
STATUTORY INSTRUMENTS

2011 No. 1780

INCOME TAX

CAPITAL GAINS TAX

The Individual Savings Account
(Amendment No. 2) Regulations 2011

Made - - - - 26th July 2011
Laid before the House of
Commons - - - - 27th July 2011
Coming into force - - 1st November 2011

The Treasury make these Regulations in exercise of the powers conferred by sections 694 to 699 and 701 of the Income Tax (Trading and Other Income) Act 2005(1) and section 151 of the Taxation of Chargeable Gains Act 1992(2):

Citation and commencement

1. These Regulations may be cited as the Individual Savings Account (Amendment No. 2) Regulations 2011 and shall come into force on 1st November 2011.

Amendments to 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)—

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- (1) 2005 c.5; sections 694(1A), 695A, 699(9) and 701(6) were inserted by section 40 of the Finance Act 2011 (c. 11), and section 701(4) and (5) was inserted by section 40 of the Finance Act 2008 (c. 9); sections 695(3) and (4), 696(3), 698(2), (3) and (4) and 699(1) and (2) were amended by paragraphs 131 and 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11).
 - (2) 1992 c. 12; section 151(2) was substituted by section 64(2) of the Finance Act 1995 (c. 4) which also inserted subsection (2A), the substituted subsection (2) and inserted subsection (2A) were substituted by a further subsection (2) by paragraph 436 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5); the substituted subsection (2) was amended by section 40 of the Finance Act 2011 (c. 11); section 151(4) was inserted by section 85 of the Finance Act 1993 (c. 34).
 - (3) S.I. 1998/1870; relevant amending instruments are S.I. 1998/3174, S.I. 2000/2079, S.I. 2000/3112, S.I. 2001/908, S.I. 2001/3629, S.I. 2001/3778, S.I. 2002/1974, S.I. 2002/3158, S.I. 2003/2096, S.I. 2003/2155, S.I. 2003/2747, S.I. 2004/1677, S.I. 2004/2996, S.I. 2005/2078, S.I. 2005/2561, S.I. 2005/3230, S.I. 2005/3350, S.I. 2006/1722, S.I. 2006/3194, S.I. 2007/2119, S.I. 2008/704, S.I. 2008/1934, S.I. 2008/3025, S.I. 2009/1550, S.I. 2009/1994, S.I. 2010/835, S.I. 2010/2957, S.I. 2011/22 and S.I. 2011/782; also amended by section 2 of the Co-operative and Community Benefit Societies and Credit Unions Act 2010 (c. 7) .

- (a) in the definition of “account”, for “regulation 4(1)” substitute “regulation 4(1) and, where appropriate, regulation 2B(b)”;
- (b) for the definition of “account investor” substitute—
 - “an “account investor” has the meaning given in regulation 2A;”;
- (c) after the definition of “building society bonus” insert—
 - ““business day” means any day except—
 - (a) a Saturday, Sunday, Good Friday or Christmas Day;
 - (b) a bank holiday under the Banking and Financial Dealings Act 1971(4);”;
- (d) after the definition of “ceasing to be subject to the plan” insert—
 - ““child” means an individual under 18;”;
- (e) after the definition of “EEA State” insert—
 - ““eligible child” means a child—
 - (a) born—
 - (i) on or after 3rd January 2011; or
 - (ii) before the time mentioned in paragraph (i) but who is not an “eligible child” within the meaning given in the Child Trust Funds Act 2004(5); and
 - (b) who, at the time when the application to open an account pursuant to a junior ISA application described in regulation 12A is made, is—
 - (i) resident and ordinarily resident in the United Kingdom;
 - (ii) a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003(6);
 - (iii) married to, or in a civil partnership with, a person mentioned in paragraph (ii); or
 - (iv) a dependant of a person mentioned in paragraph (ii);”;
- (f) after the definition of “ITTOIA 2005” insert—
 - ““junior ISA account” has the meaning given in regulation 2B;”;
- (g) after the definition of “market value” insert—
 - ““named child” means a child who holds an account opened pursuant to a junior ISA application described in regulation 12A;”;
- (h) after the definition of “notice” insert—
 - ““parental responsibility” means—
 - (a) parental responsibility within the meaning of the Children Act 1989(7) or the Children (Northern Ireland) Order 1995(8), or
 - (b) parental responsibilities within the meaning of the Children (Scotland) Act 1995(9);”;

(4) 1971 c. 80; section 1 of and Schedule 1 to that Act relate to bank holidays. Schedule 1 was amended by the St Andrew’s Day Bank Holiday (Scotland) Act 2007 (asp 2).

(5) 2004 c. 6.

(6) 2003 c. 1; section 28 was amended by paragraphs 101 and 102 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11).

(7) 1989 c. 41.

(8) 1995 No. 755 (N.I. 2).

(9) 1995 c. 36.

- (i) in the definition of “qualifying distribution” for “section 832(1) of the Taxes Act” substitute “section 1136 of the Corporation Tax Act 2010(10)”;
 - (j) in the definition of “recognised stock exchange” for “section 841 of the Taxes Act” substitute “section 1005 of ITA 2007(11)”;
 - (k) after the definition of “relevant European institution” insert—
 - ““responsible person” means a person who is the responsible person in respect of the management of a junior ISA account in accordance with regulation 2C(4);”.
4. In regulation 2(1)(b) (interpretation), after the definition of “FISMA 2000” insert—
““insolvency event” means the procedures listed in the definition of “insolvency event” in regulation 19(15) of the Payment Services Regulations 2009(12);”.
5. In the Table in regulation 2(2) (index of defined terms)—
- (a) in the entry relating to “Cash account” for “4(1)(a) and (c)” substitute “4(1A)(a) and (c)”;
 - (b) in the entry relating to “Component” for “4(1)(b) and (c)” substitute “4(1A)(b) and (c)”;
 - (c) in the entry relating to “Stocks and shares account” for “4(1)(a) and (b)” substitute “4(1A)(a) and (b)”;
 - (d) omit the entries relating to “Overall subscription limit” and “Subscription limits”; and
 - (e) insert the following entries at the appropriate places—
 - “Registered contact 2C
 - Subscription limits – junior ISA accounts 4ZB
 - Subscription limits – other accounts 4ZA”.
6. After regulation 2 (interpretation) insert—

“Meaning of account investor

2A.—(1) This regulation makes provision for the meaning of “account investor” in these Regulations.

(2) In relation to an account that is not a junior ISA account, “account investor” means an individual who subscribes to an account and who is a qualifying individual within the meaning of regulation 10.

(3) In relation to a junior ISA account, “account investor” has different meanings in relation to the application of the regulations specified in paragraphs (4) and (5) as provided for in those paragraphs.

(4) For the purposes of the application of regulations 5C, 6(3), 7, 8, 9 (other than regulation 9(3)(b)(iii) and (6)), 21A(1) (other than its first occurrence therein), 21A(2) and (3), 22, 24, 28, 31, 34, 35 (other than regulation 35(10)) and 36, “account investor” means the named child in relation to the account in question.

(5) For the purposes of the application of regulations 4, 9(6), 15, 17, 19, 20, 21A(7), 35(10) and its first occurrence in regulation 21A(1), “account investor” means the registered contact in relation to the account in question.

