



HM TREASURY



## Junior ISAs: Draft Regulations

### Introduction

1. On 26 October 2010, the Government announced that it would introduce a new tax advantaged account for saving for children, to be known as a Junior ISA. The Press Notice announcing this is available from the HM Treasury [website](#).
2. Following the end of eligibility for Child Trust Funds (CTFs) for children born from 3 January 2011, Junior ISAs aim to:
  - provide families with a simple, transparent, accessible and competitive product to save for children who do not have a CTF; and
  - create the conditions for families to save more for their children than they otherwise would.
3. Junior ISAs are expected to be available from autumn 2011. Ahead of this, the Government intends to make detailed Regulations, amending the existing Individual Savings Account Regulations 1998 (ISA Regulations), to provide for the establishment and operation of Junior ISAs. These Regulations will be laid and made following Royal Assent to Finance Bill 2011, which contains a clause enabling Regulations to be made. Royal Assent is expected in July.
4. Attached to this note is a draft of these Regulations, for comment. For convenience and ease of use, this draft is of the full consolidated ISA Regulations, as they would appear after amendment by the proposed 'Junior ISA Regulations' – rather than simply the proposed amending Regulations. The proposed amendments to the existing ISA Regulations are also highlighted in red throughout for clarity. Ellipses ('...') indicate parts of the ISA Regulations that have previously been revoked.
5. These draft Regulations reflect informal consultation with a range of stakeholders on the design of Junior ISAs, and the Government is grateful for all of the input that it has received. They also build on many of the provisions of existing ISAs and/or CTFs.
6. We continue to welcome comments on these draft Regulations, and on the design of Junior ISAs generally. These should be sent to [Rosemary.Ohen@hmtreasury.gsi.gov.uk](mailto:Rosemary.Ohen@hmtreasury.gsi.gov.uk), by the end of May 2011.
7. The remainder of this note outlines the proposed key features of Junior ISAs, as set out in the draft Regulations; the Government's proposed start date for Junior ISAs; and some related issues which may be helpful in understanding Junior ISAs more widely. There is then a high-level description of the draft Regulations, followed by the draft itself.

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**Proposed key features of Junior ISAs**

8. The Government proposes that:

- All UK resident children (aged under 18) who do not have a CTF will be eligible for Junior ISAs. This includes children who were born before the start of CTF eligibility, in September 2002. This is expected to mean that around 6 million children are eligible for Junior ISAs when they are introduced, with a further 800,000 becoming eligible each year.
- Anyone with parental responsibility for an eligible child will be able to open Junior ISAs on their behalf. Eligible children over the age of 16 will also be able to open Junior ISAs for themselves.
- Until the child reaches 16, accounts will be managed on their behalf by a person with parental responsibility for that child. This will initially be the person who applied for the account for the child, but this responsibility can be transferred to another person with parental responsibility. At age 16, the child assumes management responsibility for their account.
- Both cash and stocks and shares Junior ISAs will be available. The qualifying investments for each of these (but not the relevant subscription limits) will be the same as for existing ISAs.
- Children will be able to hold up to one cash and one stocks and shares Junior ISA at a time. It will be possible to transfer accounts between providers, but it will not be possible to hold more than one cash or stocks and shares Junior ISA at any time. It will not be possible to transfer CTFs into Junior ISAs, or vice versa; and as noted above, children with CTFs will not be eligible for Junior ISAs. The two types of accounts will remain separate at present.
- As with CTFs, any person or organisation will be able to contribute to any child's Junior ISA.
- Each eligible child will be able to receive contributions of up to £3,000 each year into their Junior ISA(s). If the child has both a cash and a stocks and shares Junior ISA, this contribution limit will operate across them both – so a total of £3,000 of contributions each year will be permitted into both accounts combined. There will be no rules on how contributions have to be allocated between cash and stocks and shares Junior ISAs, and it will be possible to transfer funds from one type of Junior ISA to another. The Government welcomes views on whether £3,000 is an appropriate contribution limit.
- All returns within Junior ISAs (interest on cash accounts; growth and dividends on stocks and shares) will be tax-free – both for the child and their parents.
- Withdrawals from Junior ISAs will not be permitted by account holders until the child reaches 18, except in cases of terminal illness or death.
- At the age of 18, the Junior ISA will by default become a normal adult ISA. The funds will then be accessible to the child. Having a Junior ISA will not affect an individual's entitlement to adult ISAs. It will be possible for Junior ISA account holders to open adult cash ISAs from the age of 16, and Junior ISA contributions will not impact upon adult ISA subscription limits.
- Junior ISAs will be offered by account providers. Providers will set their own terms and conditions for Junior ISAs, and will have freedom to do so in most areas, for example

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setting: charges; the account opening and payment methods they will accept; and any restrictions on who can open their accounts (such as a maximum age).

- Providers will also be able to set minimum contribution requirements. The Government wants there to be both cash and stocks and shares Junior ISAs accessible to all income groups, and understands that a number of providers will offer cash Junior ISAs that require a minimum balance of just £1; and stocks and shares Junior ISAs that accept minimum contributions of £10 per month. The Government therefore does not intend to set a cap on the minimum contributions that can be required.

#### **Proposed start date for Junior ISAs**

9. The Government wants Junior ISAs to be available from autumn 2011, and is keen for this to happen as soon as possible. However, providers will clearly need time to develop their IT systems and other material.
10. The Government aims to strike a balance between having the accounts available as soon as possible; and ensuring that a sufficient number of providers are ready to offer the accounts from their start date (which in practical terms will be the date that the 'Junior ISA Regulations' come into effect).
11. It will also be possible for further providers to begin offering Junior ISAs at any later point, and the Government recognises that not all institutions that intend to offer the accounts will be able to do so from the start date.
12. The Government proposes that the start date for Junior ISAs should be 1 November 2011, but welcomes views on this.

#### **Wider issues**

13. There are some wider issues which are relevant to Junior ISAs, though not to these Regulations. Information on these is set out below.
14. Anti-money laundering rules: The Government believes that Junior ISAs are a low risk product and, as with CTFs, intends to amend the Money Laundering Regulations to apply Simplified Due Diligence to Junior ISA accounts. This will make the accounts easier to open, and will reduce costs for providers.
15. Markets in Financial Instruments Directive (MiFID) Regulation: Potential providers should be aware that stocks and shares Junior ISAs will be within MiFID scope in the same way as existing stocks and shares ISAs. Cash accounts are not within scope.

The exact implications of this will depend upon the specific product and service being offered and may include the following.

- Firms managing investments are generally required to provide the client with a periodic statement once every six months.
- Firms making sales on a non-advised basis may also have to apply the 'appropriateness test'. Further details on the appropriateness test, including details of when the test need not be done, are available in chapter 10 of the Financial Service Authority's Conduct of Business Sourcebook.

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16. Looked after children: The Government announced on 22 March that it will work with charities and others to identify how children in care can be supported through Junior ISAs, and the Department for Education will work with others to ensure that funding is available for this. Further details will be set out in due course.

**Next steps**

17. As set out above, we would welcome any comments on these draft Regulations, or on the design of Junior ISAs generally. These should be sent to [Rosemary.Ohen@hmtreasury.gsi.gov.uk](mailto:Rosemary.Ohen@hmtreasury.gsi.gov.uk) by the end of May 2011.
18. The Government will continue to discuss any outstanding issues with relevant stakeholders, and then intends to lay final Regulations in late July.

HM Treasury  
HM Revenue & Customs  
31 March 2011

## High level description of draft Regulations

### Introduction

Below are brief details of the major amendments and additions proposed to the **Individual Savings Account Regulations 1998 (SI 1998/1870)** in order to provide for the establishment, operation and tax exemption of Junior ISA accounts. It is not proposed to make substantive changes to any rules that currently apply in relation to existing ISA products, although some updates and consequential changes to the format and layout of current regulations are proposed.

A small number of matters relating to Junior ISA remain outstanding, pending further discussions with potential account providers and other specialists.

### Description of draft regulations

#### Regulation 1 – Citation and commencement

Commencement provisions for Junior ISA are not currently included in this draft. See above for details on the proposed start date for Junior ISA.

#### Regulation 2 – Interpretation

It is proposed to define a number of terms relevant to Junior ISA in this regulation. This includes setting out who will be an 'eligible child' for the purposes of Junior ISA. This will be a person aged below 18 who was not eligible for a Child Trust Fund account. Eligibility for a Junior ISA will also be subject to a residency condition, as set out in this definition of 'eligible child', although this will not apply for Crown Servants and their spouses, civil partners or dependents. It is also proposed that this regulation should define 'responsible person' in relation to Junior ISA.

#### Regulation 2A – Meaning of account investor

This is a new draft regulation. It sets out what will be meant by the term 'account investor' in these regulations. For existing ISA products, there will be no change to the meaning of account investor. In relation to Junior ISA, an account investor may be the child who holds the account or the registered contact for the account, if different to the account holder (see draft regulation 2C below).

#### Regulation 2B – Meaning of junior ISA account

This is a new draft regulation that will define a Junior ISA for the purposes of these regulations.

#### Regulation 2C – Meaning of "registered contact" etc

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. It is proposed that this regulation will set out who is the 'registered contact' for a Junior ISA. The registered contact for a Junior ISA will be authorised to provide instructions to an account provider concerning management of the account. It is proposed that this will either be a person with parental responsibility for the account holder (where that account holder is younger than 16 years old), or the account holder (where they are 16 years or older - subject to an exception for people suffering mental disorder). This draft regulation also sets out the process

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by which a person may become a registered contact, and how this responsibility might be transferred to a new registered contact.

**Regulation 2D – Regulations that do not apply to junior ISA accounts**

This is a new draft regulation which lists the current ISA Regulations that, it is proposed, will not apply to Junior ISAs.

**Regulation 2E - Contracts entered into by or on behalf of a child who is 16 or over**

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. It is proposed that a contract concerning the management of a Junior ISA, entered into by an account holder between the ages of 16 and 18, should have effect as if this contract had been made by a person aged 18 or over. This will enable Junior ISA holders to provide instructions in relation to the management of their account from the date of their 16th birthday. Where a Junior ISA is held by a child with a parent younger than 18 years old, it is proposed that this parent may give instructions in relation to their child's account from the date of their own 16th birthday.

**Regulation 3 – Introductory**

General introductory provision relevant to all ISA products.

**Regulation 4 – General conditions for accounts**

This is an amended version of the regulation that currently applies in relation to existing ISA products. It is proposed that most of the general conditions that currently apply for ISA products will apply equally to the Junior ISA. There are however certain exceptions, as set out in this draft regulation. For example, it is proposed that there will be no minimum age limit for holding a Junior ISA; that different annual subscription limits will apply and that subscriptions to a Junior ISA can be made by people other than the account holder (see draft regulation 4ZB below).

**Regulation 4ZA – Subscriptions to an account other than a junior ISA account**

This regulation is not relevant to Junior ISA. The rules on subscriptions to a Junior ISA can be found at draft regulation 4ZB (see below).

**Regulation 4ZB – Subscriptions to a junior ISA account**

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. It is proposed that any person may make a payment to a Junior ISA, subject to a total annual subscription limit of £3,000. This subscription limit will apply across all Junior ISA products held by a child. Therefore, where a child has both a stocks and shares Junior ISA and a cash Junior ISA, the amount subscribed to both accounts in any tax year – when added together – must not exceed £3,000. Subject to this £3,000 limit, it is proposed that it should be possible to divide subscriptions between the two accounts in any proportion.

**Regulation 4ZC – Inalienability of a junior ISA account**

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. As is the case with Child Trust Fund accounts, it is proposed that investments in a child's Junior ISA may not be assigned to another person, and may not pass to creditors in cases of bankruptcy.

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**Regulation 4ZD – Permitted withdrawals from a junior ISA account**

**Regulation 4ZE – Permitted withdrawals from a junior ISA account where the named child is terminally ill**

These are new draft regulations specific to Junior ISA and not relevant to any other ISA product. As is the case with Child Trust Fund accounts, it is proposed that no withdrawals should be made from a Junior ISA during its term, except by way of provider charges for the management of the account, or in specified circumstances where the account holder has died or is terminally ill.

**Regulation 4A – Repair of certain incompatible accounts and excess subscriptions – accounts other than junior ISA accounts**

This regulation is not relevant to Junior ISA. A repair provision for Junior ISA can be found at draft regulation 21C (see below).

**Regulation 4B – Closure of cash account that is not a junior ISA account prior to the opening of the same type of account to be disregarded once**

This regulation is not relevant to Junior ISA, which, it is proposed, cannot be accessed before the account holder's 18th birthday - other than as described at draft regulations 4ZD and 4ZE (see above).

**Regulation 4C – Removal of insurance components at 6th April 2005**

**Regulation 4D – Removal of maxi-accounts, mini-accounts and TESSA only accounts at 6th April 2008**

**Regulation 5A – Treatment of sums held in accounts managed by Icesave Bank**

**Regulation 5B – Treatment of certain sums held in accounts managed by Keydata Investment Services Limited**

None of the above existing regulations are relevant to Junior ISA.

**Regulation 5C – Treatment of certain sums held in dormant accounts**

It is proposed that this regulation should generally apply to Junior ISA in the same way as it currently applies in relation to other ISA products.

