

**2007 No. 2119**

**INCOME TAX**

**The Individual Savings Account (Amendment) Regulations  
2007**

<i>Made</i>	- - - -	<i>25th July 2007</i>
<i>Laid before the House of Commons</i>		<i>25th July 2007</i>
<i>Coming into force</i>	- -	<i>6th April 2008</i>

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

**Citation and commencement**

1. These Regulations may be cited as the Individual Savings Account (Amendment) Regulations 2007 and shall come into force on 6th April 2008.

**Amendment of the Individual Savings Account Regulations 1998**

2. The Individual Savings Account Regulations 1998(c) are amended as follows.

3. In regulation 2(1)(a) (interpretation)—

(a) in the definition of “account”—

(i) omit paragraph (ii) and the word “or” which succeeds it, and

(ii) at the end add “and shall include a personal equity plan treated on and from the 6<sup>th</sup> April 2008 as a stocks and shares account”(d);

(b) omit the definition of “tax-exempt special savings account”.

4. In the Table in regulation 2(2) (Terms defined)—

(a) in the entry relating to “Component” for “4(1)(a)” substitute “4(1)(b) and (c)”;

(b) omit the entries relating to “Maxi-account”, “Mini-account” and “TESSA only account”;

(c) insert the following entries at the appropriate places—

“Stocks and shares account	4(1)(a) and (b)
Cash account	4(1)(a) and (c)

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(a) 2005 c. 5; sections 695, 698, 699 and 700 were amended by the Commissioners for Revenue and Customs Act 2005 (c. 11) to replace references to the Commissioners of Inland Revenue by references to the Commissioners for Revenue and Customs

(b) 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.

(c) S.I. 1998/1870; relevantly amended by S.I. 2000/2079, 2001/908, 3778, 2002/3158, 2003/2747, 2004/2996, 2005/609, 2561.

(d) See S.I. 2007/ 2120.

5. For regulation 4(1)(a) to (h) (general conditions for accounts and subscriptions) substitute—
- “(a) the account is set up as a stocks and shares account or a cash account;
  - (b) a stocks and shares account is made up of a single stocks and shares component only;
  - (c) a cash account is made up of a single cash component only;
  - (d) a qualifying individual who is 16 years of age or over may only subscribe to a single cash account in a particular year,
  - (e) a qualifying individual who is 18 years of age or over may only subscribe to a single stocks and shares account in a particular year;
  - (f) it is an account to which only one qualifying individual subscribes;
  - (g) subject to regulation 7(2)(h), it is an account to which the qualifying individual subscribes only by payment to the account manager of a sum or sums of the individual’s cash; and
  - (h) the subscriptions made by the qualifying individual to accounts (ignoring transfers and payments from account managers to the individual) do not in the aggregate in any year exceed the subscription limits in paragraphs (2) and (3).”
6. For regulation 4(2) to (4) (subscription limits)(a) substitute—
- “(2) The overall subscription limit for any qualifying investor for any year (that is, the aggregate of the investor’s subscriptions to all accounts in that year) is—
- (a) £7,200, unless
  - (b) the qualifying investor is 16 years of age or over but less than 18 years at the end of the year, where it is £3,600.
- (3) Within and subject to that overall subscription limit, the qualifying investor may subscribe up to £3,600 in any year to a cash account.
- (4) Accordingly, by way of illustration, the qualifying investor may subscribe in a year—
- (a) £3,600 to a cash account and £3,600 to a stocks and shares account;
  - (b) £2,000 to a cash account and £5,200 to a stocks and shares account; or
  - (c) nil to a cash account and £7,200 to a stocks and shares account;
- but while under the age of 18 years the qualifying investor may only subscribe £3,600 to a cash account.”
7. In regulation 4A (repair of certain incompatible accounts)(b)—
- (a) in the heading, at the end, add “and excess subscriptions”;
  - (b) in paragraph (1) for sub-paragraphs (a) and (b) and the Four Conditions substitute—
    - “(a) both the First and Second Conditions below, or
    - (b) the Third Condition.

*First Condition*

The account is invalid because a subscription to the account causes the account investor to breach the conditions in regulation 4(1)(d) or (e) (which, taken together, allow an individual to subscribe to a single cash account and a single stocks and shares account, in a particular year) and for no other reason.

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(a) Regulation 4(2A) and (2B) were inserted by S.I. 2001/908 and amended by S.I. 2005/2561.  
(b) Regulation 4A was inserted by S.I. 2002/3158.