(10) 2010 c. 4.

(11) 2007 c. 3; sub-section (1) was substituted by paragraph 1 of Schedule 26 to the Finance Act 2007 (c. 11) and sub-section (2A) was inserted by paragraphs 50 and 55 of Schedule 2 to the Taxation (International and Other Provisions) Act 2010 (c. 8).

(12) S.I. 2009/209, to which there are amendments not relevant to these Regulations.

Meaning of junior ISA account

2B. In these Regulations—

- (a) an account opened pursuant to a junior ISA application described in regulation 12A is a junior ISA account at any time when it is held by a child;
- (b) references to “account” shall be construed as including a reference to an account that is a junior ISA account except where the context otherwise requires; and
- (c) references to an account held by a child are references to an account in respect of which the child is the beneficial owner of the account investments under that account.

Meaning of “registered contact” etc.

2C.—(1) In these Regulations “registered contact” means the person who may give instructions in respect of the management of a junior ISA account to the person who is the account manager in relation to that account.

(2) The person who may give instructions in respect of the management of a junior ISA account to the account manager of that account is—

- (a) the named child who holds the account if the application to open the account in accordance with regulation 12A was made by that child,
- (b) the named child who holds the account if—
 - (i) the child has attained the age of 16 years,
 - (ii) paragraph (3) does not apply in relation to the child, and
 - (iii) the child has assumed responsibility for the management of the account in accordance with paragraph (6), or
- (c) in any other case, the responsible person in relation to the account.

(3) This paragraph applies in relation to a child where the child is suffering mental disorder within the meaning given by—

- (a) section 1(2) of the Mental Health Act 1983⁽¹³⁾;
- (b) in relation to a child resident in Scotland, section 328 of the Mental Health (Care and Treatment) (Scotland) Act 2003⁽¹⁴⁾;
- (c) in relation to a child resident in Northern Ireland, Article 3 of the Mental Health (Northern Ireland) Order 1986⁽¹⁵⁾.

(4) A person is the responsible person in relation to a junior ISA account if—

- (a) that person—
 - (i) makes the application to open the account in question in accordance with regulation 12A; or
 - (ii) assumes responsibility for the management of the account in accordance with paragraph (6); and
- (b) that person has parental responsibility in relation to the named child who holds the account at the time when that person—
 - (i) makes the application described in sub-paragraph (a)(i); or

⁽¹³⁾ 1983 c. 20; section 1(2) was substituted by section 1(2) of the Mental Health Act 2007 (c. 12).

⁽¹⁴⁾ 2003 asp 13.

⁽¹⁵⁾ 1986 No. 595 (N.I. 4).

- (ii) assumes responsibility for the management of the account as described in sub-paragraph (a)(ii).
- (5) A person ceases to be the person who may give instructions in respect of the management of a junior ISA account to the person who is the account manager in relation to that account when another person assumes responsibility for the management of the account in accordance with paragraph (6).
- (6) A person assumes responsibility for the management of a junior ISA account if—
- (a) the person makes an application to assume responsibility for the management of the account in accordance with paragraph (7), and
 - (b) the account manager of the account in question accepts the application.
- (7) An application by a person (“the applicant”) to assume responsibility for the management of a junior ISA account must—
- (a) be made to the account manager of the account in question;
 - (b) contain—
 - (i) the applicant’s full name,
 - (ii) the applicant’s address (including postcode),
 - (iii) the named child’s full name and date of birth,
 - (iv) the named child’s address (including postcode),
 - (v) the named child’s national insurance number if the child is over 16 and has been issued with a national insurance number, and
 - (vi) the authorisation specified in paragraph (8);
 - (c) contain a declaration by the applicant that the applicant—
 - (i) is 16 years of age or over,
 - (ii) is the named child who holds the account in question or has parental responsibility in relation to the named child who holds the account in question, and
 - (iii) is to be the registered contact for the account.
- (8) The authorisation specified by this paragraph is authority given by the applicant to the account manager (on behalf of the named child who holds the account where appropriate)—
- (a) to hold the subscriptions, account investments, interest, dividends and any other rights or proceeds in respect of those investments and cash;
 - (b) to make on behalf of the named child any claims to relief from tax in respect of account investments; and
 - (c) to make a record in writing in accordance with paragraph (11) where that paragraph requires the account manager to do so.
- (9) An account manager must not accept an application to assume responsibility for the management of a junior ISA account if—
- (a) except in the circumstances specified in paragraph (10), the person who is the registered contact in relation to the account at the time when the application is made does not consent to the applicant assuming responsibility for the management of the account; or
 - (b) the account manager has reason to believe that the applicant has given untrue information in the application.
- (10) The circumstances specified in this paragraph are—

- (a) the death of the most recent registered contact,
- (b) the incapacity of the registered contact,
- (c) where the registered contact cannot be contacted,
- (d) the bringing to an end of a Court order under which the registered contact is a responsible person,
- (e) where the applicant is the named child who holds the account and is aged 16 or over,
- (f) where, under an adoption order, the applicant is the adopter of the named child who holds the account,
- (g) where a Court so orders,
- (h) where the applicant has been appointed to be a guardian or special guardian of the named child who holds the account.

(11) Where the application to assume responsibility for the management of a junior ISA account is not in writing or the account manager operates a record system under which all original written applications are not retained—

- (a) the account manager must, immediately after receiving the application, record, in writing, on behalf of the applicant the declaration required by paragraph (7)(c) and the authorisation required by paragraphs (7)(b)(vi) and (8);
- (b) the account manager must notify the applicant of the contents of the written record within 5 business days of making it; and
- (c) the written record (as amended by any corrections notified to the account manager by the applicant within 30 days of the notification mentioned in sub-paragraph (b)) shall be treated as the applicant's declaration required by paragraph (7)(c) and authorisation required by paragraphs (7)(b)(vi) and (8).

Regulations that do not apply to junior ISA accounts

2D. Regulations 4(6)(fa), 4ZA, 4A, 4B, 4C, 4D, 5B, 7(2)(h), 10, 11, 12, 21, 23 and 30, do not apply to a junior ISA account.

Contracts entered into by or on behalf of a child who is 16 or over

2E. Where, by virtue of the opening of an account pursuant to a junior ISA application described in regulation 12A, a contract is entered into by a child who is—

- (a) aged 16 or over; and
- (b) the child who—
 - (i) holds the account, or
 - (ii) has parental responsibility in relation to the child who holds the account,

the contract has effect as if the child who opened the account had been 18 or over when the contract was entered into.”

