STATUTORY INSTRUMENTS

1986 No. 1948

INCOME TAX

The Personal Equity Plan Regulations 1986

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The Treasury, in exercise of the powers conferred upon them by Schedule 8 to the Finance Act 1986(a), hereby make the following Regulations:—

Citation and commencement

1. These Regulations may be cited as the Personal Equity Plan Regulations 1986 and shall come into operation on 1st January 1987.

Interpretation

2.— (1) In these Regulations unless the context otherwise requires:—

(*a*) "the Board" means the Commissioners of Inland Revenue;

an "exempt investment" means an investment in a mature portfolio;

"gains" means "chargeable gains" within the meaning of the Capital Gains Tax Act 1979(b);

"investment trust" has the same meaning as in section 359 of the Taxes Act;

"the Management Act" means the Taxes Management Act 1970(c);

"market value" shall be construed in accordance with section 150 of the Capital Gains Tax Act 1979;

a "mature portfolio" is a portfolio of plan investments which are held under a plan after the expiry of the minimum holding period (within the meaning of Regulation 12);

"notice" means notice in writing and "notify" shall be construed accordingly;

"ordinary share" means a share which forms part of a company's ordinary share capital (within the meaning of section 526(5) of the Taxes Act);

a "plan investment" is an investment under a plan which is a qualifying investment within the meaning of Regulation 6;

a "plan investor" is an individual who subscribes to a plan and who is a qualifying individual within the meaning of Regulation 9;

a "plan manager" is a person who fulfils the conditions of these Regulations and is approved by the Board for the purpose of these Regulations as a plan manager;

"recognised stock exchange" has the same meaning as in section 535 of the Taxes Act;

"share" includes stock;

"tax" where neither income tax nor capital gains tax is specified means either of those taxes;

(a) 1986 c. 41.
(b) 1979 c. 14.
(c) 1970 c. 9.

"tax credit" means a credit under section 86 of the Finance Act 1972(**a**);

"tax year" means a year beginning with 6th April in any year and ending with 5th April in the following year;

"the Taxes Act" means the Income and Corporation Taxes Act 1970(**b**);

"year" means a calendar year.

(*b*) "authorised unit trust" and "unit holder" have the same meaning as in section 358 of the Taxes Act and references to a "unit" include references to a fraction of a unit.

(2) The Table below indexes other definitions in these Regulations:

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Introductory

3. These Regulations provide for the setting up of plans by plan managers approved by the Board under which individuals may make certain investments, for the conditions under which they may invest and under which those plans are to operate, for relief from tax in respect of plan investments and generally for the administration of tax in relation to plans.

General conditions for plans

4.— (1) A plan is a scheme of investment to which an individual who is a qualifying individual may subscribe and in respect of which the following conditions must be fulfilled—

(*a*) a qualifying individual may subscribe to only one plan in any year;

(*b*) the individual may not subscribe to a plan otherwise than by means of a sum or sums of his cash paid directly to the plan manager;

(*c*) the individual's cash subscription may not exceed £2,400 in any year;

(*d*) the individual may not subscribe further to a plan after the end of the year in which his subscription to that plan begins.

(2) A plan must be managed in accordance with these Regulations by a plan manager and under terms agreed in writing between the plan manager and the plan investor.

(3) Apart from other requirements of these Regulations the terms agreed to which paragraph (2) refers shall include the following conditions—

(**a**) 1972 c. 41.
(**b**) 1970 c. 10.

(*a*) that the plan investments shall be in the beneficial ownership of the plan investor;

(*b*) that the title to the plan investments shall be vested in the plan manager or his nominee or jointly in one of them and the plan investor;

(*c*) that the share certificate or other document evidencing title to a plan investment shall be held by the plan manager or as he may direct;

(*d*) that the plan manager shall arrange for the plan investor to receive a copy of the annual report and accounts issued by every company or other concern in respect of shares or units (as the case may be) which are his plan investments;

(*e*) that the plan manager shall be under an obligation (subject to any provisions made by or under any other enactment and if the plan investor so elects) to arrange for the plan investor to be able—

(i) to attend shareholders' or unit holders' meetings,

(ii) to vote, and

(iii) to receive, in addition to the documents referred to in paragraph (*d*) above, any other information issued to shareholders or unit holders;

(*f*) that the proceeds of shares (including dividends and other rights), not being shares in an investment trust, which are plan investments, may be invested under the plan only by way of cash deposit or in other such shares;

(*g*) that at the request of the plan investor and within such time as shall be agreed an entire plan with all rights and obligations of the parties to it may be transferred to another plan manager;

(*h*) that the plan manager shall notify the plan investor if by reason of any failure to satisfy the provisions of these Regulations a plan has or will become void.

