

INCOME TAX (TRADING AND OTHER INCOME) ACT 2005

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 6: Exempt income

Chapter 3: Income from individual investment plans

Overview

2672. This Chapter gives the powers for regulations on individual investment plans – better known as PEPs and ISAs – to exempt income from tax. The regulations made so far are Personal Equity Plan Regulations (SI 1989/469) and Individual Savings Account Regulations (SI 1998/1870).

Section 694: Income from individual investment plans

2673. This section contains the general powers for the Treasury to make regulations providing for the income of individuals from certain types of investment plan to be exempt from income tax and defines the scope of the exemption. It is based on section 333 of ICTA.

Section 695: Investment plans

2674. This section contains the powers under which regulations may be made to provide rules about the form of the investment plans in which investments are held and about the investments which may be held in them. It is based on section 333 of ICTA.

2675. *Subsections (3) and (4)* provide for approval and registration by the Board of Inland Revenue respectively. References to “the Board of Inland Revenue” (rather than to the Inland Revenue) must remain as the power to make regulations is conferred on the Board under the Inland Revenue Regulation Act 1890 and not on the Inland Revenue or its officers.

Section 696: Plan managers

2676. This section contains the powers under which regulations may be made to provide rules for the investments to be held by plan managers on behalf of investors. It is based on section 333 of ICTA.

Section 697: Special requirements for certain foreign managers

2677. This section contains the powers under which regulations may be made to provide rules for foreign institutions to be plan managers if they fulfil certain requirements. It is based on section 333A of ICTA.

2678. *Subsection (2)* defines “foreign institution”. *Subsection (2)(c)* includes non-UK resident insurance companies within the definition. Non-resident insurance companies are now

These notes refer to the Income Tax (Trading and Other Income) Act 2005 (c.5) which received Royal Assent on 24 March 2005

included here rather than in a rewrite of section 333B(4) of ICTA, which provides for regulations to be made about non-resident insurance companies appointing United Kingdom tax representatives. See *Change 114* in Annex 1.

Section 698: Requirements for discharge of foreign institution's duties

2679. This section contains the requirements which have to be fulfilled for a “foreign institution” in section 697 to be a plan manager. It is based on section 333A of ICTA.

Section 699: Non-entitlement to exemption

2680. Under section 694(3) regulations may specify “the description of individuals who may invest” in a plan. This section contains the powers under which regulations may be made to provide rules for an investor in a plan ceasing to be entitled to the exemption from income tax. It is based on section 333 of ICTA.

Section 700: Information

2681. This section contains the powers under which regulations may be made to provide rules for documents and information to be provided within specified time limits to the Inland Revenue by the investor or the plan manager. It is based on section 333(4) of ICTA.

Section 701: General and supplementary powers

2682. This section contains some general powers under which regulations may be made to provide administrative rules. The regulations may specify how the exemption is to be claimed, either by the investor or by the plan manager on behalf of the investor. It is based on section 333 of ICTA.