7. In regulation 4 (general conditions for accounts)—

- (a) for paragraph (1) substitute—
 - “(1) An account is a scheme of investment, to which a subscription may be made, and in respect of which—
 - (a) the conditions and requirements contained in paragraphs (1A) and (5) to (8) are fulfilled; and

- (b) either—
 - (i) the conditions contained in paragraph (1B) are fulfilled, or
 - (ii) at the time when the subscription to the account is made, the account is a junior ISA account.”;
 - (b) after paragraph (1) insert—
 - “(1A) The conditions in this paragraph are—
 - (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) the application to open the account is made in accordance with regulation 12 or 12A.
 - (1B) The conditions in this paragraph are—
 - (a) a qualifying individual who is 16 or over may only subscribe to a single cash account that is not a junior ISA account in a particular year;
 - (b) a qualifying individual who is 18 or over may only subscribe to a single stocks and shares account that is not a junior ISA account in a particular year;
 - (c) it is an account to which only one qualifying individual subscribes;
 - (d) 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
 - (e) 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 regulation 4ZA(1) and (2).”;
 - (c) omit paragraphs (2) and (3);
 - (d) in the opening words of paragraph (6) for “include the following conditions” substitute “secure”;
 - (e) for paragraph (6)(a) substitute—
 - “(a) that the account investments shall be in the beneficial ownership of—
 - (i) in the case of an account that is not a junior ISA account, the account investor; or
 - (ii) in the case of a junior ISA account, the named child.”;
 - (f) at the beginning of paragraph (6)(b)(i), insert “in relation to an account that is not a junior ISA account.”;
 - (g) at the end of paragraph (6)(b)(i), after “account investor,” insert—
 - “(ia) in relation to an account that is a junior ISA account, title to all investments shall be vested in the account manager or his nominee or jointly in one of them and either one of the registered contact or named child to the account in question as the account manager considers appropriate.”;
 - (h) in paragraph (6)(f) for “regulation 21” substitute “regulation 21 or 21B”.
8. After regulation 4 insert—

“Subscriptions to an account other than a junior ISA account

4ZA.—(1) The overall subscription limit for any qualifying individual for any year (that is the aggregate of the qualifying individual’s subscriptions to all accounts that are not junior ISA accounts in that year) is—

- (a) where the qualifying individual is 16 or over but less than 18 at the end of the year, £5,340; and
- (b) in all other cases, £10,680, but subject to paragraph (2).

(2) Where the qualifying individual is 18 or over at the end of the year, the qualifying individual may only invest up to 50 per cent of the overall subscription limit specified in paragraph (1)(b) in any year to a cash account.

(3) A qualifying individual may not subscribe to an account that was a junior ISA account while it was held by the qualifying individual as the named child for the account unless the account manager of that account has been provided with—

- (a) the qualifying individual’s national insurance information specified by paragraph (4);
- (b) a declaration specified by paragraph (5);
- (c) the authorisation specified by paragraph (6); and
- (d) if the account manager of the account requires, an authorisation specified by paragraph (7).

(4) The national insurance information specified by this paragraph is—

- (a) the qualifying individual’s national insurance number; or
- (b) a declaration by the qualifying individual that the qualifying individual does not have a national insurance number.

(5) The declaration specified by this paragraph is a declaration by the qualifying individual that, if the qualifying individual were making an application to open an account pursuant to regulation 12, would be in accordance with paragraph (3)(c) to (f) of that regulation.

(6) The authorisation specified by this paragraph is an authorisation by the qualifying individual that, if the qualifying individual were making an application to open an account pursuant to regulation 12, would be in accordance with paragraphs (4)(e) and (4A)(c) of that regulation.

(7) The authorisation specified by this paragraph is an authorisation by the qualifying individual that, if the qualifying individual were making an application to open an account pursuant to regulation 12, would be in accordance with paragraphs (4)(e) and (4A)(a) and (b) of that regulation.

(8) Regulation 12(7), (9) and (10) apply in relation to the declaration specified by paragraph (5) and authorisations specified by paragraphs (6) and (7) as if they were made in relation to an application made by the qualifying individual to open an account pursuant to regulation 12.

(9) For the purposes of paragraphs (5) to (8)—

- (a) references in regulation 12 to “the applicant” are references to the qualifying individual making the declaration specified by paragraph (5) or giving an authorisation specified in paragraphs (6) and (7);
- (b) references in regulation 12(3)(c) to (f) to “the year in which paragraph (2) refers” (the first year to which the application to open the account relates) are

references to the year in which the declaration specified by paragraph (5) is made by the qualifying individual.

Subscriptions to a junior ISA account

4ZB.—(1) Any person may subscribe to a junior ISA account provided the overall amount subscribed by that person and any other person for any year in respect of the same named child does not exceed £3,600.

(2) An amount paid to a junior ISA account in excess of the amount mentioned in paragraph (1) is not an amount subscribed to a junior ISA account and must not be held in that account.

(3) A single subscription for an amount equal to the amount mentioned in paragraph (1) or any number of smaller amounts that, when aggregated, do not exceed the amount mentioned in paragraph (1), may be made in respect of the same named child—

- (a) to a cash account held by that child,
- (b) to a stocks and shares account held by that child, or
- (c) in any proportion between such accounts.

(4) No subscription may be made to a cash account that is a junior ISA account held by a named child where—

- (a) the balance in the account is less than one penny; and
- (b) that child holds another cash account opened pursuant to a junior ISA application described in regulation 12A after the time when the account mentioned in sub-paragraph (a) was opened.

(5) No subscription may be made to a stocks and shares account that is a junior ISA account held by a named child where—

- (a) the balance in the account is less than one penny; and
- (b) that child holds another stocks and shares account opened pursuant to a junior ISA application described in regulation 12A after the time when the account mentioned in sub-paragraph (a) was opened.

Inalienability of a junior ISA account

4ZC.—(1) Any assignment of, or agreement to assign, investments under a junior ISA account, and any charge on or agreement to charge any such investments, is void.

(2) On the bankruptcy of the named child holding a junior ISA account, the entitlement to investments under it does not pass to any trustee or other person acting on behalf of the child's creditors.

(3) "Assignment" includes assignation; and "assign" is to be construed accordingly.

(4) "Charge on or agreement to charge" includes a right in security over or an agreement to create a right in security over.

(5) "Bankruptcy", in relation to a named child, includes the sequestration of the child's estate.

(6) Paragraph (1) shall not render void anything done to vest title to an account investment as required by regulation 4(6)(b)(ia) or 15(a) by virtue of—

- (a) a transfer of an account in accordance with regulation 21B; or
- (b) a change of registered contact in relation to a junior ISA account.

Permitted withdrawals from a junior ISA account

4ZD. Withdrawals from a junior ISA account may only be made—

- (a) by the account manager, to settle any management charges and other incidental expenses, which are due by or under the management agreement,
- (b) in accordance with regulation 4ZE, or
- (c) where the account manager is satisfied that the named child who held the account has died.

Permitted withdrawals from a junior ISA account where the named child is terminally ill

4ZE.—(1) A registered contact may make a claim to the Board for withdrawals from a junior ISA account to be permitted in accordance with this regulation.

(2) The claim shall be—

- (a) made in a manner prescribed by the Board, which shall include the giving of any consent necessary for the verification or consideration of the claim, and
- (b) accepted in either of the following cases:

Case 1

The named child holding the account has been, or is, accepted by the Department for Work and Pensions as falling within section 72(5) of the Social Security Contributions and Benefits Act 1992⁽¹⁶⁾ (special rules for terminally ill person’s entitlement to care component of disability living allowance).

Case 2

Evidence that the named child holding the account is terminally ill has been supplied to the satisfaction of the Board.

(3) The Board shall issue a letter to the registered contact authorising withdrawals from the account under this regulation, and shall also notify the account manager.

(4) Once a claim has been accepted, withdrawals of any amount (including the proceeds from a policy of life insurance and an amount sufficient to close the account) may be made by the registered contact at any time (but this does not include the transfer of a policy of life insurance otherwise than in accordance with regulation 21B).

