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## STATUTORY INSTRUMENTS

# 1998 No. 1870

## INCOME TAX

### The Individual Savings Account Regulations 1998

<i>Made</i>	- - - -	<i>31st July 1998</i>
<i>Laid before the House of Commons</i>	- - - -	<i>31st July 1998</i>
<i>Coming into force</i>	- -	<i>In accordance with regulation 1</i>

The Treasury, in exercise of the powers conferred on them by sections 333, 333A and 333B of the Income and Corporation Taxes Act 1988<sup>M1</sup>, section 151 of the Taxation of Chargeable Gains Act 1992<sup>M2</sup> and sections 75 and 76(3) of the Finance Act 1998, hereby make the following Regulations:

#### Marginal Citations

- M1** 1988 c.1; section 333 was amended by section 70 of the [Finance Act 1991 \(c.31\)](#) and by sections 75 and 123(7) of the [Finance Act 1998 \(c.36\)](#). Section 333A was inserted by section 64(1) of the [Finance Act 1995 \(c.4\)](#). Section 333B was inserted by section 77(1) of the Finance Act 1998.
- M2** 1992 c.12; section 151 was amended by section 85 of the [Finance Act 1993 \(c.34\)](#), by section 64(2) of the [Finance Act 1994 \(c.9\)](#), and by section 75(6) of the Finance Act 1998, and was extended by section 123(7) of the Finance Act 1998.

#### Citation and commencement

1. These Regulations may be cited as the Individual Savings Account Regulations 1998 and shall come into force for the purposes of—

- applications under regulations 12 and 13 relating to the year 1999—00, to subscribe to an account in that year,
- applications under regulation 14 to be approved as an account manager to manage accounts in the year 1999—00 and subsequent years, and
- regulations 16 to 18 and 20, so far as they relate to applications referred to in paragraph (b),

on 1st October 1998, and for all other purposes on 6th April 1999.

#### Interpretation

2.—(1) In these Regulations unless the context otherwise requires—

- “account”, except in the case of—

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- (i) an account with a deposit-taker, or
- (ii) a tax-exempt special savings account, or
- (iii) a share or deposit account with a building society, or
- (iv) a deposit account with an institution authorised under the Banking Act 1987 <sup>M3</sup>, or a relevant European institution,

shall be construed in accordance with regulation 4(1);

an "account investment" is an investment under the account which is a qualifying investment for a stocks and shares component, a cash component or an insurance component, as the case may be, within the meaning of regulation 7, 8 or 9;

an "account investor" is an individual who subscribes to an account and who is a qualifying individual within the meaning of regulation 10;

an "account manager" is a person who fulfils the conditions of these Regulations and is approved by the Board for the purposes of these Regulations as an account manager;

"approved profit sharing scheme" has the same meaning as in Chapter IV of Part V of the Taxes Act;

an "assurance undertaking" means an assurance undertaking within the meaning of Article 8 of the First Council Directive 79/267 <sup>M4</sup> as extended by the EEA Agreement;

"the Board" means the Commissioners of Inland Revenue;

"building society" means a building society within the meaning of the Building Societies Act 1986 <sup>M5</sup>, or the Irish Building Societies Act 1989 <sup>M6</sup>;

"company", except in regulation 7(4), means any body corporate having a share capital other than—

- (i) an open-ended investment company, within the meaning given by section 75(8) of the Financial Services Act 1986 <sup>M7</sup>,
- (ii) a UCITS,
- (iii) an industrial and provident society, or
- (iv) a body corporate which is a 51 per cent. subsidiary of any industrial and provident society;

"deposit-taker" has the meaning given by section 481(2) of the Taxes Act <sup>M8</sup>;

[<sup>F1</sup>"the Director of Savings" has the same meaning as in the National Debt Act 1972]

"EEA Agreement" means the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 <sup>M9</sup>, as adjusted by the Protocol signed at Brussels on 17th March 1993 <sup>M10</sup>;

"EEA State" means a State, other than the United Kingdom, which is a Contracting Party to the EEA Agreement;

"European institution" has the same meaning as in the Banking Co-ordination (Second Council Directive) Regulations 1992 <sup>M11</sup>;

"51 per cent. subsidiary" and "75 per cent. subsidiary" have the meanings given by section 838 of the Taxes Act;

"gains", except in regulations 22(1)(a)(ii) to (v) and 35(6), means "chargeable gains" within the meaning of the Taxation of Chargeable Gains Act 1992;

"gilt-edged securities" has the meaning given by [<sup>F2</sup>paragraphs 1 and 1A] of Schedule 9 to the Taxation of Chargeable Gains Act 1992;

“income tax quarter” has the same meaning as in the Income Tax (Employments) Regulations 1993<sup>M12</sup>;

an “incorporated friendly society” means a society incorporated under the Friendly Societies Act 1992<sup>M13</sup>;

an “industrial and provident society” means a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965<sup>M14</sup> or under the Industrial and Provident Societies (Northern Ireland) Act 1969<sup>M15</sup>;

“investment trust” has the meaning given by section 842 of the Taxes Act<sup>M16</sup>, and references to the “eligible rental income” of an investment trust have the same meaning as in that section;

“long term business” has the same meaning as in the Insurance Companies Act 1982<sup>M17</sup> by virtue of section 1(1) to (3) of that Act, and references to long term business of a Class shall be construed in accordance with section 1 of and Schedule 1 to that Act;

“the Management Act” means the Taxes Management Act 1970<sup>M18</sup>;

“market value” shall be construed in accordance with section 272 of the Taxation of Chargeable Gains Act 1992;

“notice”, except in [F3regulations 9 and 36], means notice in writing and “notify” shall be construed accordingly;

“qualifying distribution” has the same meaning as in section 832(1) of the Taxes Act;

“recognised stock exchange” has the same meaning as in section 841 of the Taxes Act;

a “registered friendly society” has the meaning given by the Friendly Societies Act 1992<sup>M19</sup>, and includes any society that by virtue of section 96(2) of that Act is to be treated as a registered friendly society;

“release date” has the meaning given by section 187(2) of the Taxes Act<sup>M20</sup>;

“relevant authorised person” has the same meaning as in section 333A(12) of the Taxes Act<sup>M21</sup>;

“relevant European institution” has the meaning given by section 326A(10) of the Taxes Act<sup>M22</sup>;

“savings-related share option scheme” has the meaning given by paragraph 1 of Schedule 9 to the Taxes Act;

“security”, except in regulations [F47(2)(c) to (cb) and (8)(b), 8(2)(e) and (f)], 31(4)(b) and 34(3), means any loan stock or similar security of a company whether secured or unsecured;

“tax” where neither income tax nor capital gains tax is specified means either of those taxes;

“tax credit” means a tax credit under section 231 of the Taxes Act<sup>M23</sup>;

“the Taxes Act” means the Income and Corporation Taxes Act 1988;

“tax-exempt special savings account” means a deposit account or share account which is a tax-exempt special savings account for the purposes of section 326A of the Taxes Act, and references to—

- (i) the day on which such an account “matured”,
- (ii) “the total amount deposited in the matured account, before it matured”, and
- (iii) “a follow-up account”,

have the same meanings as in section 326BB of the Taxes Act<sup>M24</sup>;

“year” means a year of assessment, and “the year 1999—00” means the year of assessment beginning on 6th April 1999;

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- (b) “authorised unit trust” means a unit trust scheme in the case of which an authorisation order made by the Financial Services Authority under section 78 of the Financial Services Act 1986 <sup>M25</sup> is in force;

[<sup>F5</sup>“the first condition”, and references to the terms of a scheme complying with that condition, mean that the terms of the scheme do not permit any of the investments subject to the trusts of the scheme to consist of units in authorised unit trusts or parts of umbrella schemes which are not securities funds or warrant funds, or of shares in open-ended investment companies or parts of umbrella companies which are not securities companies or warrant companies;

“the second condition”, and references to the terms of a scheme complying with that condition, mean that the terms of the scheme only permit any of the investments subject to the trusts of the scheme to consist of units or shares in—

- (i) a collective investment scheme which is a “recognised scheme” by virtue of section 87 or 88 of the Financial Services Act 1986, or
- (ii) a part of a scheme mentioned in paragraph (i) which would be a part of an umbrella company, or a part of an umbrella scheme, if the definitions of “umbrella company”, “umbrella scheme” and a part thereof in either case applied to a scheme mentioned in paragraph (i),

where the terms of the scheme mentioned in paragraph (i) identify that scheme, or the part thereof, as the case may be, as a scheme or part that would belong to one of the categories of securities fund, warrant fund, securities company or warrant company, if that scheme or part, as the case may be, were independently an authorised unit trust or an open-ended investment company in respect of which an authorisation order made by the Financial Services Authority was in force;]

“fund of funds”, except in regulation 8(2)(d), means—

- (i) an authorised unit trust which according to the terms of the scheme is a fund of funds belonging to the category under that name established by the Financial Services Authority, and
- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust,

where, in either case, the terms of the scheme [<sup>F6</sup>comply with the first condition and the second condition.]

“money market fund” means—

- (i) an authorised unit trust which according to the terms of the scheme is a money market fund belonging to the category under that name established by the Financial Services Authority, and
- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust;

“open-ended investment company”, except in sub-paragraph (a), has the meaning given by subsection (10) of section 468 of the Taxes Act as that subsection is added in relation to open-ended investment companies by regulation 10(4) of the 1997 Regulations, and “shares”, in relation to an open-ended investment company, includes shares of any class and of any denomination of a given class and, in relation to a part of an umbrella company, means shares in the company which confer for the time being rights in that part;

[<sup>F7</sup>a “relevant UCITS” means—

- (i) a UCITS, situated in a member state other than the United Kingdom, which has been authorised by the competent authorities of the member state in which it is situated, and

which is a “recognised scheme” by virtue of section 86 of the Financial Services Act 1986, and

- (ii) a part of a UCITS mentioned in paragraph (i), which would be a part of an umbrella company, or a part of an umbrella scheme, if the definitions of “umbrella company”, “umbrella scheme” and a part thereof in either case applied to a relevant UCITS,

where the terms of the UCITS mentioned in paragraph (i) identify that UCITS, or the part thereof, as the case may be, as a scheme or part that would belong to one of the categories of securities fund, warrant fund, securities company or warrant company, if that UCITS or part, as the case may be, were independently an authorised unit trust or an open-ended investment company in respect of which an authorisation order made by the Financial Services Authority was in force;]

“securities company” means—

- (i) an open-ended investment company which according to its instrument of incorporation is a securities company belonging to the category under that name established by the Financial Services Authority and in respect of which an authorisation order made by that Authority is in force, and
- (ii) a part of an umbrella company which according to the instrument of incorporation of the company is a part which would belong to that category if it were itself an open-ended investment company, in respect of which an authorisation order made by the Financial Services Authority is in force;

“securities fund” means—

- (i) an authorised unit trust which according to the terms of the scheme is a securities fund belonging to the category under that name established by the Financial Services Authority, and
- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust;

“the 1997 Regulations” means the Open-ended Investment Companies (Tax) Regulations 1997; <sup>M26</sup>

“UCITS” means undertakings for collective investment in transferable securities within the meaning of Article 1 of Council Directive 85/611 <sup>M27</sup>, and references to—

- (i) “the member state in which a UCITS is situated”, and
- (ii) a UCITS which has been “authorised by the competent authorities of the member state in which it is situated”

shall have the same meanings as in Articles 3 and 4 respectively of that Directive;

“umbrella company” and references to a part of an umbrella company shall be construed in accordance with subsection (18) of section 468 of the Taxes Act as that subsection is added in relation to open-ended investment companies by regulation 10(4) of the 1997 Regulations and, in relation to a part of an umbrella company, references to investments of the company shall be construed in accordance with subsection (12) of that section as so added;

“umbrella scheme” and references to a part of an umbrella scheme shall be construed in accordance with subsection (8) of section 468 of the Taxes Act and, in relation to a part of an umbrella scheme, references to investments subject to the trusts of an authorised unit trust and to a unit holder shall be construed in accordance with subsection (9) of that section;

“unit holder”, except in relation to a part of an umbrella scheme, has the meaning given by subsection (6) of section 468 of the Taxes Act;

“unit trust scheme” has the meaning given by subsection (6) of section 468 of the Taxes Act;

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“units”, in relation to an authorised unit trust, means the rights or interests (however described) of the unit holders in that authorised unit trust and, in relation to a part of an umbrella scheme, means the rights or interests for the time being of the unit holders in that part;

“units in, or shares of, a relevant UCITS” means the rights or interests (however described) of the holders of the units or shares in that relevant UCITS;

“warrant company” means—

- (i) an open-ended investment company which according to its instrument of incorporation is a warrant company belonging to the category under that name established by the Financial Services Authority and in respect of which an authorisation order made by that Authority is in force, and
- (ii) a part of an umbrella company which according to the instrument of incorporation of the company is a part which would belong to that category if it were itself an open-ended investment company, in respect of which an authorisation order made by the Financial Services Authority is in force;

“warrant fund” means—

- (i) an authorised unit trust which according to the terms of the scheme is a warrant fund belonging to the category under that name established by the Financial Services Authority, and
- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust.