**Regulation 6 – General investment rules**

**Regulation 7 – Qualifying investments for a stocks and shares component**

**Regulation 8 – Qualifying investments for a cash component**

**Regulation 9 – Insurance policies**

It is proposed that these regulations should generally apply to Junior ISA in the same way as they currently apply in relation to other ISA products. However, it is also proposed to update regulation 6, so as to accommodate Junior ISA (see paragraphs (4) and (5)).

**Regulation 10 – Qualifying individuals who may invest under an account that is not a junior ISA account**

**Regulation 11 – Account investor ceasing to qualify - accounts other than junior ISA accounts**

Neither of these regulations are relevant to Junior ISA. It is proposed that any person may subscribe to a Junior ISA (see draft regulation 4ZB above) and that subscriptions can continue to be made to a Junior ISA after a change in the account holder's residency circumstances.

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**Regulation 12 – Conditions for application to open an account that is not a junior ISA account**

This regulation is not relevant to Junior ISA. The Junior ISA application process is covered in draft regulation 12A (see below).

**Regulation 12A – Conditions for application to open an account that is a junior ISA account**

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. It is proposed that an eligible child may have one stocks and shares Junior ISA, one cash Junior ISA or one of both types of account. This draft regulation sets out the proposed application process for a Junior ISA – including that the application must be made by a person with parental responsibility where a child is aged below 16 years. Where the child is 16 or older, it is proposed that an application may be made either by that child or by a person with parental responsibility.

This draft regulation also sets out various information, authorisations and declarations that it is proposed to require for the opening of a Junior ISA – including declarations in relation to the child's eligibility for Junior ISA. It also sets out a proposed process for non-written and electronic applications, and arrangements for penalties in the case of incorrect declarations. As far as possible, the proposed Junior ISA opening rules and requirements have been modelled on those already in operation for other ISA products or the Child Trust Fund.

**Regulation 14 – Account manager – qualifications and Board's approval**

This regulation sets out the conditions that a financial institution must meet in order to offer ISAs. It is proposed that the conditions for offering Junior ISA will be essentially the same as those for other ISA products, with the proposed additional requirements that an account provider must undertake to publish any conditions concerning minimum contributions and permitted methods of deposit for a Junior ISA, and to also inform people contributing to a Junior ISA that their subscription is a gift to the child who holds the account.

**Regulation 15 – Special requirements relating to insurer-managers**

**Regulation 16 – Account manager – appointment of tax representative**

It is proposed that these regulations should apply to Junior ISA providers in the same way as they currently apply to providers of other ISA products.

**Regulation 17 – Account manager – withdrawal by Board of approval**

It is proposed that this regulation should apply to Junior ISA providers in the same way as it currently applies to providers of other ISA products. However, it is also proposed that this regulation should be updated, so as to require ISA providers to supply account holders with certain information where HMRC withdraws its approval to offer ISA products.

**Regulation 18 – Account manager – appeal against withdrawal of Board's approval**

**Regulation 19 – Account manager ceasing to act**

It is proposed that these regulations should apply to Junior ISA providers in the same way as they currently apply to providers of other ISA products. Regulation 19 contains a minor update to accommodate the inclusion of Junior ISA.

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**Regulation 20 – Account manager ceasing to qualify**

It is proposed that this regulation should apply to Junior ISA providers in the same way as it currently applies to providers of other ISA products. However, it is also proposed that this regulation should be updated in certain places, for example to take into account the relevant 'insolvency events' specified in the Payment Services Regulations 2009.

**Regulation 21 – Transfers relating to accounts other than junior ISA accounts**

This regulation is not relevant to Junior ISA.

**Regulation 21A – Further requirements relating to transfers between cash accounts**

It is proposed that this regulation should apply to Junior ISA in the same way as it currently applies to other ISA products. However, it is proposed to make some minor and consequential updates to the regulation to accommodate the inclusion of Junior ISA.

**Regulation 21B – Transfers relating to junior ISA accounts**

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. It sets out the proposed general requirements and processes for the transfer of Junior ISAs, and is largely modelled on rules and processes that apply for existing ISA products.

It will be possible to transfer Junior ISA investments between providers, and also (in either direction) between cash and stocks and shares accounts held by the same child. However, unlike the position for current ISA products, it will not be possible for a child to hold more than one cash Junior ISA and one stocks and shares Junior ISA at any time. Paragraphs (5) and (6) of this draft regulation set out how it is proposed that this requirement should apply in relation to transfers of Junior ISA investments.

**Regulation 21C – Repair of invalid junior ISA accounts**

This is a new draft regulation specific to Junior ISA and not relevant to any other ISA product. It is proposed that breaches of the Junior ISA rules may be repaired by the account provider or the registered contact for the account.

**Regulation 22 – Exemption from tax of account income and gains**

It is proposed that this regulation should apply to income and gains from a Junior ISA in the same way as it currently applies in relation to other ISA products. However, it is proposed to update this regulation to ensure that income from a child's Junior ISA will not be treated as the income of that child's parents for the purposes of income tax (see draft paragraph (1)(f)). It is also proposed (see paragraph (3)) to clarify that this regulation applies in relation to bonuses or dividends paid on a share account held with a building society.

**Regulation 23 – Interest on cash deposits held under a stocks and shares component in relation to an account that is not a junior ISA account**

This regulation is not relevant to Junior ISA.

**Regulation 24 – Tax liabilities and reliefs – account manager to act on behalf of account investor**

**Regulation 25 – Repayments in respect of tax to account manager – interim claims**

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**Regulation 26 – Repayments in respect of tax to account manager – annual returns and annual claims**

**Regulation 27 – Account manager’s returns and claims – supplementary provisions**

It is proposed that these regulations should generally apply to Junior ISA providers in the same way as they currently apply to providers of other ISA products.

**Regulation 28 – Assessments for withdrawing relief and recovering tax**

It is proposed that this regulation should generally apply to Junior ISA in the same way as it currently applies to other ISA products. However, it is proposed to update this regulation in relation to HMRC’s powers to assess tax that is due on accounts, including its power to assess Junior ISA account holders between the ages of 16 and 18 (see draft paragraph (4)).

**Regulation 29 – Records to be kept by account manager**

It is proposed that this regulation should generally apply to Junior ISA providers in the same way as it currently applies to providers of other ISA products.

**Regulation 30 – Information to be given to account investor by account manager in relation to an account that is not a junior ISA account**

This regulation is not relevant to Junior ISA. However, the draft addition at paragraph (4) would require an account provider to supply a former Junior ISA holder with certain information when that account holder turns 18, and their account thereby ceases to be a Junior ISA.

**Regulation 31 – Returns of information by account manager**

It is proposed that this regulation should generally apply to Junior ISA providers in the same way as it currently applies to providers of other ISA products. However, it is also proposed to update this regulation to accommodate Junior ISA, and to provide that specified Junior ISA account information and details will only be required for the year in which an account is opened (see paragraph 3A).

**Regulation 32 – Information to be provided to the Board**

**Regulation 33 – Inspection of records by officer of the Board**

These regulations have been superseded by general HMRC information and inspection provisions and are therefore no longer required within these regulations.

**Regulation 34 – Capital gains tax – adaptation of enactments**

It is proposed that this regulation should generally apply to Junior ISA in the same way as it currently applies to other ISA products. It is proposed that any gains from Junior ISA will be not be liable to Capital Gains Tax.

**Regulation 35 – Administration of tax in relation to accounts –supplementary**

**Regulation 36 – Application of the provisions of Chapter II of Part XIII of the Taxes Act and of Chapter 9 of Part 4 of ITTOIA 2005 to policies where an investor ceases to be or was not entitled to relief from tax**

It is proposed that these regulations should generally apply to Junior ISA in the same way as they currently apply to other ISA products.

## INCOME TAX

### DRAFT Consolidated Individual Savings Account Regulations 1998

#### 1 Citation and commencement

These Regulations may be cited as the Individual Savings Account Regulations 1998 and shall come into force for the purposes of—

- (a) applications under regulations 12 and 13 relating to the year 1999–00, to subscribe to an account in that year,
- (b) applications under regulation 14 to be approved as an account manager to manage accounts in the year 1999–00 and subsequent years, and
- (c) regulations 16 to 18 and 20, so far as they relate to applications referred to in paragraph (b),

on 1st October 1998, and for all other purposes on 6th April 1999.

#### 2 Interpretation

(1) In these Regulations unless the context otherwise requires—

- (a) “account”, except in the case of—
  - (i) an account with a deposit-taker, or
  - (ii) . . .
  - (iii) a share or deposit account with a building society, or
  - (iv) a deposit account with a person falling within section 840A(1)(b) of the Taxes Act, or a relevant European institution,

shall be construed in accordance with regulation 4(1) and shall include a personal equity plan treated on and from the 6th April 2008 as a stocks and shares account;

an “account investment” is an investment under the account which is a qualifying investment for a stocks and shares component or a cash component, as the case may be, within the meaning of regulation 7 or 8;

an “account investor” **has the meaning given in regulation 2A;**

an “account manager” is a person who fulfils the conditions of these Regulations and is approved by the Board for the purposes of these Regulations as an account manager;

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“approved SAYE option scheme” shall be construed in accordance with the SAYE code (see section 516(3) of ITEPA 2003);

“approved SIP” shall be construed in accordance with the SIP code (see section 488(3) of ITEPA 2003);

“approved profit sharing scheme” has the same meaning as in Chapter IV of Part V of the Taxes Act;

an “assurance undertaking” means an assurance undertaking within the meaning of Article 2 of the Council Directive of 5th November 2002 concerning life assurance (No 2002/83);

“the Board” means the Commissioners for Her Majesty's Revenue and Customs;

“building society” means a building society within the meaning of the Building Societies Act 1986, or the Irish Building Societies Act 1989;

“building society bonus”, except in regulation 22(1)(a)(i), excludes any bonus, distribution of funds or the conferring of rights in relation to shares—

- (a) in connection with an amalgamation, transfer of engagements or transfer of business of a building society, and
- (b) mentioned in section 96 or 100 of the Building Societies Act 1986,

and “payment under a building society bonus scheme” shall be construed accordingly;

“ceasing to be subject to the plan”, in relation to plan shares under an approved SIP, shall be construed in accordance with the SIP code (see section 488(3) of ITEPA 2003);

“child” means an individual under 18;

“company”, except in regulation 7(4), means any body corporate having a share capital other than—

- (i) an open-ended investment company, within the meaning given by section 236 of the Financial Services and Markets Act 2000,
- (ii) a UK UCITS, recognised UCITS or non-UCITS retail scheme,
- (iii) an industrial and provident society, or
- (iv) a body corporate which is a 51 per cent subsidiary of any industrial and provident society;

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“credit union” means a society registered as a credit union under the *Industrial and Provident Societies Act 1965*, *Co-operative and Community Benefit Societies and Credit Unions Act 1965* or the Credit Unions (Northern Ireland) Order 1985;

“deposit-taker” has the meaning given by section 853 of ITA 2007;

“the Director of Savings” has the same meaning as in the *National Debt Act 1972*;

“EEA Agreement” means the Agreement on the European Economic Area signed at Oporto on 2nd May 1992, as adjusted by the Protocol signed at Brussels on 17th March 1993;

“EEA State” means a State, other than the United Kingdom, which is a Contracting Party to the EEA Agreement, as modified or supplemented from time to time;

“European institution” means an EEA firm of the kind mentioned in paragraph 5(a), (b) or (c) of Schedule 3 to the Financial Services and Markets Act 2000 which is an authorised person for the purposes of that Act as a result of qualifying for authorisation under paragraph 12 of that Schedule;

“eligible child” means a child-

- (a) born-
  - (i) on or after 3rd January 2011; or
  - (ii) before the time mentioned in paragraph (i) but who is not an “eligible child” within the meaning given in the Child Trust Funds Act 2004; and
- (b) who, at the time when the application to open an account in accordance with regulation 12A is made, is-
  - (i) resident and ordinarily resident in the United Kingdom,
  - (ii) a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003,
  - (iii) married to or in a civil partnership with a person mentioned in paragraph (ii), or
  - (iv) a dependent of a person mentioned in paragraph (ii);

“51 per cent subsidiary” and “75 per cent subsidiary” have the meanings given by section 838 of the Taxes Act;

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“gains”, except in regulations 22(1)(a)(ii) to (v) and 35(6), means “chargeable gains” within the meaning of the Taxation of Chargeable Gains Act 1992;

“gilt-edged securities” has the meaning given by paragraphs 1 and 1A of Schedule 9 to the Taxation of Chargeable Gains Act 1992;

“junior ISA account” has the meaning given in regulation 2B;

an “incorporated friendly society” means a society incorporated under the Friendly Societies Act 1992;

an “industrial and provident society” means a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 Co-operative and Community Benefit Societies and Credit Unions Act 1965 or under the Industrial and Provident Societies (Northern Ireland) Act 1969;

“investment trust” has the meaning given by section 842 of the Taxes Act. . .;

“ITA 2007” means the Income Tax Act 2007;

“ITEPA 2003” means the Income Tax (Earnings and Pensions) Act 2003;

“ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;

“the Management Act” means the Taxes Management Act 1970;

“market value” shall be construed in accordance with section 272 of the Taxation of Chargeable Gains Act 1992;

“named child” means a child who holds an account opened in accordance with regulation 12A;

“notice”, except in regulations 9 and 36, means notice in writing and “notify” shall be construed accordingly;

“parental responsibility” means-

- (a) parental responsibility within the meaning of the Children Act 1989 or the Children (Northern Ireland) Order 1995, or
- (b) parental responsibilities within the Children (Scotland) Act 1995.