(5) Where account investments are withdrawn in a form other than sterling currency, the named child shall be treated as having sold the account investments in question, and as having reacquired them in his personal capacity, for a consideration equal to their market value at the time of their withdrawal.

(6) In this regulation, “terminally ill” has the meaning in section 66(2)(a) of the Social Security Contributions and Benefits Act 1992.”.

9. In regulation 4A (repair of certain incompatible accounts and excess subscriptions)—

- (a) for the heading, substitute “Repair of certain incompatible account and excess subscriptions - accounts other than junior ISA accounts”;
- (b) in paragraph (1)—
 - (i) in the parts of the paragraph headed “First Condition” and “Second Condition” for “regulation 4(1)(d) or (e)” substitute “regulation 4(1B)(a) or (b)”, and

⁽¹⁶⁾ 1992 c. 4; section 72(5) was amended by section 67(2) of the Welfare Reform and Pensions Act 1999 (c. 30) and section 52(4) of the Welfare Reform Act 2007 (c. 5).

- (ii) in the part of the paragraph headed “Third Condition” for “regulation 4(2)(a)” substitute “regulation 4ZA(1)(b)”;
 - (c) in paragraph (2)(e) for “regulation 4(1)(a)” substitute “regulation 4(1A)(a)”;
 - (d) in paragraph (3)(b) for “regulation 4(1)(d) or (e), or 4(2)(a)” substitute “regulation 4(1B)(a) or (b), or 4ZA(1) or (2)”;
 - (e) in paragraph (4)(a)(ii) for “regulation 4(2) and (3)” substitute “regulation 4ZA(1) and (2)”;
 - and
 - (f) after paragraph (5) insert—
 - “(6) For the purposes of this regulation, a subscription to an account that is a junior ISA account shall be disregarded.”.
- 10.** In regulation 4B (closure of cash account prior to the opening of the same type of account to be disregarded once)—
- (a) in the heading, after “cash account” insert “that is not a junior ISA account”; and
 - (b) in paragraph (2) for “regulation 4(1)(d)” substitute “regulation 4(1B)(a)”.
- 11.** Omit regulation 5A (treatment of sums held in accounts managed by Icesave Bank).
- 12.** In paragraph (3) of regulation 5B (treatment of certain sums held in accounts managed by Keydata Investment Services Limited) for “regulation 4(2)” substitute “regulation 4ZA(1)”.
- 13.** In paragraph (2) of regulation 5C (treatment of certain sums held in dormant accounts) for “regulation 4(2) and (3)” substitute “regulation 4ZA(2)”.
- 14.** In paragraphs (4) and (5) of regulation 6 (general investment rules), for “an account investor’s cash subscription and any other cash” (where that phrase appears in each paragraph) substitute “cash subscriptions and other cash”.
- 15.** In regulation 7 (qualifying investments for a stocks and shares component)—
- (a) in paragraph (2)(h) for “regulation 4(1)(h)” substitute “regulation 4(1B)(d)”;
 - and
 - (b) in paragraph (10)(c) for “regulation 4(2)(a)” substitute “regulation 4ZA(1)(b)”.
- 16.** In regulation 9 (insurance policies)—
- (a) in paragraph (1) for “paragraphs (4) to (7)” substitute “paragraphs (4) to (9) as appropriate”;
 - (b) at the beginning of paragraph (3)(b)(ii) insert “in the case of a policy that is held under an account that is not a junior ISA account.”;
 - (c) after paragraph (3)(b)(ii) insert—
 - “(iia) in the case of a policy that is held under an account that is a junior ISA account, that the policy shall automatically terminate if it comes to the notice of the account manager, in any manner, that the event specified in paragraph (8A) has occurred in relation to the policy.”;
 - (d) for paragraph (3)(b)(iii) substitute—
 - “(iii) subject to paragraph (3B), for an express prohibition of any transfer, assignment or (in Scotland) assignation of the policy to the account investor who holds the account under which the policy is held or, in the case of a policy held under an account that is a junior ISA account, the registered contact or named child in relation to that account.”;
 - (e) omit paragraph (3)(b)(iv);
 - (f) after paragraph (3) insert—

- “(3A) In paragraphs (3)(b)(iii) and (3B), “policy” includes—
- (a) the rights conferred by a policy; and
 - (b) any share or interest in the rights conferred by a policy.
- (3B) The prohibition required by paragraph (3)(b)(iii) must not prohibit—
- (a) the cash proceeds from the termination of the policy or a partial surrender of the policy ownership—
 - (i) being paid to the account investor where the policy is held under an account that is not a junior ISA account;
 - (ii) being withdrawn in accordance with regulation 4ZD (permitted withdrawals from a junior ISA account) or 4ZE (permitted withdrawals from a junior ISA account where the named child is terminally ill);
 - (b) the transfer of title to the policy so that it is vested as required from time to time by regulations 4(6)(b)(i) and (ia) (general conditions for accounts) and 15(a) (special provisions relating to insurer-managers) by virtue of—
 - (i) a transfer of an account in accordance with regulations 21 or 21B;
 - (ii) a change of registered contact in relation to a junior ISA account; or
 - (iii) an account ceasing to be a junior ISA account upon the named child in relation to the account attaining 18 years;
 - (c) the vesting of the policy in the personal representatives of the account investor.”;
- (g) in paragraph (7)—
- (i) for “either of the events specified in paragraph (8)” substitute “any of the events specified in paragraphs (8) or (8A)”;
 - (ii) for “excepting paragraphs (3)(b)(ii) and (8)” substitute “excepting paragraphs (3)(b)(ii) and (ia), (8) and (8A)”;
- (h) after paragraph (8) insert—
- “(8A) The event specified in this paragraph is that—
- (a) the policy has ceased to be one in respect of which the conditions in paragraph (3)(b)(i) are satisfied or those conditions were not satisfied in relation to the policy at the date on which the insurance was made; and
 - (b) the breach or non-compliance cannot be remedied in accordance with regulation 21C or has not been remedied within a reasonable time.”;
- (i) in paragraph (9) for “paragraph (8)” substitute “paragraph (8) or (8A)”.
- 17.** In regulation 10 (qualifying individuals who may invest under an account)—
- (a) in the heading, at the end, add “that is not a junior ISA account”;
 - (b) for paragraph (1) substitute—

“(1) This regulation specifies the description of individual (“qualifying individual”) who may invest under an account that is not a junior ISA account.”;
 - (c) in paragraph (2)(ca)—
 - (i) for “regulation 4(2)” substitute “regulation 4ZA(1)”, and
 - (ii) for “regulation 4(3)” substitute “regulation 4ZA(2)”;
 - (d) after paragraph (2) insert—

“(3) For the purposes of paragraph (2)(b) and (c), a subscription to a junior ISA account shall be disregarded.”.