General investment rules

5.— (1) All transactions whether by way of sale, purchase or otherwise by a plan manager in investments under a plan shall be made at the price which those investments might reasonably be expected to fetch in the open market.

(2) Investments may not at any time be purchased or made otherwise than out of cash which a plan manager holds (and is entitled under the provisions of these Regulations to hold) under a plan at that time.

(3) Where cash which is available for investment from more than one plan is invested under one or more of those plans the investments will fall to be allocated to a plan in proportion to the cash drawn therefrom in respect of the investments.

(4) A plan investor's cash subscription and any other cash held by a plan manager which he is entitled to hold under a plan shall be held only in sterling and in an account designated for the purposes of these Regulations only.

(5) Cash by way of dividends, other rights or proceeds in respect of shares,

not being shares in an investment trust, which are held as plan investments may be invested only by way of cash deposit or in other such shares.

(6) All exempt investments of a plan investor under a plan or plans managed by the same plan manager shall, for the purposes of these Regulations, be treated as being merged to become one plan comprising a mature portfolio.

Qualifying investments

6.— (1) This Regulation specifies the kind of investments ("qualifying investments") which may be purchased, made or held under a plan.

(2) Qualifying investments to which paragraph (1) refers are—

(*a*) ordinary shares, not being shares in an investment trust, issued by a company which is incorporated in the United Kingdom and quoted in the official list of a recognised stock exchange in the United Kingdom or dealt in on the Unlisted Securities Market;

(*b*) investments in—

(i) an investment trust, or

(ii) an authorised unit trust,

provided that the total amount of the cash subscription under the plan so invested shall not exceed £420 or one quarter of the total for the time being of the subscription whichever is the greater;

(*c*) cash which the plan manager is entitled to hold for investment under a plan.

Cash investment limit and treatment of excess

7.— (1) Subject to the provisions of this Regulation, from the end of the year in which the plan investor begins to subscribe to a plan, the plan manager shall be entitled to hold cash as a plan investment only up to the amount of the limit ("cash investment limit") which this Regulation provides.

(2) The cash investment limit for any plan to which paragraph (1) refers is at any time—

(*a*) £240 or, if more,

(*b*) (i) 10 per cent of the market value as at 31st December in the preceding year of all the plan investments under the plan, or

(ii) where a sum or sums of cash have been transferred to a plan investor from a mature portfolio since that date 10 per cent of the said market value after deducting from it all such sums.

(3) Cash in excess of the cash investment limit may be held by a plan manager for a period of 28 days after which such an excess—

(*a*) where it is held under a plan which does not comprise a mature portfolio shall render the plan void, or

(*b*) where it is held under a plan which comprises a mature portfolio shall cease to be treated as a plan investment and shall be transferred to the plan investor.

Interest on cash deposits—manner of payment and tax charges

8.— (1) Interest on a cash deposit which is a plan investment shall be paid or credited gross and the cash deposit—

(*a*) shall not be treated as a relevant deposit within the meaning of section 27 of the Finance Act 1984(**a**), and

(*b*) where it is a cash deposit made with a building society shall be treated as a gross payment to which Regulation 6 of the Income Tax (Building Societies) Regulations 1986(**b**) applies, both for the purposes of those Regulations and these Regulations.

(2) (*a*) When in a tax year—

(i) on or after receipt under a plan, interest in respect of a cash deposit ceases to qualify for relief or exemption under these Regulations, or

(ii) a cash deposit ceases to qualify as a plan investment,

the provisions of paragraph (2)(*b*) and (*c*) shall begin to apply.

