

EXPLANATORY MEMORANDUM TO

THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT) REGULATIONS 2018

2018 No. 359

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument increases the amount that can be subscribed to a tax-advantaged Junior ISA in a year. It also makes a number of minor administrative changes to the ISA rules, including providing for extensions of the period of time for making certain returns of information in respect of a Lifetime ISA and for the payment of a withdrawal charge due to HMRC.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 An ISA is a tax-advantaged savings product providing relief from tax to individuals. The Lifetime ISA is a form of ISA in which a government bonus is paid subject to specific circumstances. Junior ISA is a tax-advantaged savings product available to children. The ISA and Junior ISA rules, including the relevant annual subscription limits for these accounts, are set out in the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (the "ISA Regulations"), which this instrument further amends.
- 4.2 This instrument is made under powers set out in the Income Tax (Trading and Other Income) Act 2005 and the Taxation of Chargeable Gains Act 1992.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is the United Kingdom.
- 5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 The annual limit that applies to subscriptions to Junior ISAs in ISA Regulation 4ZB is increased from £4,128 to £4,260.
- 7.2 The Individual Savings Account (Amendment No. 2) Regulations 2017 (S.I. 2017/466) established a new ISA, the Lifetime ISA, from 6 April 2017. The Lifetime ISA is designed to help younger people save flexibly for the long-term. A government bonus is paid on amounts saved into the account, and it is possible to make withdrawals without charge in certain circumstances, including where an account holder is buying their first home. A 25% charge applies to withdrawals in non-specified circumstances. The Lifetime ISA rules set out the conditions for the account, including arrangements for the collection and payment of withdrawal charges and other amounts due to HMRC and the timescales with which an account provider must comply.
- 7.3 The instrument amends ISA Regulation 31 to increase the timescale within which account providers must deliver information to HMRC, from 14 days to 60 days, and to provide that HMRC may authorise an extension of the period of time for a return.
- 7.4 The Instrument also amends paragraph 14 of the Schedule to the ISA Regulations to increase the timescale within which a Lifetime ISA manager must make payment to the Board of any withdrawal charges, from 14 to 28 days, and amends paragraph 15 of the Schedule to the ISA Regulations to provide that HMRC may specify the manner in which payments are to be made to it.
- 7.5 The instrument also amends ISA Regulation 2G in respect of the information required by all ISA managers undertaking bulk transfers or making end of year returns involving continuing accounts of deceased investors.

Consolidation

- 7.6 There are no plans to consolidate the ISA Regulations.

8. Consultation outcome

- 8.1 There has been no formal consultation on the measures in this instrument but regular technical discussions have taken place with Industry representatives, and with current and prospective Lifetime ISA managers on the operational design of the Lifetime ISA. These discussions have informed the proposed changes to the process design and reporting timescales, which will better accommodate the practical operation of ISAs.

9. Guidance

- 9.1 HMRC Guidance Notes for ISA providers will be amended to reflect the changes to the ISA rules. These are available at <https://www.gov.uk/government/publications/guidance-notes-for-isa-managers>.

10. Impact

- 10.1 The impact on business, charities or voluntary bodies is negligible.
- 10.2 The relaxation of the timescales for the annual return of certain information will benefit those who choose to offer Lifetime ISAs or who are responsible for the accounts of deceased investors.

- 10.3 The increase in the annual Junior ISA allowance will enable savers to invest more in a tax-advantaged account.
- 10.4 The impact on the public sector is negligible.
- 10.5 A Tax Information and Impact Note will be published on the HM Government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 To minimise the impacts of the requirements on small firms employing up to 20 people, the approach taken is to apply the same basic requirements as apply to all businesses offering ISAs and monitor the impact of these changes.

12. Monitoring & review

- 12.1 HMRC will continue to review compliance with the rules using the information provided annually by ISA providers as well as through regular contacts with ISA providers and other groups.

13. Contact

- 13.1 Helen Williams at HMRC telephone: 03000 512 336 or email: savings.audit@hmrc.gsi.gov.uk can answer any queries regarding the instrument.