

**1999 No. 561**

**SOCIAL SECURITY**

**The Social Security (Contributions) Amendment Regulations  
1999**

*Made* - - - - - *5th March 1999*

*Laid before Parliament* *9th March 1999*

*Coming into force in accordance with regulation 1*

The Secretary of State for Social Security, in exercise of powers conferred by sections 3(2), (2A)(a) and (3), 122(1) and 175(1) to (3) of the Social Security Contributions and Benefits Act 1992(b) and of all other powers enabling him in that behalf, after reference to the Social Security Advisory Committee(c), hereby makes the following Regulations:

**Citation, commencement and interpretation**

**1.**—(1) These Regulations may be cited as the Social Security (Contributions) Amendment Regulations 1999 and shall come into force—

- (a) for the purposes of regulation 3, on 6th April 1999 immediately after the coming into force of regulation 8 of The Social Security (Contributions and Credits) (Miscellaneous Amendments) Regulations 1999(d);
- (b) for all other purposes, on 6th April 1999.

(2) In these Regulations “the principal Regulations” means the Social Security (Contributions) Regulations 1979(e).

**Amendment of regulation 1 of the principal Regulations**

**2.** In regulation 1(2) of the principal Regulations (interpretation) at the appropriate place in the alphabetical order, insert—

“ “non-cash voucher” has the meaning assigned to it in section 141(7) of the Income and Corporation Taxes Act 1988(f);”.

**Amendment of regulation 18 of the principal Regulations**

**3.**—(1) Regulation 18 of the principal Regulations (calculation of earnings) shall be amended in accordance with the following provisions of this regulation.

- (2) In paragraph (8)(g) after sub-paragraph (b), insert—

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(a) Subsection (2A) was inserted by section 48 of the Social Security Act 1998 (c. 14).  
(b) 1992 c. 4. Section 122(1) is cited because of the meaning ascribed to the word “prescribe”.  
(c) See section 172(1) of the Social Security Administration Act 1992 (c. 5).  
(d) S.I.1999/568.  
(e) S.I. 1979/591; the relevant amending instruments are S.I. 1991/2505, 1993/2925, 1994/2194, 1995/1003, 1996/3031 and 1998/2211 and 2894.  
(f) 1988 c. 1.  
(g) Paragraph (8) was substituted by regulation 5(3) of S.I. 1998/2211.

- “(c) any non-cash voucher not falling within Schedule 1C to these Regulations and which falls within paragraph 9B of Schedule 1A to these Regulations (assets not to be disregarded as payments under regulation 19(1)(d))(a) which is not capable of being exchanged for a readily convertible asset(b),”.
- (3) In paragraph (9)(c) for sub-paragraphs (a) and (b), substitute–
- “(a) any payment by way of the conferment of a beneficial interest in any asset falling within Schedule 1A to these Regulations which is a readily convertible asset;
- (b) any payment by way of any–
- (i) voucher falling within paragraph 9B of that Schedule (any voucher capable of being exchanged for an asset falling within paragraphs 1 to 9ZB thereof) where the asset for which it is capable of being exchanged is a readily convertible asset;
- (ii) non-cash voucher not falling within Schedule 1C to these Regulations (whether or not also falling within paragraph 9B of Schedule 1A to these Regulations) which is capable of being exchanged for a readily convertible asset,”.
- (4) In paragraph (10)(d)–
- (a) in sub-paragraph (a) for “(9)(a)(i)”, substitute “(9)(a)”;
- (b) in sub-paragraph (c) for “(9)(a)(ii)”, substitute “(9)(b)”.
- (5) After paragraph (21)(e), add–
- “(22) The amount of earnings which is comprised in any payment by way of a non-cash voucher not falling within Schedule 1C to these Regulations or paragraph (8) or (9) of this regulation and which falls to be taken into account in the computation of a person’s earnings (“the employed earner”) shall, for the purposes of earnings-related contributions, be calculated or estimated on the basis of an amount equal to the expense incurred (“the chargeable expense”)–
- (a) by the person at whose cost the voucher and the money, goods or services for which it is capable of being exchanged are provided;
- (b) in, or in connection with, that provision,
- and any money, goods or services obtained by the employed earner or any other person in exchange for the voucher shall be disregarded.
- (23) For the purposes of paragraph (22) of this regulation–
- (a) the chargeable expense shall be reduced by any part of that expense made good to the person incurring it by the employed earner;
- (b) in the case of a non-cash voucher which can only be exchanged for meals which exceeds the limits specified in paragraph (9) of Schedule 1C to these Regulations, the chargeable expense shall be reduced by the amount by which (if at all) it exceeds the face value of such a voucher or vouchers.
- (24) The amount of earnings which is comprised in any payment by way of a cash or a non-cash voucher provided to or for the benefit of two or more persons (“employed earners”) and which falls to be taken into account in the computation of each of those employed earner’s earnings shall, for the purposes of earnings-related contributions, be calculated or estimated on the basis of–
- (a) where those respective proportions are known at the time of the payment, separate payments of the chargeable expense equal to the proportion of the benefit of the voucher to which they are each respectively entitled;
- (b) where the proportion of the benefit of the voucher to which each of them is entitled respectively is not known at the time of the payment, an equal part thereof.

