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## EXPLANATORY NOTE

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

These regulations amend the Individual Savings Account Regulations 1998 ([S.I.1998/1870](#)) (“the ISA regulations”) and the Individual Savings Account (Amendment Regulations) 2016 ([S.I. 2016/16](#)).

These regulations provide for a new type of Individual Savings Account (“ISA”), the innovative finance account, which enables interest and gains received by an account investor in respect of an article 36H agreement (defined in regulation 3) to be free of tax.

They also make provision for flexible accounts, provided for under the Individual Savings Account (Amendment) Regulations 2016 ([S.I. 2016/16](#)), to allow replacement subscriptions using certain types of shares.

Regulation 3 amends regulation 2 of the ISA regulations relating to interpretation.

Regulation 5 amends regulation 4 of the ISA regulations to make provision relating to general conditions for ISA accounts and subscriptions to those accounts for an innovative finance account.

Regulation 9 amends regulation 5DDB of the ISA regulations relating to flexible accounts so that the terms and conditions of those accounts can allow investors to use certain types of employee share scheme shares (rather than cash) to replace sums they have withdrawn from their account earlier in a tax year, without those shares counting towards the annual overall subscription limit for the year.

Regulation 12 inserts new regulation 8A into the ISA regulations to make provision relating to qualifying investments which may be purchased, made or held under an innovative finance account. These include payments received by an account investor in respect of an article 36H agreement.

Regulation 13 amends regulation 10 of the ISA regulations to make provision for qualifying individuals who may invest under an innovative finance account and provides for cases in which it is possible for a holder of an innovative finance account (in the same way as another ISA account holder) to subscribe to more than one cash account, stocks and shares account or innovative finance account in a tax year.

Regulation 14 amends regulation 12 of the ISA regulations to make provision for an application to open an innovative finance account and also provides for cases in which it is possible for a holder of an innovative finance account (in the same way as another ISA account holder) to subscribe to more than one ISA account in a tax year.

Regulation 15 amends regulation 14 of the ISA regulations to make provision for the qualifications of an account manager to include a permission (other than an interim permission), under Part 4A of the Financial Services and Markets Act 2000 ([c. 8](#)), to carry out activities under article 36H or article 39G of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 ([S.I.2001/544](#)).

Regulation 16 amends regulation 21 of the ISA regulations to make provision relating to the transfer of an innovative finance account.

Regulation 17 amends regulation 31 of the ISA regulations to make provision relating to the returns of information to HM Revenue & Customs for an innovative finance account.

Regulations 18 to 21 make minor amendments to [S.I.2016/16](#).

The remaining regulations make further minor and consequential amendments to the ISA regulations.

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

Tax Information and Impact Notes covering this instrument has been published on the HM Government website at—

<https://www.gov.uk/government/publications/income-tax-innovative-finance-individual-savings-account-and-peer-to-peer-loans>.

<https://www.gov.uk/government/publications/individual-savings-accounts-increasing-flexibility-for-savers/individual-savings-accounts-increasing-flexibility-for-savers>