

EXPLANATORY MEMORANDUM TO

THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT) REGULATIONS 2017

2017 No. 186

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument increases the amount that can be subscribed to a tax-advantaged ISA and Junior ISA in a year, and makes other minor changes, including by the updating of various legislative references.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to the negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 ISA is a tax-advantaged savings product providing relief from tax to individuals. Junior ISA is a tax-advantaged savings product available to children. The ISA and Junior ISA rules, including the relevant annual subscription limits for these accounts, are set out in the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (the "ISA Regulations"), which this instrument further amends.
- 4.2 This instrument is made under powers set out in the Income Tax (Trading and Other Income) Act 2005 and the Taxation of Chargeable Gains Act 1992.
- 4.3 Where appropriate, the ISA Regulations include references to other legislation. For example, 'investment trust' is defined with reference to the Corporation Tax Act 2010, and Junior ISA rules that apply to looked after children, or which determine when a withdrawal can be made from an account on the terminal illness of a child, make reference to child protection and welfare legislation. Similarly, the rules concerning who is eligible to be approved by HMRC to offer accounts is set out with reference to the regulatory permissions held by a financial institution.
- 4.4 The Individual Savings Account (Amendment No.2) Regulations 2016 (S.I. 2016/324) made a number of changes to the ISA Regulations, including those necessary to accommodate the 'innovative finance ISA' from 6 April 2016.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is the United Kingdom.

5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

What is being done and why

7.1 The overall annual limit that applies to an individual's subscriptions to ISA (ISA Regulation 4ZA) is increased from £15,240 to £20,000 for 2017 to 2018. The annual limit that applies to subscriptions to Junior ISA for the same period (ISA Regulation 4ZB) is increased from £4,080 to £4,128.

7.2 The instrument also updates the rules at ISA Regulation 14 concerning the regulatory permissions required by an ISA provider following changes to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544).

7.3 The definition of investment trust in ISA Regulation 2 is updated to clarify the reference to the Corporation Tax Act 2010. Elsewhere, special rules that apply in relation to looked after children and terminally ill children (ISA Regulations 2F and 4ZE) are updated to reflect changes to the relevant child protection or welfare reform legislation. A correction is also made to the numbering of ISA Regulation 12 following changes made in the Individual Savings Account (Amendment No. 2) Regulations 2016 (S.I. 2016/364).

Consolidation

7.4 There are no plans to consolidate the ISA Regulations.

8. Consultation outcome

8.1 There has been no formal consultation on the measures in this instrument, as they are simple updates to existing provisions within the ISA Regulations.

9. Guidance

9.1 HMRC's Guidance for ISA providers will be updated. This is available at <https://www.gov.uk/government/publications/guidance-notes-for-isa-managers>

10. Impact

10.1 The increase in the annual ISA and Junior ISA allowances will enable savers to save more in a tax-advantaged account. The impact on businesses, charities and voluntary bodies is expected to be negligible.

10.2 The impact on the public sector is expected to be negligible.

10.3 A Tax Information and Impact Note covering this Instrument will be published on the HM Government website at: <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

11. Regulating small business

11.1 The legislation applies to small businesses that offer ISAs.

- 11.2 No action is proposed to minimise regulatory burdens on small businesses.
- 11.3 The basis for the final decision on what action to take to assist small business is that the impact on ISA account providers, including small businesses is expected to be negligible.

12. Monitoring & review

- 12.1 HMRC will continue to review compliance with the rules using the information provided annually by ISA providers as well as through regular contacts with ISA providers and other groups.

13. Contact

- 13.1 Helen Williams at HMRC telephone: 03000 512 336 or email: savings.audit@hmrc.gsi.gov.uk can answer any queries regarding the instrument.