“participant”, in relation to an approved SIP, shall be construed in accordance with the SIP code (see section 488(3) of ITEPA 2003);

“plan shares”, in relation to an approved SIP, shall be construed in accordance with the SIP code (see section 488(3) of ITEPA 2003) except that—

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- (a) paragraph 87(6) of Schedule 2 to ITEPA 2003 (meaning of the word “shares” in the context of company reconstructions) shall not apply, and
- (b) in paragraph 88(2) of that Schedule (treatment of shares acquired under rights issue) the words “or securities or rights” shall be treated as omitted;

“qualifying distribution” has the same meaning as in section 832(1) of the Taxes Act;

“recognised stock exchange” has the same meaning as in section 841 of the Taxes Act;

a “registered friendly society” has the meaning given by the Friendly Societies Act 1992, and includes any society that by virtue of section 96(2) of that Act is to be treated as a registered friendly society;

“release date” has the meaning given by section 187(2) of the Taxes Act;

“relevant authorised person” has the same meaning as in section 697(2)(b) of ITTOIA 2005;

“relevant European institution” has the meaning given by section 697(2)(a) of ITTOIA 2005;

“responsible person” means a person who is a responsible person in respect of the management of a junior ISA account in accordance with regulation 2C(4);

“security”, except in regulations 7(2)(c) to (cc) and (8)(b), 8(2)(f) and 34(3), means any loan stock or similar security of a company whether secured or unsecured, and in regulation 7(2)(cc) has the same meaning but with the omission of the words “of a company”;

“the Stakeholder Products Regulations” means the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004;

“tax” where neither income tax nor capital gains tax is specified means either of those taxes;

“tax credit” means a tax credit under section 231 of the Taxes Act;

“the Taxes Act” means the Income and Corporation Taxes Act 1988;

...

“year” means a year of assessment, and “the year 1999–00” means the year of assessment beginning on 6th April 1999;

- (b) “authorised fund” means—
  - (i) an authorised unit trust, or

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(ii) an open-ended investment company . . . ;

“authorised unit trust” means a unit trust scheme in the case of which an authorisation order made by the Financial Services Authority under section 243 of the Financial Services and Markets Act 2000 is in force;

. . .

“collective investment scheme” has the meaning in section 235 of FISMA 2000;

“the Collective Investment Schemes Sourcebook” means the sourcebook of that name made by the Financial Services Authority under the Financial Services and Markets Act 2000;

“depository interest” means the rights of the person mentioned in paragraph (b), under a certificate or other record (whether or not in the form of a document) acknowledging—

- (a) that a person holds relevant investments or evidence of the right to them, and
- (b) that another person is entitled to rights in or in relation to those or identical relevant investments, including the right to receive such investments, or evidence of the right to them or the proceeds from such investments, from the person mentioned in paragraph (a),

where “relevant investments” means investments which are exclusively qualifying investments for a stocks and shares component falling within any of regulation 7(2)(a) to (h), and the rights mentioned in paragraph (b) are exclusively rights in or in relation to relevant investments;

. . .

. . .

“insolvency event” means the procedures listed in the definition of “insolvency event” in regulation 19(15) of the Payment Services Regulations 2009;

“FISMA 2000” means the Financial Services and Markets Act 2000;

. . .

. . .

“non-UCITS retail scheme”—

- (a) has the meaning in the . . . Collective Investment Schemes Sourcebook (that is, a scheme to which, or to whose authorised fund manager and depository, COLL 5.1, 5.4 and 5.6 apply),

- (b) includes a “recognised scheme” by virtue of section 270 or 272 of the Financial Services and Markets Act 2000, which would fall within paragraph (a) of this definition if it were an authorised fund, and
- (c) includes a sub-fund of an umbrella which the terms of the scheme identify as a sub-fund which would fall within paragraph (a) or (b) of this definition if it were itself an authorised fund or a recognised scheme.

In this definition, expressions defined in the Glossary forming part of the Financial Services Authority Handbook have those defined meanings;

“open-ended investment company” means a company incorporated in the United Kingdom to which section 236 of the Financial Services and Markets Act 2000 applies;

“qualifying units in or shares of a non-UCITS retail scheme” means that—

- (a) the instrument constituting the scheme secures that redemption of the units or shares in question shall take place no less frequently than bi-monthly (see Rule 6.2.16(6) of the . . . Collective Investment Schemes Sourcebook omitting the words “Except where (7) applies, and”, read with Rule 6.3.4(1), whether or not those Rules apply to the scheme), and
- (b) a provision for suspension of dealings in exceptional conditions in accordance with Rule 7.2 of that Sourcebook (or any foreign procedure which is a direct foreign equivalent of that Rule) shall not be treated as a provision contrary to paragraph (a) of this definition;

“recognised UCITS” means—

- (a) a collective investment scheme constituted in an EEA State, which is a “recognised scheme” under section 264 of FISMA 2000, and complies with the requirements to be a “UCITS scheme” for the purposes of the Collective Investment Schemes Sourcebook (see in particular COLL 1.2.2); or
- (b) a part of a recognised UCITS mentioned in paragraph (a) of this definition, which would be a sub-fund of an umbrella scheme which is a recognised UCITS;

. . .  
. . .  
. . .  
. . .

“UK UCITS” means—

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- (a) a collective investment scheme authorised under section 31(1)(a) of FISMA 2000, which complies with the requirements to be a “UCITS scheme” for the purposes of the Collective Investment Schemes Sourcebook (see in particular COLL 1.2.2); or
- (b) a part of a UK UCITS mentioned in paragraph (a) of this definition which would be a sub-fund of an umbrella scheme which is a UK UCITS;

“umbrella scheme” means an authorised fund which according to the terms of the scheme is an umbrella scheme belonging to the category under that name established by the Financial Services Authority, and

- (i) in the case of an authorised fund which is an authorised unit trust, references to a part of an umbrella scheme shall be construed in accordance with subsection (8) of section 468 of the Taxes Act, and sub-paragraphs (6) and (7) of regulation 7 of the Authorised Investment Funds (Tax) Regulations 2006 shall apply for the purposes of these Regulations as they apply for the purposes of those Regulations, and
- (ii) in the case of an authorised fund which is an open-ended investment company, references to a part of an umbrella scheme shall be construed in accordance with subsection (4) of section 468A of the Taxes Act, and sub-paragraphs (2) and (3) of regulation 7 of the Authorised Investment Funds (Tax) Regulations 2006 shall apply for the purposes of these Regulations as they apply for the purposes of those Regulations;

“unit holder” means a person entitled to a share of the investments subject to the trusts of a unit trust scheme;

“unit trust scheme” has the meaning given by section 237 of the Financial Services and Markets Act 2000;

“units”, in relation to an authorised unit trust, means the rights or interests (however described) of the unit holders in that authorised unit trust and, in relation to a part of an umbrella scheme, means the rights or interests for the time being of the unit holders in that part;

“units in, or shares of, a . . . UK UCITS or recognised UCITS” means the rights or interests (however described) of the holders of the units or shares in that . . . UK UCITS or recognised UCITS;

. . .

- (2) The Table below indexes other definitions in these Regulations:

<i>Term defined</i>	<i>Regulation</i>
Account	4(1)

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Cash account	4(1A)(a) and (b)
Component	4(1A)(b) and (c)
The disqualifying circumstances	17(1)
Interim claim	25
...	...
...	...
...	...
Qualifying circumstances	14(1)
Qualifying individual	10
Qualifying investments for a stocks and shares component	7
Qualifying investments for a cash component	8
...	...
Qualifying securities	7(2)(b)
Registered contact	2C
Stocks and shares account	4(1A)(a) and (b)
Subscription limits – junior ISA accounts	4ZB
Subscription limits – other accounts	4ZA
...	....

## 2A Meaning of account investor

(1) This regulation makes provision for the meaning of “account investor” in these regulations.

(2) In relation to an account that is not a junior ISA account, “account investor” means an individual who subscribes to an account and who is a qualifying individual within the meaning of regulation 10.

(3) In relation to a junior ISA account, “account investor” has different meanings in relation to the application of regulations specified in paragraphs (4) and (5) as provided for in those paragraphs.

(4) For the purposes of the application of regulations 4(6)(a), 5C, 6(3), 7, 8, 9 (other than regulation 9(3)(b)(iii)), 15, 21A(1) (other than its first occurrence therein), 21A(2) and (3), 21B, 22, 24, 28(1), 31, 34 and 35, “account investor” means the named child in relation to the account in question.

(5) For the purposes of the application, in relation to an account, of regulations 4 (other than regulation 4(6)(a)), 4ZE, 15, 17, 19, 20, 21, 21A(7), 28(2), 36(3) and its first occurrence in regulation 21A(1), “account investor” means the registered contact in relation to the account in question.

## **2B Meaning of junior ISA account**

In these regulations-

- (a) an account opened in accordance with regulation 12A is a junior ISA account at any time when it is held by a child;
- (b) references to “account” shall be construed as including a reference to an account that is a junior ISA account except where the context otherwise requires; and
- (c) references to an account held by a child are references to an account in respect of which the child is the beneficial owner of the account investments under that account.

## **2C Meaning of “registered contact” etc.**

- (1) In these regulations “registered contact” means the person who may give instructions in respect of the management of a junior ISA account to the person who is the account manager in relation to that account.
- (2) The person who may give instructions in respect of the management of a junior ISA account to the account manager of that account is-
  - (a) the named child who holds the account if-
    - (i) the child has attained the age of 16 years, and
    - (ii) paragraph (3) does not apply in relation to the child, or
  - (b) in any other case, the responsible person in relation to the account.
- (3) This paragraph applies in relation to a child where the child is suffering mental disorder within the meaning given by-
  - (a) section 1(2) of the Mental Health Act 1983,
  - (b) in Scotland, section 328 of the Mental Health (Care and Treatment)(Scotland) Act 2003, or
  - (c) in Northern Ireland, Article 3 of the Mental Health (Northern Ireland) Order 1986.
- (4) A person may be the responsible person in relation to a junior ISA account if-
  - (a) that person-

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- (i) makes the application to open the account in question in accordance with regulation 12A; or
    - (ii) assumes responsibility for the management of the account in accordance with paragraph (5); and
  - (b) that person has parental responsibility in relation to the named child who holds the account at the time when that person-
    - (i) makes the application described in sub-paragraph (a)(i); or
    - (ii) assumes responsibility for the management of the account as described in sub-paragraph (a)(ii).
- (5) In these regulations, a person assumes responsibility for the management of a junior ISA account if-
- (a) the person makes an application to assume responsibility for the management of the account in accordance with paragraph (6), and
  - (b) the account manager of the account in question accepts the application.
- (6) An application to assume responsibility for the management of a junior ISA account must-
- (a) be made to the account manager of the account in question by a person (“the applicant”) who has parental responsibility in relation to the named child who holds the account;
  - (b) contain-
    - (i) the applicant’s full name,
    - (ii) the applicant’s address (including postcode),
    - (iii) the named child’s full name and date of birth,
    - (iv) the named child’s address (including postcode);
  - (c) contain a declaration by the applicant that the applicant-
    - (i) is aged 16 years of age or over,
    - (ii) has parental responsibility in relation to the named child who holds the account in question, and
    - (iii) is to be the registered contact for the account;

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- (d) authorise the account manager (on behalf of the named child who holds the account where appropriate)-
    - (i) to hold the subscriptions, account investments, interest, dividends and any other rights or proceeds in respect of those investments and cash; and
    - (ii) to make on behalf of the named child any claims to relief from tax in respect of account investments;
  - (e) where the application is not in writing, authorise the account manager to record the terms of the declaration in a written declaration made on behalf of the applicant.
- (7) An account manager must not accept an application to assume responsibility for the management of a junior ISA account if-
- (a) except in the circumstances specified in paragraph (8), the person who is the registered contact in relation to the account at the time when the application is made does not consent to the applicant assuming responsibility for the management of the account; or
  - (b) the account manager has reason to believe that the applicant has given untrue information in the application.
- (8) The circumstances specified in this paragraph are-
- (a) the death of the last registered contact,
  - (b) the incapacity of the registered contact,
  - (c) where the registered contact cannot be contacted,
  - (d) the bringing to an end of a Court order under which the registered contact is a responsible person,
  - (e) the named child who holds the account attaining the age of 16 years,
  - (f) where, under an adoption order, the applicant is the adopter of the named child who holds the account,
  - (g) where a Court so orders,
  - (h) where the applicant has been appointed to be a guardian or special guardian of the named child who holds the account.

**2D Regulations that do not apply to junior ISA accounts**

Regulations 4ZA, 4A, 4B, 4C, 4D, 5A, 5B, 9(3)(b)(iii), 10, 11, 12, 21, 23 and 30, do not apply to an account that is a junior ISA account.

