
STATUTORY INSTRUMENTS

2014 No. 1450

INCOME TAX

CAPITAL GAINS TAX

The Individual Savings Account
(Amendment No. 2) Regulations 2014

<i>Made</i>	- - - -	<i>4th June 2014</i>
<i>Laid before the House of Commons</i>	- - - -	<i>5th June 2014</i>
<i>Coming into force</i>	- -	<i>1st July 2014</i>

The Treasury, in exercise of the powers conferred by sections 694(1), (3) and (5), 695(1) and (2), 699 and 701(1), (2), (3) and (5) of the Income Tax (Trading and other Income) Act 2005⁽¹⁾ and section 151(1) and (2) of the Taxation of Chargeable Gains Act 1992⁽²⁾ make the following Regulations:

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Individual Savings Account (Amendment No. 2) Regulations 2014 and come into force on 1st July 2014.

(2) Regulations 5(b), 14(n) and 15(a) and (b) only have effect in respect of investments purchased or made on or after 1st July 2014.

Amendment of the Individual Savings Account Regulations 1998

2. The Individual Savings Account Regulations 1998⁽³⁾ are amended as follows.

3. In regulation 2(2) (interpretation), in the Table, for “Subscriptions limits – junior ISA accounts”, substitute “Subscription limit – junior ISA account”, and for “Subscription limits – other accounts”, substitute “Subscription limit – other accounts”.

(1) 2005 c. 5; section 699 was amended by the Commissioners for Revenue and Customs Act 2005 (c. 11), Schedule 4, paragraph 132 and the Finance Act 2011 (c. 11), Part 2, section 40(4); section 701(5) was inserted by the Finance Act 2008 (c. 9), Part 2, section 40.

(2) 1992 c. 12. Section 151(2) was amended by section 64(2) of the Finance Act 1995 (c. 4), section 75(6) of, and Part 3(15) of Schedule 27 to, the Finance Act 1998 (c. 36), paragraph 436 of Schedule 1(2) to the Income Tax (Trading and Other Income) Act 2005 (c. 5), and section 40 of the Finance Act 2011.

(3) S.I. 1998/1870. Relevant amending instruments are S.I. 1998/3174, 2000/3079, 2002/3158, 2003/2747, 2004/2996, 2005/609, 2005/2561, 2005/3350, 2006/3194, 2007/2119, 2008/704, 2008/1934, 2008/3025, 2009/1550, 2009/1994, 2011/22, 2011/1780, 2012/1871, 2013/623, 2013/1743 and 2014/654.

4. In regulation 2D (regulations that do not apply to junior ISA accounts), omit “4C, 4D,” and “,23”.
5. In regulation 4 (general conditions for accounts and subscriptions to accounts)—
 - (a) in paragraph (1B)(e), for “limits” substitute “limit”, and omit “and (2)”; and
 - (b) in each of paragraphs (6)(c) and (d), for everything from “and qualifying investments” to “regulation 8(2)”, substitute “and qualifying investments falling within sub-paragraph (h) of regulation 8(2)”.
6. In regulation 4ZA (subscriptions to an account other than a junior ISA account)—
 - (a) in paragraph (1)—
 - (i) for “—” substitute “£15,000.”; and
 - (ii) omit sub-paragraphs (a) and (b); and
 - (b) omit paragraph (2).
7. In regulation 4ZB (subscriptions to a junior ISA account), in paragraph (1), for “£3,840” substitute “£4,000”.
8. In regulation 4A (repair of certain incompatible account and excess subscriptions—accounts other than junior ISA accounts)—
 - (a) in paragraph (1), under the “Third Condition”, for “4ZA(1)(b)”, substitute “4ZA(1)”; and
 - (b) in paragraph (3)(b), omit “or (2)”; and
 - (c) in paragraph (4)—
 - (i) in sub-paragraph (a), before paragraph (i), for “limits”, substitute “limit”; and
 - (ii) in sub-paragraph (a)(ii), for “limits” substitute “limit”, and omit “and (2), as the case may be”.
9. Omit regulation 4C (removal of insurance components as at 6th April 2005).
10. Omit regulation 4D (removal of maxi-accounts, mini-accounts and TESSA only accounts at 6th April 2008).
11. In regulation 5C (treatment of certain sums held in dormant accounts), in paragraph (2), for “limits”, substitute “limit”, and for “regulation 4ZA(2)” substitute “regulation 4ZA(1)”.
12. In regulation 5DB (defaulted investment subscription), in paragraph (a), for “a stocks and shares account”, substitute “an account”.
13. In regulation 5E(1)(a) (subscriptions made by account investors issued with certificates by Royal Bank of Scotland Group), for “limits”, substitute “limit”.
14. In regulation 7 (qualifying investments for a stocks and shares component)—
 - (a) in paragraph (2)(a)(i), at the end, insert “and”;
 - (b) in paragraph (2)(a)(ii), at the end, substitute “.” for “,” and omit “and”;
 - (c) omit paragraph 2(a)(iii);
 - (d) for paragraph (2)(b)(ii), substitute—
 - “(i) where the securities in question satisfy at least one of the conditions specified in paragraph (5); and”;
 - (e) in paragraph (2)(c), omit everything following “securities” except “,”;
 - (f) in paragraph (2)(ca), omit everything following “State” except “,”;
 - (g) for paragraph (2)(cb), substitute—

