

EXPLANATORY MEMORANDUM TO
THE PERSONAL EQUITY PLAN (AMENDMENT) REGULATIONS
2005 No. 2562

- 1.** This explanatory memorandum has been prepared by the Commissioners for Her Majesty's Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Description

2.1 To amend the references to the Board in the Personal Equity Plan Regulations 1989 (S.I. 1989 no. 469) to refer to the Commissioners for Her Majesty's Revenue and Customs. To extend the 5% test, used to identify and exclude cash-like collective investment scheme products from personal Equity Plans, to all direct investments in shares and securities.

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

3.1 None

4. Legislative Background

4.1 Section 1 of the Commissioners for the Revenue and Customs Act 2005 provided for the creation of the commissioners of Her Majesty's Customs and Excise to replace the previous Commissioners for the Inland Revenue.

4.2 The Personal Equity Plan (Amendment) Regulations 2003, Statutory Instrument 2003 no. 2747 amended the Personal Equity Plan Regulations 1989 (S.I. 1989 no. 469) to introduce the 5% test for all collective investment scheme products wishing to qualify as eligible investments for a Personal Equity Plan.

5. Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Economic Secretary has made the following statement regarding 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 definition for the 'Board in regulation 2 of the Personal Equity Plan Regulations 1989 currently refers to the previous commissioners for the Inland Revenue this needs updating to reflect the changes made under The Commissioners for Revenue and Customs Act 2005.
- 7.2 In November 2003 we introduced the '5% test' in to the PEP and ISA Regulations to exclude products, set up through a collective investment scheme, from the Personal Equity Plan (PEP) regime if they provide 'guaranteed' or 'cash-like' returns within the first 5 years of purchase. To avoid this test providers have now developed certain 'guaranteed' or 'manufactured' investment products based on direct investments in the shares.
- 7.3 To prevent the different PEP treatment, currently given to these very similar products, distorting the market and savers decision making these amending regulations will apply the same 5% test to direct investment in shares and securities as used for collective investment schemes. The test will apply to investments purchased from the date these regulations come into force.

8. Impact

- 8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it imposes no new impacts on business, charities or voluntary bodies.
- 8.2 The impact on the public sector is negligible.

9. Contact

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