



Statutory Document No. 110/97

THE SOCIAL SECURITY ACT 1982

THE SOCIAL SECURITY LEGISLATION (APPLICATION)
(NO. 2) ORDER 1997

Approved by Fynwald 15th April 1997

Coming into operation in accordance with Article 1

In exercise of the powers conferred on the Department of Health and Social Security by section 1 of the Social Security Act 1982(a), and of all other enabling powers, the following Order is hereby made:-

Citation and commencement

1. (1) This Order may be cited as the Social Security Legislation (Application) (No. 2) Order 1997 and shall, subject to section 1(6) of the Social Security Act 1982, come into force as provided in paragraph (2).

(2) This Article and Articles 2 and 3 shall come into force forthwith and each provision of the applied legislation, as modified, shall come into force or be deemed to have come into force, as the case may be, on the same day as that provision came into force in Great Britain.

Interpretation

2. (1) In this Order "the applied legislation" means -

- (a) regulations 1 and 3(1) of the Social Security (Contributions) Amendment (No.3) Regulations 1996(b);
- (b) the Social Security (Contributions) Amendment (No.6) Regulations 1996(c).

(a) 1982 c. 9; (b) S.I. 1996/700; (c) S.I. 1996/3031.

Price: £0.80

(2) Unless the context otherwise requires -

- (a) any reference in any of the applied legislation to any provision in an instrument of a legislative character which is not itself a provision of any of the applied legislation shall be construed as if the provision so referred to had been in force in the Island from the date on which that instrument of a legislative character had effect in Great Britain;
- (b) reference in any legislation applied by this Order to any provision of any such legislation or of any other legislation applied to the Island by an order under section 1 of the Social Security Act 1982 or section 1 of the Pension Schemes Act 1995(a), shall be construed as a reference to that legislation as it has effect in the Island.

Application to the Island of the applied legislation

3. The applied legislation, as modified and shown in the Schedules to this Order, shall apply to the Island as part of the law of the Island.

(a) 1995 c. 11.

SCHEDULE 1

This Schedule sets out the text of regulations 1 and 3(1) of the Social Security (Contributions) Amendment (No.3) Regulations 1996 (S.I.1996/700) with such exceptions, adaptations and modifications made where necessary.

Note: Modifications subject to which the legislation is applied to the Island are in *bold italic* type

STATUTORY INSTRUMENTS

1996 No. 700

SOCIAL SECURITY

The Social Security (Contributions) Amendment (No.3)
Regulations 1996

Citation, commencement and interpretation

1. (1) These Regulations may be cited as the Social Security (Contributions) Amendment (No.3) Regulations 1996 and shall come into force on 6th April 1996.

(2) In these Regulations "the principal Regulations" means the Social Security (Contributions) Regulations 1979(a).

Amendment of regulation 19 of the principal Regulations

3. (1) In paragraph (1) of regulation 19 of the principal Regulations (payments to be disregarded) after sub-paragraph (v) substitute -

"(w) - (x) *Omitted.*

(y) *a payment -*

(i) by way of the discharge of any liability which by virtue of section 21(3)(a) of the Income Tax Act 1970 (an Act of Tynwald); or

(ii) of expenses, which by virtue of section 21(3)(b) of that Act, is not treated as taxable income attributable to the employment. "

(a) S.I. 1979/591.

This Schedule sets out the text of the Social Security
(Contributions) Amendment (No.6) Regulations 1996 (S.I. 1996/3031)
with such exceptions, adaptations and modifications made where necessary.

Note: Modifications subject to which the legislation is applied
to the Island are in *bold italic* type

STATUTORY INSTRUMENTS

1996 No. 3031

SOCIAL SECURITY

The Social Security (Contributions) Amendment (No.6) Regulations 1996

Citation, commencement and interpretation

1. (1) These Regulations may be cited as the Social Security (Contributions) Amendment (No.6) Regulations 1996 and shall come into force on 5th December 1996.