*Second Condition*

The account is (disregarding any account exempt from tax under regulation 4B) the earliest account in the relevant year, the subscriptions to which caused the account investor to breach the conditions in regulation 4(1)(d) or (e), as the case may be (that is, it was first subscribed to earlier in that year than any other such account).

*Third Condition*

The account is invalid because a subscription to the account breaches the overall subscription limit in regulation 4(2)(a), and for no other reason.”;

- (c) in paragraph (2)—
  - (i) omit sub-paragraph (c), and
  - (ii) in sub-paragraph (e) for “, a component and subscriptions pursuant to regulation 5(1)” substitute “and component”;
- (d) in paragraph (3)(b) for “4(1)(c)(ii) or (d)(ii)” substitute “4(1)(d) or (e), or 4(2)(a)”;
- (e) for paragraph (4)(a) substitute—
  - “(4)(a) 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 ignoring subscriptions to any closed account within the meaning in regulation 4B)) do not exceed,
    - (ii) the subscriptions limits in regulation 4(2) and (3), as the case may be, and”.

**8. In regulation 4B (closure followed by opening of same type of account)(a) —**

- (a) in the heading, for “mini-account or TESSA only” substitute “cash”;
- (b) in paragraph (1)(a)(i), for “mini-account or TESSA only” substitute “cash”;
- (c) in paragraph (1)(a)(iii), for the words from “account which” to the end substitute “cash account”; and
- (d) in paragraph (2), for sub-paragraphs (a) and (b) and the hyphen which precedes them substitute “as complying with the conditions of regulation 4(1)(d)”.

**9. After regulation 4C (removal of insurance components)(b) insert—**

**“Removal of maxi-accounts, mini-accounts and TESSA only accounts at 6<sup>th</sup> April 2008**

**4D.—**(1) This regulation applies to accounts in existence immediately before 6<sup>th</sup> April 2008 (“the transitional time”).

(2) An account that, at the transitional time, is or has been designated as a TESSA only account shall be treated as a cash account on and from 6<sup>th</sup> April 2008.

(3) An account that, at the transitional time, is or has been designated as a mini-account made up of a cash component shall be treated as a cash account on and from 6<sup>th</sup> April 2008.

(4) An account that, at the transitional time, is or has been designated as a mini-account made up of a stocks and shares component shall be treated as a stocks and shares account on and from 6<sup>th</sup> April 2008.

(5) An account that, at the transitional time, is or has been designated as a maxi-account and is made up of a stocks and shares component only, shall be treated as a stocks and shares account on and from 6<sup>th</sup> April 2008.

(6) Where an account, at the transitional time, is or has been designated as a maxi-account and is made up of two components—

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(a) Regulation 4B was inserted by S.I. 2002/3158.

(b) Regulation 4C was inserted by S.I. 2004/2996 and amended by S.I. 2005/609.

- (a) the stocks and shares component, if it holds investments or cash at the transitional time, shall be treated as a stocks and shares account on and from 6<sup>th</sup> April 2008; and
- (b) the cash component, if it holds investments or cash at the transitional time, shall be treated as a separate cash account on and from 6<sup>th</sup> April 2008.”

**10.** Omit regulation 5 (transfers from TESSAs).

**11.** In regulation 6 (general investment rules)—

- (a) in paragraph (3)(a) for “at that time, and which has been allocated to the particular component of that account” substitute “and component”;
- (b) in paragraph (6)—
  - (i) in the words preceding sub-paragraph (a), for “component” in both places it appears substitute “account”;
  - (ii) in sub-paragraph (a) for “same” substitute “appropriate”.

**12.** In regulation 7(2) (qualifying investments for a stocks and shares component)(a)—

- (a) in both sub-paragraphs (k)(i) and (l)(i), after “component” insert “or a personal equity plan”;
- (b) at the end add—
  - “(p) in the case of a personal equity plan which is treated on and from 6<sup>th</sup> April 2008 as a stocks and shares account(b), investments which, immediately before that date, were qualifying investments for the plan under regulation 6(2)(m) of the Personal Equity Plan Regulations 1989(c);”.

**13.** In regulation 7(10)(c)(d) for the words from “which are allocated” to the end substitute “to that account, do not together exceed the overall subscription limit in regulation 4(2)(a) in that year, reduced by the subscriptions by the individual in that year to a cash account”.

**14.** For regulation 10(2)(a) to (c) (qualifying individuals) substitute—

- “(a) who, in the case of a cash account, is 16 years of age or over and, in the case of a stocks and shares account, is 18 years of age or over;
- (b) who, in the case of a stocks and shares account, has not subscribed, and will not subscribe, to any other stocks and shares account, in the year in which the subscription is made;
- (c) who, in the case of a cash account, has not subscribed, and will not subscribe, to any other cash account, in the year in which the subscription is made;
- (ca) who has not exceeded the appropriate overall subscription limit in regulation 4(2), or the other subscription limit in regulation 4(3), in that year;”.

