

EXPLANATORY MEMORANDUM TO
THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT) REGULATIONS
2015

2015 No. [XXXX]

1. This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 This instrument amends the rules governing the operation of Junior ISAs to allow the voluntary transfer of savings to a Junior ISA from a Child Trust Fund (CTF). It also simplifies the rules around bulk transfers of accounts between Junior ISA managers.
3. **Matters of special interest to the Joint Committee on Statutory Instruments.**
 - 3.1 None.
4. **Legislative Context**
 - 4.1 Junior ISAs are tax advantaged savings products for children under the age of 18. Junior ISA rules are set out in the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (ISA Regulations).
 - 4.2 Regulation 2(1) of the ISA Regulations defines who is an eligible child for a Junior ISA. ISA Regulation 5D provides the circumstances in which subscriptions are to be disregarded for the purposes of the ISA subscription limits. ISA Regulation 12A sets out the conditions that applications to open Junior ISA must meet. ISA Regulation 21B provides the rules in relation to the transfer of Junior ISA accounts. ISA Regulation 31 concerns returns of information to HMRC by ISA managers.
5. **Territorial Extent and Application**
 - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**
 - 6.1. As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- What is being done and why

7.1 This instrument is designed to increase choice in relation to the savings account held by a child. It will extend eligibility for Junior ISA and allow the transfer of savings from a CTF to a Junior ISA. Junior ISA eligibility rules and application requirements at ISA Regulations 2(1) and 12A will be modified. In addition, the reporting requirements for ISA providers set out at ISA Regulation 31 will be updated to require reporting of a CTF reference number, where appropriate

7.2 ISA Regulation 5D will be amended to provide that savings transferred from a CTF to a Junior ISA will be disregarded for the purposes of the Junior ISA subscription limit. ISA Regulation 21B will be amended to provide that a transfer of savings from a CTF to a Junior ISA is to be treated as though it was a transfer of a previous year's Junior ISA subscriptions. Transferred amounts will not therefore count against the Junior ISA subscription limit for the current year.

7.3 ISA Regulation 21B will also be amended to simplify and rationalise the process where a bulk transfer of accounts takes place between Junior ISA managers. This amendment will remove the requirement on a Junior ISA manager receiving a bulk transfer of accounts to obtain new account applications in certain circumstances.

- Consolidation

7.4 There are no plans to consolidate the ISA Regulations.

8. Consultation outcome

8.1 HM Treasury opened a consultation in May 2013 on the transfer of savings from CTF to Junior ISA. There was broad support for its proposals, and the Government announced in December 2013 that ISA and CTF rules would be amended to allow savings to be transferred.

9. Guidance

9.1 HMRC's Guidance Notes for ISA managers will be updated to reflect the changes to the Junior ISA rules. The Guidance Notes are available at <http://www.hmrc.gov.uk/isa/isa-guidance-notes.pdf>

10. Impact

10.1 The changes will mainly affect ISA managers offering Junior ISA. No financial institution is required to offer Junior ISA or to accept transfers of savings from a CTF. However, the impact of these changes on those managers who do offer Junior ISA will depend on how many individuals choose to transfer their CTF savings to them, the transfer

processes operated and whether the manager is involved in the bulk transfer of accounts.

10.2 The impact on charities and voluntary bodies is expected to be negligible.

10.3 The impact on the public sector is expected to be negligible.

10.4 A Tax Information and Impact Note covering this instrument will be published on the ** website at **.

11. Regulating small business

11.1 The instrument applies to small businesses that offer Junior ISAs. However, no small business is required to offer this account or to accept transfers of savings from CTF.

11.2 To minimise the impacts of the requirements on small firms employing up to 20 people, the approach taken is to apply the same basic requirements as apply to all businesses offering Junior ISAs and monitor the impact of these changes.

12. Monitoring & review

12.1 HMRC will continue to review compliance with the rules using the information provided annually by ISA managers as well as through regular contacts with Junior ISA managers and other groups.

13. Contact

Simon Turner at HMRC can answer queries regarding the instrument on behalf of HM Treasury - Tel: 03000 546588 or email: simon.turner@hmrc.gsi.gov.uk.