

2002 No. 453

INCOME TAX

**The Individual Savings Account (Amendment) Regulations
2002**

<i>Made</i> - - - - -	<i>28th February 2002</i>
<i>Laid before the House of Commons</i>	<i>4th March 2002</i>
<i>Coming into force</i> - - - - -	<i>6th April 2002</i>

The Treasury in exercise of the powers conferred upon them by sections 333, 333A and 333B of the Income and Corporation Taxes Act 1988(a) hereby make the following Regulations:

Citation, commencement and effect

1. These Regulations may be cited as the Individual Savings Account (Amendment) Regulations 2002, shall come into force on 6th April 2002 and shall have effect for the tax year 2002–03 and subsequent tax years.

Interpretation

2. In these Regulations “the principal Regulations” means the Individual Savings Account Regulations 1998(b) and, unless the context otherwise requires, a reference to a numbered regulation is a reference to the regulation of the principal Regulations bearing that number.

Amendment of the principal Regulations

3. Amend the principal Regulations as follows.

4. For paragraph (6) of regulation 35 substitute—

“(6) If—

- (a) a chargeable event, within the meaning given by Chapter 2 of Part 13 of the Taxes Act, has happened in relation to a policy of life insurance which is an account investment held under an insurance component; and
- (b) the body by whom the policy was issued is satisfied that no gain is to be treated as chargeable to tax on the happening of the event by virtue of regulation 22(1)(a)(v),

the body shall not be obliged to deliver the certificates mentioned in section 552(1) of that Act.

This paragraph does not prevent the operation of section 552(1) in a case to which regulation 36(1) applies.”.

5.—(1) Amend regulation 36 as follows.

(2) For paragraph (6) substitute—

(a) 1988 c. 1. Section 333 has been amended by section 70 of the Finance Act 1991 and Part III(15) of Schedule 27 to the Finance Act 1998; section 333A was inserted by section 64(1) of the Finance Act 1995 and section 333B by section 77 of the Finance Act 1998.

(b) S.I. 1998/1870: the relevant amending instrument is S.I. 1998/3174.

- “(6) In section 552 of the Taxes Act(a)—
- (a) in subsection (1)(b) for the words “policy holder” there shall be substituted “account investor”;
 - (b) in subsection (3)—
 - (i) in the words “(or, where the appropriate policy holder is a company, the corresponding financial year)” shall be omitted;
 - (ii) for the words “the name and address of the appropriate policy holder” there shall be substituted “the name and address of the account investor”;
 - (iii) the words “and the corresponding financial year,” shall be omitted;
 - (c) in subsection (5)—
 - (i) for the words “the appropriate policy holder” there shall be substituted “the account investor”;
 - (ii) sub-paragraph (b)(ii) shall be omitted;
 - (iii) paragraph (c) shall be omitted;
 - (iv) in paragraph (d) the words “except where paragraph (c) above applies,” shall be omitted; and
 - (v) paragraph (f) shall be omitted;
 - (d) in subsection (6)—
 - (i) paragraph (b) shall be omitted;
 - (ii) for paragraph (c) there shall be substituted—
 - “(c) if the event is a death, the period of three months beginning with the receipt of written notification of the death;”;
 - (iii) after paragraph (c) there shall be inserted—
 - “(d) if the event is one specified in regulation 9(8) of the Individual Savings Account Regulations 1998 or a termination event, the period of three months beginning with the receipt of written notification of the event, or, if earlier, actual notice of the event.”;
 - (e) in subsection (7)—
 - (i) in paragraph (a) for the words “assessment, or, where the policy holder is a company, the financial year,” there shall be substituted “assessment”;
 - (ii) paragraph (b) shall be omitted;
 - (iii) for paragraph (c) there shall be substituted—
 - “(c) if the event is a death, the period of three months beginning with the receipt of written notification of the death;”;
 - (iv) after paragraph (c) there shall be inserted—
 - “(ca) if the event is one specified in regulation 9(8) of the Individual Savings Account Regulations 1998 or a termination event, the period of three months beginning with the receipt of written notification of the event, or, if earlier, actual notice of the event;”;
 - and
 - (v) in paragraph (d) for the words “paragraph (c)” there shall be substituted “paragraph (c) or (ca)”;
 - (f) in subsection (8)—
 - (i) in paragraph (b) for “policy holder” there shall be substituted “account investor in respect”;
 - (ii) in paragraph (c) the words from “or” to the end of the paragraph shall be omitted;
 - (g) in subsection (9) the words “or financial year” shall be omitted in each place where they occur;
 - (h) in subsection 10—
 - (i) before the definition of “amount” there shall be inserted—
 - ““account investor” has the same meaning as in the Individual Savings Account Regulations 1998;”;
 - (ii) the definition of “appropriate policy holder” shall be omitted;

(a) Section 552 was replaced, and section 552ZA inserted, by Part 2 of Schedule 28 to the Finance Act 2001.

- (iii) the definition of “financial year” shall be omitted;
- (iv) for the definition of “the relevant year of assessment” there shall be substituted—
 - ““the relevant year of assessment”, in the case of any gain, means the year of assessment to which the gain is attributable;”; and
- (v) after the definition of “section 546 excess” there shall be inserted—
 - ““termination event” has the same meaning as in the Individual Savings Account Regulations 1998;”; and
 - (i) subsection (11) shall be omitted.”.
- (3) After paragraph (6) there shall be inserted—
 - “(6A) In section 552ZA of the Taxes Act—
 - (a) in subsection (2)(b) the words “or an assignment” shall be omitted; and
 - (b) subsections (3) and (4) shall be omitted.”
- (4) Omit paragraph (7).

Tony McNulty
Anne McGuire

28th February 2002

Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (“the principal Regulations”) consequent on the restructuring of section 552 of the Income and Corporate Taxes Act 1988 (c. 1) (“section 552”) by paragraph 18 of Schedule 28 to the Finance Act 2001 (c. 9) (“paragraph 18”).

Regulation 1 provides for the citation, commencement and effect of the Regulations, and regulation 2 provides for the interpretation of certain terms used in the Regulations.

Regulation 3 introduces the amendments to the principal Regulations.

Regulation 4 amends regulation 35(6) of the principal Regulations to ensure the same treatment for chargeable event gains arising under the Regulations in respect of an insurance policy held under the insurance component of an individual savings account as that for other chargeable event gains.

Regulation 5 amends regulation 36 of the principal Regulations (application of Chapter 2 of Part 13 of the Taxes Act to policies where an investor ceases to be, or was not entitled to, relief from tax). Section 552 as originally enacted has been split into two sections (552 and 552ZA). Accordingly, paragraph (2) substitutes a new paragraph (6) of regulation 36 of the principal Regulations. This modifies section 552 as substituted by paragraph 18. Paragraph (3) of regulation 5 inserts a new paragraph (6A) into regulation 36 of the principal Regulations. The new paragraph modifies the new section 552ZA for the purposes of individual savings accounts. Paragraph (7) of regulation 36 of the principal Regulations, which is unnecessary as a result of the restructuring of section 552, is revoked by paragraph (4) of regulation 5.

A regulatory impact assessment has been prepared in respect of these Regulations. A copy has been placed in the library of each House of Parliament and may be found on the Inland Revenue website (www.inlandrevenue.gov.uk) or obtained from Revenue Policy, Business Tax, Room 5W5, 5th Floor, 22 Kingsway, London WC2B 6NR.

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