(*b*) (i) The plan manager shall pay to the Board a sum representing income tax at the basic rate ("basic rate tax") computed in accordance with the provisions of paragraph (2)(*c*),

(ii) and any sum so payable shall be treated—

(*a*) as an amount of tax due under an assessment which is final and conclusive and payable not later than 30 days after the date when paragraph (2)(*b*) begins to apply to the interest, and

(*b*) as an amount of income tax deducted at source and not repayable within the meaning and for the purposes of section 95(2)(*a*) of the Management Act.

(*c*) The sum to which paragraph (2)(*b*)(i) refers shall be—

(i) in the case of interest on a cash deposit comprised in a mature portfolio the amount of basic rate tax on interest received in the tax year in which the cash deposit ceases to qualify, and

(ii) in any other case the amount of basic rate tax on all interest at any time received in respect of the cash deposit.

(*d*) The interest so received (to which paragraph (2)(*c*) refers) shall in all other respects be treated as interest of money within the meaning of paragraph (*a*) of section 109(2) of the Taxes Act and chargeable to tax (under Case III of Schedule D) for the tax year in which the interest in question arises.

(*e*) In this Regulation—

(i) the reference to a cash deposit in sub-paragraph (*b*) of paragraph (1) includes a reference to a share, and

(ii) references to interest include references to dividends on such shares.

(**a**) 1984 c. 43.
(**b**) S.I. 1986/482.

Qualifying individuals who may invest under a plan

9.— (1) This Regulation specifies the description of individual who may invest under a plan ("qualifying individual").

(2) A qualifying individual to whom paragraph (1) refers is an individual—

(*a*) who is 18 years of age or over,

(*b*) who has not subscribed to any other plan during the year for which he makes an application under Regulation 11, and

(*c*) (i) who is resident and ordinarily resident in the United Kingdom, or

(ii) who, though non-resident, performs duties which by virtue of section 184(3)(*a*) of the Taxes Act (Crown employees serving overseas) are treated as being performed in the United Kingdom.

Plan investor ceasing to qualify

10. Notwithstanding any other provision of these Regulations a plan investor who, after subscribing to a plan, at any time ceases to fulfil the conditions of Regulation 9(2)(*c*) may retain the benefits of the plan (including the right to any relief or exemption due under the plan) subsisting at that time but, so long as he fails to fulfil those conditions, shall not be entitled to subscribe further to such a plan.

Conditions for application to subscribe to a plan

11.— (1) An application by an individual to subscribe to a plan must be made to a plan manager in a statement in writing and fulfil the following conditions—

(*a*) it must be in a form authorised or prescribed by the Board and must specify the year in which the applicant is to subscribe to a plan;

(*b*) the form shall provide for a declaration that the applicant—

(i) is 18 years of age or over;

(ii) fulfils the conditions of Regulation 9;

(iii) has made no other application to subscribe to another plan in the year to which sub-paragraph (*a*) refers;

(iv) authorises the plan manager in writing—

(*a*) to hold the applicant's cash subscription, plan investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash;

(*b*) to make on his behalf any claims to relief from tax in respect of plan investments;

(*c*) on the applicant's written request to transfer or pay to him, as the case may be, plan investments, interest, dividends, rights or other proceeds in respect of such investments or any cash, notwithstanding that such transfer or payment will render the plan void under these Regulations;

(*c*) it must contain—

(i) the applicant's full name,

(ii) his permanent address,

(iii) his national insurance number, and

(iv) where he knows it, his tax office reference.

(2) A plan manager may not accept as a plan investor any individual if he has reason to believe that—

(*a*) he is not or might not be a qualifying individual, or

(*b*) he has given untrue information in his application.

(3) Section 95 of the Management Act shall have effect as if—

(*a*) the statement and declaration to which paragraph (1) above refers were a statement or declaration, as the case may be, within the meaning of subsection (1)(*b*), and

(*b*) there were substituted for subsection (3) the following words—

"(3) The relevant years of assessment for the purposes of this section are the year of assessment in respect of which any claim to relief from tax, in connection with which the statement or declaration is relevant, is made, the next following, and any preceding year of assessment."

Minimum holding period

12.— (1) This Regulation specifies the minimum period ("the minimum holding period") after which a plan investment becomes an exempt investment.

(2) Subject to paragraph (3) the minimum holding period to which paragraph (1) refers is the period beginning with the plan investor's first cash subscription to a plan and ending on the 31st December in the following year.