(2) The Table below indexes other definitions in these Regulations:

<b><i>Term defined</i></b>	<b><i>Regulation</i></b>
Account	4(1)
Component	4(1)(a)
The disqualifying circumstances	17(1)
Interim claim	25
Maxi-account	4(1)(c)
Mini-account	4(1)(d)
Qualifying circumstances	14(1)
Qualifying individual	10
Qualifying investments for a stocks and shares component	7
Qualifying investments for a cash component	8
Qualifying investments for an insurance component	9
Qualifying securities	7(2)(b)
Subscription limits	4(2) to (4)
TESSA only account	4(1)(e).

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### Textual Amendments

- F1** Words in [reg. 2\(1\)\(a\)](#) inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(2\)\(a\)](#)
- F2** Words in [reg. 2\(1\)\(a\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(2\)\(b\)](#)
- F3** Words in [reg. 2\(1\)\(a\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(2\)\(c\)](#)
- F4** Words in [reg. 2\(1\)\(a\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(2\)\(d\)](#)
- F5** Words in [reg. 2\(1\)\(b\)](#) inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(3\)\(a\)](#)
- F6** Words in [reg. 2\(1\)\(b\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(3\)\(b\)](#)
- F7** Words in [reg. 2\(1\)\(b\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, [3\(3\)\(c\)](#)

### Marginal Citations

- M3** [1987 c.22](#).
- M4** O.J. 1979 L63/1, amended by O.J. 1992 L360/1 and O.J. 1995 L168/7.
- M5** [1986 c.53](#).
- M6** Number 17 of 1989.
- M7** [1986 c.60](#).
- M8** [1988 c.1](#); section 481(2) was amended by section 30 of, and paragraph 8 of Schedule 5 to, the [Finance Act 1990 \(c.29\)](#).
- M9** O.J. No. L1, 3.1.94, p3.
- M10** O.J. No. L1, 3.1.94, p572.
- M11** [S.I. 1992/3218](#); amended by [S.I. 1993/3225](#) and 1995/1217.
- M12** [S.I. 1993/744](#); there are no relevant amending Statutory Instruments.
- M13** [1992 c.40](#).
- M14** [1965 c.12](#).
- M15** [1969 c.24](#).
- M16** [1988 c.1](#); section 842 was amended by section 117 of the [Finance Act 1988 \(c.39\)](#), [section 55](#) of the [Finance Act 1990 \(c.29\)](#), [paragraphs 14\(1\)](#) and 55 of Schedule 10 to the [Taxation of Chargeable Gains Act 1992 \(c.12\)](#), [section 146](#) of and paragraph 8 of Schedule 17 to the [Finance Act 1994](#), and paragraphs 2 and 3 of Schedule 30, and paragraph 7 of Schedule 38, to the [Finance Act 1996 \(c.8\)](#).
- M17** [1982 c.50](#); section 1 was amended by [S.I. 1990/1519](#).
- M18** [1970 c.9](#).
- M19** [1992 c.40](#).
- M20** [1988 c.1](#); section 187 was amended by paragraph 9 of Schedule 12 to the [Finance Act 1989 \(c.26\)](#), [sections 38](#) and 41 of the [Finance Act 1991](#), paragraph 14(1) and (13) of Schedule 10 to the [Taxation of Chargeable Gains Act 1992](#), paragraph 12(a) of Part III of Schedule 4, and Part II of Schedule 7 to the [Pensions Act 1995 \(c.26\)](#) and sections 116 and 117(2) of, and Part V(5) of Schedule 41 to, the [Finance Act 1996 \(c.8\)](#).
- M21** Section 333A was inserted by section 64(1) of the [Finance Act 1995](#).
- M22** Section 326A was inserted by section 28(1) of the [Finance Act 1990](#), and amended by section 63(1) to (3) of the [Finance Act 1995](#).
- M23** Section 231 was amended by section 106 of and Part IV of Schedule 17 to the [Finance Act 1989](#), paragraph 2 of Schedule 7 to the [Finance Act 1990](#), paragraph 12 of Schedule 20 and Part V(10) of Schedule 41 to the [Finance Act 1996](#), Part VI(7) of Schedule 18 to the [Finance Act 1997 \(c.16\)](#), and sections 19, 22 and 30 of, and paragraph 4 of Schedule 4, and Part II(9) of Schedule 8 to, the [Finance \(No. 2\) Act 1997 \(c.58\)](#).

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**M24** Section 326BB was inserted by section 62(2) of the Finance Act 1995.

**M25** 1986 c.60.

**M26** S.I. 1997/1154.

**M27** O.J. No. L375, 31.12.1985, p.3—18, amended by Council Directive 88/220/EEC (O.J. No. L100, 19.04.1988, p.31—32).

### Introductory

3. These Regulations provide for the setting up of plans in the form of an account, by account managers approved by the Board, under which individuals may make certain investments, for the conditions under which they may invest and under which those accounts are to operate, for relief from tax in respect of account investments and generally for the administration of tax in relation to such accounts.

### General conditions for accounts and subscriptions to accounts

4.—(1) An account is a scheme of investment, to which an individual who is a qualifying individual may subscribe, and in respect of which the following conditions must be fulfilled—

(a) subject to sub-paragraphs (c) to (e), that an account is made up of one or more of the following components only, namely—

a stocks and shares component,

a cash component, and

an insurance component;

(b) that, on the setting up of the account it is, subject to sub-paragraphs (c) to (e), designated by the account manager as—

(i) a maxi-account, or

(ii) a mini-account, or

(iii) a TESSA only account,

and such designation shall be treated as continuing to have effect for the year in which the individual first subscribes to the account, and each successive year following that year in which the individual subscribes to the account;

(c) that an account which is or has been designated as a maxi-account (a “maxi-account”) must be—

(i) made up of a stocks and shares component (with or without other components), and

(ii) the only account, other than a TESSA only account, to which the qualifying individual subscribes in any year during which such designation continues to have effect;

(d) that an account which is or has been designated as a mini-account (a “mini-account”) must be—

(i) made up of a single specified component, and

(ii) the only account, other than a mini-account made up of a different type of component to that specified in accordance with paragraph (i) or a TESSA only account, to which the qualifying individual subscribes in any year during which such designation continues to have effect;

(e) that an account which is or has been designated as a TESSA only account (a “TESSA only account”) must—

(i) be made up of a cash component only, and



- (ii) only accept subscriptions made pursuant to regulation 5(1)(c);
  - (f) that all cash subscriptions shall, forthwith on payment being made—
    - (i) in the case of a maxi-account, subject to paragraph (2), be allocated irrevocably to the component agreed between the account investor and the account manager, and
    - (ii) in the case of a mini-account, or a TESSA only account, be treated as allocated irrevocably to the single component of the account;
  - (g) that it is an account to which only one qualifying individual subscribes;
  - (h) that, subject to paragraph (4) below and 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 which (ignoring transfers and payments from the account manager to the individual) do not in the aggregate in any year exceed the relevant subscription limit.
- (2) The subscription limit for any maxi-account for the purposes of these Regulations is £7,000 for the [<sup>F8</sup>years 1999–00 and 2000–01] and £5,000 for subsequent years, of which no more than £3,000 in the [<sup>F8</sup>years 1999–00 and 2000–01], and £1,000 in subsequent years, may be allocated to a cash component, and no more than £1,000 may be allocated in any year to an insurance component.
- (3) The subscription limit for any mini-account for the purposes of these Regulations is—
- (a) in the case of an account made up of a cash component, £3,000 for the [<sup>F9</sup>years 1999–00 and 2000–01] and £1,000 for subsequent years,
  - (b) in the case of an account made up of an insurance component, £1,000,
  - (c) in the case of an account made up of a stocks and shares component, £3,000.
- (4) The subscription limit for any TESSA only account is, assuming that the words “in any year” in paragraph (1)(h) were omitted, that contained in paragraph (1)(e)(ii) above.
- (5) An account must at all times be managed in accordance with these Regulations by an account manager and under terms agreed in a recorded form between the account manager and the account investor.
- (6) Apart from other requirements of these Regulations the terms agreed to which paragraph (5) refers shall include the following conditions—
- (a) that the account investments shall be in the beneficial ownership of the account investor;
  - (b) that, except in relation to qualifying investments for a cash component within regulation 8(2)(a), (b) or (e), and subject to regulation 15—
    - (i) the title to all account investments shall be vested in the account manager or his nominee or jointly in one of them and the account investor, and
    - (ii) where a share certificate or other document evidencing title to an account investment is issued, it shall be held by the account manager or as he may direct;
  - (c) that, in relation to a stocks and shares component, and qualifying investments falling within regulation 8(2)(c) and (d), the account manager shall, if the account investor so elects, arrange for the account investor to receive a copy of the annual report and accounts issued to investors by every company, unit trust, open-ended investment company or other entity in which he has account investments;
  - (d) that, in relation to a stocks and shares component, and qualifying investments falling within regulation 8(2)(c) and (d), the account manager shall be under an obligation (subject to any provisions made under any enactment and if the account investor so elects) to arrange for the account investor to be able—
    - (i) to attend any meetings of investors in companies, unit trusts, open-ended investment companies and other entities in which he has account investments,

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- (ii) to vote, and
- (iii) to receive, in addition to the documents referred to in sub-paragraph (c), any other information issued to investors in such companies, unit trusts, open-ended investment companies and other entities;
- (e) that the account manager shall satisfy himself that any person to whom he delegates any of his functions or responsibilities under the terms agreed with the account investor is competent to carry out those functions or responsibilities;
- (f) that at the request of the account investor and within such time as shall be agreed—
  - (i) an account, with all rights and obligations of the parties to it, or
  - (ii) such parts thereof as may be agreed between the account investor and the account manager,
 may be transferred to another account manager subject to and in accordance with regulation 21;
- (g) that the account manager shall notify the account investor if by reason of any failure to satisfy the provisions of these Regulations an account is or will become no longer exempt from tax by virtue of regulation 22(1).

#### Textual Amendments

- F8** Words in [reg. 4\(2\)](#) substituted (6.4.2000) by [The Individual Savings Account \(Amendment\) Regulations 2000 \(S.I. 2000/809\)](#), regs. 1, 2
- F9** Words in [reg. 4\(3\)\(a\)](#) substituted (6.4.2000) by [The Individual Savings Account \(Amendment\) Regulations 2000 \(S.I. 2000/809\)](#), regs. 1, 2

#### Transfers from matured tax-exempt special savings accounts

5.—(1) Subject to paragraph (3), a qualifying individual whose tax-exempt special savings account matures on or after 6th April 1999, may within the period of six months from the day on which it matured, apply the proceeds from that account, not exceeding the total amount deposited in the matured account, before it matured, in making subscriptions—

- (a) to a maxi-account held by him, which includes a cash component, to which those subscriptions shall be irrevocably allocated, or
- (b) to a mini-account made up of a cash component, held by him, or
- (c) to a TESSA only account held by him,

and such subscriptions shall not count towards the subscription limits in regulation 4(2) and (3)(a), as the case may be.