## **2E Contracts entered into by or on behalf of a child who is 16 or over**

Where, by virtue of the opening of an account in accordance with regulation 12A a contract is entered into by or on behalf of a child who is-

- (a) aged 16 or over; and
- (b) the child who-
  - (i) holds the account; or
  - (ii) has parental responsibility in relation to the child who holds the account,

the contract has effect as if the child who opened the account had been 18 or over when the contract was entered into.

## **3 Introductory**

These Regulations provide for the setting up of plans in the form of an account, by account managers approved by the Board, under which individuals may make certain investments, for the conditions under which they may invest and under which those accounts are to operate, for relief from tax in respect of account investments and generally for the administration of tax in relation to such accounts.

## **4 General conditions for accounts**

(1) An account is a scheme of investment, to which a subscription may be made, and in respect of which—

- (a) the conditions and requirements contained in paragraphs (1A) and (5)-(8) are fulfilled; and
- (b) either-
  - (i) the conditions contained in paragraphs (1B) are fulfilled; or
  - (ii) at the time when the subscription to the account is made, the account is a junior ISA account.

(1A) The conditions in this paragraph are-

- (a) the account is set up as a stocks and shares account or a cash account;

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- (b) a stocks and shares account is made up of a single stocks and shares component only;
- (c) a cash account is made up of a single cash component only;
- (d) the application to open the account is made in accordance with regulation 12 or 12A.

(1B) The conditions in this paragraph are-

- (a) a qualifying individual who is 16 years of age or over may only subscribe to a single cash account in a particular year,
- (b) a qualifying individual who is 18 years of age or over may only subscribe to a single stocks and shares account in a particular year;
- (c) it is an account to which only one qualifying individual subscribes;
- (d) subject to regulation 7(2)(h), it is an account to which the qualifying individual subscribes only by payment to the account manager of a sum or sums of the individual's cash; and
- (e) the subscriptions made by the qualifying individual to accounts (ignoring transfers and payments from account managers to the individual) do not in the aggregate in any year exceed the subscription limits in regulation 4ZA(1) and (2).

...

...

...

(5) An account must at all times be managed in accordance with these Regulations by an account manager and under terms agreed in a recorded form between the account manager and the account investor.

(6) Apart from other requirements of these Regulations the terms agreed to which paragraph (5) refers shall secure that—

- (a) the account investments shall be in the beneficial ownership of-
  - (i) in the case of an account that is not a junior ISA account, the account investor; or
  - (ii) in the case of a junior ISA account, the named child;
- (b) except in relation to qualifying investments for a cash component within regulation 8(2)(a), (b) or (e), and subject to regulation 15—

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- (i) the title to all account investments shall be vested in the account manager or his nominee or jointly in one of them and the account investor, and
- (ii) where a share certificate or other document evidencing title to an account investment is issued, it shall be held by the account manager or as he may direct;
- (c) in relation to a stocks and shares component, and qualifying investments falling within paragraphs (g), (h), (k), (l) and (m) of regulation 8(2), the account manager shall, if the account investor so elects, arrange for the account investor to receive a copy of the annual report and accounts issued to investors by every company, unit trust, open-ended investment company or other entity in which he has account investments;
- (d) in relation to a stocks and shares component, and qualifying investments falling within paragraphs (g), (h), (k), (l) and (m) of regulation 8(2), the account manager shall be under an obligation (subject to any provisions made under any enactment and if the account investor so elects) to arrange for the account investor to be able—
  - (i) to attend any meetings of investors in companies, unit trusts, open-ended investment companies and other entities in which he has account investments,
  - (ii) to vote, and
  - (iii) to receive, in addition to the documents referred to in sub-paragraph (c), any other information issued to investors in such companies, unit trusts, open-ended investment companies and other entities;
- (e) the account manager shall satisfy himself that any person to whom he delegates any of his functions or responsibilities under the terms agreed with the account investor is competent to carry out those functions or responsibilities;
- (f) on the instructions of the account investor (“the transfer instructions”) and within such time as is stipulated by the account investor in the transfer instructions—
  - (i) an account, with all rights and obligations of the parties to it, or
  - (ii) such parts thereof as may be agreed between the account investor and the account manager,

shall be transferred to another account manager subject to and in accordance with **regulations 21 or 21B** and, where it applies, regulation 21A;

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- (fa) **except in relation to a junior ISA account**, on the instructions, subject to regulation 9(3)(b), of the account investor (“the withdrawal instructions”) and within such time as is stipulated by the account investor in the withdrawal instructions, account investments, interest, dividends, rights or other proceeds in respect of such investments or any cash shall be transferred or paid to him;
- (g) the account manager shall notify the account investor if by reason of any failure to satisfy the provisions of these Regulations an account is or will become no longer exempt from tax by virtue of regulation 22(1).

(7) The time stipulated in the transfer instructions or withdrawal instructions shall be subject to any reasonable business period of the account manager required for the practical implementation of the instructions, but such period—

- (a) must not exceed 30 days; and
- (b) must be consistent with regulation 21A where it applies.

(8) Where an account holds units in or shares of a UK UCITS, recognised UCITS or non-UCITS retail scheme, and dealings in the units or shares are suspended in accordance with Rule 7.2 of the Collective Investment Schemes Sourcebook (COLL 7.2), or any direct foreign equivalent of that Rule, the business period in paragraph (7) may be extended to 7 days after the end of such suspension.

#### **4ZA Subscriptions to an account other than a junior ISA account**

(1) The overall subscription limit for any qualifying individual for any year (that is the aggregate of the qualifying individual’s subscriptions to all accounts in that year) is—

- (a) where the qualifying individual is 16 years of age or over but less than 18 years of age at the end of the year, £5,340; and
- (b) in all other cases, £10,680, but subject to paragraph (2).

(2) Where the qualifying individual is 18 years of age or over at the end of the year, the qualifying individual may only invest up to 50 per cent of the overall subscription limit specified in paragraph (2)(b) in any year to a cash account.

#### **4ZB Subscriptions to a junior ISA account**

(1) Any person may subscribe to a junior ISA account provided the overall amount subscribed by that person and any other person for any year in respect of the same named child does not exceed £3,000.

(2) An amount paid to a junior ISA account in excess of the amount mentioned in paragraph (1) is not an amount subscribed to a junior ISA account and must be returned by the account provider.

(3) A single subscription for an amount equal to the amount mentioned in paragraph (1) or any number of smaller amounts that, when aggregated, do not exceed the amount mentioned in paragraph (1) may be made in respect of the same named child-

- (a) to a cash account held by that child,
- (b) to a stocks and shares account held by that child, or
- (c) in any proportion between such accounts.

#### **4ZC Inalienability of a junior ISA account**

(1) Any assignment of, or agreement to assign, investments under a junior ISA account, and any charge on or agreement to charge any such investments, is void.

(2) On the bankruptcy of the named child holding a junior ISA account, the entitlement to investments under it does not pass to any trustee or other person acting on behalf of the child's creditors.

(3) "Assignment" includes assignation; and "assign" is to be construed accordingly.

(4) "Charge on or agreement to charge" includes a right in security over or an agreement to create a right in security over.

(5) "Bankruptcy", in relation to a named child, includes the sequestration of the child's estate.

#### **4ZD Permitted withdrawals from a junior ISA account**

Withdrawals from a junior ISA account may only be made—

- (a) by the account manager, to settle any management charges and other incidental expenses, which are due by or under the management agreement,
- (b) in accordance with regulation 4ZE, or
- (c) where the account manager is satisfied that the named child holding the account has died.

#### **4ZE Permitted withdrawals from a junior ISA account where the named child is terminally ill**

(1) An account investor may make a claim to the Board, for withdrawals from an account to be permitted in accordance with this regulation.

- (2) The claim shall be—
- (a) made in a manner prescribed by the Board, which shall include the giving of any consent necessary for the verification or consideration of the claim, and
  - (b) accepted in either of the following cases:

*Case 1*

The named child holding the account has been, or is, accepted by the Department for Work and Pensions as falling within section 72(5) of the Social Security Contributions and Benefits Act 1992 (special rules for terminally ill person's entitlement to care component of disability living allowance).

*Case 2*

Evidence that the named child holding the account is terminally ill has been supplied to the satisfaction of the Board.

- (3) The Board shall issue a letter to the account investor authorising withdrawals from the account under this regulation, and shall also notify the account manager.
- (4) Once a claim has been accepted, withdrawals may be made by the account investor at any time—
- (a) provided that, immediately following any withdrawal, a balance sufficient to keep the account open is maintained in the account, and
  - (b) excepting any transfer of a policy of life insurance (as opposed to the proceeds from such a policy).
- (5) Where account investments are withdrawn in a form other than sterling currency, the named child shall be treated as having sold the account investments in question, and as having reacquired them in his personal capacity, for a consideration equal to their market value at the time of their withdrawal.
- (6) In this regulation, “terminally ill” has the meaning in section 66(2)(a) of the Social Security Contributions and Benefits Act 1992.

**4A Repair of certain incompatible accounts and excess subscriptions – accounts other than junior ISA accounts**

- (1) An invalid account is “eligible for repair” if, in relation to the year in which the subscriptions to the account were made (“the relevant year”), it satisfies—
- (a) both the First and Second Conditions below, or
  - (b) the Third Condition.

*First Condition*

The account is invalid because a subscription to the account causes the account investor to breach the conditions in regulation 4(1B)(a) or (b) (which, taken together, allow an individual to subscribe to a single cash account and a single stocks and shares account, in a particular year) and for no other reason.

*Second Condition*

The account is (disregarding any account exempt from tax under regulation 4B) the earliest account in the relevant year, the subscriptions to which caused the account investor to breach the conditions in regulation 4(1B)(a) or (b), as the case may be (that is, it was first subscribed to earlier in that year than any other such account).

*Third Condition*

The account is invalid because a subscription to the account breaches the overall subscription limit in regulation 4(1)(b), and for no other reason.

(2) In this regulation—

- (a) where an account investor subscribes to a particular account in more than one year, each year's subscriptions shall be treated as a separate account for the purposes of this regulation, and regulation 4B (except for determining when an account is closed) only;
- (b) “date of discovery” means the date on which an officer of the Board gives a notice (“notice of discovery”) to the account manager or account investor that the account is invalid, and (if appropriate) directions under paragraph (5) below;
- (c) . . .
- (d) “valid account” means an account which (apart from under this regulation) is exempt from tax under regulation 22(1);
- (e) “invalid account” means a scheme of investment which is not exempt from tax under these Regulations but which (if so exempt) would be an account, within the meaning in regulation 4(1A)(a) and, in relation to an invalid account, references to an account and component have corresponding meanings; and
- (f) (for the avoidance of doubt) “repair” of an account is without prejudice to loss of, and accounting to the Board for, any relief from tax given for the period up to the date of discovery.

(3) An invalid account which is eligible for repair shall be treated as—

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- (a) exempt from tax under this regulation (as if under regulation 22), and
- (b) complying with the conditions of regulation 4(1B)(a) or (b), or 4ZA(1)(b), as the case may be,

as from the date of discovery, to the extent of the relevant proportion mentioned in paragraph (4)(b).

(4)

- (a) Calculate the extent to which the subscriptions made (and counting towards the subscription limits) during the relevant year—
  - (i) to that account, any other account which is eligible for repair, and any valid account (but ignoring subscriptions to any closed account within the meaning in regulation 4B)) do not exceed,
  - (ii) the subscriptions limits in regulation 4ZA(1) and (2), as the case may be, and
- (b) an officer of the Board shall apportion that result between the accounts mentioned in sub-paragraph (a)(i), and the amount apportioned to the account mentioned in paragraph (3) is the relevant proportion.

(5) The account manager must comply within 30 days with any directions in the notice of discovery which—

- (a) make the apportionment under paragraph (4)(b) and identify the account and component from which excess subscriptions or allocations (if any) are to be removed;
- (b) direct the removal of subscriptions and proceeds representing them from an account; or
- (c) direct the removal of subscriptions and proceeds representing them from a component.

**4B Closure of cash account that is not a junior ISA account prior to the opening of the same type of account to be disregarded once**

(1) Where—

- (a) an account investor, within the same year—
  - (i) subscribes to a cash account,
  - (ii) then closes it (“the closed account”), and
  - (iii) subsequently first subscribes to another cash account, and

- (b) the closed account was (apart from under this regulation) exempt from tax under regulation 22(1), the earliest account in that year to fall within the terms of sub-paragraph (a)(iii) (the “first later account”) shall be eligible for the relief in paragraph (2).

(2) The first later account shall be treated, as from the date of the first subscription to it mentioned in paragraph (1)(a)(iii) as complying with the conditions of regulation 4(1B)(a) in the same manner as the closed account.

(3) In this regulation, an account is closed where—

- (a) the account investor withdraws from the account all account investments, other proceeds in respect of such investments and cash, representing subscriptions to the account (and closure shall be treated as occurring at the date of such withdrawal), and
- (b) no further subscriptions to the account are made during the remainder of the year, after such withdrawal.

#### **4C Removal of insurance components at 6th April 2005**

(1) This regulation applies to accounts which include (or are made up of) an insurance component immediately before 6th April 2005 (“the transitional time”).