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(a) Schedule 1A was inserted by regulation 5 of S.I. 1991/2505 and amended by S.I. 1993/2935, 1994/2194, 1995/1003, 1996/3031 and 1998/2211. Paragraph 9B of that Schedule was inserted by regulation 3(b) of S.I. 1993/2925. Regulation 19(1)(d) was amended by regulation 3(2) of S.I. 1991/2505.

(b) The definition of “readily convertible asset” was inserted by regulation 2(1) of S.I. 1998/2211.

(c) Paragraph (9) was substituted by regulation 5(4) of S.I. 1998/2211 and amended by regulation 2(c) of S.I. 1998/2894.

(d) Paragraph (10) was substituted by regulation 5(4) of S.I. 1998/2211.

(e) Paragraph (21) was added by regulation 8 of S.I. 1999/568.

(25) For the purposes of paragraph (24) of this regulation—

- (a) “the chargeable expense” means the chargeable expense calculated in accordance with paragraph (22) of this regulation;
- (b) where an employed earner makes good any part of the chargeable expense to the person incurring it, the chargeable expense in relation to that employed earner shall be reduced by that part.”.

**Amendment of regulation 19 of the principal Regulations**

4. In regulation 19(5)(a) of the principal Regulations (which specifies payments which are not to be regarded as payments in kind to be disregarded in the computation of earnings) after sub-paragraph (b), add—

“(c) a non-cash voucher not falling within Schedule 1C to these Regulations.”.

**Insertion of Schedule 1C into the principal Regulations**

5. After Schedule 1B to the principal Regulations (readily convertible assets not to be disregarded as payments under regulation 19(1)(d))(b), insert the new Schedule 1C as set out in the Schedule to these Regulations.

Signed by authority of the Secretary of State for Social Security.

5th March 1999

*Stephen C. Timms*  
Minister of State,  
Department of Social Security

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(a) Paragraph (5) was substituted by regulation 6(5) of S.I. 1998/2211.  
(b) Schedule 1B was inserted by regulation 10 of S.I. 1998/2211.