(3) In the case of a plan investment the full price of which is payable by instalments, the minimum holding period begins with the date of the payment of the first of those instalments.

Maximum investment limit

13.— (1) This Regulation specifies the maximum amount of investment ("maximum investment limit") which may be made under a plan.

(2) The maximum investment limit under a plan, to which paragraph (1) refers, is the total of the following amounts less any amount withdrawn by the plan investor—

(*a*) the amount of a plan investor's cash subscription invested under a plan but not exceeding £2,400 plus any interest thereon which the plan manager is entitled to hold for investment under the plan;

(*b*) (i) the amount of interest, dividends, and rights or other proceeds received in respect of qualifying investments;

(ii) the amount of any profit or loss on the disposal of a qualifying investment;

(iii) the amount in respect of any tax credit repaid to a plan manager and invested under the plan;

(iv) the amount of any other cash which the plan manager is entitled to hold under the plan.

(3) Where a number of plans is merged to become one plan comprising a mature portfolio the maximum investment limit is—

(*a*) the aggregate of the amounts of the maximum investment limit under each plan provided by paragraph (2) immediately before the merger;

(*b*) with the addition of—

(i) any interest of the kind referred to in paragraph 2(*a*), and

(ii) any amounts of the kind referred to in paragraph 2(*b*),

which arise under the plan after the merger.

Withdrawal by individual during minimum holding period to render plan void

14.— (1) This Regulation prescribes circumstances in which a plan shall be rendered void and the consequences thereof in respect of tax reliefs and the recovery in respect of plan investments of tax from which relief has been given under the plan.

(2) The plan manager shall forthwith give notice to the Board of a withdrawal by a plan investor from a plan of any plan investment or sum of cash before the end of the minimum holding period, or of his ceasing to be a qualifying individual, and shall provide with the notice the following information (except where the individual ceases to be a qualifying individual only by ceasing to fulfil the conditions of Regulation 9(2)(*c*))—

(*a*) the name and address of the plan investor;

(*b*) his national insurance number, and where known tax office reference;

(*c*) the date and particulars of each withdrawal;

(*d*) the name and address and reference number of the plan manager;

(*e*) in relation to each tax year concerned in respect of the relevant plan—

(i) the income from each source and the tax borne (whether by deduction or otherwise);

(ii) details of amounts of repayments in respect of tax, and amounts claimed or exempted and how tax is proposed to be accounted for and paid to the Board;

(iii) details of all plan transactions in investments including their cost, their sale proceeds, profits and losses, and appropriate dates;

(iv) details of any investment withdrawn in specie showing the cost and date of acquisition under the plan, and the market value at the date of the withdrawal.

(3) A copy of the notice to which paragraph (2) refers shall be sent at the same time to the plan investor concerned.

(4) The occasion of a withdrawal to which paragraph (2) refers or of a plan investor ceasing to be a qualifying investor (except where the individual ceases to be a qualifying investor only by ceasing to fulfil the conditions of Regulation 9(2)(*c*)) shall—

(*a*) render the plan void;

(*b*) render the investor liable to tax on all income and gains which arose in respect of the plan before the plan became void;

(*c*) entitle the Board to make such assessments as may in their opinion be required for recovering any tax.

Death of plan investor before expiry of minimum holding period

15. On the death of a plan investor before the expiry of the minimum holding period the plan investments and any cash under the plan which the plan manager is entitled to hold for investment shall be treated as if immediately before the death they formed part of a mature portfolio of which the deceased was entitled to dispose.

Plan manager—qualifications and Board's approval

16.— (1) This Regulation specifies the circumstances ("qualifying circumstances") in which a person may be approved by the Board as a plan manager.

