
STATUTORY INSTRUMENTS

2006 No. 3194

INCOME TAX

**The Individual Savings Account
(Amendment) Regulations 2006**

Made - - - - 30th November 2006
*Laid before the House of
Commons* - - - - 1st December 2006
Coming into force - - 1st January 2007

The Treasury, in exercise of the powers conferred upon them by sections 694(1), (3) and (5) and 701(1) of the Income Tax (Trading and Other Income) Act 2005⁽¹⁾ and section 151 of the Taxation of Chargeable Gains Act 1992⁽²⁾, make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Individual Savings Account (Amendment) Regulations 2006 and shall come into force on 1st January 2007.

Amendment of the Individual Savings Account Regulations 1998

2. The Individual Savings Account Regulations 1998⁽³⁾ are amended as follows.
3. In regulation 2(1)(a) (interpretation) insert at the appropriate place—
- ““building society bonus”, except in regulation 22(1)(a)(i), excludes any bonus, distribution of funds or the conferring of rights in relation to shares—
- (a) in connection with an amalgamation, transfer of engagements or transfer of business of a building society, and
- (b) mentioned in section 96 or 100 of the Building Societies Act 1986⁽⁴⁾, and “payment under a building society bonus scheme” shall be construed accordingly;”.
4. In regulation 22(1)(a) (exemption from tax)—
- (a) in paragraph (i) at the end add “(excluding any building society bonus)”;

(1) 2005 c. 5.

(2) 1992 c. 12; section 151 was amended by section 85 of the Finance Act 1993 (c. 34), section 64(2) of the Finance Act 1995 (c. 4) and paragraph 436 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005.

(3) S.I. 1998/1870; relevantly amended by S.I. 2005/3350.

(4) 1986 c. 53.

(b) after paragraph (ia)(5) insert—

“or

(ib) in respect of a payment under a building society bonus scheme, so far as the payment is calculated by reference to account investments (and if paid directly by the society into the account, the payment shall not count towards the subscription limits in regulation 4(2) to (3)); or”.

5. After regulation 22(1)(b) insert—

“(ba) any gain or loss accruing on and attributable to a payment within paragraph (ib) of sub-paragraph (a) shall not be a chargeable gain or allowable loss for capital gains tax purposes;”.

30th November 2006

Claire Ward
Dave Watts
Two of the Lords Commissioners of Her
Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) to exempt from tax annual bonuses that are paid to building society members who hold an Individual Savings Account (“ISA”), so far as the bonus is calculated by reference to assets in their ISA.

Regulation 1 provides for citation and commencement and regulation 2 for amendment of the Individual Savings Account Regulations 1998 (“the principal Regulations”).

Regulation 3 inserts a definition of “building society bonus” (normally excluding any bonus paid on the demutualisation of a building society) in the principal Regulations.

Regulation 4 exempts the bonus from income tax so far as it is calculated by reference to ISA assets, and provides that bonuses paid directly into the ISA do not count against annual subscription limits.

Regulation 5 similarly exempts the bonus from capital gains tax.

A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact (exceeding the minimum threshold) on business, charities or voluntary bodies.