(2) In relation to a qualifying individual, whose tax-exempt special savings account matures on or after 6th January 1999, but before 6th April 1999, and who does not open a follow-up account in relation to that account, paragraph (1) shall apply with the modification that the reference to the period of six months is replaced with a reference to so much of that period as falls on or after 6th April 1999.

(3) Paragraph (1) shall not apply unless, at the time when the first subscription referred to in paragraph (1) is made, the account manager holds either—

- (a) a certificate given by the society or institution with which the qualifying individual held the matured account, containing the information prescribed by paragraph (4) and the declaration prescribed by paragraph (5), or

- (b) where the account manager is the same society or institution with which the qualifying individual held the matured account, a record kept by means of a computer or otherwise which was derived from the records of the society or institution and shows—
  - (i) as regards the account-holder, the information prescribed by sub-paragraph (a) of paragraph (4), and
  - (ii) as regards the matured account, the information prescribed by paragraphs (ii) to (iv) of sub-paragraph (b) of paragraph (4).
- (4) The information prescribed by this paragraph is—
  - (a) as regards the account-holder—
    - (i) his full name,
    - (ii) his permanent address including postcode, and
    - (iii) if he has one, his national insurance number, and
  - (b) as regards the matured account—
    - (i) the name of the society or institution with which it was held when it matured,
    - (ii) the number allocated to it by that society or institution,
    - (iii) the date on which it matured, and
    - (iv) the total amount deposited in, or subscribed for shares in connection with, the account since it was opened.
- (5) The declaration prescribed by this paragraph is a declaration by the society or institution that the account was a tax-exempt special savings account throughout a continuous period of five years and that the information given in the certificate is correct.

### **General investment rules**

- 6.—(1)** All transactions by way of purchase by an account manager of investments under an account shall be made—
- (a) in the case of units in authorised unit trusts and parts of umbrella schemes, at the price for issue of units, within the meaning, and complying with the requirements, of regulation 4.16 of the Financial Services (Regulated Schemes) Regulations 1991 <sup>M28</sup>;
  - (b) in the case of shares in an open-ended investment company, at the price of a share within the meaning of regulation 4.08 of the Financial Services (Open-Ended Investment Companies) Regulations 1997 <sup>M29</sup>; and
  - (c) in the case of all other account investments, at the price for which those investments might reasonably be expected to be purchased in the open market.
- (2) All other transactions by way of sale or otherwise by an account manager in investments under an account shall be made at the price for which those investments might reasonably be expected to be sold or otherwise transacted, as the case may be, in the open market.
- (3) Investments, or rights in respect of investments, may not at any time—
- (a) be purchased or made otherwise than out of cash which an account manager holds under an account at that time, and which has been allocated to the particular component of that account, for which those investments or rights are qualifying investments; or
  - (b) be purchased from—
    - (i) an account investor, or
    - (ii) the spouse of an account investor,

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so as to become account investments under an account to which the account investor subscribes or has subscribed.

(4) Subject to paragraphs (5) and (6), an account investor's cash subscription and any other cash held by an account manager under an account shall be held only in sterling and be deposited in—

- (i) an account with a deposit-taker, or a deposit account or a share account with a building society, or
- (ii) in the case where the account manager is [<sup>F10</sup>the Director of Savings], an account with [<sup>F10</sup>the Director of Savings],

which is designated as an ISA account for the purposes of these Regulations only.

(5) An account manager who is a European institution, a relevant authorised person or an assurance undertaking may hold an account investor's cash subscription and other cash held under an account in the currency of the EEA State in which he has his principal place of business and may deposit such cash in an account, which is designated as mentioned in paragraph (4), with any person authorised under the law of that State to accept deposits.

(6) Cash by way of dividends, interest, distributions, and other rights or proceeds in respect of qualifying investments for any component shall at all times be recorded and accounted for separately from that for any other component, and may be invested only—

- (a) in qualifying investments for the same component; or
- (b) by way of cash deposit in accordance with paragraphs (4) and (5).

#### Textual Amendments

**F10** Words in [reg. 6\(4\)\(ii\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, 4

#### Marginal Citations

**M28** Made by the Securities and Investments Board (Release 148) under powers to make regulations in sections 52, 81, 85 to 88 and 90 of the [Financial Services Act 1986 \(c.60\)](#), transferred from the Secretary of State to the Securities and Investments Board by the [Financial Services Act 1986 \(Delegation\) \(No. 2\) Order 1988 \(S.I. 1988/738\)](#) and the [Financial Services Act 1986 \(Delegation\) \(No. 2\) Order 1991 \(S.I. 1991/1256\)](#).

**M29** Made by the Securities and Investments Board (Release 168) under powers to make regulations in sections 81 and 85 of the [Financial Services Act 1986](#), transferred from the Secretary of State to the Securities and Investments Board by the [Financial Services Act 1986 \(Delegation\) \(No. 2\) Order 1988 \(S.I. 1988/738\)](#) and the [Financial Services Act 1986 \(Delegation\) \(No. 2\) Order 1991 \(S.I. 1991/1256\)](#), and extended by the [Open-Ended Investment Companies \(Investment Companies with Variable Capital\) Regulations 1996 \(S.I. 1996/2827\)](#).

### Qualifying investments for a stocks and shares component

7.—(1) This regulation specifies the kind of investments (“qualifying investments for a stocks and shares component”) which may be purchased, made or held under a stocks and shares component, and in this regulation and regulations 31 and 34, “shares” without more includes stock.

- (2) Qualifying investments for a stocks and shares component to which paragraph (1) refers are—
  - (a) shares, not being shares in an investment trust, issued by a company wherever incorporated and, subject to paragraph (3), officially listed on a recognised stock exchange;
  - (b) securities (“qualifying securities”)—
    - (i) issued by a company wherever incorporated,

- (ii) which satisfy at least one of the conditions specified in paragraph (5) and the condition specified in paragraph (6), and
  - (iii) in the case of securities of an investment trust, purchased or acquired by the account manager in circumstances where the trust satisfies the conditions specified in paragraphs (7) and (8);
- [<sup>FI</sup>(c) gilt-edged securities which satisfy the condition specified in paragraph (12);
  - (ca) any securities issued by or on behalf of a government of any EEA State, which satisfy the condition specified in paragraph (12);
  - (cb) any securities which—
    - (i) in relation to a security mentioned in sub-paragraph (ca), would be a strip of that security if “strip” had the same meaning as in section 47 of the Finance Act 1942, with the omission of the words “issued under the National Loans Act 1968”, and
    - (ii) satisfy the condition specified in paragraph (12);]
  - (d) shares in an investment trust, listed in the Official List of the Stock Exchange, in circumstances where the trust satisfies the conditions specified in paragraphs (7) and (8);
  - (e) units in a securities fund or a warrant fund, or shares in a securities company or a warrant company, in circumstances where the fund or company satisfies the condition specified in paragraph (8);
  - (f) units in, or shares of, a relevant UCITS, in circumstances where the UCITS satisfies the condition specified in paragraph (8);
  - (g) units in a fund of funds, in circumstances where the fund satisfies the condition specified in paragraph (9);
  - (h) subject to the conditions specified in paragraph (10), shares which the qualifying individual has exercised the right to acquire, or which have been appropriated to the qualifying individual, in accordance with the provisions of a savings-related share option scheme or an approved profit-sharing scheme, and such shares shall be treated as fulfilling the condition as to payment of cash in regulation 4(1)(h);
  - (j) cash deposited in accordance with regulation 6(4) to (6) which an account manager holds for the purpose of investment in investments which are qualifying investments for a stocks and shares component.
- (3) An investment in shares fulfils the condition as to official listing in paragraph (2)(a) or (d) if—
  - (a) in pursuance of a public offer, the account manager applies for the allotment or allocation to him of shares in a company or trust which are due to be admitted to such listing within 30 days of the allocation or allotment, and which, when admitted to such listing, would be qualifying investments for a stocks and shares component, and
  - (b) the shares are not allotted or allocated to the account manager in the circumstances specified in paragraph (4).
- (4) The circumstances specified in this paragraph are where—
  - (a) the allotment or allocation of the shares was connected with the allotment or allocation of—
    - (i) shares in the company or trust of a different class, or
    - (ii) rights to shares in the company or trust of a different class, or
    - (iii) shares or rights to shares in another company or trust, or
    - (iv) shares or rights to shares in an open-ended investment company or a part of an umbrella company, or

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- (v) units or rights to units in an authorised unit trust or a part of an umbrella scheme, or  
 (vi) securities or rights to securities of the company or trust, or of another company or trust,  
 to the account manager, the account investor or any other person; and
- (b) the terms on which the first-mentioned shares in this paragraph were offered were significantly more favourable to the account manager or account investor than they would have been if their allotment or allocation had not been connected as described in sub-paragraph (a).
- (5) The conditions specified in this paragraph are—
- (a) that the shares in the company issuing the securities are listed on the official list of a recognised stock exchange;
- (b) that the securities are so listed;
- (c) that the company issuing the securities is a 75 per cent. subsidiary of a company whose shares are so listed.
- (6) The condition specified in this paragraph is that, judged at the date when each of the securities is first held under the account, the terms on which it was issued do not—
- (a) require the loan to be repaid or the security to be re-purchased or redeemed, or
- (b) allow the holder to require the loan to be repaid or the security to be repurchased or redeemed except in circumstances which are neither certain nor likely to occur,
- within the period of five years from that date.
- (7) The condition specified in this paragraph is that the investment trust has no eligible rental income, in its most recent accounting period to end before the date on which the shares in, or securities of, the investment trust first become investments under the account, provided that the shares or securities shall cease to be qualifying investments for a stocks and shares component if the investment trust has any eligible rental income, in subsequent accounting periods, during which the shares or securities are held.
- (8) The condition specified in this paragraph is that not more than 50 per cent. in value of the investments of the trust, company or UCITS, or investments subject to the trusts of the scheme, as the case may be, are <sup>F12</sup>either—
- (a) securities which would not be qualifying securities, or
- (b) securities which would not fall within any of sub-paragraphs (c) to (cb) of paragraph (2), if paragraph (6), or paragraph (6) as it applies with the modifications in paragraph (12), as the case may be,] required the terms on which they were issued to be judged at the date when they first became investments of the trust, company or UCITS or, as the case may be, investments subject to the trusts of the scheme.
- (9) The condition specified in this paragraph is that not more than 50 per cent. in value of the investments subject to the trusts of the scheme are—
- (a) units in securities funds or warrant funds, or
- (b) shares in securities companies or warrant companies, or
- (c) units in, or shares of, a relevant UCITS
- where the fund, company or UCITS does not satisfy the condition in paragraph (8).
- (10) The conditions specified in this paragraph are—
- (a) in relation to shares which the individual has exercised his right to acquire in accordance with the provisions of a savings-related share option scheme, that the shares are transferred

to the account manager or his nominee before the expiry of the period of 90 days following the exercise of that right;

- (b) in relation to shares appropriated to the individual in accordance with the provisions of an approved profit-sharing scheme, that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the date when the individual directed the trustees to transfer the ownership of the shares to him or, if earlier, the release date in relation to the shares;
- (c) that the aggregate market value at the date of transfer of any shares transferred to the account manager or his nominee in accordance with sub-paragraphs (a) or (b) in any year, and the individual's cash subscriptions in that year which are allocated to the stocks and shares component of that account—
  - (i) in the case of a maxi-account do not together exceed the subscription limit in regulation 4(2) in that year, reduced by the cash subscriptions in that year which are allocated to a cash component, or an insurance component, of the account; and
  - (ii) in the case of a mini-account, do not together exceed the subscription limit in regulation 4(3)(c) in that year.

(11) In paragraph (4)(a), "company" means any body corporate having a share capital.