(2) The qualifying circumstances to which paragraph (1) refers are the following—

(*a*) the person must make written application to the Board for approval in a form prescribed by the Board;

(*b*) a plan manager must be—

(i) a holder of a principal's licence under section 3(1) of the Prevention of Fraud (Investments) Act 1958(**a**) ("the 1958 Act") or section 3(1) of the Prevention of Fraud (Investments) Act (Northern Ireland) 1940(**b**) ("the 1940 Act");

(ii) a member of any recognised stock exchange or recognised association of dealers in securities as mentioned in section 2(1)(*a*) of the 1958 Act or section 2(1)(*a*) of the 1940 Act;

(iii) an exempted dealer as mentioned in section 2(1)(*b*) of the 1958 Act or section 2(1)(*b*) of the 1940 Act;

(iv) an authorised person within the meaning of Chapter III of Part I of the Financial Services Act 1986(**c**) ("the 1986 Act"); or

(v) an exempted person within the meaning of Chapter IV of Part I of the 1986 Act; and

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(**a**) 1958 c. 45.
(**b**) 1940 c. 9 (N.I.).
(**c**) 1986 c. 60.

(*c*) a plan manager must not be prevented from acting as such by any prohibition by or under rules under section 48 of the 1986 Act, by or under the rules of any recognised self-regulating organisation of which the plan manager is a member, or by or under the rules of any recognised professional body by which the plan manager is certified, or by a prohibition imposed under section 65 of the 1986 Act.

(3) The terms of the Board's approval may include conditions designed to ensure that the provisions of these Regulations are satisfied.

Plan manager—withdrawal by Board of approval

17.— (1) This Regulation specifies the circumstances ("the disqualifying circumstances") in which the Board may by notice withdraw their approval of a person as a plan manager in relation to a plan.

(2) The disqualifying circumstances to which paragraph (1) refers are that the Board have reason to believe—

(*a*) that any provision of these Regulations is not or at any time has not been satisfied in respect of a plan managed by the plan manager; or

(*b*) that a person to whom they have given approval to act as a plan manager is not qualified so to act.

(3) The notice to which paragraph (1) refers shall specify—

(*a*) the date from which the Board's approval is withdrawn, and

(*b*) the disqualifying circumstances.

Plan manager—appeal against withdrawal of Board's approval

18.— (1) A plan manager to whom notice of withdrawal of approval has been given under Regulation 17 may appeal against the withdrawal by notice given to the Board within 30 days after the date of the notice of withdrawal.

(2) The appeal shall be to the Special Commissioners.

(3) Part V of the Management Act (appeals and other proceedings)(**a**) shall apply to an appeal and the Special Commissioners shall on appeal to them confirm the notice unless they are satisfied that the notice ought to be quashed.

Plan manager ceasing to act

19. A person shall give notice to the Board and to the subscriber to the plan which he manages of his intention to cease to act as the plan manager within a reasonable time before he so ceases so that his obligations to the Board under the plan can be conveniently discharged at or about the time he ceases so to act.

(**a**) 1970 c. 9.

Plan manager ceasing to qualify

20. A person shall cease to qualify as a plan manager and shall notify the Board forthwith of that fact where—

(*a*) the person no longer fulfils the conditions of Regulation 16;

(*b*) in the case of an individual, he becomes bankrupt or, in Scotland, his estate is sequestrated, or makes any arrangement or composition with his creditors generally; or

(*c*) in the case of a company a resolution has been passed or a petition has been presented to wind it up.

Transfer of plans to other plan managers

21. Where arrangements are made by a plan investor to transfer a plan or plans to another plan manager ("the transferee") the transfer shall have effect and a plan shall not be otherwise affected for the purpose of these Regulations by the occasion of transfer, provided that the plan manager making the transfer ("the transferor") has given notice to the Board of the transfer together with the following information—

(*a*) (i) the name, address and tax office reference of the transferor;

(ii) the name, address and tax office reference of the transferee;

(iii) the effective date of transfer;

(iv) details of plan investors whose plans are being transferred to the transferee showing names, addresses, national insurance numbers and tax office references;

(v) details of plan investors who are to withdraw plan investments together with information such as is required to be given by a plan manager under Regulation 14.

(*b*) A declaration by the transferor that he has fulfilled all his obligations to plan investors, to the Board or otherwise, which are imposed by these Regulations.

Exemption from tax of plan income and gains

22. Subject to these Regulations, except interest or dividends in respect of exempt investments which are not reinvested but are paid to or at the direction of the plan investor or otherwise applied for his benefit, no tax shall be chargeable in respect of interest, dividends or gains in respect of plan investments and relief in respect of tax (whether borne by deduction or otherwise) shall be given in the manner and to the extent provided by these Regulations.