(2) Where all the policies of life insurance falling within regulation 9, held under the component at the transitional time, were issued in respect of an insurance made before 6th April 2004, the component—

- (a) if the account is, or had been, designated as a maxi-account, shall be treated on and from 6th April 2005 as merged into the stocks and shares component for that account; and
- (b) if the account is, or had been, designated as a mini-account, shall be treated on and from 6th April 2005 as a stocks and shares component of the same account.

(3) Where any of the policies of life insurance falling within regulation 9, held under the component at the transitional time, were issued in respect of an insurance made on or after 6th April 2004—

- (a) the condition in regulation 7(15) shall be applied to those policies on 6th April 2005, modified as if for “the date” to “five years” there were substituted “6th April 2005”;
- (b) if all those policies satisfy that condition, paragraph (2)(a) or (b), as the case may be, shall apply to the component;
- (c) if any of those policies does not satisfy that condition, the component—

- (i) if the account is, or had been, designated as a maxi-account including a cash component, shall be treated on and from 6th April 2005 as merged into the cash component for that account; and
- (ii) in any other case, shall be treated on and from 6th April 2005 as a cash component for the same account.

#### **4D Removal of maxi-accounts, mini-accounts and TESSA only accounts at 6th April 2008**

- (1) This regulation applies to accounts in existence immediately before 6th April 2008 (“the transitional time”).
- (2) An account that, at the transitional time, is or has been designated as a TESSA only account shall be treated as a cash account on and from 6th April 2008.
- (3) An account that, at the transitional time, is or has been designated as a mini-account made up of a cash component shall be treated as a cash account on and from 6th April 2008.
- (4) An account that, at the transitional time, is or has been designated as a mini-account made up of a stocks and shares component shall be treated as a stocks and shares account on and from 6th April 2008.
- (5) An account that, at the transitional time, is or has been designated as a maxi-account and is made up of a stocks and shares component only, shall be treated as a stocks and shares account on and from 6th April 2008.
- (6) Where an account, at the transitional time, is or has been designated as a maxi-account and is made up of two components—
  - (a) the stocks and shares component, if it holds investments or cash at the transitional time, shall be treated as a stocks and shares account on and from 6th April 2008; and
  - (b) the cash component, if it holds investments or cash at the transitional time, shall be treated as a separate cash account on and from 6th April 2008.

#### **5A Treatment of sums held in accounts managed by Icesave Bank**

- (1) This regulation applies if—
  - (a) at 8th October 2008, an account investor had an investment in an account (“the Icesave account”) for which the account manager was Landsbanki Islands hf (trading as Icesave);
  - (b) compensation is paid in respect of that investment by (or through) the Financial Services Compensation Scheme; and

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- (c) the account investor receives from the Financial Services Compensation Scheme a certificate containing the following information—
- (i) the account investor's full name;
  - (ii) his or her permanent address, including postcode;
  - (iii) his or her date of birth;
  - (iv) his or her national insurance number (if any);
  - (v) the Icesave account number;
  - (vi) the date on which the account was suspended;
  - (vii) the amount in the account (capital and interest) at the date of suspension;
  - (viii) the date of the first subscription (if any) to the account in the year 2008–09; and
  - (ix) the aggregate of the subscriptions made to the account in the year 2008–09 on or before 8th October 2008 (“current year subscriptions”).

(2) Where this regulation applies, the account investor may, not later than 5th October 2009, make a single subscription to an account held by him or her with another account manager (“the receiving account”), giving the certificate to the account manager, in accordance with the following paragraphs.

(3) Where the subscription to the receiving account is made during the year 2008–09, the amount subscribed under this regulation may not exceed:

X minus Y

where X is the closing balance in the Icesave account (see paragraph (1)(c)(vii)), and

Y is the amount (if any) by which the aggregate of—

- (a) the current year subscriptions (if any) made to the Icesave account (see paragraph (1)(c)(ix)), and
- (b) the subscriptions (if any) made to the receiving account by the account investor in the year 2008–09 (ignoring the subscription made under this regulation),

would otherwise exceed the subscription limit for the year 2008–09 in regulation 4ZA(2).

Paragraphs (4) to (6) shall also apply to a subscription made under this regulation during the year 2008–09.

(4) The subscription made under this regulation shall only count towards the subscription limit in regulation 4ZA(2) to the extent that the current year subscriptions (if any) made to the Icesave account exceed Y (or where there is no amount for Y, exceed nil).

(5) Where the receiving account is a stocks and shares account—

- (a) the references in paragraphs (3) and (4) to the subscription limit in regulation 4ZA(2) shall be read as references to the subscription limit in regulation 4ZA(1)(b); and
- (b) the current year subscriptions (if any) made to the Icesave account shall be treated, for all purposes including regulation 31(3)(c), as if they had been made to the stocks and shares account, and accordingly shall not count towards the cash subscription limit in regulation 4ZA(2).

(6) The account manager for the receiving account must—

- (a) in the case of a subscription made under this regulation to the account in the year 2008–09, treat the subscription in the same way as an account transferred from another account manager to him during the year 2008–09; and
- (b) retain either the certificate mentioned in paragraph (2), or a copy of it.

(7) Where the subscription to the receiving account is made during the year 2008–09 (but not later than 5th October 2009), the amount subscribed under this regulation—

- (a) may not exceed X (see paragraph (3)), and
- (b) shall not count towards the subscription limits in regulation 4ZA(1) or (2),

and paragraph (6) (omitting sub-paragraph (a)) shall also apply to that subscription.

## **5B Treatment of certain sums held in accounts managed by Keydata Investment Services Limited**

(1) This regulation applies if—

- (a) at 8th June 2009, an account investor had an account holding SLS Capital S.A. Secure Income Bonds, issue 1, 2 or 3 (“the Bonds”), for which the account manager was Keydata Investment Services Limited (“Keydata”) which went into administration on that date;

- (b) the investor has received from the Administrators of Keydata a certificate containing the following information—
  - (i) the investor's full name and permanent residential address, including postcode;
  - (ii) the investor's Keydata client reference number;
  - (iii) the date of investment in the Bonds;
  - (iv) the amount (if any) subscribed in cash;
  - (v) the amount (if any) subscribed by an ISA transfer;
  - (vi) the total amount subscribed (for investment in the Bonds); and
  - (vii) the maximum amount that can be reinvested using the certificate.
- (2) Where this regulation applies, the account investor may make a single subscription to a stocks and shares account held by him or her with another account manager—
  - (a) not exceeding the maximum stated in the certificate under paragraph (1)(b)(vii);
  - (b) not later than 5th April 2011; and
  - (c) giving the certificate to the new account manager.
- (3) The subscription made under this regulation shall not count towards the subscription limits in regulation 4ZA(1).
- (4) The new account manager must—
  - (a) treat the subscription made under this regulation in the same way as an account transferred from another account manager to him; and
  - (b) retain either the certificate mentioned in paragraph (1)(b), or a copy of it.

### **5C Treatment of certain sums held in dormant accounts**

- (1) Regulations 30 and 31 (information by account managers) shall not apply to a dormant account, while section 1 or 2 of the Dormant Bank and Building Society Accounts Act 2008 (“the 2008 Act”) applies in relation to that account.
- (2) Where, following a repayment claim, the balance of a dormant account is paid—
  - (a) back into the account (in a case where the original cash account can be reinstated with the same account manager, the same account investor and number), or

- (b) into another cash account in the same account investor's name, with the same account manager (in any other case), the payment into the account shall not count towards the subscription limits in regulation 4ZA(1)(b).

(3) In this regulation, "repayment claim" means a repayment claim mentioned in section 5(6) of the 2008 Act, and other terms used in this regulation and that Act have the same meaning in this regulation as in that Act.

## 6 General investment rules

(1) All transactions by way of purchase by an account manager of investments under an account shall be made—

- (a) in the case of an authorised fund which is a dual priced unit trust, at the manager's price for the sale of the relevant class of units within the meaning of, and complying with the requirements of, rules 6.3.5 and 6.3.5B of the Collective Investment schemes sourcebook;
- (b) in the case of an authorised fund which is a single priced unit trust or an open-ended investment company, at the price of a unit or share within the meaning of, and complying with the requirements of, rules 6.3.5 and 6.3.5A of the Collective Investment schemes sourcebook; and
- (c) in the case of all other account investments, at the price for which those investments might reasonably be expected to be purchased in the open market.

(1ZA) In paragraph (1)(a) and (b)—

...

"a dual priced unit trust" means an authorised unit trust in respect of which the manager gives different prices for buying and selling units at the same time;

"a single priced unit trust" means an authorised unit trust in respect of which the manager gives the same price for buying and selling units at the same time.

(2) All other transactions by way of sale or otherwise by an account manager in investments under an account shall be made at the price for which those investments might reasonably be expected to be sold or otherwise transacted, as the case may be, in the open market.

(3) Investments, or rights in respect of investments, may not at any time—

- (a) be purchased or made otherwise than out of cash which an account manager holds under an account and component, for which those investments or rights are qualifying investments; or

- (b) be purchased from—
  - (i) an account investor, or
  - (ii) the spouse or civil partner of an account investor,

so as to become account investments under an account to which the account investor subscribes or has subscribed.

- (4) Subject to paragraphs (5) and (6), **cash subscriptions and other cash held** by an account manager under an account shall be held only in sterling and be deposited in—
  - (i) an account with a deposit-taker (including for this purpose a credit union), or a deposit account or a share account with a building society, or
  - (ii) in the case where the account manager is the Director of Savings, an account with the Director of Savings,

which is designated as an ISA account for the purposes of these Regulations only.

(5) An account manager who is a European institution, a relevant authorised person or an assurance undertaking may hold **cash subscriptions and other cash held** under an account in the currency of the EEA State in which he has his principal place of business and may deposit such cash in an account, which is designated as mentioned in paragraph (4), with any person authorised under the law of that State to accept deposits.

(6) Cash by way of dividends, interest, distributions, and other rights or proceeds in respect of qualifying investments for any account shall at all times be recorded and accounted for separately from that for any other account, and may be invested only—

- (a) in qualifying investments for the appropriate component; or
- (b) by way of cash deposit in accordance with paragraphs (4) and (5).

## **7 Qualifying investments for a stocks and shares component**

(1) This regulation specifies the kind of investments (“qualifying investments for a stocks and shares component”) which may be purchased, made or held under a stocks and shares component, and in this regulation and regulations 31 and 34, “shares” without more includes stock.

(2) Qualifying investments for a stocks and shares component to which paragraph (1) refers are—

- (a) shares, not being shares in an investment trust—
  - (i) issued by a company wherever incorporated,

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- (ii) subject to paragraph (3), officially listed on a recognised stock exchange, and
  - (iii) in circumstances where the shares in question satisfy the condition specified in paragraph (15), or were held under the component on 6th October 2005;
- (b) securities (“qualifying securities”)—
- (i) issued by a company wherever incorporated,
  - (ii) where the securities in question satisfy—
    - (a) at least one of the conditions specified in paragraph (5), and
    - (b) the condition specified in paragraph (6), . . .
    - (c) . . .
  - (iii) in the case of securities of an investment trust, purchased or acquired by the account manager in circumstances where the trust satisfies the conditions specified in paragraph (8);
- (c) gilt-edged securities which satisfy the condition specified in paragraph (12);
- (ca) any securities issued by or on behalf of a government of any EEA State, which satisfy the condition specified in paragraph (12);
- (cb) any securities which—
- (i) in relation to a security mentioned in sub-paragraph (ca), would be a strip of that security if “strip” had the same meaning as in section 47 of the Finance Act 1942, with the omission of the words “issued under the National Loans Act 1968”, and
  - (ii) satisfy the condition specified in paragraph (12);
- (cc) securities issued by a multilateral institution, contributions to which may be reported as official development assistance, listed in Part I of Annex 2 to the DAC Statistical Reporting Directive (approved by the Development Assistance Committee of the Organisation for Economic Co-operation and Development), where the securities satisfy the conditions in paragraphs (5)(b) and (6);
- (d) shares in an investment trust, listed in the Official List of the Stock Exchange, in circumstances where the trust satisfies the conditions specified in paragraph (8);
- (e) . . .