New Schedule to be inserted after Schedule 1B to the principal Regulations–

**“SCHEDULE 1C Regulations 18(16) and 19(5)(c)**

**PART I**

**NON-CASH VOUCHERS TO BE DISREGARDED AS PAYMENTS UNDER  
REGULATION 19(1)(d)**

- 1.** A non-cash voucher which is not treated as an emolument from employment for the purposes of section 141(1) of the Income and Corporation Taxes Act 1988 (non-cash vouchers)(a) by virtue of subsections (6)(b) and (6C)(e) of that section.
- 2.** A non-cash voucher which is not chargeable to tax under Schedule E by virtue of section 197 of the Income and Corporation Taxes Act 1988 (leave travel facilities for the armed forces).
- 3.** A non-cash voucher which is not chargeable to tax under Schedule E by virtue of section 197G of the Income and Corporation Taxes Act 1988 (sporting and recreational facilities)(d).
- 4.** A non-cash voucher by way of a testimonial to mark a period of service of not less than 20 years where–
  - (a) no similar award has been made to the recipient within the previous 10 years; and
  - (b) the chargeable expense does not exceed £20 per year of service.
- 5.** A non-cash voucher in respect of one or more annual functions open to all employed earners where the chargeable expense in respect of such a function, or the total chargeable expense where two or more such functions are held annually, when divided by the number of people attending does not exceed £75 per person.
- 6.** A non-cash voucher provided in connection with the provision of an alternative means of transport between an employed earner’s home and place of employment where that employed earner is incapable of using public transport by reason of severe and permanent disability.
- 7.** A non-cash voucher provided in connection with all or part of the costs and expenses of child care (but not school fees) incurred by an employed earner in respect of a child not exceeding the age of 16 for whom he has parental responsibility.
- 8.** A non-cash voucher exchangeable for a free or subsidised meal provided–
  - (a) on a reasonable scale by an employer; and
  - (b) on the employer’s business premises or in any canteen where meals are provided for staff generally,
 where the employer provides such a voucher to employed earners for whom free or subsidised meals on a reasonable scale on the employer’s premises or elsewhere are not provided.
- 9.** £0.15 per working day up to a maximum of £1.05 per week of the value of one or more non-cash vouchers which can only be exchanged for meals.
- 10.** A non-cash voucher provided to or for the benefit of an employed earner by a person (“the donor”) who is not the employer or a person connected with him which–

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(a) Subsection (1) was amended by section 89(2) of the Finance Act 1994 (c. 9).

(b) Subsection (6) was amended by section 46(1) of the Finance Act 1988 (c. 39).

(c) Subsection (6C) was inserted by section 93(1) of the Finance Act 1995 (c. 4).

(d) Section 197G was inserted by section 75(1) of the Finance Act 1993 (c. 34).

- (a) is only capable of being used to obtain goods;
- (b) is not made either in recognition of the performance of particular services in the course of the employed earner's employment or in anticipation of the performance of particular services;
- (c) has not been directly or indirectly procured by the employer or a person connected with him; and
- (d) does not exceed (together with any other non-cash vouchers provided by the donor to that employed earner) £150 per year.

## PART II

### INTERPRETATION OF PART I OF THIS SCHEDULE

**11.** Part I of this Schedule applies to non-cash vouchers provided by an employer or any other person on his behalf.

**12.** For the purposes of paragraph 1 of this Schedule, section 141(6) of the Income and Corporation Taxes Act 1988 shall be read as if it were limited to earnings up to £8,500 per year paid to or for the benefit of an earner in respect of employed earner's employment.

**13.** For the purposes of paragraph 4 of this Schedule, "the chargeable expense" means the chargeable expense calculated in accordance with regulation 18(16) of these Regulations.

**14.** For the purposes of paragraph 5 of this Schedule—

- (a) "annual function" means a Christmas party or other annual function of a similar nature;
- (b) "the chargeable expense" means the chargeable expense calculated in accordance with regulation 18(16) of these Regulations.

**15.** For the purposes of paragraph 7 of this Schedule, "child care" includes—

- (a) care provided in accordance with the provisions of Part X of, and Schedule 9 to, the Children Act 1989 (child minding and day care for young children)(a);
- (b) in the case of a child aged 8 or over, care provided by a child minder;
- (c) in the case of a child under the age of 8, care provided by a child minder where that care does not exceed, in total, two hours in any day;
- (d) care provided by a relative or nanny;
- (e) care provided during out-of-school hours and during school holidays;
- (f) full-time and part-time care,

and "relative" and "nanny" have the meanings assigned to them in section 71(13) and 105(1) respectively of the Children Act 1989.