- “(cb) any securities which, in relation to a security mentioned in subparagraph (ca), would be a strip of that security if “strip” had the same meaning as in section 47 of the Finance Act 1942⁽⁴⁾, with the omission of the words “issued under the National Loans Act 1968”⁽⁵⁾
- (h) in paragraph (2)(cc), for “conditions”, substitute “condition”, for “paragraphs”, substitute “paragraph”, and omit “and (6)”;
- (i) in paragraph (2)(f), omit everything following “recognised UCITS” except “;”;
- (j) in paragraph (2)(g), omit everything following “scheme” except “;”;
- (k) in paragraph (2)(j), omit everything following “regulation 6(4) to (6)” except “;”;
- (l) in paragraph (2)(m), omit everything following “Regulations” except “;”;
- (m) in paragraph (2)(n), omit everything following “2005” except “;”;
- (n) omit paragraph (2)(o);
- (o) at the end of paragraph (2)(p), for “.”, substitute “;”, and after, insert—
- “(q) core capital deferred shares within the meaning of regulation 2 of the Building Societies (Core Capital Deferred Shares) Regulations 2013⁽⁶⁾, provided that such shares are listed on the official list of a recognised stock exchange.”;
- (p) omit paragraph (6);
- (q) in paragraph (8)(b), after “paragraph (2)”, for “;”, substitute “.”, and omit everything following;
- (r) in paragraph (10)(c), for “regulation 4ZA(1)(b)”, substitute “regulation 4ZA(1)”;
- (s) omit paragraph (12);
- (t) omit paragraph (14);
- (u) omit paragraph (15);
- (v) for paragraph (16), substitute—
- “(16) In this regulation, references, in relation to qualifying investments, to the value, are to be construed in accordance with regulation 6(2), but deducting the incidental costs that would be incurred by a disposal and, in the case of a policy of life insurance, omitting any benefits payable in the event of the death of the account investor.”; and
- (w) omit paragraph (17).
- 15.** In regulation 8 (qualifying investments for a cash component)—
- (a) omit paragraphs (2)(g), (2)(k), (2)(l) and (2)(m);
- (b) in paragraph (2)(h), for “8(2)(a) to (g)”, substitute “8(2)(a) to (f)”;
- (c) in paragraph (2)(o), for “.”, substitute “;”, and after, insert—
- “(p) a short-term money market fund which meets the conditions in COLL section 5.9.3.R⁽⁷⁾;
- (q) a money market fund which meets the conditions in COLL section 5.9.5R.”.

(4) 1942 c. 21. The relevant amendment to section 47 was made by section 202(2) of the Finance Act 1996 (c. 8).

(5) 1968 c. 13.

(6) S.I. 2013/460.

(7) The Collective Investment Schemes (COLL) sourcebook can be read at <https://www.handbook.fca.org.uk/handbook/COLL>. Hard copies of the sourcebook may be obtained from the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

