

2020 No. 0000/draft

DRAFT FOR CONSULTATION PURPOSES ONLY

CHILD TRUST FUNDS

The Child Trust Funds (Amendment No. X) Regulations 2020

Made - - - - - ***

Laid before Parliament ***

Coming into force - - - - - *6th April 2020*

The Treasury makes these regulations in exercise of the powers conferred by sections 7B, 28(2) and (3) of the Child Trust Funds Act 2004(a).

Citation and commencement

1. These regulations may be cited as the Child Trust Funds (Amendment No. X) Regulations 2020 and come into force on 6th April 2020.

Amendment of the Child Trust Funds Regulations 2004

2. The Child Trust Funds Regulations 2004(b) are amended as follows.

3. In regulation 2(1)(b) (interpretation), insert at the appropriate place—

““matured account” has the meaning given by regulation 13B(1);”.

4. In regulation 10(6) (statements for an account)(c), for “or fifteenth”, substitute “, fifteenth or seventeenth”.

5. After regulation 13 (conditions for application by responsible person or the child to open an account (and changes to an account)) insert—

“Maturity of child trust fund - instructions

13A.—(1) Instructions of a holder of a child trust fund to the account provider as to what is to be done with the investments under—

(a) the child trust fund on its maturity or,

(b) where regulation 13B(3)(a) applies, the matured account,

may be—

(i) where they are held otherwise than in cash,

(a) 2004 c. 6; section 3(1) was amended by sections 60(1), (2) and 61(1) and (4) of the Deregulation Act 2015 (c. 20). Sections 7A and 7B were inserted by section 62(2) and (3) of that Act.

(b) S.I. 2004/1450.

(c) Inserted by S.I. 2011/992.

- (aa) to realise them and to transfer the proceeds, or
- (bb) to transfer them in-specie, or
- (ii) where they are held in cash, to transfer the cash amount.

“Maturity of child trust fund - no instructions

13B.—(1) On the 18th birthday of the holder of a child trust fund, where no instructions have been given under regulation 13A, all the investments under the child trust fund held immediately before that birthday are to be transferred by the account provider to a protected account held with the account provider (“matured account”).

(2) Investments which are held otherwise than in cash are to be transferred in-specie.

(3) The matured account may, in accordance with paragraph (4), be either —

- (a) an account which is to be treated as a continuing account of the person who held the child trust fund (“account holder”) to be held subject to these regulations and otherwise on the same terms and conditions which applied immediately before the account holder’s 18th birthday as if the investments had remained in the account for the child trust fund save that references in the terms and conditions to those expressions or descriptions referred to in paragraph (8) are to be interpreted in accordance with that paragraph as though that interpretation applied to the terms and conditions; or
- (b) an account, within the meaning of regulation 4 of the Individual Savings Account Regulations 1998(a), which is a cash account, in respect of investments which are held in cash, or a stocks and shares account, in respect of investments which are held as stocks or shares, to be held subject to those regulations and otherwise on the same terms and conditions which applied immediately before that birthday as if the investments had remained in the account for the child trust fund, save that references in the terms and conditions to those expressions or descriptions referred to in paragraph (8) are to be interpreted in accordance with that paragraph as though that interpretation applied to the terms and conditions.

(4) The account provider may opt for either paragraph (3)(a) or (b) to apply.

(5) Paragraphs (6) to (13) apply where paragraph (3)(a) applies, notwithstanding any other provision of these regulations.

(6) No subscription is to be made to the matured account.

(7) Amounts in respect of investments on the account are to be credited to it.

(8) Wherever the following expressions occur in these regulations—

- (a) “account” and “child trust fund” are to be read as including the matured account,
- (b) “named child”, “eligible child” or “child” are to be read as referring to the account holder of the matured account, and
- (c) “registered contact” and “responsible person” are to be read as references to the account holder of the matured account where instructions, notifications, assessments, actions or decisions need to be made in relation to it.

(9) No transfer is to be made of the matured account otherwise than, in circumstances where the account provider intends to cease to act as an account provider, when regulation 19 (account provider’s intention to make a bulk transfer of accounts or to cease to act as an account provider) or 21 (transfer of accounts) applies.

(10) In regulation 10 (statements for an account)—

- (a) in paragraph (1)(a), the phrase “subject to paragraphs (6) and (7)” is to be treated as omitted,

(a) S.I.1998/1870.

(b) the words in paragraph (2A) are to be treated as replaced with—

“The account provider must produce a statement not later than 12 months beginning with the date the funds entered the matured account and annually thereafter”, and

(c) paragraphs (4)(m) to (o) are to be treated as omitted.

(11) Regulations 14(2)(b)(vi) (relating to publication of statements), 18A (permitted withdrawals from an account where the child is terminally ill) and 20A (transfers to other accounts for children) are to be treated as omitted.

(12) In regulation 32 (returns of information by account provider), paragraphs (2)(b)(i),(ii) and (iv) are to be treated as omitted.

(13) An account provider must, when all the investments have been transferred out of the matured account in accordance with instructions under regulation 13A(1)(b), close the account.”.

Name

Name

Two of the Lord Commissioners of Her Majesty’s Treasury

Date

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Child Trust Funds Regulations 2004 (S.I.2004/1450) (“Child Trust Funds Regulations”) to provide for, where no instructions are received from the holder of a child trust fund, an account provider to transfer all the investments under a child trust fund held by a person immediately before his or her 18th birthday to a protected account as defined in section 7B of the Child Trust Funds Act 2004 (c. 6), being an account where there is relief from income tax and capital gains tax on the investments held in it which satisfies other conditions prescribed in these Regulations.

A protected account is to be, at the option of the account provider, either a continuing account of the account for the child trust fund or an individual savings account under the Individual Savings Account Regulations 1998 (S.I.1998/1870) (“the Individual Savings Account Regulations”).

Regulation 5 inserts new regulation 13A and 13B into the Child Trust Funds Regulations.

Regulation 13A provides for where instructions are given by the person who holds the child trust fund as to what is to be done with the investments in the child trust fund.

Regulation 13B provides for where no instructions are given.

Amendment has been made to the Individual Account Savings Regulations to reflect these Regulations which come into force at the same time as these Regulations.

A Tax Information and Impact Note will be published on the HM Government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.