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STATUTORY INSTRUMENTS

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**2002 No. 3158**

**The Individual Savings Account  
(Amendment No. 3) Regulations 2002**

**Amendments to the principal Regulations**

3. After regulation 4(1) insert—

**“Repair of certain incompatible accounts**

**4A.—**(1) An invalid account is “eligible for repair” if, in relation to the year in which the subscriptions to the account were made (“the relevant year”), it satisfies—

- (a) the First Condition below, and
- (b) any one of the Second to Fourth Conditions.

**First Condition**

The account is invalid because it causes the account investor to breach the conditions in regulation 4(1)(c)(ii) or (d)(ii), as the case may be (which, taken together, allow an individual to subscribe to either one maxi-account, or to single mini-accounts with each of the 3 types of component, during a year), and for no other reason.

**Second Condition**

Subscriptions have been made to the account during the relevant year pursuant to regulation 5(1) (transfers from matured TESSAs), with or without other subscriptions.

**Third Condition**

The account would have been a “first later account” under regulation 4B if that regulation had effect prior to 6th April 2003 (but not earlier than 6th April 2001).

This condition shall not have effect on or after 6th April 2003 (when it is replaced by regulation 4B).

**Fourth Condition**

The account is (disregarding any account which is eligible for repair under the Third Condition) the earliest account in the relevant year, the subscriptions to which caused the account investor to breach the conditions of regulation 4(1)(c)(ii) or (d)(ii), as the case may be, (that is, it was first subscribed to earlier in that year than any other such account).

(2) In this regulation—

- (a) where an account investor subscribes to a particular account in more than one year, each year's subscriptions shall be treated as a separate account for the purposes of this regulation, and regulation 4B (except for determining when an account is closed) only;
  - (b) "date of discovery" means the date on which an officer of the Board gives a notice ("notice of discovery") to the account manager or account investor that the account is invalid, and (if appropriate) directions under paragraph (5) below;
  - (c) "counting towards the subscription limits" has the meaning in regulation 5(1);
  - (d) "valid account" means an account which (apart from under this regulation) is exempt from tax under regulation 22(I);
  - (e) "invalid account" means a scheme of investment which is not exempt from tax under these Regulations but which (if so exempt) would be an account, within the meaning in regulation 4(1)(a) and, in relation to an invalid account, references to an account, a component and subscriptions pursuant to regulation 5(1) have corresponding meanings; and
  - (f) (for the avoidance of doubt) "repair" of an account is without prejudice to loss of, and accounting to the Board for, any relief from tax given for the period up to the date of discovery.
- (3) An invalid account which is eligible for repair shall be treated as—
- (a) exempt from tax under this regulation (as if under regulation 22), and
  - (b) complying with the conditions of regulation 4(1)(c)(ii) or (d)(ii), as the case may be,
- as from the date of discovery, to the extent of the relevant proportion mentioned in paragraph (4) (b).
- (a) (4) Calculate the extent to which the subscriptions made (and counting towards the subscription limits) during the relevant year—
    - (i) to that account, any other account which is eligible for repair, and any valid account, but
    - (ii) disregarding any closed account, or subscriptions to a closed account, in relation to which a first later account qualifies for the relief in regulation 4B(2) or satisfies the Third Condition above,
 taken together, as if they were subscriptions to a single maxi-account and allocations to the corresponding components of that account, do not exceed the subscription and allocation limits in regulation 4(2) to (2B), as the case may be, and
  - (b) an officer of the Board shall apportion that result between the accounts mentioned in sub-paragraph (a)(i), and the amount apportioned to the account mentioned in paragraph (3) is the relevant proportion.
- (5) The account manager must comply within 30 days with any directions in the notice of discovery which—
- (a) make the apportionment under paragraph (4)(b) and identify the account and component from which excess subscriptions or allocations (if any) are to be removed;
  - (b) direct the removal of subscriptions and proceeds representing them from an account; or
  - (c) direct the removal of subscriptions and proceeds representing them from a component.”.