(2) In these Regulations "the principal Regulations" means the Social Security (Contributions) Regulations 1979(a).

Amendment of regulation 1 of the principal Regulations

2. In regulation 1(2) of the principal Regulations (citation, commencement and interpretation) after the definition of "standard rate" there shall be inserted the following definition -

"trading arrangements" in relation to any asset (including a voucher) shall be construed in accordance with section 203K(2)(a) and (3) of the Income and Corporation Taxes Act 1988;".

Amendment of regulation 18 of the principal Regulations

3. In regulation 18 of the principal Regulations (calculation of earnings) -

(a) in paragraph (2) for the words "paragraph (4), (6), (8) or (9)" there shall be substituted the words "paragraph (4), (6), (7A), (8) or (9)";

(a) S.I. 1979/591.

(b) after paragraph (7) there shall be inserted the following paragraph -

"(7A) The amount of earnings which is comprised in any payment by way of the conferment of a beneficial interest in any option to acquire any asset falling within Schedule 1A to these Regulations and which falls to be taken into account in the computation of a person's earnings shall, for the purposes of earnings-related contributions, be calculated or estimated by reference to the amount which would be comprised in accordance with paragraph (2) of this regulation or, where paragraph (4), (6), (8) or (9) would apply in accordance with that paragraph, in a payment by way of the conferment of any beneficial interest -

- (i) in the asset which may be acquired by the exercise of that option; or
- (ii) where that asset (the first asset) may be exchanged for another asset (the second asset) and the value of the beneficial interest in the second asset is greater than that in the first asset, in that second asset,

on the day the beneficial interest in the option is conferred, reduced by the amount or value (or if variable, the least amount or value) of the consideration for which the asset may be so acquired.";

(c) in paragraph (8) -

- (i) for the words "paragraph 9ZA, 9ZB or 9B of Schedule 1A to these Regulations" there shall be substituted the words "paragraph 9ZA or 9ZB of Schedule 1A to these Regulations or in any voucher falling within paragraph 9B or 9C of that Schedule";
- (ii) at the end there shall be inserted -

"and for the purposes of this paragraph "the cost of the asset" in relation to any voucher includes the cost of any asset for which that voucher is capable of being exchanged";

(d) for paragraph (9) there shall be substituted the following paragraph -

"(9) The amount of earnings which is comprised in any payment by way of the conferment of a beneficial interest in any asset specified in Schedule 1A to these Regulations for which trading arrangements exist and which falls to be taken into account in the computation of a person's earnings, shall, for the purposes of earnings-related contributions, be calculated or estimated in accordance with the following provisions of this paragraph -

- (a) the amount of earnings shall be calculated or estimated by reference to the amount which is the greater of -
 - (i) the amount obtainable under the trading arrangements in question;
 - (ii) the amount calculated or estimated in accordance with paragraph (2) of this regulation or, where paragraph (4), (6), (7A) or (8) of this regulation would apply, the amount calculated or estimated in accordance with that paragraph;
- (b) the calculation or estimate of the amount of earnings by reference to the amount obtainable under trading arrangements shall be carried out on the basis that such amount was obtained on the day on which the beneficial interest was conferred;
- (c) the reference in this paragraph to an asset does not include any voucher falling within paragraph 9B or 9C of Schedule 1A to these Regulations.".

Amendment of regulation 19 of the principal Regulations

4. In regulation 19 of the principal Regulations (payments to be disregarded) -

(a) for sub-paragraphs (1)(l) and (m) there shall be substituted the following sub-paragraphs -

"(l) a payment by way of shares where such shares -

(i) form part of the ordinary share capital of -

(aa) the secondary contributor; or

(bb) a company which has control of that secondary contributor; or

(cc) a company which either is, or has control of, a body corporate which is a member of a consortium owning either that secondary contributor or a body corporate having control of that secondary contributor; and

(ii) are either -

(aa) appropriated under a profit sharing scheme *approved by the Assessor of Income Tax*; or