**15.** In regulation 12(3) (conditions for application to subscribe to an account)—

- (a) for sub-paragraph (a) substitute—
  - “(a) his application is to subscribe to a stocks and shares account or cash account, as the case may be;”;
- (b) for sub-paragraphs (d) and (e) substitute—
  - “(d) in the case of a stocks and shares account, the applicant—
    - (i) has not subscribed, and will not subscribe, to any other stocks and shares account, in the year to which paragraph (2) refers, and

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(a) Regulation 7(2)(k) was inserted by S.I. 2001/3778 and regulation 7(2)(l) by S.I. 2003/2747.  
 (b) See S.I. 2007/ 2120.  
 (c) S.I. 1989/469.  
 (d) Relevantly amended by S.I. 2000/2079.

- (ii) will not subscribe to any other stocks and shares account, in each successive year following that year, in which the declaration has effect;
- (e) in the case of a cash account, the applicant—
  - (i) has not subscribed, and will not subscribe, to any other cash account, in the year to which paragraph (2) refers, and
  - (ii) will not subscribe to any other cash account, in each successive year following that year, in which the declaration has effect;
- (ea) that the applicant has not subscribed, and will not subscribe, more than the appropriate overall subscription limit in regulation 4(2) (aggregating subscriptions to all accounts)—
  - (i) in the year to which paragraph (2) refers, and
  - (ii) in each successive year following that year, in which the declaration has effect;
- (eb) that in the case of a cash account, the applicant has not subscribed, and will not subscribe, more than the subscription limit in regulation 4(3)—
  - (i) in the year to which paragraph (2) refers, and
  - (ii) in each successive year following that year, in which the declaration has effect;”.

**16.** Omit regulation 12(5) (transfers from TESSAs).

**17.** In regulation 14(3)(a) (account manager: qualifications) for the words from “accounts” to the end substitute “cash accounts only, or stocks and shares accounts only, or both”.

**18.** In regulation 21 (transfer of accounts)—

- (a) for the heading substitute “Transfers relating to accounts”;
- (b) for paragraphs (1) to (4) substitute—

“(1) In this regulation, in relation to a transfer—

“the current year’s subscriptions” means—

- (a) subscriptions made to the account by the account investor in the year in which the transfer takes place, but before the transfer,
- (b) subscriptions made to any other account by the account investor in the year in which the transfer takes place and transferred to the account before the transfer, and
- (c) the qualifying investments and other proceeds (including income) representing the subscriptions in sub-paragraphs (a) and (b) of this definition;

“the previous years’ subscriptions” means—

- (a) subscriptions made to the account (or any other account or former personal equity plan) in any earlier year or years, and
- (b) the qualifying investments and other proceeds (including income) representing those subscriptions.

(2) Any transfer relating to an account or part of an account shall be made—

- (a) directly between one account manager (“the transferor”) and another account manager (“the transferee”), or
- (b) where the same person is account manager before and after the transfer, solely by that manager (who shall maintain the records of both transferor and transferee required by this regulation).

(3) The current year’s subscriptions may only be transferred as a whole (with or without the whole or part of any previous years’ subscriptions).

(4) In the case of a cash account, the current year's subscriptions and the previous years' subscriptions may only be transferred to—

- (a) a stocks and shares account (if the account investor is 18 years of age or over), or
- (b) a cash account,

belonging to the same account investor.

(4A) In the case of a stocks and shares account, the current year's subscriptions and the previous years' subscriptions may only be transferred to a stocks and shares account belonging to the same account investor.

(4B) Where the current year's subscriptions (with or without other subscriptions) are transferred from a cash account to a stocks and shares account (under paragraph (4)(a))—

- (a) the subscriptions in sub-paragraphs (a) and (b) of the definition of "the current year's subscriptions" in paragraph (1) shall be treated, for all purposes including regulation 31(3)(c), as if they had been made to the stocks and shares account, and
- (b) accordingly, shall not count towards the cash subscription limit in regulation 4(3).

(4C) Where the current year's subscriptions (with or without other subscriptions) are transferred from—

- (a) a cash account to a cash account, or
- (b) a stocks and shares account to a stocks and shares account,

the subscriptions transferred, and no other subscriptions, shall be treated as the same account, for the purpose of making any remaining permitted subscriptions in that year.