18. In regulation 12 (conditions for application to subscribe to an account)—
- (a) for the heading substitute “Conditions for application to open an account that is not a junior ISA account”;
 - (b) in paragraph (1) for “subscribe to” substitute “open”;
 - (c) in paragraph (3)—
 - (i) in the opening words, for “shall provide for” substitute “must contain”,
 - (ii) in sub-paragraph (a), for “subscribe to” substitute “open”,
 - (iii) in sub-paragraph (ea) for “regulation 4(2)” substitute “regulation 4ZA(1)”,
 - (iv) in sub-paragraph (eb) for “regulation 4(3)” substitute “regulation 4ZA(1)(a) or (2)”,
 - (v) omit sub-paragraph (g);
 - (d) in paragraph (4)—
 - (i) omit “and” immediately preceding sub-paragraph (d);
 - (ii) immediately before the end of sub-paragraph (d), insert—
“,
(e) the authorisation specified in paragraph (4A)”;
 - (e) after paragraph (4) insert—
“(4A) The authorisation specified by this paragraph is authority given by the applicant to the account manager—
 - (a) to hold the subscriptions, account investments, interest, dividends and any other rights or proceeds in respect of those investments and cash;
 - (b) to make on behalf of the applicant any claims to relief from tax in respect of account investments; and
 - (c) to make a record in writing in accordance with paragraph (7) where that paragraph requires the account manager to do so.”;
 - (f) for paragraph (7) substitute—
“(7) Where an application is not in writing or the manager operates a record system under which all original written applications are not retained—
 - (a) the account manager must, immediately after receiving the application, record in writing on behalf of the applicant, the declaration required by paragraph (3) and authorisation required by paragraphs (4)(e) and (4A);
 - (b) the account manager must notify the applicant of the contents of the written record within 5 business days of making it; and
 - (c) the written record (as amended by any corrections notified to the account manager by the applicant within 30 days of the notification mentioned in sub-paragraph (b)) shall be treated as the applicant’s declaration required by paragraph (3) and authorisation required by paragraphs (4)(e) and (4A).”;
 - (g) omit paragraph (7A);
 - (h) for paragraph (10) substitute—
“(10) Where an account manager is required by paragraph (7) to make a record in writing—
 - (a) a record shall be regarded as being a written record if it is produced by electronic means;

- (b) the notification of the contents of the record by the account manager to the applicant required by paragraph (7)(b) may be sent to the applicant by telephonic facsimile transmission or by electronic communication.”;
- (i) after paragraph (11) insert—
 - “(11A) In paragraph (3), references to subscriptions to an account do not include subscriptions to an account that is a junior ISA account.”.

19. After regulation 12 insert—

“Conditions for application to open an account that is a junior ISA account

12A.—(1) An application (“junior ISA application”) to open a junior ISA account with an account manager may only be made if the account will be held by an eligible child immediately following the opening of the account.

(2) An eligible child may hold—

- (a) only one account set up as a cash account; and
- (b) only one account set up as a stocks and shares account.

(3) For the purposes of paragraphs (2) and (7), an account holding an amount of less than one penny shall be disregarded.

(4) A junior ISA application may be made by a person who—

- (a) is over 16, and
- (b) in relation to the junior ISA account to be opened pursuant to the application is—
 - (i) a person who has parental responsibility in relation to the eligible child who will hold the account; or
 - (ii) the eligible child who will hold the account.

(5) A junior ISA application must be made to an account manager in a statement and must fulfil the conditions specified in paragraphs (6), (7) and (8).

(6) A junior ISA application must specify the eligible child as being the beneficial owner of the account investments under that account.

(7) A junior ISA application must contain a declaration by the applicant that—

- (a) the application is made to open a junior ISA account;
- (b) the information provided in accordance with paragraph (8) is true;
- (c) the child who will hold the account opened pursuant to the application is not an “eligible child” within the meaning given in the Child Trust Funds Act 2004⁽¹⁷⁾;
- (d) the child who will hold the account opened pursuant to the application is—
 - (i) resident and ordinarily resident in the United Kingdom,
 - (ii) a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003⁽¹⁸⁾,
 - (iii) married to or in a civil partnership with a person mentioned in paragraph (ii), or
 - (iv) a dependant of a person mentioned in paragraph (ii);

⁽¹⁷⁾ 2004 c. 6.

⁽¹⁸⁾ 2003 c. 1; section 28 was amended by paragraphs 101 and 102 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11).

- (e) the applicant is the person who, upon the opening of the account, will be the registered contact in relation to the account;
 - (f) the application is to open a stocks and shares account or cash account, as the case may be;
 - (g) 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 that is a junior ISA account held by the same eligible child, and
 - (ii) is not aware of any other stocks and shares account held by the eligible child that is a junior ISA account;
 - (h) in the case of a cash account, the applicant—
 - (i) has not subscribed, and will not subscribe, to any other cash account that is a junior ISA account held by the same eligible child, and
 - (ii) is not aware of any other cash account held by the eligible child that is a junior ISA account;
 - (i) as far as the applicant is aware, the applicant has not subscribed amounts to the account (or any other account) that, when aggregated with other subscriptions, exceed the overall subscription limit in regulation 4ZB(1) (subscriptions to accounts opened in accordance with this regulation) in relation to the eligible child who will hold the account in the year in which the junior ISA application is made; and
 - (j) the applicant will not knowingly subscribe amounts to the account that, when aggregated with other subscriptions, exceed the overall subscription limit in regulation 4ZB(1) applicable from time to time (subscriptions to accounts opened in accordance with this regulation) in each successive year following the year in which the junior ISA application is made.
- (8) A junior ISA application must contain—
- (a) the applicant’s full name,
 - (b) the address of the applicant’s permanent residence, including postcode,
 - (c) the full name of the eligible child,
 - (d) the date of birth of the eligible child,
 - (e) where the applicant is not the eligible child, the address of the eligible child’s permanent residence, including postcode,
 - (f) the eligible child’s national insurance number if the child—
 - (i) is 16 or over, and
 - (ii) has been issued with a national insurance number,
 - (g) the authorisation specified in paragraph (9).
- (9) The authorisation specified by this paragraph is authority given by the applicant to the account manager (on behalf of the child who holds the account where appropriate)—
- (a) to hold the subscriptions, account investments, interest, dividends and any other rights or proceeds in respect of those investments and cash;
 - (b) to make on behalf of the child any claim to relief from tax in respect of account investments; and
 - (c) to make a record in writing in accordance with paragraph (11) where that paragraph requires the account manager to do so.

(10) An account manager must not accept a junior ISA application if the account manager has reason to believe that the applicant has given untrue information in the application.

(11) Where the junior ISA application is not in writing, or the account manager operates a record system under which all original written applications are not retained—

- (a) the account manager must, immediately after receiving the application, record in writing on behalf of the applicant, the declaration required by paragraph (7) and authorisation required by paragraphs (8)(g) and (9);
- (b) the account manager must notify the applicant of the contents of the written record within 5 business days of making it; and
- (c) the written record (as amended by any corrections notified to the account manager by the applicant within 30 days of the notification mentioned in sub-paragraph (b)) shall be treated as the applicant's declaration required by paragraph (7) and authorisation required by paragraphs (8)(g) and (9).

(12) An application furnished by an applicant under this regulation shall be regarded as in writing if it is furnished—

- (a) by telephonic facsimile transmission containing the signature of the applicant, or
- (b) by electronic communication containing an electronic signature of the applicant.