(bb) non-tradeable shares;

(m) a payment by way of an option to acquire shares where such option is -

(i) a right obtained in accordance with the provisions of a *share option scheme approved by the Assessor of Income Tax*; or

(ii) a right to acquire shares which are non-tradeable shares and is a non-tradeable option;"

(b) paragraph (7)(f) shall be omitted;

(c) at the end of paragraph (7) there shall be added the following sub-paragraph -

"(g) a payment by way of shares appropriated under a profit sharing scheme *approved by the Assessor of Income Tax* includes a payment derived from such shares.";

(d) after paragraph (7) there shall be inserted the following paragraph -

"(7A) For the purposes of paragraphs (1)(l) and (m) of this regulation -

(a) a share or option is non-tradeable if at the time when the payment is made, that share or option is incapable of being sold or otherwise realised on a recognised investment exchange within the meaning of the *Financial Supervision Act 1988 (an Act of Tynwald)* and no trading arrangements exist in respect of it;

(b) "shares" include stock."

Amendment of Schedule 1A to the principal Regulations

5. In Schedule 1A to the principal Regulations (assets not to be disregarded as payments under regulation 19(1)(d)) paragraph 19 shall be omitted.

Made 17th March 1997

Mrs C M Christian BSc M.L.C.
Minister for Health and Social Security

EXPLANATORY NOTE

(This note is not part of the Order)

1. Section 1 of the Social Security Act 1982 enables the Department by Order to apply to the Island, as part of the law of the Island and incorporating the exceptions, adaptations and modifications, any legislation to which the Act applies.
2. Inter alia, the Act applies to the Social Security Acts 1975 to 1996 (of Parliament) and any statutory instrument made or having effect as if made under those Acts.
3. This Order applies to the Island the legislation referred to in Article 2(1) of the Order the provisions of which, as applied, are summarised in the following paragraph. The applied legislation comes into force or is deemed to have come into force, as the case may be, on the same day as the corresponding provisions come or came into force in Great Britain. Where necessary the provisions have been applied in the Island administratively pending their application by Order.
4. The Social Security (Contributions) Amendment (No. 3) Regulations 1996 (S.I.1996/700)

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

Regulation 3(1) amends regulation 19(1) of the principal Regulations (payments to be disregarded) by excluding a payment from computation of a person's earnings for the purposes of earnings-related contributions.

5. The Social Security (Contributions) Amendment (No.6) Regulations 1996 (S.I.1996/3031)

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

Regulation 3 amends regulation 18 of the principal Regulations (calculation of earnings).

A new paragraph 7A is inserted so that where a payment of earnings is made in the form of a beneficial interest in an option to acquire an asset listed in Schedule 1A the value of the payment is determined by reference to the value of the asset concerned.

Paragraph (8) is amended to include any vouchers for which trading arrangements exist and vouchers for assets for which such arrangements exist. Where a payment of earnings is made in the form of a voucher the value of the payment is determined by reference to the cost of the voucher and the cost of the asset for which the voucher is exchangeable.

Paragraph (9) is amended so that where a payment of earnings is made in the form of the beneficial interest in any asset listed in Schedule 1A (other than a voucher) for which trading arrangements exist the value of the payment is determined by reference to the amount obtainable under the trading arrangements if that is greater than the value of the beneficial interest in the asset.

Regulation 4 amends regulation 19 of the principal Regulations (payments to be disregarded) so that the exclusion from the computation of a person's earnings of shares forming part of the ordinary share capital of the secondary contributor or a company having control in relation to that contributor is limited to those shares which are provided under a scheme approved by the Assessor of Income Tax or which are not tradeable on a recognised investment exchange and for which no trading arrangements exist. Options to acquire shares which are provided under a scheme approved under this Schedule or which are not tradeable on a recognised investment exchange or for which no trading arrangement exist are also excluded from the computation of a person's earnings.