Tax liabilities and reliefs—plan manager to act on behalf of plan investor

23.— (1) A plan manager may under these Regulations make claims, conduct appeals and agree on behalf of the plan investor liabilities for and reliefs from tax in respect of a plan.

(2) Claims shall be made to the Board in accordance with the provisions of Regulations 24 and 25.

(3) Where any relief or exemption from tax previously given in respect of a plan has by virtue of these Regulations become excessive, in computing the relief due on any claim there shall be deducted, so that amounts equal to that excess are set-off or repaid to the Board, as the case may be, notwithstanding that those amounts have been invested—

(*a*) any amount repaid in respect of a tax credit;

(*b*) any amount representing income tax (at the basic rate applicable for the tax year in which it was paid) in respect of any interest paid without any deduction out of it of sums representing tax;

(*c*) any other amount due to the Board by a plan manager in respect of any tax liability in respect of investments under a plan including (but without prejudice to the making of an assessment under the provisions of that section) any amount falling due in respect of a liability under section 477 of the Taxes Act(**a**).

(4) Any amount deducted under paragraph (3) shall be treated as an amount of income tax deducted at source and not repayable within the meaning and for the purposes of section 95(2)(*a*) of the Management Act.

Repayments in respect of tax to plan manager—interim claims

24.— (1) Notwithstanding the provisions of any other enactment, the Board shall not be under an obligation to make any repayment in respect of tax under these Regulations earlier than the end of the month following the month in which the claim for the repayment is received.

(2) A claim for repayment in respect of tax which is not an annual claim ("interim claim") may be made only for a period of a month (or a number of months not exceeding six) beginning on the 6th day of the month and ending on the 5th day of the relevant following month.

(3) No claim for repayment may be made for the month ending 5th October or any subsequent month until the annual return due in respect of a plan for the preceding tax year has been duly made by the plan manager and received by the Board.

(4) Where, on the occasion of a claim, there is due to the Board an amount in respect of tax that amount shall be recoverable by the Board in the same manner as tax charged by an assessment on the plan manager which has become final and conclusive.

Repayments in respect of tax to plan manager—annual returns and annual claims

25.— (1) An annual claim is a claim for repayment in respect of tax for a tax year and may not be made at any time more than 6 years after the end of the tax year.

(2) A plan manager shall within 6 months after the end of the tax year make a return of all income and gains which are not gains exempt from tax under these

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(**a**) 1970 c. 10.

Regulations and in addition an annual claim to establish the total of repayments due under a plan for that year.

(3) Where the aggregate of the repayments in respect of interim claims for the tax year shown by an annual claim exceeds the amount repayable for the tax year shown on the claim, the plan manager shall repay the amount of the excess to the Board with the claim.

(4) If a plan manager fails to make the return and the annual claim required under this Regulation within the time limited, the Board may issue a notice to the plan manager showing the aggregate of payments in respect of the interim claims for the tax year, and stating that the Board are not satisfied that the amount due to the plan manager for that year exceeds the lower amount stated in the notice.

(5) If a return and an annual claim are not delivered to the Board within 14 days after the issue of such a notice under paragraph (4) the amount of the difference between the aggregate and the lower amount stated in the notice shall immediately be recoverable by the Board in the same manner as tax charged by an assessment on the plan manager which has become final and conclusive.

(6) Where a return and an annual claim have been made and the plan manager subsequently discovers that an error or mistake has been made in the return or claim the plan manager may make a supplementary return or annual claim within the time allowed in paragraph (1).

Plan manager's returns and claims—supplementary provisions

26.— (1) Section 42 of the Management Act(**a**) shall not apply to claims under these Regulations.

(2) No appeal shall lie from the Board's decision on an interim claim.

(3) An appeal shall be to the Special Commissioners from the Board's decision on an annual claim, and the appeal shall be brought by giving notice to the Board within 30 days of receipt of notice of the decision.

(4) No payment or repayment made or other thing done on or in relation to an interim claim or a notice under Regulation 25(4) shall prejudice the decision on an annual claim.

(5) Part V of the Management Act (appeals and other proceedings) shall apply to an appeal under paragraph (3) above, and on an appeal the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of the appellant.

(6) All such assessments, payments and repayments shall be made as are necessary to give effect to the Board's decision on an annual claim or to any variation of that decision on appeal.