(13) Where an account manager is required by paragraph (11) to make a record in writing—

- (a) a record shall be regarded as being a written record if it is produced by electronic means;
- (b) the notification of the contents of the record by the account manager to the applicant required by paragraph (11)(b) may be sent to the applicant by telephonic facsimile transmission or by electronic communication.

(14) In this regulation—

“electronic communication” includes any communication conveyed by means of an electronic communications network;

“electronic signature” has the meaning given by section 7(2) of the Electronic Communications Act 2000(19).”

20. In paragraph (2) of regulation 14 (account manager – qualifications and Board's approval)—

(a) after sub-paragraph (a) insert—

“(aa) if the person intends to be an account manager in relation to a junior ISA account, the person must undertake to the Board to—

- (i) publicise (and update where appropriate) statements of the minimum amount which may be subscribed to a junior ISA account on a single occasion, and the permitted means of payment of subscriptions; and
- (ii) inform persons proposing to make a subscription to a junior ISA account (other than the named child) that the subscription is a gift to the child;” and

(b) in sub-paragraph (c) for “section 43” substitute “sections 42 and 43”.

21. In regulation 17 (account manager – withdrawal by Board of approval), after paragraph (3) insert—

“(4) On receiving the notice referred to in paragraph (1), subject to any appeal in accordance with regulation 18, the account manager shall notify the person who is the account investor in relation to the account held with the account manager of the right to

transfer the account under regulations 21 or 21B (as appropriate), and the provision made by regulation 20(3).”.

- 22.** In regulation 19 (account manager ceasing to act), at the end, add “or 21B”.
- 23.** In regulation 20 (account manager ceasing to qualify)—
- (a) for paragraph (1) substitute—
 - “(1) A person shall cease to qualify as an account manager and shall notify the Board within 30 days of the relevant event in sub-paragraphs (a) to (e), of that relevant event, where—
 - (a) the person no longer fulfils the conditions of regulation 14;
 - (b) there is an insolvency event in relation to the account manager;
 - (c) an application has been made for a bank insolvency order or a bank administration order;
 - (d) in the case of a building society, a person falling within section 991 of ITA 2007⁽²⁰⁾ or a credit union—
 - (i) it ceases to be a building society or to fall within section 991 of ITA 2007 or to be a credit union, as the case may be;
 - (ii) its directors have made a proposal under Part 1 of the Insolvency Act 1986⁽²¹⁾ for a composition in satisfaction of its debts or a scheme of arrangement of its affairs; or
 - (iii) a receiver or manager of its property has been appointed; or
 - (e) in the case of a European institution, a relevant authorised person or an assurance undertaking which falls within regulation 14(2)(b)(iv) and (v), action corresponding to any described in sub-paragraphs (b) to (d) has been taken by or in relation to the institution, person or undertaking under the law of an EEA State.”;
 - (b) in paragraph (2) after “regulation 21” insert “or 21B (as appropriate)”;
 - (c) in paragraph (3)(a) for “regulation 19” substitute “regulation 17(4) or 19”;
 - (d) in paragraph (3)(b) after “regulation 21” insert “or 21B (as appropriate)”.
- 24.** In regulation 21 (transfers relating to accounts)—
- (a) for the heading substitute “Transfers relating accounts other than junior ISA accounts”;
 - (b) in paragraph (1), for “In this regulation, in relation to a transfer” substitute “In this regulation, in relation to a transfer of an account that is not a junior ISA account”.
- 25.** In regulation 21A (further requirements relating to transfers between cash accounts)—
- (a) in paragraph (1) for “regulation 21” to the end substitute “regulations 21 or 21B, to a cash account held by the account investor with the transferee.”;
 - (b) in paragraph (2)(c) for “belonging to the account investor which is held” substitute “held by the account investor”;
 - (c) omit “and” immediately preceding paragraph (3)(b);
 - (d) at the end of paragraph (3)(b) insert—

⁽²⁰⁾ 2007 c. 3; section 991 was modified by section 8 of the Co-Operative and Community Benefit Societies and Credit Unions Act 2010 (c. 7) and paragraph 563 of Schedule 1 to the Corporation Tax Act 2010 (c. 4).

⁽²¹⁾ 1986 c. 45; Part 1 was amended by sections 1, 2 and 15(1) and Schedule 1, Part 1 of Schedule 2 and 5 to the Insolvency Act 2000 (c. 39), section 248(3) and Schedule 17 to the Enterprise Act 2002 (c. 40), section 159(1) and Part 4 of Schedule 20 to the Energy Act 2004 (c. 20), S.I. 2002/1240 and S.I. 2009/1941.

“, and

(c) in relation to an account that is a junior ISA account—

(i) the full name of the registered contact,

(ii) the address of the registered contact’s permanent residence, including postcode”.

(e) in paragraph (7), omit the definition of “business day”.

26. After regulation 21A, insert—

“Transfers relating to junior ISA accounts

21B.—(1) This regulation only applies to an account that is a junior ISA account.

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

“the current year’s subscriptions” means—

(a) subscriptions made to the account in the year in which the transfer takes place, but before the transfer;

(b) subscriptions made in the year in which the transfer takes place to any other account held by the named child 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) in any earlier year or years, and

(b) the qualifying investments and other proceeds (including income) representing those subscriptions.

(3) 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).

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

(5) In the case of a cash account—

(a) all or part of the previous years’ subscriptions and, if current year’s subscriptions are to be transferred, all of the current year’s subscriptions made to the cash account, may be transferred to a junior ISA account that is a stocks and shares account belonging to the same named child, or

(b) all of the subscriptions made to the cash account (“old cash account”) that are held in the account immediately before the transfer may be transferred to a junior ISA account that is a cash account (“new cash account”) belonging to the same named child (and, for the avoidance of doubt, no transfer may be made to a new cash account if the transfer does not comprise all of the subscriptions held in the old cash account immediately before the transfer).

(6) In the case of a stocks and shares account—

- (a) all or part of the previous years' subscriptions and, if current year's subscriptions are to be transferred, all of the current year's subscriptions made to the stocks and shares account, may be transferred to a junior ISA account that is a cash account belonging to the same named child, or
 - (b) all of the subscriptions made to the stocks and shares account ("old stocks and shares account") that are held in the account immediately before the transfer may be transferred to a junior ISA account that is a stocks and shares account ("new stocks and shares account") belonging to the same named child (and, for the avoidance of doubt, no transfer may be made to a new stocks and shares account if the transfer does not comprise all of the subscriptions held in the old stocks and shares account immediately before the transfer).
- (7) Where current year's subscriptions are transferred from a junior ISA account to another junior ISA account, the current year's subscriptions transferred shall count towards the overall subscription limit for the child holding the account for that year.
- (8) The registered contact shall make a fresh application under regulation 12A (with any necessary modifications to reflect that it is made on a transfer) to the transferee.
- (9) This regulation shall also apply where an account is transferred in consequence of an account manager ("the transferor") ceasing to act or qualify as an account manager.
- (10) Except where the transferor has provided information to the transferee in accordance with regulation 21A(2)(b)(ii), the transferor shall within 30 days after the date of the transfer give the transferee a notice containing the information specified in paragraph (11).
- (11) The information specified in this paragraph is—
- (a) as regards the named child who holds the account transferred—
 - (i) the full name of the child,
 - (ii) the address (including postcode) of the permanent residence of the child,
 - (iii) the date of birth of the child,
 - (iv) the national insurance number of the child (if any); and
 - (b) as regards an account from which the transfer is made—
 - (i) whether the account is a cash account or stocks and shares account,
 - (ii) the date of the transfer,
 - (iii) the total amount of cash subscribed to the account during the period from the beginning of the year in which the transfer takes place to the date of the transfer,
 - (iv) the date on which the first subscription (if any) was made to the account, in the year in which the transfer takes place,
 - (v) the amount of any dividends on account investments which are payable to, but have not been received by, the transferor at the date of the transfer,
 - (vi) the full name of the person who is the registered contact in relation to the account, and
 - (vii) the address of the registered contact's permanent residence, including postcode.

