

DRAFT EXPLANATORY MEMORANDUM TO

HELP-TO-SAVE ACCOUNTS

THE HELP-TO-SAVE ACCOUNTS REGULATIONS 2018

2018 NO. 0000

1. Introduction

- 1.1 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.
- 1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

- 2.1 The instrument makes detailed provision for Help-to-Save accounts under the Savings (Government Contributions) Act 2017.

3. Matters of special interest to Parliament

- 3.1 None.

4. Legislative Context

- 4.1 These Regulations are made under the Savings (Government Contributions) Act.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

- 6.1 The Economic Secretary to the Treasury, Stephen Barclay MP, has made the following statement regarding Human Rights:

“In my view the provisions of the Help-to-Save Account Regulations 2018 are compatible with the Convention rights.”

7. Policy background

What is being done and why

- 7.1 The government is committed to supporting people at all income levels and all stages of life to save, recognising the important role that savings can play in promoting aspiration and supporting households' standards of living. Over recent years the government has introduced a range of reforms to promote saving. The government also recognises the need for more targeted incentives to promote saving among particular groups. Help- to- Save accounts are intended for working families on low

incomes to help them build up their savings. The scheme will be open to around 4 million individuals who either receive tax credits at a rate other than nil or receive universal credit and have minimum weekly household or individual earnings equivalent to 16 hours at the national living wage.

- 7.2 A Help-to-Save account is to be a sterling money savings account held by an account holder, who is to be an eligible person, with an authorised account provider, which is to be the Director of Savings, National Savings and Investment (NS&I). The scheme is to be administered by HMRC which, if there is an entitlement to an amount of government bonus, must, via the authorised account provider, pay a government bonus into the account. The bonus is to be free of tax.
- 7.3 The bonus is to be paid to an account holder at the end of the period of 24 months beginning with the calendar month in which the account is opened (first bonus period), and at the end of the maturity period (which is to be a period of up to 48 calendar months beginning with the calendar month in which the account is opened). The bonus period may be a shorter period in the event of an earlier death or terminal illness of an account holder.
- 7.4 The amount of a bonus is to be nil if the account is closed during the first bonus period (other than on death or serious illness) and no additional bonus will be paid if the account is closed after the first bonus period and before the end of the maturity period.
- 7.5 The maximum monthly amount which an account holder may pay into an account is £50. However, an individual who does not during any period meet a UK connection condition is not able to pay any amount into an account and no bonus will accrue on any amount which is paid into an account during such a period. The bonus in respect of the first bonus period is to be an amount equal to 50 per cent of the highest balance achieved for that period.
- 7.6 The bonus in respect of the maturity period, if longer than the first bonus period, is to be 50 per cent. of the highest balance of the account achieved in that period after the first bonus period, less the highest balance achieved in the first bonus period (if any).
- 7.7 An eligible person for an account is to be an individual who on each of two eligibility reference dates (the date on which the application for the account is made and the date on which the application is accepted) meets one of two benefit entitlement conditions and a UK connection condition.
- 7.8 The first benefit entitlement condition is that one of the conditions specified in regulation 3(2) relating to working tax credit and child tax credit is met. The second benefit entitlement condition is that the condition specified in regulation 3(3) is met relating to universal credit and a minimum amount of earned income, being income equal to or greater than the equivalent of 16 hours per week at the national living wage.
- 7.9 The UK connection condition is met if the individual is in the United Kingdom. An individual who meets the first benefit entitlement condition is treated as being in the United Kingdom if the individual would be so treated for tax credits. An individual who meets the second benefit entitlement condition is treated as being in the United Kingdom if the individual would be so treated for universal credit.
- 7.10 Detailed provision is made relating to the benefit entitlement conditions and the UK connection condition, opening and maintenance of Help-to-Save accounts, the

maximum monthly amount which may be paid into an account, the amount of the bonus entitlement, rejection of claims and recoupment of wrongly paid bonuses by HMRC, payments of interest on amounts payable to HMRC and on amounts payable by HMRC, repair of accounts where there has been a technical breach of the regulations, and appeals relating to decisions or notifications made or given by HMRC.

- 7.11 It is intended that Help-to-Save accounts will be available for application for a period of 5 years.

Consolidation

- 7.12 This instrument constitutes the first regulations made under the Act relating to Help-to-Save accounts. There are no plans for consolidation of the rules.

8. Consultation outcome

- 8.1 The Government published a formal consultation document in which it sought views on the principles and framework for implementing the Help-to-Save accounts scheme on 26 May 2016. The consultation ended on 21 July 2016 and can be viewed at the following link: <https://www.gov.uk/government/consultations/help-to-save-consultation-on-implementation/help-to-save-consultation-on-implementation>
- 8.2 Following the consultation, the government decided that NS&I will act as the single account provider for Help-to-Save. The full response to the consultation was published on 17 October 2016 and can be viewed at the following link: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/559099/Help-to-Save-october_final.pdf

9. Guidance

- 9.1 HMRC are currently preparing detailed guidance. This guidance will be the subject of consultation prior to its publication ahead of the launch of the Help-to-Save accounts scheme.

10. Impact

- 10.1 An Impact Assessment has not been prepared for this instrument. An impact assessment in relation to Help-to-Save accounts more generally was published alongside the Savings (Government Contributions) Bill and can be viewed at <http://www.gov.uk/government/collections/the-savings-government-contributions-bill>.
- 10.2 The impact on business, charities or voluntary bodies will depend upon whether they decide to offer advice on the Help-to-Save accounts scheme. There is no requirement upon any business, charity or voluntary body to do so. No significant impact is therefore expected.
- 10.3 The impact on the public sector is the cost to the Exchequer of the government bonus that will be earned by account holders, and the implementation and running costs for the Help-to-Save accounts scheme.
- 10.4 The estimated Exchequer impact of this scheme was set out on page 62 of “Budget 2016: policy costings” and was certified by the Office for Budget Responsibility. The estimated Exchequer impacts are reproduced below:

2016/17	2017/18	2018/19	2019/20	2020/21
£0 million	£0 million	£0 million	-£25million	-£85million

- 10.5 Initial estimates of the expenditure on bonus payments from 2017/18 are that spend will be negligible in 2017/18 and 2018/19 (as bonuses will only be paid out on death or proof of terminal illness in the first two years), then £25m in 2019/20 and £85m in 2020/21.
- 10.6 The Regulations include rights of appeals against certain HMRC decisions and notification, and this could increase demand for tribunal hearings. However provision is made for mandatory reviews by HMRC before an individual can have recourse to the tribunal service.

11. Regulating small business

- 11.1 This legislation applies to small businesses to the extent that they choose to advise on the Help-to-Save accounts. There will be no requirement on any small business to do so.
- 11.2 No action is proposed to minimise regulatory burdens on small businesses.

12. Monitoring & Review

- 12.1 HMRC will monitor the impact of these changes on an ongoing basis using the information provided by NS&I as the account provider.

13. Contact

- 13.1 Tom Nelis at HMRC, Telephone: 03000 511 578 or email: helptosave.consultation@hmrc.gsi.gov.uk can answer any queries regarding the instrument