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- (f) units in, or shares of, a UK UCITS or recognised UCITS, in circumstances where the units or shares satisfy the condition specified in paragraph (15);
- (g) qualifying units in or shares of a non-UCITS retail scheme, in circumstances where the units or shares satisfy the condition specified in paragraph (15);
- (h) subject to the conditions specified in paragraph (10)—
  - (i) shares which the qualifying individual has exercised the right to acquire in accordance with the provisions of an approved SAYE option scheme,
  - (ii) shares which have been appropriated to the qualifying individual in accordance with the provisions of an approved profit sharing scheme, or
  - (iii) plan shares of an approved SIP which cease to be subject to the plan but have remained in the beneficial ownership of the participant,

and such shares shall be treated as fulfilling the condition as to payment of cash in regulation 4(1B)(e);

- (ha) a depositary interest;
- (j) cash deposited in accordance with regulation 6(4) to (6) which an account manager holds for the purpose of investment in investments which are qualifying investments for a stocks and shares component;
- (k) investments which—
  - (i) were held under a stocks and shares component or a personal equity plan on 28th November 2001,
  - (ii) on that date were admitted to trading on a recognised stock exchange in an EEA State and were not listed by a competent authority in an EEA State for the purposes of Council Directive 2001/34,
  - (iii) since that date have not ceased to be so admitted and have not become so listed,
  - (iv) do not fall within any of the other sub-paragraphs of this paragraph, and
  - (v) are not investments which, having fallen within any of those sub-paragraphs, have ceased so to fall on or after that date;
- (l) investments which—

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- (i) were held under the stocks and shares component or a personal equity plan on 6th April 2004; and
  - (ii) immediately before that date, fell within sub-paragraphs (e), (f) or (g), or sub-paragraph (ha) so far as the relevant investments (within the meaning in the definition of “depository interest”) fell within any of those sub-paragraphs;
- (m) units in a relevant collective investment scheme specified as a stakeholder product by regulation 5 of the Stakeholder Products Regulations, in circumstances where the units satisfy the condition in paragraph (15);
- (n) policies of life insurance falling within regulation 9, issued in respect of an insurance made on or after 6th April 2005, in circumstances where the policy satisfies the condition in paragraph (15);
- (o) policies of life insurance falling within regulation 9, issued in respect of an insurance made before—
- (i) 6th April 2004, in a case where regulation 4C(2)(a) or (b) applies, or
  - (ii) 6th April 2005, in a case where regulation 4C(3)(b) applies;
- (p) in the case of a personal equity plan which is treated on and from 6th April 2008 as a stocks and shares account, investments which, immediately before that date, were qualifying investments for the plan under regulation 6(2)(m) of the Personal Equity Plan Regulations 1989.
- (3) An investment in shares fulfils the condition as to official listing in paragraph (2)(a) or (d) if—
- (a) in pursuance of a public offer, the account manager applies for the allotment or allocation to him of shares in a company or trust which are due to be admitted to such listing within 30 days of the allocation or allotment, and which, when admitted to such listing, would be qualifying investments for a stocks and shares component, and
  - (b) the shares are not allotted or allocated to the account manager in the circumstances specified in paragraph (4).
- (4) The circumstances specified in this paragraph are where—
- (a) the allotment or allocation of the shares was connected with the allotment or allocation of—
    - (i) shares in the company or trust of a different class, or
    - (ii) rights to shares in the company or trust of a different class, or

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- (iii) shares or rights to shares in another company or trust, or
- (iv) units in or shares in, or rights to units in or shares in, an authorised fund or a part of an umbrella scheme, or
- (vi) securities or rights to securities of the company or trust, or of another company or trust,

to the account manager, the account investor or any other person; and

- (b) the terms on which the first-mentioned shares in this paragraph were offered were significantly more favourable to the account manager or account investor than they would have been if their allotment or allocation had not been connected as described in sub-paragraph (a).

(5) The conditions specified in this paragraph are—

- (a) that the shares in the company issuing the securities are listed on the official list of a recognised stock exchange;
- (b) that the securities are so listed;
- (c) that the company issuing the securities is a 75 per cent subsidiary of a company whose shares are so listed.

(6) The condition specified in this paragraph is that, judged at the date when each of the securities is first held under the account, the terms on which it was issued do not—

- (a) require the loan to be repaid or the security to be re-purchased or redeemed, or
- (b) allow the holder to require the loan to be repaid or the security to be repurchased or redeemed except in circumstances which are neither certain nor likely to occur,

within the period of five years from that date.

(7) . . .

(8) The condition specified in this paragraph is that not more than 50 per cent in value of the investments of the investment trust are either—

- (a) securities which would not be qualifying securities, or
- (b) securities which would not fall within any of sub-paragraphs (c) to (cb) of paragraph (2),

if paragraph (6), or paragraph (6) as it applies with the modifications in paragraph (12), as the case may be, required the terms on which they were issued to be judged at the date when they first became investments of the investment trust.

(9) . . .

(10) The conditions specified in this paragraph are—

- (a) in relation to shares which the individual has exercised his right to acquire in accordance with the provisions of an approved SAYE option scheme, that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the exercise of that right;
- (b) in relation to shares appropriated to the individual in accordance with the provisions of an approved profit-sharing scheme, that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the date when the individual directed the trustees to transfer the ownership of the shares to him or, if earlier, the release date in relation to the shares;
- (ba) in relation to plan shares mentioned in paragraph (2)(h)(iii), that the shares are transferred to the account manager or his nominee before the expiry of the period of 90 days following the date when the plan shares ceased to be subject to the plan;
- (c) that the aggregate market value at the date of transfer of any shares transferred to the account manager or his nominee in accordance with sub-paragraphs (a), (b) or (ba) in any year, and the individual's cash subscriptions in that year to that account, do not together exceed the overall subscription limit in regulation 4ZA(1)(b) in that year, reduced by the subscriptions by the individual in that year to a cash account.

(11) In paragraph (4)(a), “company” means any body corporate having a share capital.

(12) The condition specified in this paragraph is the condition specified in paragraph (6), omitting sub-paragraph (b) of that paragraph and the word “or” after sub-paragraph (a).

(13) The references to “shares” in paragraphs (2)(h) and (10) shall include references to a depositary interest where the relevant investments in question (referred to in paragraphs (a) and (b) of the definition of “depositary interest”) are shares falling within both paragraphs (2)(h) and (10).

(14) Qualifying investments for a stocks and shares component falling within sub-paragraph (ha) of paragraph (2), so far as the relevant investments (within the meaning given in the definition of “depositary interest”) fall within any of sub-paragraphs (a), . . . . . (f) or (g) of that paragraph, must satisfy the condition specified in paragraph (15).

(15) The condition specified in this paragraph is that, judged at the date on which the qualifying investments in question become held in the account (and having regard to the contractual terms and conditions then in existence) the account investor will not be entitled to a secured minimum return at any time falling within the following 5 years. The account investor is entitled to a secured minimum return if—

- (a) the contract under which the investments were acquired, or any other transaction entered into by the account investor or any other person, or
- (b) the nature of the underlying subject matter of the investments,

have the effect that the account investor is not exposed, or not exposed to any significant extent, to the risk of loss from fluctuations in the value of the investments exceeding 5% of the capital consideration paid or payable for the acquisition of those investments.

(16) In this regulation references, in relation to qualifying investments, to—

- (a) the underlying subject matter are references to or to the value of the investments, currencies or other matters to which, or to the value of which, those qualifying investments or their value is referable, and in the case of a policy of life insurance, under whose terms some or all of the benefits are determined by reference to fluctuations in, or in an index of, the value of any property of any description (whether or not specified in the policy or contract), that property or that index;
- (b) the capital consideration paid or payable include premiums paid or payable under a policy of life insurance, and include the incidental costs of acquisition; and
- (c) the value are to be construed applying regulation 6(2), but deducting the incidental costs that would be incurred by a disposal and, in the case of a policy of life insurance, omitting any benefits payable in the event of the death of the account investor.

(17) Where a policy of life insurance confers on the person to whom it is issued an option to have another policy issued for it or to have any of its terms changed, the condition in paragraph (15) shall only be satisfied if it would also be satisfied if each or any of the changes capable of being made in pursuance of such an option had been made.

## **8 Qualifying investments for a cash component**

(1) This regulation specifies the kind of investments (“qualifying investments for a cash component”) which may be purchased, made or held under a cash component.

(2) Qualifying investments for a cash component to which paragraph (1) refers are, subject to paragraph (3)—

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- (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 (read with subsection (3) of that section), or
  - (iv) a relevant European institution;
- (b) cash deposited in a share account with a building society;
- (c) . . .
- (d) . . .
- (e) such investment deposits with the National Savings Bank which, according to the terms and conditions subject to which they are made, are expressly permitted to be held under a cash component of an account;
- (f) any securities issued under the National Loans Act 1968—
  - (i) for the purpose of or in connection with raising money under the auspices of the Director of Savings within the meaning of section 11(1)(a) of the National Debt Act 1972, and
  - (ii) other than national savings certificates, premium savings bonds, national savings stamps and national savings gift tokens,

which, according to the terms and conditions subject to which they are issued and purchased, are expressly permitted to be held under a cash component of an account;

- (g) investments falling within sub-paragraphs (a), . . . . . (f) or (g) of regulation 7(2), in circumstances where the units. . . or shares do not satisfy the condition specified in regulation 7(15);
- (h) a depositary interest (with the references in that definition to a stocks and shares component and to regulation 7(2)(a) to (h) being replaced with references to a cash component and to regulation 8(2)(a) to (g));
- (j) a deposit account specified as a stakeholder product by regulation 4 of the Stakeholder Products Regulations;
- (k) units in a relevant collective investment scheme specified as a stakeholder product by regulation 5 of the Stakeholder Products Regulations, in circumstances where the units do not satisfy the condition in regulation 7(15);

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- (l) policies of life insurance, falling within regulation 9, issued in respect of an insurance made on or after 6th April 2005, in circumstances where the policy does not satisfy the condition in regulation 7(15);
  - (m) policies of life insurance, falling within regulation 9, issued in respect of an insurance made before 6th April 2005, in a case where regulation 4C(3)(c)(i) or (ii) applies;
  - (n) arrangements falling within section 47 of the Finance Act 2005 (alternative finance arrangements) under which the person referred to in that section as Y is a financial institution;
  - (o) arrangements falling within section 49 of that Act.
- (3) A deposit account or share account which is a qualifying investment for a cash component falling within paragraph (2)(a) or (b) respectively must not be connected with any other account falling within the descriptions in those sub-paragraphs, held by the account investor or any other person, and for this purpose such an account is connected with another if—
- (a) either was opened with reference to the other, or with a view to enabling the other to be opened on particular terms, or with a view to facilitating the opening of the other on particular terms, and
  - (b) the terms on which the first-mentioned account in this paragraph was opened would have been significantly less favourable to the holder if the other had not been opened.

## **9 Insurance policies**

- (1) Policies referred to in regulation 7(2)(n) or (o) or 8(2)(l) or (m) must, subject to compliance with paragraphs (4) to (7), satisfy the conditions specified in paragraph (3).
- (2) In paragraph (1) “policies” includes rights under a linked long-term contract specified as a stakeholder product by regulation 6 of the Stakeholder Products Regulations.
- (3) The conditions specified in this paragraph are that—
  - (a) the insurance is on the life of the account investor only;
  - (b) the terms and conditions of the policy provide—
    - (i) that the policy may only be owned or held as a qualifying investment for . . . an account which satisfies the provisions of these Regulations;

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- (ii) that the policy shall automatically terminate if it comes to the notice of the account manager, in any manner, that either of the events specified in paragraph (8) has occurred in relation to the policy;
  - (iii) for an express prohibition of any transfer of the policy, or the rights conferred by the policy or any share or interest in the policy or rights respectively, other than the cash proceeds from the termination of the policy or a partial surrender of the rights conferred by the policy, to the account investor; and
  - (iv) that the policy, the rights conferred by the policy and any share or interest in the policy or rights respectively, shall not be capable of assignment or (in Scotland) assignation, other than that they may be vested in the account investor's personal representatives, and that the title to the policy may be transferred to a new account manager subject to and in accordance with regulations 15 and 21;
- (c) the policy evidences or secures a contract of insurance which—
- (i) falls within paragraph I or III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, or
  - (ii) would fall within either of those paragraphs if the insurer was a company with permission under Part 4 of the Financial Services and Markets Act 2000 to effect or carry out contracts of insurance;
- (d) the policy is not—
- (i) a contract to pay an annuity on human life, or
  - (ii) a personal portfolio bond within the meaning given by section 516 of ITTOIA 2005, or
  - (iii) a contract, the effecting and carrying out of which constitutes “pension business” within the meaning given by section 431B(1) of the Taxes Act; and
- (e) after the first payment in respect of a premium in relation to the policy has been made, there is no contractual obligation on any person to make any other such payment.
- (4) A policy . . . must not be connected with any other policy (“the linked policy”), held by the account investor or any other person, and for this purpose a policy is connected with another if—
- (a) either policy was issued in respect of an insurance made with reference to the other, or with a view to enabling the other to be made on particular

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terms, or with a view to facilitating the making of the other on particular terms, and

- (b) the terms on which the first-mentioned policy in this paragraph was issued would have been significantly less favourable to the holder if the linked policy had not been issued.

(5) References to “the linked policy” in paragraph (4) shall include a contract of insurance, and references to the issuing of the linked policy shall include the making of such a contract.

(6) No sum may at any time, at or after the making of the insurance, be lent to or at the direction of the account investor by or by arrangement with the insurer for the time being responsible for the obligations under the policy.

(7) Where either of the events specified in paragraph (8) occurs in relation to a policy, the policy shall nevertheless be treated, for the purposes of these Regulations, excepting paragraphs (3)(b)(ii) and (8) and regulation 36, as if it had satisfied the conditions in paragraph (3)(b)(i) during the period—

- (a) commencing at the time at which the specified event occurred, and
- (b) ending immediately before—
  - (i) the end of the final insurance year in relation to the policy, within the meaning given by section 499 of ITTOIA 2005, or
  - (ii) the time at which the specified event came to the notice of the account manager,

whichever first occurs (the “termination event”).

(8) The events specified in this paragraph are—

- (a) that the policy has ceased to be one in respect of which the conditions in paragraph (3)(b)(i) are satisfied; and
- (b) that those conditions were not satisfied in relation to the policy at the date on which the insurance was made.