(4D) The account investor shall make a fresh application under regulation 12 (with any necessary modifications to reflect that it is made on a transfer) to the transferee.

(4E) This regulation shall also apply where an account is transferred in consequence of an account manager ("the transferor") ceasing to act or to qualify as an account manager. ";

(c) in paragraph (6)(b)—

- (i) in the words preceding paragraph (i) after "account" insert "or any part of an account";
- (ii) in paragraph (i), for the words from "maxi-account" to the end substitute "cash account or stocks and shares account,";
- (iii) in paragraph (iii), omit the words from ", and the amounts" to the end; and
- (iv) for paragraph (iv) substitute—

“(iv) the date on which the first subscription (if any) was made to the account, in the year in which the transfer takes place,”;

(d) omit paragraph (6)(c) and the word "and" which precedes it.

**19.** In regulation 30(1) (information to be given to account investor by account manager) for sub-paragraphs (a) and (b) substitute—

- “(a) in the case of a stocks and shares account, if the account investor subscribes to that account in the year to which the notice relates, the account investor may not subscribe to any other stocks and shares account, in that year;
- (b) in the case of a cash account, if the account investor subscribes to that account in the year to which the notice relates, the account investor may not subscribe to any other cash account, in that year;
- (c) the account investor must not subscribe more than the appropriate overall subscription limit in regulation 4(2) in that year (aggregating subscriptions to all accounts); and
- (d) in the case of a cash account, the account investor must not subscribe more than the subscription limit in regulation 4(3), in that year.”.

**20.** In regulation 31(3) (annual returns of information by account manager)—

- (a) in sub-paragraph (b)(ii) for “each” (where it first appears) substitute “the”;
- (b) in sub-paragraph (c)—
  - (i) in the words preceding paragraph (i) for “maxi-account or mini-account, to which subscriptions,” substitute “account, to which subscriptions or a transfer under regulation 21”;
  - (ii) in paragraph (i) for the words from “maxi-account” to the end substitute “cash account or stocks and shares account”;
  - (iii) for paragraph (ii) substitute—
    - “(ii) the total amount of cash subscribed to the account, in the year or the part of the year for which the return is made;”
  - (iv) in paragraph (v) for “mini-account or TESSA only” substitute “cash”.

**21.** In regulation 31(7)(a) for paragraphs (i) to (iii) substitute—

- “(i) cash accounts holding policies of life insurance falling within regulation 9,
- (ii) all cash accounts,
- (iii) stocks and shares accounts holding policies of life insurance falling within regulation 9, and
- (iv) all stocks and shares accounts, ”.

*Frank Roy*  
*Alan Campbell*

25th July 2007

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: “the principal Regulations”), to provide new rules for the structure of individual savings accounts (“ISAs”) and increased subscription limits, with effect from 6<sup>th</sup> April 2008.

Regulation 1 provides for citation and commencement and regulation 2 for amendment of the principal Regulations.

Regulation 3 revises the definition of “account” to include personal equity plans (treated from 6<sup>th</sup> April 2008 as stocks and shares ISAs) and removes an obsolete definition of TESSAs. Regulation 4 makes other technical drafting changes to definitions.

Regulation 5 provides new general conditions which ISAs and subscriptions to them have to satisfy. It allows a qualifying individual to subscribe to two ISAs in a tax year, one a cash ISA and the other a stocks and shares ISA.

Regulation 6 provides new subscription limits, for each account and the overall subscription limit for the investor. The former time limitations on those subscription limits are removed.

Regulation 7 amends Regulation 4A of the principal Regulations (repair of certain incompatible accounts) to cover certain invalid subscriptions under the new structural rules for ISAs, and regulation 8 makes similar amendments to Regulation 4B (closing followed by opening of accounts).

Regulation 9 provides for the conversion of maxi-accounts, mini-accounts and TESSA only accounts (under the old structural rules) into stocks and shares accounts and cash accounts.

The remaining regulations make technical amendments to the principal Regulations, to reflect the new structural rules and the fact that PEPs will become ISAs from 6<sup>th</sup> April 2008. Regulation 18 in particular amends the rules for transfers relating to accounts, and allows the transfer of existing savings from a cash ISA to a stocks and shares ISA.

A Regulatory Impact Assessment on the effect of this instrument and S.I. 2007/2120 is available at [http://www.hm-treasury.gov.uk/documents/financial\\_services/savings/topics\\_savings\\_isas.cfm](http://www.hm-treasury.gov.uk/documents/financial_services/savings/topics_savings_isas.cfm)

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