[<sup>F13</sup>(12) The condition specified in this paragraph is the condition specified in paragraph (6), omitting sub-paragraph (b) of that paragraph and the word "or" after sub-paragraph (a).]

#### Textual Amendments

- F11** Reg. 7(2)(c)-(cb) substituted for reg. 7(2)(c) (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **5(2)**
- F12** Words in reg. 7(8) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **5(3)**
- F13** Reg. 7(12) inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **5(4)**

#### Qualifying investments for a cash component

**8.—(1)** This regulation specifies the kind of investments ("qualifying investments for a cash component") which may be purchased, made or held under a cash component.

(2) Qualifying investments for a cash component to which paragraph (1) refers are, subject to paragraph (3)—

- (a) cash deposited in a deposit account with a building society, or an institution authorised under the Banking Act 1987 <sup>M30</sup> or a relevant European institution;
- (b) cash deposited in a share account with a building society;
- (c) units in a money market fund;
- [<sup>F14</sup>(d) units in a fund of funds, within the meaning given in regulation 2(1)(b), with the modification that, for the words "comply with" to the end, there are substituted the words "permit the investments subject to the trusts of the scheme to consist only of units in money market funds";]
- [<sup>F14</sup>(e) such investment deposits with the National Savings Bank which, according to the terms and conditions subject to which they are made, are expressly permitted to be held under a cash component of an account;
- (f) any securities issued under the National Loans Act 1968—

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- (i) for the purpose of or in connection with raising money under the auspices of the Director of Savings within the meaning of section 11(1)(a) of the National Debt Act 1972, and
- (ii) other than national savings certificates, premium savings bonds, national savings stamps and national savings gift tokens,

which, according to the terms and conditions subject to which they are issued and purchased, are expressly permitted to be held under a cash component of an account.]

(3) A deposit account or share account which is a qualifying investment for a cash component falling within paragraph (2)(a) or (b) respectively must not be connected with any other account falling within the descriptions in those sub-paragraphs, held by the account investor or any other person, and for this purpose such an account is connected with another if—

- (a) either was opened with reference to the other, or with a view to enabling the other to be opened on particular terms, or with a view to facilitating the opening of the other on particular terms, and
- (b) the terms on which the first-mentioned account in this paragraph was opened would have been significantly less favourable to the holder if the other had not been opened.

#### Textual Amendments

**F14** Reg. 8(2)(d)-(f) substituted for reg. 8(2)(d)(e) (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, 6

#### Marginal Citations

**M30** 1987 c.22.

### Qualifying investments for an insurance component

9.—(1) This regulation specifies the kind of investments (“qualifying investments for an insurance component”) which may be purchased, made or held under an insurance component.

(2) Qualifying investments for an insurance component to which paragraph (1) refers are, subject to paragraphs (4) to (7)—

- (a) policies of life insurance which satisfy the conditions specified in paragraph (3), and
- (b) cash deposited in accordance with regulation 6(4) to (6) which an account manager holds for the purpose of investment in investments which are qualifying investments for an insurance component.

(3) The conditions specified in this paragraph are that—

- (a) the insurance is on the life of the account investor only;
- (b) the terms and conditions of the policy provide—
  - (i) that the policy may only be owned or held as a qualifying investment for an insurance component of an account which satisfies the provisions of these Regulations;
  - (ii) that the policy shall automatically terminate if <sup>F15</sup>it comes to the notice of the account manager, in any manner, that either of the events specified in paragraph (8) has occurred in relation to the policy;]
  - (iii) for an express prohibition of any transfer of the policy, or the rights conferred by the policy or any share or interest in the policy or rights respectively, other than the cash proceeds from the termination of the policy or a partial surrender of the rights conferred by the policy, to the account investor; and



- (iv) that the policy, the rights conferred by the policy and any share or interest in the policy or rights respectively, shall not be capable of assignment or (in Scotland) assignation, other than that they may be vested in the account investor's personal representatives, and that the title to the policy may be transferred to a new account manager subject to and in accordance with regulations 15 and 21;
  - (c) the policy is a policy, the effecting and carrying out of which constitutes long term business of Class I or III, or would constitute long term business of either of those Classes if the Insurance Companies Act 1982 <sup>M31</sup> applied to the insurer for the time being responsible for the obligations under the policy;
  - (d) the policy is not—
    - (i) a contract to pay an annuity on human life, or
    - (ii) a personal portfolio bond within the meaning given by sub-section (7) of section 89 of the Finance Act 1998, as varied by Regulations made under that section, or
    - (iii) a contract, the effecting and carrying out of which constitutes "pension business" within the meaning given by section 431B(1) of the Taxes Act <sup>M32</sup>; and
  - (e) after the first payment in respect of a premium in relation to the policy has been made, there is no contractual obligation on any person to make any other such payment.
- (4) A policy which is a qualifying investment for an insurance component falling within paragraph (2)(a) must not be connected with any other policy ("the linked policy"), held by the account investor or any other person, and for this purpose a policy is connected with another if—
- (a) either policy was issued in respect of an insurance made with reference to the other, or with a view to enabling the other to be made on particular terms, or with a view to facilitating the making of the other on particular terms, and
  - (b) the terms on which the first-mentioned policy in this paragraph was issued would have been significantly less favourable to the holder if the linked policy had not been issued.
- (5) References to "the linked policy" in paragraph (4) shall include a contract of insurance, and references to the issuing of the linked policy shall include the making of such a contract.
- (6) No sum may at any time, at or after the making of the insurance, be lent to or at the direction of the account investor by or by arrangement with the insurer for the time being responsible for the obligations under the policy.
- <sup>F16</sup>(7) Where either of the events specified in paragraph (8) occurs in relation to a policy, the policy shall nevertheless be treated, for the purposes of these Regulations, excepting paragraphs (3) (b)(ii) and (8) and regulation 36, as if it had satisfied the conditions in paragraph (3)(b)(i) during the period—
- (a) commencing at the time at which the specified event occurred, and
  - (b) ending immediately before—
    - (i) the end of the final year in relation to the policy, within the meaning of section 546(4) of the Taxes Act, or
    - (ii) the time at which the specified event came to the notice of the account manager, whichever first occurs (the "termination event").
- (8) The events specified in this paragraph are—
- (a) that the policy has ceased to be one in respect of which the conditions in paragraph (3) (b)(i) are satisfied; and
  - (b) that those conditions were not satisfied in relation to the policy at the date on which the insurance was made.

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(9) Where—

- (a) it comes to the notice of the account manager, in any manner, that an event specified in paragraph (8) has occurred in relation to a policy, and
- (b) the account manager is not the insurer for the time being responsible for the obligations under the policy or, where the policy is not still in existence, the person who was the last such insurer,

the account manager shall, within 30 days of the event coming to his notice, give notice to that insurer, specifying the event mentioned in sub-paragraph (a), and the termination event.]

#### Textual Amendments

- F15** Words in [reg. 9\(3\)\(b\)\(ii\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **7(2)**
- F16** [Reg. 9\(7\)-\(9\)](#) substituted for [reg. 9\(7\)](#) (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **7(3)**

#### Marginal Citations

- M31** [1982 c.50](#).
- M32** Section 431B was inserted by paragraphs 2, 57(1) and 58 of Schedule 8 to the [Finance Act 1995 \(c.4\)](#).

### Qualifying individuals who may invest under an account

**10.**—(1) This regulation specifies the description of individual who may invest under an account (“qualifying individual”).

(2) A qualifying individual to whom paragraph (1) refers is an individual—

- (a) who is 18 years of age or over;
- (b) who, in the case where the account is a maxi-account, has not subscribed, and will not subscribe, to any other account, not being a TESSA only account, in the year in which the subscription is made;
- (c) who, in the case where the account is a mini-account, has not subscribed, and will not subscribe, to any other account, not being a mini-account made up of a different type of component than the account mentioned in paragraph (1) or a TESSA only account, in the year in which the subscription is made; and
- (d)
  - (i) who is resident and ordinarily resident in the United Kingdom, or
  - (ii) who, though not resident in the United Kingdom, performs duties which by virtue of section 132(4)(a) of the Taxes Act <sup>M33</sup> (Crown employees serving overseas) are treated as being performed in the United Kingdom.

#### Marginal Citations

- M33** [1988 c.1](#); Section 132 was amended by paragraph 6 of Schedule 20 to the [Finance Act 1996 \(c.8\)](#).

### Account investor ceasing to qualify

**11.** Notwithstanding any other provision of these Regulations an account investor who, after subscribing to an account, at any time ceases to fulfil the conditions of regulation 10(2)(d) may retain the benefits of the account (including the right to any relief or exemption due under the account)

subsisting at that time but, so long as he fails to fulfil those conditions, shall not be entitled to subscribe further to such an account.

### **Conditions for application to subscribe to an account**

**12.**—(1) An application by an individual to subscribe to an account in the year in which he first subscribes to that account, and in the year following a year in which that individual has not subscribed to the account, must be made to an account manager in a statement and, subject to paragraph (5), must fulfil the conditions specified in paragraphs (2), (3) and (4).

(2) An application must specify the first year to which the application relates.

(3) An application shall provide for a declaration by the applicant that—

- (a) his application is to subscribe to a maxi-account, a mini-account made up of a specified component or a TESSA only account, as the case may be;
- (b) the declaration shall have effect for the year to which paragraph (2) refers, and each successive year following that year, in which the applicant subscribes to the account;
- (c) all cash subscriptions made, and to be made, to the account are the applicant's cash;
- (d) in the case of a maxi-account, the applicant—
  - (i) has not subscribed, and will not subscribe, to any other account, not being a TESSA only account, in the year to which paragraph (2) refers, and
  - (ii) will not subscribe to any other account, not being a TESSA only account, in each successive year following that year, during which the declaration has effect;
- (e) in the case of a mini-account, the applicant—
  - (i) has not subscribed, and will not subscribe, to any other account, not being a mini-account made up of a different type of component than that specified in accordance with sub-paragraph (a) or a TESSA only account, in the year to which paragraph (2) refers, and
  - (ii) will not subscribe to any such other account as is referred to in paragraph (i), in each successive year following that year, during which the declaration has effect;
- (f) the applicant—
  - (i) is 18 years of age or over, and
  - (ii) is resident and ordinarily resident in the United Kingdom, or performs duties which, by virtue of section 132(4)(a) of the Taxes Act are treated as being performed in the United Kingdom, and will inform the account manager if he ceases to be so resident and ordinarily resident, or to perform such duties;
- (g) the applicant authorises the account manager—
  - (i) to hold the applicant's cash subscription, account investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash;
  - (ii) to make on his behalf any claims to relief from tax in respect of account investments;
  - (iii) on the applicant's request, subject to regulation 9(3)(b), to transfer or pay to him as the case may be, account investments, interest, dividends, rights or other proceeds in respect of such investments or any cash;
  - (iv) where the application is not in writing, to record the terms of the declaration in a written declaration made on behalf of the applicant.

(4) An application must contain—

- (a) the applicant's full name,
- (b) the address of his permanent residence, including postcode,

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- (c) his national insurance number, or confirmation that he does not have one, and
- (d) his date of birth.

(5) In the case of an application to subscribe by way of applying the proceeds from a matured tax-exempt special savings account within regulation 5(1)(a), (b) or (c), where the account matured on or after 6th January 1999 but before 6th April 1999, the declaration in paragraph (3) shall be modified by including a statement that the applicant has not opened, and will not open, a follow-up account.

(6) An account manager may not accept as an account investor any individual if he has reason to believe that—

- (a) he is not or might not be a qualifying individual, or
- (b) he has given untrue information in his application.

(7) Where paragraph (3)(g)(iv) applies, the account manager shall make the written declaration therein referred to, and send a copy to the applicant and, subject to any corrections notified by the applicant to the account manager within the period of 30 days from the date the copy is sent, and incorporated in a new declaration made by the account manager, any such declaration shall take effect as from the date on which the original declaration was made as a declaration made on behalf of the applicant.