(9) Where—

- (a) it comes to the notice of the account manager, in any manner, that an event specified in paragraph (8) has occurred in relation to a policy, and
- (b) the account manager is not the insurer for the time being responsible for the obligations under the policy or, where the policy is not still in existence, the person who was the last such insurer,

the account manager shall, within 30 days of the event coming to his notice, give notice to that insurer, specifying the event mentioned in sub-paragraph (a), and the termination event.

## **10 Qualifying individuals who may invest under an account that is not a junior ISA account**

(1) This regulation specifies the description of individual (“qualifying individual”) who may invest under an account **that is not a junior ISA account**.

(2) A qualifying individual to whom paragraph (1) refers is an individual—

- (a) who, in the case of a cash account, is 16 years of age or over and, in the case of a stocks and shares account, is 18 years of age or over;
- (b) who, in the case of a stocks and shares account, has not subscribed, and will not subscribe, to any other stocks and shares account, in the year in which the subscription is made;
- (c) who, in the case of a cash account, has not subscribed, and will not subscribe, to any other cash account, in the year in which the subscription is made;
- (ca) who has not exceeded the appropriate overall subscription limit in regulation **4ZA(1)**, or the applicable subscription limit in regulation **4ZA(2)**, in that year; and
- (d)
  - (i) who is resident and ordinarily resident in the United Kingdom, or
  - (ii) who, though not resident in the United Kingdom, has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003, or
  - (iii) who, though not resident in the United Kingdom, is married to or in a civil partnership with a person mentioned in paragraph (ii).

## **11 Account investor ceasing to qualify – accounts other than junior ISA accounts**

Notwithstanding any other provision of these Regulations an account investor who, after subscribing to an account, at any time ceases to fulfil the conditions of regulation 10(2)(d) may retain the benefits of the account (including the right to any relief or exemption due under the account) subsisting at that time but, so long as he fails to fulfil those conditions, shall not be entitled to subscribe further to such an account.

## **12 Conditions for application to open an account that is not a junior ISA account**

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- (1) An application by an individual to **open** an account in the year in which he first subscribes to that account, and in the year following a year in which that individual has not subscribed to the account, must be made to an account manager in a statement and must fulfil the conditions specified in paragraphs (2), (3) and (4).
- (2) An application must specify the first year to which the application relates.
- (3) An application **must contain** a declaration by the applicant that—
  - (a) his application is to **open** a stocks and shares account or cash account, as the case may be;
  - (b) the declaration shall have effect for the year to which paragraph (2) refers, and each successive year following that year, in which the applicant subscribes to the account;
  - (c) all cash subscriptions made, and to be made, to the account are the applicant's cash;
  - (d) in the case of a stocks and shares account, the applicant—
    - (i) has not subscribed, and will not subscribe, to any other stocks and shares account, in the year to which paragraph (2) refers, and
    - (ii) will not subscribe to any other stocks and shares account, in each successive year following that year, in which the declaration has effect;
  - (e) in the case of a cash account, the applicant—
    - (i) has not subscribed, and will not subscribe, to any other cash account, in the year to which paragraph (2) refers, and
    - (ii) will not subscribe to any other cash account, in each successive year following that year, in which the declaration has effect;
  - (ea) that the applicant has not subscribed, and will not subscribe, more than the appropriate overall subscription limit in regulation **4ZA(1)** (aggregating subscriptions to all accounts)—
    - (i) in the year to which paragraph (2) refers, and
    - (ii) in each successive year following that year, in which the declaration has effect;
  - (eb) that in the case of a cash account, the applicant has not subscribed, and will not subscribe, more than the subscription limit in regulation **4ZA(2)**—
    - (i) in the year to which paragraph (2) refers, and

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- (ii) in each successive year following that year, in which the declaration has effect;
- (f) the applicant is 16 years of age or over, and—
  - (i) is resident and ordinarily resident in the United Kingdom, or
  - (ii) is a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003, or
  - (iii) is married to or in a civil partnership with a person mentioned in paragraph (ii),

and will inform the account manager if he ceases to be so resident and ordinarily resident, or to perform such duties, or to be married to or in a civil partnership with a person who performs such duties, as the case may be;

- (g) the applicant authorises the account manager—
  - (i) to hold the applicant's cash subscription, account investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash;
  - (ii) to make on his behalf any claims to relief from tax in respect of account investments;
  - (iii) . . . ;
  - (iv) where a written declaration is required by paragraph (7), to record the terms of the declaration in a written declaration made on behalf of the applicant.

(4) An application must contain—

- (a) the applicant's full name,
- (b) the address of his permanent residence, including postcode,
- (c) his national insurance number, or confirmation that he does not have one, and
- (d) his date of birth.

(5) . . .

(6) An account manager may not accept as an account investor any individual if he has reason to believe that—

- (a) he is not or might not be a qualifying individual, or

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(b) he has given untrue information in his application.

(7) Where the application is not in writing or the manager operates a record system under which all original written applications are not retained, the account manager shall make the written declaration referred to in paragraph (3)(g)(iv) and notify the applicant of its contents.

(7A) Any such declaration shall take effect from the date on which it was made (subject to any corrections notified by the applicant to the manager within 30 days), and if he does not disagree with the contents within 30 days, he shall be treated as having agreed them.

(8) Section 95 of the Management Act shall have effect as if—

(a) the statement and declarations to which paragraphs (1), (3) and (7) refer were a statement or declarations, as the case may be, within the meaning of subsection (1)(b), and

(b) there were substituted for subsection (3) the following words—

“(3) The relevant years of assessment for the purposes of this section are the year of assessment in respect of which any claim to relief or exemption from tax in connection with which the statement or declarations are relevant, is made, the next following, and any preceding year of assessment.”.

(9) An application furnished by an individual under this regulation . . . shall be regarded as in writing if it is furnished—

(a) by telephonic facsimile transmission containing the signature of the individual, or

(b) by electronic communication containing an electronic signature of the individual.

(10) Declarations made by the account manager under paragraph (7) . . . shall be regarded as made in writing if they are produced by electronic means, and the copy of a declaration to be sent to the individual in accordance with paragraph (7) . . . may be sent by telephonic facsimile transmission or by electronic communication.

(11) In this regulation—

“electronic communication” includes any communication conveyed by means of an electronic communications network;

“electronic signature” has the meaning given by section 7(2) of the Electronic Communications Act 2000.

(12) An application may be made on behalf of an individual who is suffering from mental disorder, by a parent, guardian, spouse, civil partner, son or daughter of the individual, and shall be treated for the purposes of these Regulations as an application made by the individual.

(13) In paragraph (12) “mental disorder” has the meaning given by section 1(2) of the Mental Health Act 1983 or, in Scotland, section 328 of the Mental Health (Care and Treatment) (Scotland) Act 2003 or, in Northern Ireland, Article 3 of the Mental Health (Northern Ireland) Order 1986.

### **12A Conditions for application to open an account that is a junior ISA account**

(1) An application (“junior ISA application”) to open a junior ISA account with an account manager may only be made if the account will be held by an eligible child immediately following the opening of the account.

(2) An eligible child may hold-

- (a) only one account set up as a cash account; and
- (b) only one account set up as a stocks and shares account.

(3) A junior ISA application may be made by-

- (a) a person who, at the time when the application is made, has parental responsibility in relation to the child who is the eligible child who will hold the junior ISA account opened pursuant to the application; or
- (b) a child who-
  - (i) is the eligible child who will hold the junior ISA account opened pursuant to the application; and
  - (ii) is over 16 at the time when the application is made.

(4) A junior ISA application must be made to an account manager in a statement and must fulfil the conditions specified in paragraphs (5), (6) and (7).

(5) A junior ISA application must specify the eligible child as being the beneficial owner of the account investments under that account.

(6) A junior ISA application must contain a declaration by the applicant that—

- (a) the application is made to open a junior ISA account;
- (b) the information provided in accordance with paragraph (7) is true;

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- (c) the child who will hold the account opened pursuant to the application is not an “eligible child” within the meaning given in the Child Trust Funds Act 2004;
- (d) the child who will hold the account opened pursuant to the application is-
  - (i) resident and ordinarily resident in the United Kingdom,
  - (ii) a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003,
  - (iii) married to or in a civil partnership with a person mentioned in paragraph (ii), or
  - (iv) a dependent of a person mentioned in paragraph (ii);
- (e) the application is to subscribe to a stocks and shares account or cash account, as the case may be;
- (f) in the case of a stocks and shares account, the applicant—
  - (i) has not subscribed, and will not subscribe, to any other stocks and shares account that is a junior ISA account held for the same eligible child, and
  - (ii) is not aware of any other stocks and shares account held by the eligible child which is a junior ISA account;
- (g) in the case of a cash account, the applicant—
  - (i) has not subscribed, and will not subscribe, to any other cash account that is a junior ISA account held for the same eligible child, and
  - (ii) is not aware of any other cash account held by the eligible child which is a junior ISA account;
- (h) as far as the applicant is aware, the applicant has not subscribed amounts to the account (or any other account) that, when aggregated with other subscriptions, exceed the overall subscription limit in regulation 4ZB(1) (subscriptions to accounts opened in accordance with this regulation) in relation to the eligible child who will hold the account in the year in which the junior ISA application is made; and
  - (i) the applicant will not knowingly subscribe amounts to the account that, when aggregated with other subscriptions, exceed the overall subscription limit in regulation 4ZB(1) applicable from time to time (subscriptions to accounts opened in accordance with this regulation)

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in each successive year following year in which the junior ISA application is made;

- (j) authorises the account manager (on behalf of the child who holds the account where appropriate)-
  - (i) to hold the subscriptions, account investments, interest, dividends and any other rights or proceeds in respect of those investments and cash;
  - (ii) to make on behalf of the child any claims to relief from tax in respect of account investments; and
  - (iii) where a written declaration is required by paragraph (9), to record the terms of the declaration in a written declaration made on behalf of the applicant.

(7) A junior ISA application must contain—

- (a) the applicant's full name,
- (b) the address of the applicant's permanent residence, including postcode,
- (c) the full name of the eligible child,
- (d) the date of birth of the eligible child,
- (e) the address of the eligible child's permanent residence, including postcode,
- (f) if the eligible child is over 16 years, the eligible child's national insurance number.

(8) An account manager must not accept a junior ISA application if the account manager has reason to believe that the applicant has given untrue information in the application.

(9) Where the application is not in writing or the manager operates a record system under which all original written applications are not retained, the account manager shall make the written declaration referred to in paragraph (6)(j)(iii) and notify the applicant of its contents.

(10) Any such declaration shall take effect from the date on which it was made (subject to any corrections notified by the applicant to the manager within 30 days), and if the applicant does not disagree with the contents within 30 days the applicant shall be treated as having agreed them.

(11) Section 95 of the Management Act shall have effect as if—

- (a) the statement and declarations to which paragraphs (5), (6) and (9) refer were a statement or declarations, as the case may be, within the meaning of subsection (1)(b), and
- (b) there were substituted for subsection (3) the following words—

“(3) The relevant years of assessment for the purposes of this section are the year of assessment in respect of which any claim to relief or exemption from tax in connection with which the statement or declarations are relevant, is made, the next following, and any preceding year of assessment.”.

(12) An application furnished by an applicant under this regulation shall be regarded as in writing if it is furnished—

- (a) by telephonic facsimile transmission containing the signature of the applicant, or
- (b) by electronic communication containing an electronic signature of the applicant.

(13) Declarations made by an account manager under paragraph (9) shall be regarded as made in writing if they are produced by electronic means, and the copy of a declaration to be sent to the applicant in accordance with paragraph (9) may be sent by telephonic facsimile transmission or by electronic communication.

(14) In this regulation—

“electronic communication” includes any communication conveyed by means of an electronic communications network;

“electronic signature” has the meaning given by section 7(2) of the Electronic Communications Act 2000.

**13** . . .Revoked by SI 2002/3158, reg 6.

#### **14 Account manager—qualifications and Board's approval**

(1) This regulation specifies the circumstances (“qualifying circumstances”) in which a person may be approved by the Board as an account manager.

(2) The qualifying circumstances to which paragraph (1) refers are the following—

- (a) the person must make an application to the Board for approval in a form prescribed by the Board;
- (aa) the person must undertake with the Board that if the person offers junior ISA accounts to the general public the person must-

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- (i) publicise (and up-date where appropriate) statements of the minimum amount which may be subscribed to a junior ISA account on a single occasion, and the permitted means of payment of subscriptions; and
  - (ii) inform persons proposing to make subscriptions to a junior ISA account (other than the named child) that the subscription is a gift to the child;
- (b) an account manager must be—
  - (i) an authorised person within the meaning of section 31(1)(a) or (c) of, or Schedule 5 to, the Financial Services and Markets Act 2000 who has permission to carry on one or more of the activities specified in Articles 14, 21, 25, 37, 40, 45, 51 and 53 and, in so far as it applies to any of those activities, Article 64 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 but excluding any person falling within paragraph (iv) below; or
  - (ii) a European institution which carries on one or more of those activities; or
  - (iia) in the case of a credit union, an authorised person within the meaning of section 31(1)(a) of the Financial Services and Markets Act 2000, who has permission to carry on one or more of the activities specified in Article 5 of the Financial Services And Markets Act 2000 (Regulated Activities) Order 2001;
  - (iii) . . . the Director of Savings, a building society, a person falling within section 840A(1)(b) of the Taxes Act or a relevant European institution; or
  - (iv) . . . an insurance company, within the meaning given by section 431(2) of the Taxes Act, an incorporated friendly society, or a registered friendly society; or
  - (v) any assurance undertaking which does not fall within paragraph (iv) above;
- (c) an account manager must not be prevented from acting as such by any requirement imposed under sections 42 and 43 of the Financial Services and Markets Act 2000, or by any prohibition imposed by or under any rules made by the Financial Services Authority under that Act; and
- (d) an account manager who—
  - (i) is a European institution or a relevant authorised person and who does not have a branch or business establishment in the United

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Kingdom, or has such a branch or business establishment but does not intend to carry out all his functions as an account manager at that branch or business establishment, or

- (ii) falls within sub-paragraph (b)(v),

must fulfil one of the three requirements specified in regulation 16.