Repair of invalid junior ISA accounts

21C.—(1) It is an overriding requirement to be satisfied in relation to a junior ISA account that the account manager and registered contact, as the case may be, take any steps necessary to remedy any breach of these Regulations.

(2) Where a breach is remedied as mentioned in paragraph (1), the account shall, to the extent of that breach, be treated as having been a valid account at all times.”

27. In regulation 22 (exemption from tax of account income and gains)—

(a) for paragraph (1)(a)(ia) substitute—

“(ia) in respect of alternative finance return paid by a financial institution in accordance with Part 10A of ITA 2007(22), or”;

(b) in paragraph (1)(a)(ib) for “regulation 4(2) to (3)” substitute “regulations 4ZA(1) and (2) and 4ZB(1)”;

(c) for paragraph (1)(a)(iii) substitute—

“(iii) on an offshore income gain to which a disposal by any of them of an account investment would otherwise give rise to a charge to tax under regulation 17 of the Offshore Funds (Tax) Regulations 2009(23), or”;

(d) omit “and” immediately preceding paragraph (1)(e);

(e) in paragraph (1)(e), at the beginning, insert the words “in relation to an account that is not a junior ISA account,”;

(f) immediately before the end of paragraph (1) insert—

“;

(f) in relation to a junior ISA account, income arising from account investments shall not be regarded as income for any income tax purposes (including section 629 of ITTOIA 2005(24))”;

(g) in paragraph (2), for “subscribing to” substitute “the opening of”;

(h) after paragraph (2) add—

“(3) A reference to “interest” in this regulation includes a reference to any bonus and to a dividend paid or credited in respect of a share account with a building society.”

28. In regulation 23 (interest on cash deposits held under a stocks and shares component)—

(a) for the heading substitute “Interest on cash deposits held under a stocks and shares component of an account that is not a junior ISA account”;

(b) in paragraph (1), after “stocks and shares component” insert “of an account that is not a junior ISA account”.

29. In paragraph (3) of regulation 28 (assessments for withdrawing relief and recovering tax), for “Case VI of Schedule D” substitute “Chapter 8 of Part 5 of ITTOIA 2005(25)”.

30. In regulation 30 (information to be given to account investor by account manager)—

(a) in the heading, at the end, add the words “in relation to an account that is not a junior ISA account”;

(b) in paragraph (1)(c) for “regulation 4(2)” substitute “regulation 4ZA(1)”; and

(c) in paragraph (1)(d) for “regulation 4(3)” substitute “regulation 4ZA(2)”.

31. In regulation 31 (returns of information by account manager)—

(22) 2007 c. 3; Part 10A was inserted by paragraphs 1 and 2 of Part 1 of Schedule 2 to the Taxation (International and Other Provisions) Act 2010 (c. 8).

(23) S.I. 2009/3001, to which there are amendments not relevant to these Regulations.

(24) 2005 c. 5; the heading to section 629 was substituted by, and subsections (1) and (7)(b), (c) and (d) of that section were amended by S.I. 2005/3229 and subsection (8) was inserted by paragraph 34(1) of Schedule 13 to the Finance Act 2006 (c. 25).

(25) 2005 c. 5; Chapter 8 was amended by paragraphs 17 and 22 of Part 2 of Schedule 12 to the Finance Act 2008 (c. 9) and by paragraphs 30 and 33 of Schedule 1 to the Finance (No. 3) Act 2010 (c.33).

- (a) in paragraph (1) for “paragraphs (3), (4), (5) and (7)” substitute “paragraphs (3), (4), (5), (7) and (7A)”;
- (b) after paragraph (3)(c)(i) insert—
 - “(ia) whether the account was a junior ISA account at any time in the year or part of the year for which the return is made,”;
- (c) at the beginning of paragraph (3)(c)(ii) insert “subject to paragraph (3A),”;
- (d) at the beginning of paragraph (3)(c)(iii) insert “subject to paragraph (3B),”;
- (e) omit the “and” immediately preceding paragraph (3)(c)(iv);
- (f) at the beginning of paragraph (3)(c)(v) insert “subject to paragraph (3C),”;
- (g) after paragraph (3) insert—

“(3A) Where a subscription is made to an account that ceases to be a junior ISA account in the year or part of the year for which the return is made, the return must show, as separate amounts, the total amount of cash subscribed to the account at times—

- (a) when the account is a junior ISA account; and
- (b) when the account is not a junior ISA account.

(3B) In relation to an account that is a junior ISA account, the information described in paragraph (3)(c)(iii) shall only be provided in the return for the year or part of the year in which the application to open the account in accordance with regulation 12A is made.

(3C) The information provided in accordance with paragraph (3)(c)(v) must not include information relating to an account that was a junior ISA account immediately before it was closed.”;

- (h) after paragraph (7) insert—

“(7A) The information specified in this paragraph is information relating to all accounts in respect of which the account manager was acting as account manager immediately before the end of the year or part of the year for which the return is made that were junior ISA accounts at the end of the period covered by the return (whether or not a subscription was made to the account during that period) with separate figures for cash accounts and stocks and shares accounts.”.

32. Omit regulations 32 and 33.

33. In paragraph (9) of regulation 36 (application of the provisions of Chapter II of Part XIII of the Taxes Act and of Chapter 9 of Part 4 of ITTOIA 2005 to policies where an investor ceases to be or was not entitled to relief from tax)—

- (a) in sub-paragraph (a), after “basic rate” insert “determined in pursuance of section 6(2) of ITA 2007(26)”;
- (b) for sub-paragraph (b) substitute—
 - “(b) an assessment to income tax may be made on the account investor at the higher rate and additional rate (determined in pursuance of section 6(2) of ITA 2007) for that year of assessment as appropriate to the account investor’s income tax liability calculated in accordance with section 23 of ITA 2007(27),”;
- (c) for “within five years after the 31st January next following” substitute “not more than 4 years after the end of”.

(26) 2007 c. 3; section 6(2) was amended by section 5 of the Finance Act 2008 (c. 9) and paragraph 2(2) of Part 1 of Schedule 2 to the Finance Act 2009 (c. 10).

(27) Section 23 was amended by paragraph 6(o)(i) of Schedule 1 to the Finance Act 2009 (c. 10).

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

26th July 2011

Angela Watkinson
James Duddridge
Two of the Lords Commissioners of Her
Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 1st November 2011, amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (“the ISA Regulations”) to introduce tax efficient individual investment plans for children (known as “junior ISA” accounts) and to update some of the ISA Regulations.

Regulations 1 and 2 provide for the citation and commencement of these Regulations and generally for the amendment of the ISA Regulations.