(8) Section 95 of the Management Act <sup>M34</sup> shall have effect as if—

- (a) the statement and declarations to which paragraphs (1), (3) and (7) refer were a statement or declarations, as the case may be, within the meaning of subsection (1)(b), and
- (b) there were substituted for subsection (3) the following words—

“(3) The relevant years of assessment for the purposes of this section are the year of assessment in respect of which any claim to relief or exemption from tax in connection with which the statement or declarations are relevant, is made, the next following, and any preceding year of assessment.”

#### Marginal Citations

**M34** 1970 c.9; section 95 was amended by section 148 of and Schedule 14 Part VIII to the [Finance Act 1988 \(c.39\)](#), by section 163 of the [Finance Act 1989 \(c.26\)](#) and sections 196 and 199 of, and paragraph 27 of Schedule 19, and Schedule 26 Part V(23), to the [Finance Act 1994 \(c.9\)](#).

#### Application by curator bonis

**13.—**(1) Where a curator bonis has been appointed in Scotland in respect of a person who is incapable of managing or administering his property and affairs, and that person is a qualifying individual, an application to subscribe to an account may be made by the curator bonis in his capacity as such, notwithstanding that he has subscribed, or intends to subscribe, in another capacity to another account, in the year or one of the years to which the application relates.

(2) An application by a curator bonis must be made to an account manager in a statement and fulfil the conditions specified in paragraphs (3), (4) and (5).

(3) An application must specify the first year to which the application relates.

(4) An application shall provide for a declaration by the curator bonis that—

- (a) his application is to subscribe to a maxi-account, a mini-account made up of a specified component or a TESSA only account, as the case may be;
- (b) the declaration shall have effect for the year to which paragraph (3) refers, and each successive year following that year, in which the applicant subscribes to the account;

- (c) all subscriptions made, and to be made, to the account are the cash of the person in respect of whom he has been appointed;
  - (d) in the case of a maxi-account, the curator bonis—
    - (i) has not subscribed, and will not subscribe, in that capacity, to any other account, not being a TESSA only account, in the year to which paragraph (3) refers, and
    - (ii) will not subscribe in that capacity to any other account, not being a TESSA only account, in each successive year following that year, during which the declaration has effect;
  - (e) in the case of a mini-account, the curator bonis—
    - (i) has not subscribed, and will not subscribe, in that capacity, to any other account, not being a mini-account made up of a different type of component than that specified in accordance with sub-paragraph (a) or a TESSA only account, in the year to which paragraph (3) refers, and
    - (ii) will not subscribe in that capacity to any such other account referred to in paragraph (i), in each successive year following that year, during which the declaration has effect;
  - (f) the person in respect of whom he has been appointed—
    - (i) is 18 years of age or over, and
    - (ii) is resident and ordinarily resident in the United Kingdom;
  - (g) he will inform the account manager if the person in respect of whom he has been appointed ceases to be resident and ordinarily resident in the United Kingdom;
  - (h) he authorises the account manager—
    - (i) to hold the cash subscription, plan investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash;
    - (ii) to make on his behalf any claims to relief from tax in respect of account investments;
    - (iii) on the request of the curator bonis, subject to regulation 9(3)(b), to transfer or pay to him, as the case may be, account investments, interest, dividends, rights or other proceeds in respect of such investments or any cash;
    - (iv) where the application is not in writing, to record the terms of the declaration in a written declaration made on behalf of the curator bonis;
  - (j) in the case of a maxi-account, the person in respect of whom he has been appointed—
    - (i) has not subscribed, and will not subscribe, to any other account, not being a TESSA only account, in the year to which paragraph (3) refers, and
    - (ii) will not subscribe to any other account, not being a TESSA only account, in each successive year following that year, during which the declaration has effect;
  - (k) in the case of a mini-account, the person in respect of whom he has been appointed—
    - (i) has not subscribed, and will not subscribe, to any other account, not being a mini-account made up of a different type of component than that specified in accordance with paragraph (4)(a) or a TESSA only account, in the year to which paragraph (3) refers, and
    - (ii) will not subscribe to any such other account referred to in paragraph (i) in each successive year following that year, during which the declaration has effect.
- (5) An application by a curator bonis must contain—
- (a) his full name,
  - (b) the address of his permanent residence, including postcode,

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- (c) the full name of the person in respect of whom he has been appointed,
  - (d) the address of the permanent residence, including postcode, of the person in respect of whom he has been appointed,
  - (e) the national insurance number of the person in respect of whom he has been appointed, or confirmation that he does not have one, and
  - (f) the date of birth of the person in respect of whom he has been appointed.
- (6) An account manager may not accept an application by a curator bonis—
- (a) unless he holds written evidence of the appointment of the curator bonis, or
  - (b) if he has reason to believe that—
    - (i) the person in respect of whom he has been appointed is not or might not be a qualifying individual, or
    - (ii) the curator bonis has given untrue information in his application.
- (7) Where paragraph (4)(h)(iv) applies, the account manager shall make the written declaration therein referred to and send a copy to the curator bonis and, subject to any corrections notified by the curator bonis to the account manager within the period of 30 days from the date the copy is sent, and incorporated in a new declaration made by the account manager, any such declaration shall take effect as from the date on which the original declaration was made, as a declaration made on behalf of the curator bonis.
- (8) Regulation 12(8) shall apply to the statement and declarations to which paragraphs (2), (4) and (7) refer, in addition to the statement and declarations referred to in that regulation.
- (9) Where a curator bonis subscribes to an account in his capacity as such—
- (a) references in these Regulations to the account investor shall be taken to be references to the person in respect of whom he has been appointed, save that anything requiring to be done, or capable of being done, under these Regulations by the account investor shall be done by the curator bonis and any notice, assessment, payment or declaration required to be given to or made on, by or on behalf of the account investor shall be given to or made on, by or on behalf of the curator bonis, and
  - (b) any requirement in these Regulations (other than that in regulation 31) for information to be given as regards an account investor shall include a requirement to give the full name of any curator bonis appointed in respect of the account investor and the address of his permanent residence, including postcode.

#### **Account manager—qualifications and Board’s approval**

**14.—(1)** This regulation specifies the circumstances (“qualifying circumstances”) in which a person may be approved by the Board as an account manager.

- (2) The qualifying circumstances to which paragraph (1) refers are the following—
- (a) the person must make an application to the Board for approval in a form prescribed by the Board;
  - (b) an account manager must be—
    - (i) an authorised person within the meaning of Chapter III of Part I of the Financial Services Act 1986<sup>M35</sup>, other than by virtue of section 22 or 23 of that Act (“the 1986 Act”); or
    - (ii) a European institution which may carry on home-regulated investment business in the United Kingdom in accordance with the Banking Co-ordination (Second Council Directive) Regulations 1992<sup>M36</sup>; or

- (iii) in the case of an account manager approved to set up and administer accounts made up of a cash component only, [<sup>F17</sup>the Director of Savings], a building society, an institution authorised under the Banking Act 1987 <sup>M37</sup> or a relevant European institution; or
  - (iv) in the case of an account manager approved to set up and administer accounts made up of an insurance component only, an insurance company, within the meaning given by section 431(2) of the Taxes Act <sup>M38</sup>, an incorporated friendly society, or a registered friendly society; or
  - (v) in the case of an account manager approved to set up and administer accounts made up of an insurance component only, an assurance undertaking which does not fall within paragraph (iv) above;
- (c) an account manager must not be prevented from acting as such by any prohibition by or under rules under section 48 of the 1986 Act, by or under the rules of any recognised self-regulating organisation of which the account manager is a member, or by or under the rules of any recognised professional body by which the account manager is certified, or by a prohibition imposed under section 65 of the 1986 Act; and
- (d) an account manager who—
- (i) is a European institution or a relevant authorised person and who does not have a branch or business establishment in the United Kingdom, or has such a branch or business establishment but does not intend to carry out all his functions as an account manager at that branch or business establishment, or
  - (ii) falls within sub-paragraph (b)(v),
- must fulfil one of the three requirements specified in regulation 16.
- (3) The terms of the Board's approval may—
- (a) approve a person to set up and administer accounts—
    - (i) which are made up of a single specified component, or
    - (ii) which are made up of any two specified components, or
    - (iii) which are made up of three components; and
  - (b) include conditions designed to ensure that the provisions of these Regulations are satisfied.

#### Textual Amendments

**F17** Words in [reg. 14\(2\)\(b\)\(iii\)](#) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, 8

#### Marginal Citations

**M35** 1986 c.60.

**M36** S.I. 1992/3218.

**M37** 1987 c.22.

**M38** 1988 c.1; the definition of "insurance company" in section 431(2) was amended by section 52 of the [Finance Act 1995 \(c.4\)](#).

### Special requirements relating to insurer-managers

**15.** If and so long as a person falling within regulation 14(2)(b)(iv) or (v) acts as account manager of an account, and the account investments include a policy of life insurance—

- (a) the title to all such policies shall be vested in the account investor; and

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- (b) where a policy document or other document evidencing title to such policies of life insurance is issued, it shall be held by the account investor.

### **Account manager—appointment of tax representative**

**16.**—(1) This regulation specifies the requirements mentioned in regulation 14(2)(d).

(2) The first requirement specified in this regulation is that—

- (a) a person who falls within subsection (5) of section 333A of the Taxes Act <sup>M39</sup> is for the time being appointed by the account manager to be responsible for securing the discharge of the duties prescribed by paragraph (5) which fall to be discharged by the account manager, and
- (b) his identity and the fact of his appointment have been notified to the Board by the account manager.

(3) The second requirement specified in this regulation is that there are for the time being other arrangements with the Board for a person other than the account manager to secure the discharge of such duties.

(4) The third requirement specified in this regulation is that there are for the time being other arrangements with the Board designed to secure the discharge of such duties.

(5) The duties prescribed by this paragraph are those that fall to be discharged by an account manager under these Regulations.

(6) The appointment of a person in pursuance of the first requirement shall be treated as terminated in circumstances where—

- (a) the Board have reason to believe that the person concerned—
- (i) has failed to secure the discharge of any of the duties prescribed by paragraph (5), or
- (ii) does not have adequate resources to discharge those duties, and
- (b) the Board have notified the account manager and that person that they propose to treat his appointment as having terminated with effect from the date specified in the notice.

(7) Where, in accordance with the first requirement, a person is at any time responsible for securing the discharge of duties, the person concerned—

- (a) shall be entitled to act on the account manager’s behalf for any of the purposes of the provisions relating to the duties;
- (b) shall secure (where appropriate by acting on the account manager’s behalf) the account manager’s compliance with and discharge of the duties; and
- (c) shall be personally liable in respect of any failure of the account manager to comply with or discharge any such duty as if the duties imposed on the account manager were imposed jointly and severally on the account manager and the person concerned.

#### **Marginal Citations**

**M39** Section 333A was inserted by section 64(1) of the Finance Act 1995.

### **Account manager—withdrawal by Board of approval**

**17.**—(1) This regulation specifies the circumstances (“the disqualifying circumstances”) in which the Board may by notice withdraw their approval of a person as an account manager in relation to an account.

(2) The disqualifying circumstances to which paragraph (1) refers are that the Board have reason to believe—



- (a) that any provision of these Regulations is not or at any time has not been satisfied in respect of an account managed by the account manager; or
  - (b) that a person to whom they have given approval to act as an account manager is not qualified so to act.
- (3) The notice to which paragraph (1) refers—
- (a) may withdraw an approval in part, that is, in respect of particular types of accounts specified in the notice;
  - (b) shall specify the date from which the Board’s approval is withdrawn; and
  - (c) shall specify the disqualifying circumstances.

#### **Account manager—appeal against withdrawal of Board’s approval**

**18.**—(1) An account manager to whom notice of withdrawal of approval has been given under regulation 17 may appeal against the withdrawal by notice given to the Board within 30 days after the date of the notice of withdrawal.

(2) The appeal shall be to the Special Commissioners.