(7) Returns and claims under these Regulations shall be in such form and

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(**a**) 1970 c. 9.

contain such particulars as the Board prescribe and shall be signed by the plan manager; and forms prescribed for annual claims may require a report to be given by the auditor of the plan to whom reference is made in paragraph (*e*) of Regulation 29(1).

Assessments for withdrawing relief and recovering tax

27.— (1) Where—

(*a*) any relief or exemption from tax given in respect of income or gains under a plan is found not to be due or to be excessive, or

(*b*) where the full amount of tax in respect of the income or gains under a plan has not otherwise been fully accounted for and paid to the Board by or on behalf of the plan investor,

an assessment to tax may be made by the Board in the amount or further amount which in their opinion ought to be charged.

(2) An assessment to which paragraph (1) refers may be made on the plan manager or on the plan investor.

(3) If the assessment is made to recover tax in respect of income (including any amount in respect of a tax credit) under a plan it shall be made under Case VI of Schedule D.

Records to be kept by plan manager

28.— (1) A plan manager shall at all times keep sufficient records in respect of a plan to enable the requirements of these Regulations to be satisfied.

(2) The records shall include a valuation of plan investments at their market value as at 31st December each year.

Information to be given to plan investor by plan manager

29.— (1) A plan manager who is not otherwise required by or under any enactment so to do shall give to plan investors in writing at least once in each year the following information—

(*a*) details of all plan investments held including cash held for investment;

(*b*) the market value of those investments;

(*c*) the price of investments purchased or sold;

(*d*) details of all interest, dividends, rights and other proceeds of plan investments;

(*e*) a statement that the plan accounts have been subject to audit by an auditor who is a person qualified for appointment as an auditor of a company within the meaning of section 389 of the Companies Act 1985(**a**).

(2) A plan manager who makes a payment to a plan investor out of or in

(**a**) 1985 c. 6.

respect of which tax has been deducted shall, if the investor so requests in writing, furnish the investor with a statement in writing showing the gross amount of the payment, the amount deducted and the amount actually paid.

(3) On the transfer to a plan investor of an exempt investment the plan manager shall provide for the investor details in writing of the cost and date of its acquisition under the plan and the market value on the date of transfer.

Information to be provided to the Board

30. The Board may by notice require any person who is or who at any time has been a plan manager or plan investor to furnish them, within such time (not being less than 14 days) as may be provided by the notice, such information about any plan or about any plan investment (including copies of or extracts from any books or other records) as they may reasonably require for the purposes of these Regulations.

Inspection of records by officer of the Board

31.— (1) The Board may by notice require any person who is or who at any time has been a plan manager or plan investor, within such time (not being less than 14 days) as may be provided in the notice, to make available for inspection by an officer of the Board authorised for that purpose all documents (including books and other records) in his possession or under his control containing information relating to any plan or to any plan investment.

(2) Where records are maintained by computer the person required to make them available for inspection shall provide the officer making the inspection with all the facilities necessary for obtaining information from them.

Capital gains tax—adaptation of enactments

32.— (1) For the purposes of capital gains tax on the occasion when the title to investments comprised in a mature portfolio is transferred from a plan manager to a plan investor there shall be deemed to be a disposal and reacquisition by him of those investments for a consideration equal to their market value.

(2) For the pooling of plan investments for the purposes of Part III of Schedule 19 to the Finance Act 1985(**a**) Part III shall apply for the purposes of these Regulations with the substitution for paragraph 8(2) of the following words—

"(2)(*a*) This Part of this Schedule shall apply separately to any securities which are plan investments under any description of plan within the meaning of paragraph (*b*) of this sub-paragraph and, while applying separately to any such securities, this Part of this Schedule shall have effect as if the plan investor held them in a capacity other than that in which he holds any other securities of the same class whether under another plan or otherwise;

(**a**) 1985 c. 54.

(*b*) for the purposes of this paragraph a plan means any plan under the Personal Equity Plan Regulations 1986 of the following description—

(i) a plan during the year in which the plan investor first subscribes to it;

(ii) a plan in the year following such a year;

(iii) a plan comprising a mature portfolio."

