

**EXPLANATORY MEMORANDUM TO**  
**THE CIVIL PARTNERSHIP (EMPLOYEE SHARE OWNERSHIP PLANS)**  
**ORDER 2007**

**2007 No. 109**

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. **Description**

This Order is consequential following the coming into force of the Civil Partnership Act 2004. The Order is needed to replace a reference to “wife or husband” with “spouse or civil partner” in the Share Incentive Plan secondary legislation titled Share Ownership Plans (Partnership Shares – Notice of Effects on Benefits, Statutory Sick Pay and Statutory Maternity Pay) Regulations 2000 (SI2000/2090).

3. **Matters of special interest to the Select Committee on Statutory Instruments**

None.

4. **Legislative Background**

- 4.1 The Approved Share Incentive Plan legislation in Chapter 6, Part 7 and Schedule 2 of Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) provides the tax rules for companies to follow if they wish to operate a Share Incentive Plan (SIP).
- 4.2 Paragraph 48 of Schedule 2, ITEPA 2003 requires that the company gives a notice in a prescribed form to the employee participating in the SIP, explaining the effects of deductions from salary on the employees’ social security benefits, statutory sick and statutory maternity pay.
- 4.3 What must be contained in a prescribed form of notice is stipulated in the Share Ownership Plans (Partnership Shares – Notice of Effects on Benefits, Statutory Sick Pay and Statutory Maternity Pay) Regulations 2000 (SI2000/2090). The reference to husband and wife in this part of secondary legislation is being replaced by “spouse or civil partner” to reflect the changes made by the Civil Partnership Act 2004.

5. **Extent**

This Order applies throughout the United Kingdom.

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy Background**

- 7.1 The SIP is a share award plan with tax and National Insurance (NIC) advantages for both the company and the participating employees. It was introduced in Finance Act 2000.
- 7.2 Under an approved SIP, an employee can acquire 'partnership shares'. Partnership shares are acquired by making deductions from the employee's gross pay which consequently reduces the taxable pay and earnings for NIC purposes. To ensure the employee is made aware of the consequences of the reduction in earnings which counts toward contributory benefits, statutory sick pay and statutory maternity pay, the SIP legislation directs the employer to provide a notice in a prescribed form to the participating employee.
- 7.3 The regulations prescribing the form of notice still refer to 'wife or husband' and is being amended by this instrument to 'spouse or civil partner' to align it with the requirements of the Civil Partnership Act 2004.

## **8. Impact**

- 8.1 A regulatory appraisal has not been prepared for this instrument as it has no impact on the costs of business.
- 8.2 A full regulatory impact assessment for civil partnership was published alongside the Civil Partnership Act 2004 and can be viewed at: [www.dti.gov.uk/accessria/index.htm#equality](http://www.dti.gov.uk/accessria/index.htm#equality) .

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