(3) The like provisions as are contained in Part V of the Management Act <sup>M40</sup> (appeals and other proceedings) shall apply to an appeal and the Special Commissioners shall on appeal to them confirm the notice unless they are satisfied that the notice ought to be quashed.

#### **Marginal Citations**

**M40** 1970 c.9.

#### **Account manager ceasing to act**

**19.** A person shall give notice to the Board and to the account investor in the account which he manages of his intention to cease to act as the account manager not less than 30 days before he so ceases so that his obligations to the Board under the account can be conveniently discharged at or about the time he ceases so to act, and the notice to the account investor shall inform him of his right to transfer the account under regulation 21.

#### **Account manager ceasing to qualify**

**20.**—(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; or
- (b) in the case of an individual, he becomes bankrupt or, in Scotland, his estate is sequestrated, or he makes any arrangement or composition with his creditors generally; or
- (c) in the case of a company, a resolution has been passed or a petition has been presented to wind it up; or
- (d) in the case of a building society, an institution authorised under the Banking Act 1987 <sup>M41</sup> or a relevant European institution—
  - (i) it ceases to be a building society or to be authorised under the Banking Act 1987 or to be a relevant European institution, as the case may be; or
  - (ii) its directors have made a proposal under Part I of the Insolvency Act 1986 <sup>M42</sup> for a composition in satisfaction of its debts or a scheme of arrangement of its affairs; or

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- (iii) an administration order is made in relation to it; or
  - (iv) 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)(v), action corresponding to that described in sub-paragraph (b), (c) or (d) has been taken by or in relation to the institution, person or undertaking under the law of an EEA State.
- (2) On giving the notice referred to in paragraph (1), the person shall also notify the account investor of his right to transfer the account under regulation 21, and the notice shall inform the account investor of his rights under paragraph (3).
- (3) Where the account investor—
- (a) receives a notice under paragraph (2), or regulation 19, and
  - (b) within 30 days of the sending of the notice to him, transfers the account to another account manager pursuant to regulation 21,

the period between the transferor ceasing to act or to qualify as an account manager, and the transfer to the transferee, shall be ignored in determining whether the account has at all times been managed by an account manager.

#### Marginal Citations

**M41** 1987 c.22.

**M42** 1986 c.45.

#### Transfer of accounts to other account managers

**21.**—(1) No transfer shall be made of—

- (a) any subscriptions to the account, made by the account investor in the year in which a transfer under this regulation takes place, but prior to the transfer, or
- (b) the qualifying investments and other proceeds representing those subscriptions,

except by means of a transfer of the whole of the account pursuant to paragraph (2).

(2) Subject to paragraph (5), where—

- (a) arrangements are made by an account investor to transfer an account from one account manager (“the transferor”) to another account manager (“the transferee”), or
- (b) an account is transferred in consequence of the transferor ceasing to act or to qualify as an account manager,

the transfer shall have effect and the account, its components and its designation under regulation 4(1)(b) shall not otherwise be affected for the purpose of these Regulations by reason of the transfer.

(3) Subject to paragraphs (1), (4) and (5), where arrangements are made by an account investor to transfer the investments forming part of an account, that is—

- (a) part of the qualifying investments and cash proceeds held under a component, or
- (b) the whole of the qualifying investments and cash proceeds held under a particular component (where there is more than one component),

of an account held by him from one account manager (“the transferor”) to another account manager (“the transferee”), the transfer shall have effect and the account, its components and its designation under regulation 4(1)(b) shall not otherwise be affected for the purpose of these Regulations by reason of the transfer.

- (4) Where a transfer takes place pursuant to paragraph (3)—
- (a) all subscriptions to the account made by the account investor in the year in which the transfer under that paragraph takes place (whether before or after the transfer) must be made to a single account manager, and subject thereto,
  - (b) the transferee shall thereafter be the account manager in relation to the qualifying investments and cash proceeds transferred, and all references in these Regulations to the account manager shall, so far as relates to account investments transferred under that paragraph, be thereafter taken to be references to the transferee.
- (5) The transferor shall within 30 days after the date of the transfer give the transferee a notice containing the information specified in paragraph (6) and the declaration specified in paragraph (7).
- (6) The information specified in this paragraph is—
- (a) as regards the account investor—
    - (i) his full name,
    - (ii) the address of his permanent residence, including postcode,
    - (iii) his date of birth, and
    - (iv) if he has one, his national insurance number, and
  - (b) as regards an account transferred pursuant to paragraph (2)—
    - (i) whether the account is a maxi-account, a mini-account made up of a specified component or a TESSA only 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, and the amounts respectively allocated to each component of the account,
    - (iv) the identification of the assets belonging to each component, where there are more than one component,
    - (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, and
    - (vi) any amount which is, or will become, due under regulation 23 which has not been paid to the Board at the date of the transfer, and
  - (c) as regards part of an account transferred pursuant to paragraph (3)—
    - (i) the date of the transfer,
    - (ii) the identification of the assets belonging to each component, where there are more than one component,
    - (iii) 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, and
    - (iv) any amount which is, or will become, due under regulation 23 which has not been paid to the Board at the date of the transfer.
- (7) The declaration specified in this paragraph is a declaration by the transferor that—
- (a) he has fulfilled all his obligations to account investors, to the Board or otherwise, which are imposed by these Regulations;
  - (b) he has transferred to the transferee or a nominee for the transferee any account investments which are being transferred by virtue of the transfer and that, where registration of any such transfer is required, he has taken the necessary steps to ensure that those account investments can be registered in the name of the transferee or the nominee;

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- (c) that the information contained in the notice is correct.

### Exemption from tax of account income and gains

#### 22.—(1) Subject to these Regulations—

- (a) no tax shall be chargeable on the account manager or his nominee or on the account investor—
- (i) in respect of interest, dividends, distributions or gains in respect of account investments, or
  - (ii) on any annual profits or gains treated by section 714(2) of the Taxes Act <sup>M43</sup> as having been received by any of them in respect of account investments, or
  - (iii) on an offshore income gain to which a disposal made by any of them of an account investment gives rise, which is treated by section 761(1) of the Taxes Act <sup>M44</sup> as constituting profits or gains, or
  - (iv) on a profit realised by any of them from the discount on a relevant discounted security within the meaning of Schedule 13 to the Finance Act 1996 <sup>M45</sup>, which is held as an account investment, or
  - (v) in respect of gains treated by section 541 of the Taxes Act <sup>M46</sup> as arising in connection with a policy of life insurance which is an account investment held under an insurance component;
- (b) losses in respect of account investments shall be disregarded for the purposes of capital gains tax;
- (c) a corresponding deficiency occurring at the end of the final year, within the meaning of section 549(1) of the Taxes Act <sup>M47</sup>, so far as it relates to a policy of life insurance which is an account investment held under an insurance component, shall not be allowable as a deduction from the total income of the account investor;
- (d) relief in respect of tax shall be given in the manner and to the extent provided by these Regulations; and
- (e) interest on a cash deposit which is an account investment held under a cash component shall not be regarded as income for any income tax purposes.

(2) An account investor who, after subscribing to an account, at any time ceases to be resident in the United Kingdom, shall be treated as if he were resident in the United Kingdom for the purposes of determining his entitlement to, or to payment of, tax credits in respect of qualifying distributions, so far as they relate to account investments under an account held by him.

#### Marginal Citations

- M43** 1988 c.1; section 714 was amended by section 105 of, and Schedule 41 Part V(3) to, the [Finance Act 1996 \(c.8\)](#).
- M44** Section 761 was amended by paragraphs 1 and 11 of Schedule 14 to the [Finance Act 1990 \(c.29\)](#), and section 290 of, and paragraph 14 of Schedule 10 to, the [Taxation of Chargeable Gains Act 1992 \(c.12\)](#).
- M45** 1996 c.8.
- M46** 1988 c.1; section 541 was amended by section 90 of, and paragraphs 4 and 8 of Schedule 9 to, the [Finance Act 1989 \(c.26\)](#).
- M47** Section 549 was amended by paragraph 9(4) of Schedule 7 to the [Finance Act 1991 \(c.31\)](#), [section 19](#) of the [Finance \(No. 2\) Act 1992 \(c.48\)](#), [section 79](#) of and paragraphs 6 and 25 of Schedule 6 to the [Finance Act 1993 \(c.34\)](#), and paragraphs 13 and 28 of Schedule 6 to the [Finance Act 1996 \(c.8\)](#).

### **Interest on cash deposits held under a stocks and shares component or insurance component**

**23.**—(1) When in any year, a sum of interest is paid or credited in respect of a cash deposit which is held under a stocks and shares component or insurance component in accordance with regulation 6(4) to (6)—

- (a) no relief from tax shall apply to such interest, but
- (b) paragraph (2) shall apply, and the amount determined in accordance with that paragraph shall be taken to represent the tax on such interest, in the place of the liabilities to tax which would otherwise arise.

(2) Where this paragraph applies—

- (a) the account manager shall pay to the Board an amount representing income tax at the lower rate in force for the year on all sums of interest referred to in paragraph (1) paid or credited in that year; and
- (b) any amount so payable—
  - (i) may be set-off against any repayment in respect of tax due under regulation 25, and subject thereto
  - (ii) shall be treated as an amount of tax due under an assessment which is final and conclusive and payable not later than 6 months after the end of the year in which the interest was paid or credited.

(3) The interest referred to in paragraph (1) shall in all other respects be regarded as if it were not income for any income tax purposes, and no repayment of tax or amounts representing tax shall be made to the account investor receiving or entitled to such interest.

(4) The reference to interest in paragraph (1), and 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.

### **Tax liabilities and reliefs—account manager to act on behalf of account investor**

**24.**—(1) An account manager may under these Regulations make claims, conduct appeals and agree on behalf of the account investor liabilities for and reliefs from tax in respect of an account.

(2) Claims shall be made to the Board in accordance with the provisions of regulations 25 and 26.

(3) Where any relief or exemption from tax previously given in respect of an account has by virtue of these Regulations become excessive, in computing the relief due on any claim there shall be deducted (so that amounts equal to that excess are set-off or repaid to the Board, as the case may be) notwithstanding that those amounts have been invested—

- (a) any amount repaid in respect of income tax or paid in respect of a tax credit;
- (b) any sum representing income tax which is payable under regulation 23 on amounts of interest paid or credited as mentioned in that regulation; and
- (c) any other amount due to the Board by an account manager in respect of any tax liability in respect of account investments under an account including (but without prejudice to the making of an assessment under the provisions of that Schedule) any amount falling due in respect of a liability under paragraph 3 or 4 of Schedule 23A to the Taxes Act <sup>M48</sup>.

(4) Any amount deducted under paragraph (3) shall be treated as an amount of income tax deducted at source and not repayable within the meaning and for the purposes of section 95(2)(a) of the Management Act <sup>M49</sup>.

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### Marginal Citations

- M48** Schedule 23A was inserted by section 58 of, and Schedule 13 to, the Finance Act 1991; paragraph 3 was replaced by paragraphs 11 and 16 of Schedule 10 to the [Finance Act 1997 \(c.16\)](#).
- M49** [1970 c.9](#); section 95 was amended by section 148 of, and Schedule 14 Part VIII to, the [Finance Act 1988 \(c.39\)](#), by section 163 of the [Finance Act 1989 \(c.26\)](#), and sections 196 and 199 of, and paragraph 27 of Schedule 19 and Part V(23) of Schedule 26 to, the [Finance Act 1994 \(c.9\)](#).

### Repayments in respect of tax to account manager—interim claims

**25.**—(1) Notwithstanding the provisions of any other enactment, the Board shall not be under an obligation to make any repayment in respect of tax under these Regulations earlier than the end of the month following the month in which the claim for the repayment is received.

(2) A claim for repayment in respect of tax which is not an annual claim (“interim claim”) may be made only for a period of a month (or a number of months not exceeding six) beginning on the 6th day of the month and ending on the 5th day of the relevant following month.