(3) Sections 78 to 81 of the Capital Gains Tax Act 1979(**a**) shall not apply in relation to ordinary shares which are held under a plan if there is by virtue of any allotment for payment as is mentioned in section 77(2) of that Act a reorganisation affecting those shares.

Administration of tax in relation to plans—supplementary

33.— (1) Nothing in these Regulations shall be taken to prejudice any powers conferred or duties imposed by or under any enactment in relation to the making of returns of income or gains, or for the recovery of tax, penalties or interest by means of an assessment or otherwise.

(2) Notwithstanding the provisions of these Regulations a plan manager shall not be released from obligations under these Regulations in relation to a plan except under conditions agreed in writing with and notified to that person by the Board.

(3) Subject to the provisions of these Regulations the Management Act shall apply to any assessment of tax under these Regulations as if it were an assessment of tax for the tax year in which, apart from these Regulations, the plan investor would have been liable (by reason of his ownership of the investments) and as if—

(*a*) the assessment were an assessment specified in sections 55(1) (recovery of tax not postponed) and 86(2) (interest on tax), and

(*b*) the sum charged by the assessment were tax specified in the Table in section 86(4) (reckonable date for interest).

(4) Section 97(1) of the Management Act shall apply as if—

(*a*) there were inserted after the words "sections 95 and 96 above" the words "or the Personal Equity Plan Regulations 1986", and

(*b*) there were inserted after the words "that they were" the words "or have become".

(5) Any form prescribed by the Board for the purposes of these Regulations shall provide for a declaration that all the particulars given in the form are correctly stated to the best of the knowledge and belief of the person concerned.

(6) No obligation as to secrecy imposed by statute or otherwise shall preclude the Board from disclosing to a plan manager or plan investor that any provision of these Regulations has not been satisfied or that relief has been given or claimed in respect of investments under a plan.

(**a**) 1979 c. 14.

Mark Lennox-Boyd,
Tim Sainsbury.
Two of the Lords Commissioners
of Her Majesty's Treasury.

17th November 1986.

EXPLANATORY NOTE

(This Note is not part of the Regulations.)

These Regulations, made under powers given to the Treasury by the Finance Act 1986, set up a scheme for investment plans for individuals, the income and gains of which, subject to specified conditions, are exempt from tax.

Regulation 1 provides for the title to and commencement of the Regulations.

Regulation 2 provides definitions.

Regulation 3 gives a general introduction.

Regulation 4 sets out general conditions for plans.

Regulation 5 provides general rules for investment in plans.

Regulation 6 specifies permitted kinds of investment.

Regulation 7 sets the limit of cash investment.

Regulation 8 provides for interest under plans to be paid gross and for tax charges on interest not qualifying for relief.

Regulation 9 specifies the description of individuals who may be plan investors.

Regulation 10 provides for consequences when certain individuals become disqualified.

Regulation 11 provides conditions for individual applications.

Regulation 12 provides the minimum period for which investments need to be held to become exempt from tax.

Regulation 13 sets the limit on investment funds.

Regulation 14 provides that plans are to be void if individuals withdraw investments prematurely.

Regulation 15 provides for consequences of an investor's death.

Regulation 16 provides for approval of plan managers by the Board.

Regulation 17 provides for the withdrawal of that approval in certain circumstances.

Regulation 18 provides for an appeal against such a withdrawal.

Regulation 19 requires a person to notify the Board and investors when ceasing to be a plan manager.

Regulation 20 provides circumstances in which a person shall cease to qualify as a plan manager.

Regulation 21 provides for transfers of plans from one to another plan manager.

Regulation 22 sets out the tax exemptions for plan investors.

Regulation 23 provides that the plan manager shall act on behalf of the plan investor in respect of tax reliefs and liabilities under the plan.

Regulations 24, 25 and 26 provide for claims for relief and for returns.

Regulation 27 makes provision for the withdrawal of relief and the recovery of tax.

Regulation 28 provides for the keeping of plan records.

Regulation 29 provides for information and for a certificate of tax deducted to be given by plan managers to investors.

Regulations 30 and 31 empower the Board to obtain information and to inspect records.

Regulation 32 adapts statutory capital gains tax provisions in relation to plans.

Regulation 33 makes supplementary provisions for tax administration in relation to plans.

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