

DEREGULATION ACT 2015

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Section 62: Child trust funds: transfers

295. This section inserts new sections 7A and 7B into the Child Trust Funds Act 2004 (“CTFA”), concerning the transfer of investments held in a CTF. These provisions include a power to make regulations permitting the transfer of investments held in a CTF to a Junior ISA, or (once an account holder reaches 18) to another tax advantaged account.
296. Funds held in a CTF are currently ‘locked in’ to that account and, although it is possible for these funds to be transferred to other CTF products (for example by transfer of investments between CTF providers), it is not currently possible to transfer these funds to any other non-CTF account, such as a Junior ISA.
297. *Subsection (2)* inserts a new section 7A into the CTFA. It provides for a power to make regulations which would require a CTF account provider to transfer all the investments held in a CTF account to a ‘protected child account’ held by a child and to close the child’s CTF account following the transfer. Any such direction would be given by the person with authority to manage the CTF in question. This new section 7A of the CTFA also contains a definition of ‘protected child account’.
298. CTF legislation currently makes no provision to allow funds held in a CTF at maturity (when the account holder reaches 18 years) to be ‘rolled’ into another tax advantaged account, if the account holder wishes.
299. *Subsection (3)* inserts a new section 7B into the CTFA concerning the transfer of CTF investments upon an account holder reaching 18. It provides that regulations may require an account provider to transfer all the investments in a CTF immediately before the account holder’s 18th birthday to a ‘protected account’ of a description prescribed in regulations, unless the account holder specifies otherwise. This new section 7B of the CTFA also contains a definition of ‘protected account’.
300. *Subsection (4)* consequentially amends section 3(4)(d) of the CTFA to clarify that investments may be withdrawn from a CTF where regulations made pursuant to these new provisions of the CTFA so provide.
301. *Subsection (5)* amends section 20(7)(b) of the CTFA to provide that a penalty may be imposed on an account provider who fails to comply with a requirement to transfer accounts under new section 7A or 7B.
302. The section forms part of the law of England and Wales, Scotland and Northern Ireland.
303. The section comes into force on the day on which the Act is passed so far as is necessary for enabling subordinate legislation to be made. It comes into force for remaining purposes on a day to be appointed by the Secretary of State in a commencement order.