(3) No claim for repayment may be made for the month ending 5th October or any subsequent month until the annual return under regulation 26(2) due in respect of an account for the preceding year has been duly made by the account manager and received by the Board.

(4) Where, on the occasion of a claim, there is due to the Board an amount in respect of tax, that amount shall be recoverable by the Board in the same manner as tax charged by an assessment on the account manager which has become final and conclusive.

(5) This regulation and regulation 26 shall not apply to any repayment in respect of tax on qualifying investments for an insurance component of any account, or on distributions and other rights or proceeds in respect of the qualifying investments held under any such component [<sup>F18</sup>except in so far as regulation 26(2) requires a return of all sums of interest referred to in regulation 23(2) (a) and any gain treated as arising in accordance with regulation 36(3)(a) or (b)].

### Textual Amendments

- F18** Words in [reg. 25\(5\)](#) added (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), [regs. 1, 9](#)

### Repayments in respect of tax to account manager—annual returns and annual claims

**26.**—(1) An annual claim is a claim for repayment in respect of tax for a year and may not be made at any time more than six years after the end of the year.

(2) An account manager shall within six months after the end of the year make a return of all income, and of all sums of interest referred to in regulation 23(2)(a) [<sup>F19</sup>and any gain treated as arising in accordance with regulation 36(3)(a) or (b)], and in addition an annual claim to establish the total of repayments due under an account for that year, and the total amount payable under regulation 23(2) (a).

(3) Where the aggregate of the repayments in respect of interim claims for the year shown by an annual claim exceeds the amount repayable for the year shown on the claim, the account manager shall repay the amount of the excess to the Board with the claim.

(4) If an account manager fails to make the return and the annual claim required under this regulation within the time limited, the Board may issue a notice to the account manager showing the aggregate of payments in respect of the interim claims for the year, and stating that the Board

are not satisfied that the amount due to the account manager for that year exceeds the lower amount stated in the notice.

(5) If a return and an annual claim are not delivered to the Board within 14 days after the issue of such a notice under paragraph (4) the amount of the difference between the aggregate and the lower amount stated in the notice shall immediately be recoverable by the Board in the same manner as tax charged by an assessment on the account manager which has become final and conclusive.

(6) Where a return and an annual claim have been made and the account manager subsequently discovers that an error or mistake has been made in the return or claim the account manager may make a supplementary return or annual claim within the time allowed in paragraph (1).

#### Textual Amendments

**F19** Words in [reg. 26\(2\)](#) inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **10**

### Account manager's returns and claims—supplementary provisions

**27.**—(1) Section 42 of the Management Act <sup>M50</sup> shall not apply to claims under these Regulations.

(2) No appeal shall lie from the Board's decision on an interim claim.

(3) An appeal shall be to the Special Commissioners from the Board's decision on an annual claim, and the appeal shall be brought by giving notice to the Board within 30 days of receipt of notice of the decision.

(4) No payment or repayment made or other thing done on or in relation to an interim claim or a notice under regulation 26(4) shall prejudice the decision on an annual claim.

(5) The like provisions as are contained in Part V of the Management Act (appeals and other proceedings) shall apply to an appeal under paragraph (3) above, and on appeal the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of the appellant.

(6) All such assessments, payments and repayments shall be made as are necessary to give effect to the Board's decision on an annual claim or to any variation of that decision on appeal.

(7) Returns and claims under these Regulations shall be in such form and contain such particulars as the Board prescribe and, subject to regulation 31(1) and (2), shall be signed by the account manager, and forms prescribed for annual claims may require a report to be given by a person qualified for appointment as auditor of a company.

#### Marginal Citations

**M50** Section 42 was substituted by sections 196 and 199 of, and paragraph 13 of Schedule 19 to, the Finance Act 1994, and amended by sections 97 and 107 of the [Finance Act 1995 \(c.4\)](#), [sections 128](#) and 130 of, and Part V(3) and (12) of Schedule 41 to, the [Finance Act 1996 \(c.8\)](#), and section 113 of the Finance Act 1997.

### Assessments for withdrawing relief and recovering tax

**28.**—(1) Where—

- (a) any relief or exemption from tax given in respect of income or gains under an account is found not to be due or to be excessive, or

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(b) the full amount of tax in respect of the income or gains under an account has not otherwise been fully accounted for and paid to the Board by or on behalf of the account investor, an assessment to tax may be made by the Board in the amount or further amount which in their opinion ought to be charged.

(2) An assessment to which paragraph (1) refers may be made on the account manager or on the account investor.

(3) If the assessment is made to recover tax in respect of income (including any amount in respect of a tax credit) under an account it shall be made under Case VI of Schedule D.

### **Records to be kept by account manager**

**29.** An account manager shall at all times keep sufficient records in respect of an account to enable the requirements of these Regulations to be satisfied.

### **Information to be given to account investor by account manager**

**30.—**(1) An account manager shall give notice to the account investor, at the commencement of, and in respect of, each successive year following the year in which the investor first subscribed to the account, during which the declaration referred to in regulation 12(3) has or may have effect, that—

- (a) in the case of a maxi-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 account, not being a TESSA only account, in that year;
- (b) in the case of a mini-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 account, not being a mini-account made up of a different type of component than the account to which the notice relates or a TESSA only account, in that year.

(2) An account manager who makes a payment to an account investor out of or in respect of which tax, or a sum representing tax, has been deducted shall, if the account investor so requests in writing, furnish the account investor with a statement in writing showing the gross amount of the payment, the amount deducted and the amount actually paid.

(3) On the transfer to an account investor of an account investment, subject to regulation 9(3)(b), the account manager shall provide for the account investor details in writing of the market value on the date of transfer.

### **Returns of information by account manager**

**31.—**(1) An account manager shall within 60 days after the end of each year (beginning with the year 1999—00) in which he acts as an account manager, and after ceasing to act or to qualify as an account manager, deliver to the Board a return for that year, or for the part of that year in which he so acted or qualified, which contains the information specified in paragraphs (3), (4) and (5), and is accompanied by a certificate as to the contents of the return, in the form prescribed by the Board, signed by the account manager or on his behalf.

(2) An account manager shall within one month after the end of each income tax quarter in which he acts as an account manager, and after ceasing to act or to qualify as an account manager, deliver to the Board a return for, cumulatively, all the income tax quarters which have elapsed in that year, or for the part of that period in which he so acted or qualified, which contains the information specified in paragraph (7), and is accompanied by a certificate as to the contents of the return, in the form prescribed by the Board, signed by the account manager or on his behalf.

(3) The information specified in this paragraph is information relating to each account, in respect of which he acted as account manager, in the year or the part of the year for which the return is



made, other than accounts transferred to another account manager under Regulation 21(2) in that year or part of a year, as to—

- (a) as regards the account investor—
  - (i) his full name,
  - (ii) the address of his permanent residence, including postcode,
  - (iii) his date of birth, and
  - (iv) if he has one, his national insurance number;
- (b) as regards each such account—
  - (i) the number allocated to the account by the account manager, and
  - (ii) the market value of the account investments held under each component of the account, subject to paragraph (6), the value of each account investment being determined either as at 5th April in that year, or any other valuation date in that year, not falling earlier than 5th October, and
- (c) as regards each such maxi-account or mini-account, to which subscriptions, other than those made pursuant to regulation 5(1), were made in that year or part of a year—
  - (i) whether the account is a maxi-account or a mini-account made up of a specified component,
  - (ii) the total amount of cash subscribed to the account, other than pursuant to regulation 5(1), in the year or the part of the year for which the return is made, and the amounts respectively allocated to each component of the account,
  - (iii) the date on which the first subscription (being either cash, other than pursuant to regulation 5(1), or shares pursuant to regulation 7(2)(h)) was made to the account, in the year or the part of the year for which the return is made, and
  - (iv) the aggregate market value at the date of transfer of any shares transferred to the account manager or his nominee in accordance with regulation 7(2)(h) in the year or the part of the year for which the return is made.
- (4) The information specified in this paragraph is—
  - (a) the respective market values at the end of the year or the part of the year for which the return is made of account investments held under stocks and shares components, by him or a nominee for him on behalf of account investors, under all the accounts in respect of which he acted as account manager in that year or part, with separate values for—
    - (i) shares, not being shares in an investment trust or in a UCITS,
    - (ii) qualifying securities,
    - (iii) shares in investment trusts,
    - (iv) units in securities funds and warrant funds, and shares in securities companies and warrant companies,
    - (v) units in, or shares of, a relevant UCITS,
    - (vi) units in funds of funds, and
    - (vii) cash, including cash represented in share accounts with building societies,
  - (b) such information in relation to cash components, as if sub-paragraph (a) applied to them, with separate values for—
    - (i) units in money market funds and in funds of funds, within the meaning given by regulation 8(2)(d),
    - (ii) securities issued under the National Loans Act 1968<sup>MS1</sup>,

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- (iii) cash, including cash represented in share accounts with building societies; and
- (c) the aggregate market value at that date of all such account investments held by him or his nominee.

(5) The information specified in this paragraph is such information in relation to insurance components, as if paragraph (4) applied with the omission of the words "by him or a nominee for him on behalf of account investors," with references to the market value of account investments, in the case of policies of life insurance, being replaced with references to the surrender value of such policies, and as if separate valuations were required of such policies, and of cash.

(6) The reference in paragraph (3)(b)(ii) to market value shall, in the case of policies of life insurance, be construed as a reference to their surrender value.

(7) The information specified in this paragraph is information relating to all accounts, in respect of which he was acting as account manager immediately before the end of the period for which the return is made, and to which subscriptions were made in the income tax quarter or other period, for which the return is made, as to—

- (a) the total number of accounts to which subscriptions were made, with separate figures for—
  - (i) maxi-accounts,
  - (ii) mini-accounts, and
  - (iii) TESSA only accounts; and
- (b) the total amount of cash subscriptions made in the quarter or other period—
  - (i) to stocks and shares components of accounts;
  - (ii) to cash components of accounts; and
  - (iii) to insurance components of accounts.

(8) No claim for repayment, or repayment, may be made under regulations 25 and 26 until the returns which have become due under this regulation have been duly made by the account manager and received by the Board.

#### **Marginal Citations**

**M51** 1968 c.13.

#### **Information to be provided to the Board**

**32.** The Board may by notice require any person who is or who at any time has been an account manager or account investor to furnish them, within such time (not being less than 14 days) as may be provided by the notice, such information about any account or about any account investment (including copies of or extracts from any books or other records) as they may reasonably require for the purposes of these Regulations.

#### **Inspection of records by officer of the Board**

**33.—(1)** The Board may by notice require any person who is or who at any time has been an account manager or account investor, within such time (not being less than 14 days) as may be provided in the notice, to make available for inspection at a place within the United Kingdom by an officer of the Board authorised for that purpose all documents (including books and other records) in his possession or under his control containing information relating to any account or to any account investment.

(2) Where records are maintained by computer the person required to make them available for inspection shall provide the officer making the inspection with all the facilities necessary for obtaining information from them.

### **Capital gains tax—adaptation of enactments**

**34.—**(1) For the purposes of capital gains tax on the occasion when the title to account investments is transferred from an account manager to an account investor there shall be deemed to be a disposal and reacquisition by the account investor of those investments for a consideration equal to their market value at the date of the transfer.

(2) Sections 104 to 114 of the Taxation of Chargeable Gains Act 1992 <sup>M52</sup> shall apply for the purposes of pooling and identifying account investments as if—

(a) in section 106A <sup>M53</sup> after subsection (11) there were added—

“(12) This section and sections 104, 110, 110A and 114—

(a) shall apply separately in relation to any securities which are held by a person as account investments so long as they are so held, and

(b) shall apply in relation to any such securities which became account investments by being transferred or renounced to an account manager or to a nominee for an account manager in the circumstances specified in regulation 7(2)(h) and (10) (a) or (b) as if they had been account investments—

(i) in the case of securities acquired by that person in accordance with the provisions of a savings-related share option scheme, which were transferred in the circumstances specified in regulation 7(2)(h) and (10) (a), from the date of their acquisition by him, or

(ii) in the case of securities appropriated to that person in accordance with the provisions of an approved profit sharing scheme, which were transferred in the circumstances specified in regulation 7(2)(h) and (10)(b), from the date when he directed the trustees to transfer the ownership of the securities to him or, if earlier, the release date in relation to those securities, and

(c) while applying separately to any such securities, shall have effect as if that person held them in a capacity other than that in which he holds any other securities of the same class whether under another such account or otherwise.

