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STATUTORY INSTRUMENTS

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**2008 No. 1934**

**INCOME TAX**

**The Individual Savings Account  
(Amendment No. 2) Regulations 2008**

<i>Made</i>	- - - -	<i>22nd July 2008</i>
<i>Laid before the House of Commons</i>	- - - -	<i>22nd July 2008</i>
<i>Coming into force</i>	- -	<i>12th August 2008</i>

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

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Individual Savings Account (Amendment No. 2) Regulations 2008 and shall come into force on 12th August 2008.

(2) Regulation 3 has effect in relation to events occurring on and after 13th September 2007.

**Amendment of the Individual Savings Account Regulations 1998 (S.I. 1998/1870)**

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

**Insertion of regulation 5A**

3. Insert the following regulation after regulation 4D(4)—

**“Treatment of certain sums held in accounts managed by Northern Rock plc**

**5A.—**(1) This regulation applies if—

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- (1) 2005 c. 5. Sections 695, 696, 698, 699 and 700 were amended by paragraph 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11) to replace references to the Commissioners of Inland Revenue with references to the Commissioners for Her Majesty’s Revenue and Customs; and section 701 was amended by section 40 of the Finance Act 2008 (c.9).
- (2) 1992 c. 12. Section 151 was amended by section 85 of the Finance Act 1993 (c. 34), section 64(2) of the Finance Act 1995 (c. 4) and paragraph 436 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5).
- (3) S.I. 1998/1870; relevant amending instruments are S.I. 1998/3174, 2001/3629, 2002/453, 2004/2996, 2005/2561, 2007/2119 and 2008/704.
- (4) Regulation 4D was inserted and regulation 5 was omitted by S.I. 2007/2119.

- (a) at the beginning of 13th September 2007, an account investor had an investment in an account for which Northern Rock was the account manager,
  - (b) during the period beginning on 13th September 2007 and ending on 19th September 2007, the account investor withdrew an amount (the “earlier amount”) from the account, and
  - (c) during the period beginning on 13th September 2007 and ending on 5th April 2008, the account investor subscribed an amount (the “later amount”) to an account (whether the account manager for the account to which the later amount was subscribed was Northern Rock or some other person (the “new account manager”)).
- (2) If the account manager for the account mentioned in paragraph (1)(c) was the new account manager, the account investor must also give the certificate specified in paragraph (3) to the new account manager.
- (3) The certificate is a certificate, given by Northern Rock, containing the following information—
- (a) the account holder’s full name;
  - (b) the account holder’s date of birth;
  - (c) the account holder’s permanent address (including postcode);
  - (d) the account holder’s national insurance number (if the account holder has one);
  - (e) the earlier amount;
  - (f) the date (or dates) within the period specified in paragraph (1)(b) on which the earlier amount was withdrawn.
- (4) The later amount does not count towards the subscription limits for the year 2007-08.
- (5) If a subscription was made to the account mentioned in paragraph (1)(a) before 13th September in the year 2007-08 and the earlier amount exceeds the later amount, the excess does not count towards the subscription limits for the year 2007-08.
- (6) The new account manager must—
- (a) treat the later amount in the same way as an account transferred from another account manager to the new account manager during the year 2007-08, and
  - (b) retain either the certificate mentioned in paragraph (3) or a copy of that certificate.
- (7) In this regulation—
- “Northern Rock” means Northern Rock plc, company registered number 3273685;
- the “subscription limits” means the subscription limits in paragraphs (2) and (3)(a) of regulation 4..”.

### **Amendment of regulation 8**

**4.** In regulation 8(2)(5) (qualifying investments for a cash component) for sub-paragraph (a) substitute—

- “(a) cash deposited in a deposit account with—
  - (i) a building society,
  - (ii) a credit union,

- (iii) a person within subsection (2)(b) of section 991 of the Income Tax Act 2007<sup>(6)</sup> (read with subsection (3) of that section), or
- (iv) a relevant European institution;”.

### **Amendment of regulation 23**

5. In regulation 23(2)(a) (interest on cash deposits held under a stocks and shares component) for “lower rate” substitute “basic rate”.

### **Amendment of regulation 36**

6.—(1) Amend regulation 36<sup>(7)</sup> (application of certain provisions where investor ceases to be entitled to relief from tax) as follows.

(2) In paragraph (6)—

- (a) omit paragraphs (i) and (iii) of sub-paragraph (b),
- (b) omit sub-paragraph (e)(i),
- (c) omit sub-paragraph (f)(ii),
- (d) omit sub-paragraph (g),
- (e) in sub-paragraph (h)—
  - (i) at the end of paragraph (ii) insert the word “and”, and
  - (ii) omit paragraphs (iii) and (iv), and
- (f) omit sub-paragraph (i) and the word “and” immediately preceding it.

(3) In paragraph (8) for “lower rate” substitute “basic rate”.

(4) In paragraph (9)(a) for “lower rate” substitute “basic rate”.

*Claire Ward*

*Dave Watts*

Two of the Lords Commissioners of Her  
Majesty’s Treasury

22nd July 2008

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<sup>(6)</sup> 2007 c. 3.

<sup>(7)</sup> Regulation 36 was inserted by S.I. 1998/3174; relevant amending instruments are S.I. 2002/453, 2004/2996 and 2008/704.

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

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Individual Savings Account Regulations ([S.I. 1998/1870](#)) (as amended) (“the principal Regulations”).

Regulation 3 of these Regulations inserts a new regulation 5A into the principal Regulations. The new regulation applies to an investor who had an individual savings account (an “ISA”) with Northern Rock plc during the 2007-08 tax year, and who withdrew amounts from that account during the period of financial instability in September 2007. The new regulation provides that if such an investor subscribed funds to an ISA during the period beginning on 13th September 2007 and ending on 5th April 2008, the investor will not be penalised by making the earlier withdrawal. The new regulation accordingly has effect in relation to events taking place on and after 13th September 2007 (before these Regulations were made) and makes provision which does not impose or increase any liability to tax. In these circumstances, authority to make provision in these terms is conferred by section 701(4) of the Income Tax (Trading and Other Income) Act 2005 (inserted by section 40 of the Finance Act 2008).

Regulation 4 of these Regulations restates regulation 8(2)(a) of the principal Regulations to take account of the enactment of the Income Tax Act 2007; regulation 5 of these Regulations amends regulation 23(2)(a) of the principal Regulations to take account of the abolition of the lower rate of income tax; and ; regulation 6 of these Regulations amends regulation 36 of the principal Regulations to take account of provisions in the Finance Act 2008 amending the legislation relating to the taxation of gains from life insurance policies and to take account of the abolition of the lower rate of income tax.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available and is annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website.