Regulations 3 to 5 amend the definitions contained in regulation 2(1) of the ISA Regulations and the tabular index of defined terms contained in regulation 2(2). In addition to a number of consequential amendments to, and updating of, references made to other statutory provisions by existing definitions, a number of terms relevant to junior ISA accounts are defined. These include “child”, “eligible child”, “named child”, “parental responsibility”, “responsible person” and make reference to the regulations that make provision in respect of the meaning of “junior ISA account”, “registered contact” and the meaning of “account investor” in respect of accounts that are junior ISA accounts and ISA accounts that are not junior ISA accounts.

Regulation 6 inserts regulations 2A to 2E into the ISA Regulations. Regulation 2A provides that although “account investor” means a “qualifying individual” within regulation 10 in the context of accounts that are not junior ISA accounts, its use in regulations that apply to junior ISA accounts is a reference to either of the “named child” or “registered contact” in relation to the account as specified in the regulation 2A. Regulation 2B makes provision in respect of the meaning of “junior ISA account”. Regulation 2C provides who, as the “registered contact”, may give instructions in relation to the management of a junior ISA account and the circumstances in which a change of registered contact may occur. Regulation 2D specifies the ISA Regulations that do not apply to a junior ISA account and regulation 2E provides for the circumstances where a contract entered into by a child aged 16 or over is treated as if the child had been 18 or over when the contract was entered into.

Regulation 7 amends regulation 4 of the ISA Regulations (general conditions for accounts) so that it relates to accounts that are junior ISA accounts as well as accounts that are not. Although junior ISA accounts are subject to many of the same requirements as apply to other ISA accounts, there are differences, such as the requirement that, although a named child may hold a cash junior ISA and a stocks and shares ISA, only one of each type of account may be held during the childhood of the named child (albeit that accounts may be transferred to alternative account managers).

Regulation 8 inserts regulation 4ZA, which concerns subscriptions to accounts that are not junior ISA accounts and which are similar to provisions previously forming part of regulation 4. Regulation 8 also inserts regulation 4ZB (subscriptions to a junior ISA account) and regulations 4ZC to 4ZE which concern the inalienability of junior ISA accounts and the limited circumstances in which withdrawals may be made while an account is a junior ISA account.

Regulations 9 and 10 amend regulations 4A and 4B of the ISA Regulations by updating cross-references in those regulations to provisions contained in paragraph 4 of the ISA Regulations before its amendment by these Regulations and also provide that, for the purposes of regulation 4A (repair of certain incompatible accounts and excess subscriptions), a subscription to a junior ISA account is disregarded.

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

Regulation 11 omits regulation 5A (treatment of sums held in accounts managed by Icesave bank) which is spent.

Regulations 12 to 15 update cross-references in regulations 5B, 5C, 6 and 7 of the ISA Regulations in consequence of the amendments made by these Regulations.

Regulation 16 amends regulation 9 of the ISA Regulations in relation to the terms and conditions that must be included in the contract of a policy held under an ISA account assuring the life of the person holding the ISA account. The amendments made by regulation 16 primarily relate to restricting the circumstances in which a policy is transferred or proceeds of a policy may be withdrawn but also specify the circumstances where transfers and withdrawals must not be prohibited.

Regulation 17 amends regulation 10 of the ISA Regulations by making consequential amendments arising from amendments made by these Regulations and ensuring that subscriptions made to a junior ISA account are disregarded for the purposes of determining whether a person is a qualifying individual for the purposes of an account that is not a junior ISA account.

Regulations 18 and 19 amend regulation 12 and insert regulation 12A of the ISA Regulations to provide the requirements for the opening of an account that is not a junior ISA account (regulation 12) and for the opening of a junior ISA account (regulation 12A).

Regulation 20 amends regulation 14 of the ISA Regulations relating to the qualifying circumstances for a person to be approved as an account manager by requiring further undertakings to be given if that person intends to be an account manager in relation to a junior ISA account and that an account manager must not be prevented from acting as an account manager by virtue of sections 42 and 43 of the Financial Services and Markets Act 2000 (c. 8).

Regulations 21 and 22 amend regulations 17 and 19 of the ISA Regulations so that where the approval of a person as an account manager is withdrawn, or an account manager gives notice to HMRC that the account manager intends to cease to act as an account manager, account investors holding ISA accounts with that person must be notified of their right to transfer an ISA account to another account manager in accordance with regulations 21 and 21B and, by virtue of regulation 20(3) of the ISA regulations, that if the transfer is made within 30 days of the notification, the period between the account manager ceasing to act or qualify as account manager is ignored.

Regulation 23 amends regulation 20 of the ISA Regulations to require an account manager to notify H M Revenue and Customs (HMRC) if the conditions for approval as an account manager in regulation 14 of the ISA Regulations are no longer fulfilled or upon the occurrence of other events specified and to notify account investors similarly of their rights as required by regulations 17 and 19 of the ISA regulations.

Regulations 24, 25 and 26 amend Regulations 21 and 21A of the ISA Regulations and insert regulations 21B and 21C so that regulation 21 governs the transfer between account managers of accounts that are not junior ISA accounts, regulation 21B governs transfers of junior ISA accounts and regulation 21A governs the time within which a transfer of cash ISA in accordance with regulation 21 or 21B must be made together with other requirements relating to such a transfer. Regulation 21C requires an account manager and registered contact to take any necessary steps to remedy a breach of the ISA Regulations in relation to a junior ISA account.

Regulation 27 amends regulation 22 of the ISA Regulations by updating a number of statutory cross-references relevant to the exemption from tax enjoyed by ISA accounts and amending paragraph (2) in consequence of the amendment of regulation 12 and insertion of regulation 12A by these Regulations. Regulation 22 is also amended so that income arising from a junior ISA account is not regarded as income for any income tax purpose (including section 629 of the Income Tax (Trading and Other Income) Act 2005 (c. 5)) and provides that a reference to “interest” in regulation 22 includes a reference to any bonus and to a dividend paid or credited in respect of a share account with a building society.

Regulation 28 amends regulation 23 of the ISA Regulations, which relates to interest paid on cash deposits held under a stocks and shares component, so that it does not relate to a junior ISA account.

Regulation 29 amends regulation 28 of the ISA Regulations (assessments for withdrawing relief and recovering tax) by updating the statutory reference made by the regulation.

Regulation 30 amends regulation 30 of the ISA Regulations so that the information that regulation requires an account manager to give to an account investor only applies in relation to an account that is not a junior ISA account and updates cross-references to other regulations required by virtue of the amendments made by these Regulations.

Regulation 31 amends regulation 31 of the ISA Regulations to specify the information an account manager must include in relation to junior ISA accounts in the return of information required by that regulation and updates cross-references to other regulations required by virtue of the amendments made by these Regulations.

Regulation 32 amends the ISA Regulations by omitting regulations 32 (information to be provided to the Board) and 33 (inspection of records by officer of the Board).

Regulation 33 amends regulation 36(9) of the ISA Regulations to update the relevant statutory references in relation to basic rate and higher rate income tax and to ensure an assessment to income tax described in that regulation may also be made at the additional rate (where appropriate) and not more than 4 years after the end of the relevant year of assessment.

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> .