and paragraph (2C)(c) so required, or
    - (iv) shares in, and securities satisfying the conditions specified in paragraph (2C) of, an investment trust where at least 50 per cent. in value of the investments held by that trust are shares referred to in paragraph (i) or (ii), securities which would be qualifying securities if paragraph (2C)(c) required the terms on which they were issued to be judged at the date when they were first held by that trust and securities which would be qualifying securities if they satisfied one of the conditions specified in paragraph (2B) and paragraph (2C)(c) so required;”
  - (b) in sub-paragraph (b) for the words from “ordinary shares” to the end of the sub-paragraph there shall be substituted “shares or securities referred to in paragraph (i), (ii) or (iii) of sub-paragraph (a)”;
  - (c) in sub-paragraph (c) for paragraphs (i), (ii) and (iii) there shall be substituted—
    - “(i) shares or securities referred to in paragraph (i), (ii), (iii) or (iv) of sub-paragraph (a), or
    - (ii) units in an authorised unit trust where at least 50 per cent. in value of the investments subject to the trusts of the scheme are shares or securities referred to in paragraph (i), (ii) or (iii) of sub-paragraph (a).”
- (4) For regulation 6(5)(a) there shall be substituted—
  - “(5) Paragraph (3) shall be modified for the purposes of paragraph (4)—
    - (a) by adding at the end of paragraph (i) of sub-paragraph (a) the words “or other quoted shares” ;
    - (b) by substituting for paragraphs (ii) to (iv) of sub-paragraph (a)—

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<sup>(13)</sup> 1989 c. 26; Schedule 11 was relevantly amended by section 58 of the Finance Act 1990 (c. 29) and by Schedule 7 to the Finance (No. 2) Act 1992 (c. 48).

<sup>(14)</sup> Substituted by S.I. 1993/756.

- “(ii) shares in an investment trust where at least 50 per cent. in value of the investments held by that trust are such ordinary shares or other quoted shares;”
- (c) by substituting for the words “shares or securities referred to in paragraph (i), (ii) or (iii) of sub-paragraph (a)” in sub-paragraph (b) the words “shares referred to in paragraph (i) of sub-paragraph (a) or other quoted shares;”
- (d) by substituting for paragraphs (i) and (ii) of sub-paragraph (c)—
- “(i) shares referred to in paragraph (i) or (ii) of sub-paragraph (a), or
- (ii) units in an authorised unit trust where at least 50 per cent. in value of the investments subject to the trusts of the scheme are such ordinary shares or other quoted shares.””
- (5) In regulation 6(6)(15) for the words ““other qualifying shares”” there shall be substituted the words ““other quoted shares””.
- (6) After regulation 6(6) there shall be added—
- “(7) In this regulation “authorised credit institution” means an institution authorised under the Banking Act 1987(16) and includes a company which is a 51 per cent. subsidiary of such an institution; and “European authorised credit institution” means an institution which is a European authorised institution for the purposes of the Banking Co-ordination (Second Council Directive) Regulations 1992(17) and includes a company which is a 51 per cent. subsidiary of such an institution.”
7. In regulation 6B (2) (a)(18) after the words “investment trust” there shall be inserted the words “or a venture capital trust”.
8. In regulation 17(19) for paragraph (1) there shall be substituted—
- “(1) Subject to these Regulations—
- (a) no tax shall be chargeable on the plan manager or his nominee or on the plan investor in respect of interest, dividends, distributions or gains in respect of plan investments or on any annual profits or gains treated by section 714(2) of the Taxes Act as having been received by any of them in respect of plan investments;
- (b) losses in respect of plan investments shall be disregarded for the purposes of capital gains tax; and
- (c) relief in respect of tax shall be given in the manner and to the extent provided by these Regulations.”
9. In regulation 24A(3)(a)(20) after paragraph (i) there shall be inserted—
- “(ia) other qualifying shares and qualifying securities,”.
10. In regulation 27(3)(21) for the words “or qualifying EC shares” there shall be substituted the words “, qualifying EC shares, other qualifying shares or qualifying securities” and at the end there shall be added the words “or securities”.

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(15) Substituted by S.I. 1993/756.

(16) 1987 c. 22; amended by S.I. 1992/3218.

(17) S.I. 1992/3218.

(18) Inserted by S.I. 1991/2774 and amended by S.I. 1992/623.

(19) Amended by S.I. 1991/733.

(20) Inserted by S.I. 1993/756.

(21) Amended by S.I. 1991/2774.

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14th June 1995

*Derek Conway*  
*Timothy Wood*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Personal Equity Plan Regulations 1989 (“the principal Regulations”) and, subject to conditions which are set out in the Regulations, extend the range of investments which may be held under general plans to preference shares and convertible preference shares of companies incorporated in member States of the European Union and to bonds and convertible bonds of companies incorporated in the United Kingdom. The shares and bonds of authorised credit institutions and European authorised credit institutions are excluded from this extension. However, the range of investments which may be held within the 50 per cent. rule by unit trusts and investment trusts whose units and shares or securities are held under plans is similarly extended.

Regulation 1 provides for citation and commencement and regulation 2 contains definitions.

Regulations 3 to 10 contain amendments to the principal Regulations. Regulation 3 inserts further definitions and regulations 4 and 5 make consequential amendments. Regulation 6 amends regulation 6 of the principal Regulations (qualifying investments for general plans) and provides for the extension of the range of qualifying investments and the conditions which corporate bonds must satisfy before they can be held under plans or by unit or investment trusts whose units and shares or securities are held under plans. Regulation 7 excludes venture capital trusts from the investments which can be held under single company plans and regulations 8 to 10 make consequential amendments.