

**EXPLANATORY MEMORANDUM TO
THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT) REGULATIONS
2008**

2008 No. 704

- 1.** This explanatory memorandum has been prepared by HM Revenue and Customs (“HMRC”) and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. Description

2.1 These Regulations amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (“the principal Regulations”).

2.2 The majority of the amendments update the principal Regulations to take account of new legislation. But these Regulations also make two substantive changes, described in more detail in Part 4 of this memorandum.

3. Matters of special interest to the Select Committee on Statutory Instruments

None

4. Legislative Background

4.1 The principal Regulations make provision relating to an Individual Savings Account (an “ISA”). These Regulations update the principal Regulations to take account of new legislation.

4.2 Two substantive changes have also been made. Amendments made to regulation 31 of the principal Regulations have the effect of providing that the requirement for ISA providers to submit information returns to HMRC is changed from a quarterly to an annual requirement. And amendments made to regulation 12 of the principal Regulations remove the requirement for ISA providers to keep copies of ISA application forms.

4.3 The Government announced these changes to the ISA regime at Budget 2008.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

7.1 The ISA is a tax advantaged savings account, introduced in 1999. The ISA scheme allows individuals to save, through ISA accounts, without being taxed on any income or gains on those savings they receive.

7.2 Since ISAs began, HMRC has collected quarterly information returns from ISA providers, showing information about subscriptions, and has used these returns to publish quarterly statistics. HMRC recently reviewed the practice of publishing these statistics quarterly and concluded that it was no longer essential, because in-year subscription patterns have now become settled, and so annual statistics should be sufficient. HMRC then conducted an informal consultation with the ISA industry who agreed that submitting information to HMRC annually rather than quarterly would be a welcome deregulatory measure. This instrument implements that change.

7.3 The new annual statistical return is to be made by the ISA manager within 60 days of the end of the tax year. This is double the existing time limit allowed for making the existing quarterly return.

7.4 This instrument also removes the administrative obligation for ISA providers to keep copies of individual investors' ISA application forms. Instead, ISA managers will be able to transfer all of the details written on an individual's application form on to their systems, send the investor a written confirmation of their declaration and then destroy the signed application.

7.5 At the same time, Government is taking the opportunity to remove obsolete references and update other legislative references within the ISA regulations.

7.6 These changes to the principal Regulations affect mainly ISA providers rather than individual investors and so there is unlikely to be much public interest in them. HMRC will amend its guidance to reflect the changes.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it does not impose new administrative burdens on business and it has no impact on charities or voluntary bodies.

8.2 The impact on the public sector is negligible.

9. Contact

David Ensor at HM Revenue and Customs, tel: 0207 147 2838 or e-mail: david.ensor@hmrc.gsi.gov.uk, can answer any queries regarding the instrument.