(13) In this section—

(a) “account”, “account investment” and “account manager” have the same meanings as in the Individual Savings Account Regulations 1998 and “regulation” means a regulation of those Regulations;

(b) “approved profit sharing scheme” has the same meaning as in Chapter IV of Part V of the Taxes Act and “savings-related share option scheme” has the meaning given by paragraph 1 of Schedule 9 to that Act.”; and

(b) in section 110A <sup>M54</sup> after subsection (5) there were added—

“(6) Where part of a section 104 holding is treated by section 106A(12)(b)(ii) as having been account investments since a particular date—

(a) an operative event shall be regarded as having occurred for the purposes of this section immediately before that date, consisting of the disposal of the part of that section 104 holding which is so treated, and

(b) this section shall apply in relation to the occurrence of that operative event as it would have applied if it had always applied separately in relation to the part of that section 104 holding which is so treated.”

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(3) Section 106A of the Taxation of Chargeable Gains Act 1992 shall apply for the purposes of identifying securities within the meaning of that section which are eligible to become account investments as if—

- (a) in subsection (4), there were added at the beginning the words “Subject to subsection (14) below”;
- (b) in subsection (6), the words “subsections (4) and (5) above” were replaced with the words “subsections (4), (5) and (14)”; and
- (c) after subsections (12) and (13), as added by paragraph (2), there were added—
  - “(14) Where a person disposes of securities and securities of the same class which were eligible for transfer to an account under regulation 7(2)(h) were—
    - (a) held by him immediately before that disposal, or
    - (b) acquired by him on the same day as that disposal, or
    - (c) acquired by him within the period of thirty days after that disposal,
 and those securities were acquired in the circumstances specified in that regulation, he shall be treated as having first disposed of any securities of that class held or acquired by him which were not so eligible.”

(4) Sections 127 to 131 of the Taxation of Chargeable Gains Act 1992 shall not apply in relation to shares, qualifying securities, shares in or securities of an investment trust, units in a fund of funds, units in a securities fund or shares in a securities company which are held under an account if there is by virtue of any allotment for payment as is mentioned in section 126(2) of that Act a reorganisation affecting those shares or securities.

#### **Marginal Citations**

**M52** 1992 c.12.

**M53** Section 106A was inserted by section 124(1) of the [Finance Act 1998 \(c.36\)](#).

**M54** Section 110A was inserted by section 125(2) of the Finance Act 1998.

#### **Administration of tax in relation to accounts—supplementary**

**35.**—(1) Nothing in these Regulations shall be taken to prejudice any powers conferred or duties imposed by or under any enactment in relation to the making of returns of income or gains, or for the recovery of tax, penalties or interest by means of an assessment or otherwise.

(2) Notwithstanding the provisions of these Regulations an account manager shall not be released from obligations under these Regulations in relation to an account except under conditions agreed in writing with and notified to that person by the Board.

(3) The like provisions as are contained in the Management Act <sup>M55</sup> shall apply to any assessment under these Regulations as if it were an assessment to tax for the year in which, apart from these Regulations, the account investor would have been liable (by reason of his ownership of the investments).

(4) In the application of the like provisions as are contained in section 86 of the Management Act by virtue of paragraph (3) in relation to any sums due and payable by virtue of an assessment made on an account manager under these Regulations, the relevant date—

- (a) is the 1st January in the year for which the account investor would have been liable where the account manager has made an interim claim for a period falling within that year; and
- (b) in any other case, is the later of the following dates, that is to say—
  - (i) the 1st January in that year; or

- (ii) the date of the making of the repayment by the Board following receipt of the annual claim for that year.
- (5) The like provisions as are contained in section 97(1) of the Management Act shall apply as if—
- (a) there were inserted after the words “sections 95 and 96 above” the words “or the Individual Savings Account Regulations 1998”, and
  - (b) there were inserted after the words “that they were” the words “or have become”.
- (6) Where a chargeable event within the meaning given by Chapter II of Part XIII of the Taxes Act has happened in relation to a policy of life insurance which is an account investment held under an insurance component, section 552(1) of that Act shall not apply where the body by or with whom the policy was issued, entered into or effected, within the meaning of that section, is satisfied that no gain is to be treated as chargeable to tax on that event, by virtue of regulation 22(1)(a)(v) [<sup>F20</sup>but this paragraph is without prejudice to the operation of section 552(1) in a case to which paragraph (1) of regulation 36 applies].
- (7) A termination of a policy of insurance pursuant to regulation 9(3)(b)(ii) shall be treated as the surrender in whole of the rights conferred by the policy, for the purposes of section 540(1)(a) (iii) of the Taxes Act <sup>M56</sup>.
- (8) Where there are in force relevant insurances within the meaning given by section 552A of the Taxes Act <sup>M57</sup> then, so far as they consist of policies of life insurance which are account investments held under an insurance component, they shall be disregarded in calculating the amount or value of gross premiums, for the purposes of subsection (4)(b) of that section.
- (9) Any form prescribed by the Board for the purposes of these Regulations shall provide for a declaration that all the particulars given in the form are correctly stated to the best of the knowledge and belief of the person concerned.
- (10) No obligation as to secrecy imposed by statute or otherwise shall preclude the Board from disclosing to an account manager or account investor that any provision of these Regulations has not been satisfied or that relief has been given or claimed in respect of investments under an account.

#### Textual Amendments

**F20** Words in [reg. 35\(6\)](#) added (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), [regs. 1, 11](#)

#### Marginal Citations

**M55** [1970 c.9](#).

**M56** Section 540 was amended by paragraphs 1, 3 and 8 of Schedule 9 to the [Finance Act 1989 \(c.26\)](#).

**M57** Section 552A was inserted by section 87 of the Finance Act 1998.

### [<sup>F21</sup>Application of the provisions of Chapter II of Part XIII of the Taxes Act to policies where an investor ceases to be or was not entitled to relief from tax

- 36.—**(1) This paragraph applies to a case where—
- (a) an event specified in regulation 9(8) has occurred in relation to a policy of life insurance, and
  - (b) a termination event within the meaning given by regulation 9(7) occurs in relation to that policy.
- (2) Where—
- (a) there is a case to which paragraph (1) applies, and

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- (b) a chargeable event in relation to the policy, within the meaning given by section 540 of the Taxes Act, has occurred prior to the time at which the termination event mentioned in paragraph (1)(b) occurs,

the account investor shall cease to be, and shall be treated as not having been, entitled to relief from tax under regulation 22(1)(a)(v), in respect of gains treated as arising on the occurrence of any chargeable event mentioned in sub-paragraph (b).

(3) The provisions of Chapter II of Part XIII of the Taxes Act shall apply, in a case to which paragraph (1) applies, to—

- (a) the termination event mentioned in paragraph (1)(b), and  
(b) any chargeable event mentioned in paragraph (2)(b),

with the modifications provided for in regulation 35(7) and paragraphs (4) to (7) of this regulation, and the account investor and the account manager shall account to the Board in accordance with this regulation for tax from which relief under regulation 22(1)(a)(v) has been given on the basis that the account investor was so entitled, or in circumstances such that the account investor was not so entitled.

(4) In section 547(5) of the Taxes Act, for the words after “total income” (where it first appears) there shall be substituted the words “that gain shall be chargeable to tax under Case VI of Schedule D”.

(5) Relief under section 550 of the Taxes Act shall be computed as if paragraph (4) had not been enacted.

(6) In section 552(1) of the Taxes Act—

- (a) after the words “notification thereof” there shall be added the words “or, if it is an event specified in regulation 9(8) or a termination event, within three months of their receiving written notification or actual notice thereof”;  
(b) in paragraph (a) for the words “policy holder” there shall be substituted the words “account investor”.

(7) After section 552(6) of the Taxes Act there shall be inserted—

“(7) In this section “account investor” and “termination event” have the same meanings as in the Individual Savings Account Regulations 1998 and “regulation” means a regulation of those Regulations.”

(8) The account manager shall account for and pay income tax at the basic rate in force for the year of assessment in which the termination event, or the chargeable event mentioned in paragraph (2) (b), occurred, as the case may be, and any amount so payable—

- (a) may be set off against any repayment in respect of tax due under regulation 25 or regulation 26 and, subject thereto,  
(b) shall be treated as an amount of tax due not later than 6 months after the end of the year in which the event specified in regulation 9(8) came to the notice of the account manager, and  
(c) shall be payable without the making of an assessment.

(9) Where tax is charged in accordance with paragraph (3)(a) or (b)—

- (a) an assessment to income tax at the basic rate in force for the relevant year of assessment may be made on the account manager or on the account investor, and  
(b) an assessment to income tax at the higher rate within the meaning of section 832(1) of the Taxes Act, for that year of assessment, may be made on the account investor,

within five years after the 31st January next following that year of assessment, and regulation 28 shall not apply.]

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**Textual Amendments**

**F21** Reg. 36 inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **12**

*Graham Allen*  
*Bob Ainsworth*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

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## EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make provision for the setting up of accounts (Individual Savings Accounts) by account managers, to which an individual may make subscriptions, and through which those subscriptions are invested. The Regulations specify the individuals who may invest, permitted investments, and maximum investment limits, and provide for accounts to be managed by the account managers. The Regulations also make provision for relief from tax in respect of accounts, withdrawal of relief, and modifications of income tax and capital gains tax legislation in relation to accounts.

Regulation 1 provides for the title to and commencement of the Regulations.

Regulation 2 provides definitions.

Regulation 3 gives a general introduction.

Regulation 4 sets out general conditions for accounts and subscriptions to accounts.

Regulation 5 provides for transfers from matured tax-exempt special savings accounts.

Regulation 6 provides general rules for investment under accounts.

Regulation 7 specifies permitted kinds of investment for a stocks and shares component.

Regulation 8 specifies permitted kinds of investment for a cash component.

Regulation 9 specifies permitted kinds of investment for an insurance component.

Regulation 10 specifies the description of individuals who may be account investors.

Regulation 11 provides for consequences when certain individuals become disqualified.

Regulation 12 provides conditions for applications to subscribe to an account.

Regulation 13 provides conditions for such applications by a curator bonis appointed in Scotland.

Regulation 14 provides for approval of account managers by the Board.

Regulation 15 provides special requirements for account managers who are certain types of insurers.

Regulation 16 provides for the appointment of tax representatives for certain foreign account managers.

Regulation 17 provides for the withdrawal of approval of an account manager in certain circumstances.

Regulation 18 provides for an appeal against such a withdrawal.

Regulation 19 requires a person to notify the Board and investors when ceasing to be an account manager.

Regulation 20 provides circumstances in which a person shall cease to qualify as an account manager.

Regulation 21 provides for transfers of accounts, and parts of accounts, from one to another account manager.

Regulation 22 sets out the tax exemptions for account investors.

Regulation 23 provides for a flat-rate charge to tax on interest on cash deposits held under a stocks and shares component or insurance component.

Regulation 24 provides that the account manager may act on behalf of the account investor in respect of tax reliefs and liabilities under the account.

Regulations 25, 26 and 27 provide for claims for relief from tax.

Regulation 28 makes provision for the withdrawal of relief and the recovery of tax.

Regulation 29 provides for the keeping of account records.

Regulation 30 provides for notices, and certificates of tax deducted, to be given by account managers to investors.

Regulation 31 provides for annual and quarterly returns by account managers.

Regulations 32 and 33 empower the Board to obtain information and to inspect records.



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Regulation 34 adapts statutory capital gains tax provisions in relation to accounts.

Regulation 35 makes supplementary provisions for tax administration in relation to accounts.

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