**16.** For the purposes of paragraph 8 of this Schedule, "premises" or "canteen" do not include a restaurant or dining room in a hotel, catering or similar business at a time when meals are being served to the public unless part thereof is designated as being for the use of staff only.

**17.** For the purposes of paragraph 10 of this Schedule, whether or not a person is "connected" to the employer shall be determined in accordance with the provisions of section 839 of the Income and Corporation Taxes Act 1988 (connected persons)(b). "

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(a) 1989 c. 41. Schedule 9 was amended by section 116 of the Courts and Legal Services Act 1990 (c. 41) and section 582(1) of the Education Act 1996 (c. 56).

(b) Section 839 was amended by section 74 of the Finance Act 1995 and S.I. 1988/745.

## EXPLANATORY NOTE

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

These Regulations further amend the Social Security (Contributions) Regulations 1979 (“the principal Regulations”).

Regulation 2 amends regulation 1(2) of the principal Regulations by inserting a definition of “non-cash voucher”.

Regulation 3 amends regulation 18 of the principal Regulations to provide for the calculation of earnings in respect of a payment in the form of a non-cash voucher which is not otherwise disregarded as earnings in accordance with the provisions of regulation 19(1)(d) of, and the new Schedule 1C to, the principal Regulations.

Regulation 3(2) inserts a new sub-paragraph (c) into regulation 18(8) of the principal Regulations to provide for the calculation of earnings comprised in any payment by way of a non-cash voucher not otherwise exempt from earnings which is a voucher within paragraph 9B of Schedule 1A to the principal Regulations which is not capable of being exchanged for a readily convertible asset within Schedule 1B to the principal Regulations.

Regulation 3(3) substitutes sub-paragraphs (a) and (b) of regulation 18(9) of the principal Regulations to provide for the calculation of earnings comprised in any payment by way of a non-cash voucher not otherwise exempt from earnings which is a voucher within paragraph 9B of Schedule 1A to the principal Regulations which is capable of being exchanged for a readily convertible asset within Schedule 1B to the principal Regulations. Regulation 3(4) makes consequential amendments.

Regulation 3(5) amends regulation 18 of the principal Regulations by adding new paragraph (16) which provides for the calculation of a person’s earnings comprised in any payment by way of a non-cash voucher which are not otherwise to be calculated in accordance with the substituted paragraph (8) or (9). New paragraph (17) makes incidental provision for the purposes of new paragraph (16). New paragraph (18) provides for the calculation of each person’s earnings comprised in any payment by way of a non-cash voucher made available to two or more persons. New paragraph (19) makes incidental provision for the purposes of new paragraph (18).

Regulation 4 amends regulation 19(5) of the principal Regulations by adding new sub-paragraph (c) to limit the application of regulation 19(1)(d) of the principal Regulations by providing that that regulation shall not include any payment by way of any non-cash voucher not falling within the new Schedule 1C to the principal Regulations.

Regulation 5 inserts new Schedule 1C to the principal Regulations.

The Report of the Social Security Advisory Committee dated 27th January 1999 on the proposals referred to them in these Regulations, together with a statement showing the extent to which these Regulations give effect to the Recommendations of the Committee, and in so far as they do not give effect to them, the reasons why not, are contained in Command paper Cm. 4281, published by The Stationery Office Limited.

The costs to business of these amendments were covered in the Regulatory Impact Assessment for the Social Security Act 1998 in accordance with, and in consequence of which, these Regulations are made. A copy of that Regulatory Impact Assessment has been placed in the libraries of both Houses of Parliament and can be obtained from Department of Social Security, Better Regulation Unit, 3rd Floor, Adelphi, 1–11 John Adam Street, London WC2N 6HT.

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