- 16.** In regulation 9 (insurance policies), in paragraph (1), omit “or 8(2)(l) or (m)”.
- 17.** In regulation 10 (qualifying individuals who may invest under an account that is not a junior ISA account), in paragraph (2)(ca), omit the word “appropriate” and everything from “, or the applicable” to “regulation 4ZA(2)”.
- 18.** In regulation 12 (conditions for application to open an account that is not a junior ISA account)—
- (a) in paragraph (3)(ea), omit the word “appropriate”; and
 - (b) omit paragraph (3)(eb).
- 19.—**(1) In regulation 21 (transfers relating to accounts other than junior ISA accounts)—
- (a) in paragraph (4), omit “In the case of a cash account,” and for the first “the”, substitute “The”;
 - (b) omit paragraph (4A);
 - (c) for paragraph (4B), substitute—
 - “(4B) Where the current year’s subscriptions (with or without other subscriptions) are transferred under paragraph (4), the subscriptions in sub-paragraphs (a) and (b) in the definition of “the current year’s subscriptions” in paragraph (1) shall be treated, for all purposes including regulation 31(1)(c), as if they had been made to the account held with the transferee.”.
- (2) In regulation 21(4DA)—
- (a) in sub-paragraph (c), at the end, omit the word “or”;
 - (b) in sub-paragraph (d), at the end, for “.” substitute “, or”; and
 - (c) after sub-paragraph (d), insert—
 - “(e) a stocks and shares account is transferred (otherwise than in a bulk transfer of accounts) to a cash account held with the transferee immediately before the time when the transfer is made.”.
- (3) In regulation 21(6)(b)—
- (a) in paragraph (iv), at the end, insert “and”;
 - (b) in paragraph (v), at the end, for “, and”, substitute “.”; and
 - (c) omit paragraph (vi).
- 20.** In regulation 22 (exemption from tax of account income and gains), in paragraph (1)(a)(ib), for “limits”, substitute “limit”, and for “4ZA(1) and (2) and 4ZB(1)” substitute “4ZA(1) and 4ZB(1)”.
- 21.** Omit regulation 23 (interest on cash deposits held under a stocks and shares component of an account that is not a junior ISA account).
- 22.** In regulation 24(3) (tax liabilities and reliefs—account manager to act on behalf of account investor)—
- (a) in sub-paragraph (a), at the end, insert “and”; and
 - (b) omit sub-paragraph (b).
- 23.** In regulation 25 (repayment in respect of tax to account manager—interim claims), in paragraph (5), for “regulation 26(2)” to “and”, substitute “a return is required in respect of”.
- 24.** In regulation 26 (repayments in respect of tax to account manager—annual returns and annual claims), in paragraph (2), omit “, and of all sums of interest referred to in regulation 23(2)(a)” and the words “, and the total amount payable under regulation 23(2)(a)”.

- 25.** In regulation 31 (returns of information by account manager)—
- (a) in paragraph (4)(a)(via), omit “which satisfy the condition of regulation 7(15)”;
 - (b) in paragraph (4)(b)(i), at the end, insert “and”; and
 - (c) for paragraphs (4)(b)(ii) and (4)(b)(iii) substitute—
 - “(ii) investments other than those specified in paragraph (i); and”.

4th June 2014

David Evennett
Anne Milton
Two of the Lords Commissioners of Her
Majesty’s Treasury

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Individual Savings Accounts Regulations 1998 (S.I. 1998/1870) (“the Regulations”).

Regulation 6(a) amends regulation 4ZA(1) of the Regulations to increase the overall subscription limit for ISAs — from £5,940 for ISA accounts held by individuals aged over 16 but under 18 and from £11,880 for individuals aged 18 and over — to £15,000 for both categories of individual. Regulation 6(b) revokes regulation 4ZA(2) of the Regulations so as to abolish the requirement that qualifying individuals may only invest up to 50 per cent of the overall subscription limit in any year in a cash account.

Regulation 7 increases the overall annual subscription limit for junior ISAs in regulation 4ZB of the Regulations from £3,840 to £4,000.

Regulation 14(p) revokes regulation 7(6) of the Regulations, which provided that only securities which had a repayment, redemption or repurchase requirement of greater than five years of acquisition at the time they were first held in the ISA could qualify as investments for stocks and shares ISAs (sometimes referred to as the “five year test”).

Regulation 14(u) revokes regulation 7(15) of the Regulations, which provided that only investments in relation to which there is no entitlement to a secured minimum return on the investment in the period of five years following acquisition could qualify as investments for stocks and shares ISAs (sometimes referred to as the “five per cent test”).

Regulation 15 amends regulation 8 of the Regulations (qualifying investments for a cash component) in order to remove reference to specified types of investment which will now qualify for inclusion in a stocks and shares ISAs following the amendment made by regulation 14(u). Regulation 15(c) adds two new qualifying investments for the cash component: short term money market funds and money market funds.

Regulation 14(o) provides for core capital deferred shares to be a qualifying investment for stocks and shares ISAs.

Regulation 19(1)(b) revokes regulation 21(4A) so as to permit transfers from stocks and shares ISAs to cash ISAs. Regulation 19(1)(c) amends regulation 21(4B) so as to provide that transfers of current year’s subscriptions from stocks and shares accounts to cash accounts are to be treated as if they had been made to cash accounts for all purposes.

The remaining regulations make minor and consequential amendments.

A Tax Information and Impact Note covering this instrument has been published on the HMRC website at: <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.