- (3) The terms of the Board's approval may—
- (a) approve a person to set up and administer cash accounts only, or stocks and shares accounts only, or both
  - (b) include conditions designed to ensure that the provisions of these Regulations are satisfied.

### **15 Special requirements relating to insurer-managers**

If and so long as a person falling within regulation 14(2)(b)(iv) or (v) acts as account manager of an account, and the account investments include a policy of life insurance—

- (a) the title to all such policies shall be vested in the account investor; and
- (b) where a policy document or other document evidencing title to such policies of life insurance is issued, it shall be held by the account investor.

### **16 Account manager—appointment of tax representative**

- (1) This regulation specifies the requirements mentioned in regulation 14(2)(d).
- (2) The first requirement specified in this regulation is that—
- (a) a person who falls within section 698(2)(b) of ITTOIA 2005 is for the time being appointed by the account manager to be responsible for securing the discharge of the duties prescribed by paragraph (5) which fall to be discharged by the account manager, and
  - (b) his identity and the fact of his appointment have been notified to the Board by the account manager.
- (3) The second requirement specified in this regulation is that there are for the time being other arrangements with the Board for a person other than the account manager to secure the discharge of such duties.
- (4) The third requirement specified in this regulation is that there are for the time being other arrangements with the Board designed to secure the discharge of such duties.
- (5) The duties prescribed by this paragraph are those that fall to be discharged by an account manager under these Regulations.

(6) The appointment of a person in pursuance of the first requirement shall be treated as terminated in circumstances where—

- (a) the Board have reason to believe that the person concerned—
  - (i) has failed to secure the discharge of any of the duties prescribed by paragraph (5), or
  - (ii) does not have adequate resources to discharge those duties, and
- (b) the Board have notified the account manager and that person that they propose to treat his appointment as having terminated with effect from the date specified in the notice.

(7) Where, in accordance with the first requirement, a person is at any time responsible for securing the discharge of duties, the person concerned—

- (a) shall be entitled to act on the account manager's behalf for any of the purposes of the provisions relating to the duties;
- (b) shall secure (where appropriate by acting on the account manager's behalf) the account manager's compliance with and discharge of the duties; and
- (c) shall be personally liable in respect of any failure of the account manager to comply with or discharge any such duty as if the duties imposed on the account manager were imposed jointly and severally on the account manager and the person concerned.

#### **17 Account manager—withdrawal by Board of approval**

(1) This regulation specifies the circumstances (“the disqualifying circumstances”) in which the Board may by notice withdraw their approval of a person as an account manager in relation to an account.

(2) The disqualifying circumstances to which paragraph (1) refers are that the Board have reason to believe—

- (a) that any provision of these Regulations is not or at any time has not been satisfied in respect of an account managed by the account manager; or
- (b) that a person to whom they have given approval to act as an account manager is not qualified so to act.

(3) The notice to which paragraph (1) refers—

- (a) may withdraw an approval in part, that is, in respect of particular types of accounts specified in the notice;
- (b) shall specify the date from which the Board's approval is withdrawn; and

(c) shall specify the disqualifying circumstances.

(4) On receiving the notice referred to in paragraph (1), subject to any appeal in accordance with regulation 18, the account manager shall notify the account investor of the right to transfer the account under regulations 21 and 21B, and the rights under regulation 20(3).

### **18 Account manager—appeal against withdrawal of Board's approval**

(1) An account manager to whom notice of withdrawal of approval has been given under regulation 17 may appeal against the withdrawal by notice given to the Board within 30 days after the date of the notice of withdrawal.

(2) . . .

(3) The like provisions as are contained in Part V of the Management Act (appeals and other proceedings) shall apply to an appeal and the tribunal, on an appeal notified to it, shall confirm the notice unless . . . satisfied that the notice ought to be quashed.

### **19 Account manager ceasing to act**

A person shall give notice to the Board and to the account investor in the account which he manages of his intention to cease to act as the account manager not less than 30 days before he so ceases so that his obligations to the Board under the account can be conveniently discharged at or about the time he ceases so to act, and the notice to the account investor shall inform him of his right to transfer the account under regulation 21 or 21B.

### **20 Account manager ceasing to qualify**

(1) A person shall cease to qualify as an account provider and shall notify the Board within 30 days of the relevant event in sub-paragraphs (a) to (f), of that relevant event, where—

- (a) the person no longer fulfils the conditions of regulation 14;
- (b) there is an insolvency event in relation to the account provider;
- (c) an application has been made for a bank insolvency order or a bank administration order;
- (e) in the case of a building society, a person falling within section 991 of ITA 2007 or a credit union—
  - (i) it ceases to be a building society or to fall within section 991 of ITA 2007 or to be a credit union, as the case may be;

- (ii) its directors have made a proposal under Part 1 of the Insolvency Act 1986 for a composition in satisfaction of its debts or a scheme of arrangement of its affairs; or
- (iii) a receiver or manager of its property has been appointed; or
- (f) in the case of a European institution, a relevant authorised person or an assurance undertaking which falls within regulation 14(2)(b)(iv) and (v), action corresponding to any described in sub-paragraph (b) to (e) has been taken by or in relation to the institution, person or undertaking under the law of an EEA State.

(2) On giving the notice referred to in paragraph (1), the person shall also notify the account investor of the right to transfer the account under regulation 21, and the notice shall inform the recipient of the rights under paragraph (3).

(3) Where an account investor—

- (a) receives a notice under paragraph (2), or regulation 17(4) or 19, and
- (b) within 30 days of the sending of the notice, transfers the account to another account manager pursuant to regulation 21,

the period between the transferor ceasing to act or qualify as an account manager, and the transfer to the transferee, shall be ignored in determining whether the account has at all times been managed by an account manager.

## **21 Transfers relating to accounts other than junior ISA accounts**

(1) In this regulation, in relation to a transfer—

“the current year's subscriptions” means—

- (a) subscriptions made to the account by the account investor in the year in which the transfer takes place, but before the transfer,
- (b) subscriptions made to any other account by the account investor in the year in which the transfer takes place and transferred to the account before the transfer, and
- (c) the qualifying investments and other proceeds (including income) representing the subscriptions in sub-paragraphs (a) and (b) of this definition;

“the previous years' subscriptions” means—

- (a) subscriptions made to the account (or any other account or former personal equity plan) in any earlier year or years, and

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- (b) the qualifying investments and other proceeds (including income) representing those subscriptions.
- (2) Any transfer relating to an account or part of an account shall be made—
- (a) directly between one account manager (“the transferor”) and another account manager (“the transferee”), or
  - (b) where the same person is account manager before and after the transfer, solely by that manager (who shall maintain the records of both transferor and transferee required by this regulation).
- (3) The current year's subscriptions may only be transferred as a whole (with or without the whole or part of any previous years' subscriptions).
- (4) In the case of a cash account, the current year's subscriptions and the previous years' subscriptions may only be transferred to—
- (a) a stocks and shares account (if the account investor is 18 years of age or over), or
  - (b) a cash account,

belonging to the same account investor.

(4A) In the case of a stocks and shares account, the current year's subscriptions and the previous years' subscriptions may only be transferred to a stocks and shares account belonging to the same account investor.

(4B) Where the current year's subscriptions (with or without other subscriptions) are transferred from a cash account to a stocks and shares account (under paragraph (4)(a))—

- (a) the subscriptions in sub-paragraphs (a) and (b) of the definition of “the current year's subscriptions” in paragraph (1) shall be treated, for all purposes including regulation 31(3)(c), as if they had been made to the stocks and shares account, and
- (b) accordingly, shall not count towards the cash subscription limit in regulation 4(3).

(4C) Where the current year's subscriptions (with or without other subscriptions) are transferred from—

- (a) a cash account to a cash account, or
- (b) a stocks and shares account to a stocks and shares account,

the subscriptions transferred, and no other subscriptions, shall be treated as the same account, for the purpose of making any remaining permitted subscriptions in that year.

(4D) The account investor shall make a fresh application under regulation 12 (with any necessary modifications to reflect that it is made on a transfer) to the transferee.

(4E) This regulation shall also apply where an account is transferred in consequence of an account manager (“the transferor”) ceasing to act or to qualify as an account manager.

(5) Except where the transferor has provided information to the transferee in accordance with regulation 21A(2)(b)(ii), the transferor shall within 30 days after the date of the transfer give the transferee a notice containing the information specified in paragraph (6) . . . .

(6) The information specified in this paragraph is—

- (a) as regards the account investor—
  - (i) his full name,
  - (ii) the address of his permanent residence, including postcode,
  - (iii) his date of birth, and
  - (iv) if he has one, his national insurance number, and
- (b) as regards an account or any part of an account transferred pursuant to paragraph (2)—
  - (i) whether the account is a cash account or stocks and shares account,
  - (ii) the date of the transfer,
  - (iii) the total amount of cash subscribed to the account during the period from the beginning of the year in which the transfer takes place to the date of the transfer. . . ,
  - (iv) the date on which the first subscription (if any) was made to the account, in the year in which the transfer takes place,
  - (v) the amount of any dividends on account investments which are payable to, but have not been received by, the transferor at the date of the transfer, and
  - (vi) any amount which is, or will become, due under regulation 23 which has not been paid to the Board at the date of the transfer, . . .
- (c) . . . .

(7) . . .

**Further requirements relating to transfers between cash accounts**

21A.—(1) This regulation applies where an account investor, through the agency of an account manager (“the transferee”), gives instructions (“transfer instructions”) to an account manager with whom the account investor holds a cash account (“the transferor”) for that account or part of that account to be transferred, subject to and in accordance with regulations 21 or 21B, to a cash account held by the account investor with the transferee.

(2) Where this regulation applies—

- (a) the transferee shall, within 5 business days beginning on the instruction day, send to the transferor—
  - (i) the transfer instructions; and
  - (ii) a notice specifying that the transferee consents to the transfer (“the consent notice”);
- (b) the transferor shall, within 5 business days beginning on the day that the transferor receives the transfer instructions and the consent notice,—
  - (i) transfer to the transferee the subscriptions specified in the transfer instructions; and
  - (ii) send to the transferee a notice containing the information specified in paragraph (3); and
- (c) the transferee shall ensure that the subscriptions specified in the transfer instructions are transferred to a cash account held by the account investor with the transferee within 3 business days beginning on the day that the transferee receives the subscriptions and the notice referred to in subparagraph (b)(ii).

(3) The information specified in this paragraph is—

- (a) as regards the account investor—
  - (i) the full name of the account investor,
  - (ii) the address of the account investor’s permanent residence, including postcode,
  - (iii) the date of birth of the account investor, and
  - (iv) the national insurance number of the account investor (if any),
- (b) as regards the cash account or any part of the cash account—

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- (i) the date of the transfer,
  - (ii) the total amount of cash subscribed to the account during the period from the beginning of the year in which the transfer takes place to the date of the transfer,
  - (iii) the date on which the first subscription (if any) was made to the account, in the year in which the transfer takes place, and
  - (iv) the reference number or other means used by the transferor to identify the account belonging to the account investor in respect of which the transfer is made, **and**
- (c) **in relation to an account that is a junior ISA account—**
- (i) **the full name of the registered contact,**
  - (ii) **the address of the registered contact's permanent residence, including postcode.**

(4) For the purposes of paragraph (2)(a) and (b), the transfer instructions and the notices (as appropriate) shall be treated as sent if they are—

- (a) posted to, or left at, the proper address of the transferor or the transferee (as appropriate); or
- (b) transmitted by electronic communication.

(5) For the purposes of paragraph (2)(b), where the transferor receives the transfer instructions and consent notice on different days, they must both be treated as received on the latest of those days.

(6) For the purposes of paragraph (2)(c), where the transferee receives subscriptions specified in the transfer instructions and the notice described in paragraph (2)(b) on different days, they must all be treated as received on the latest of those days.

(7) In this regulation—

“business day” means any day except—

- (a) a Saturday, Sunday, Good Friday or Christmas Day,
- (b) a bank holiday under the Banking and Financial Dealings Act 1971;

“electronic communication” includes any communication conveyed by means of an electronic communications network;

“instruction day” means—

- (a) the day stipulated by the account investor for the transferee to begin the transfer process, or
- (b) if no day is stipulated, the day that the transfer instructions are received by the transferee;

“subscriptions” means the current year’s subscriptions and the previous years’ subscriptions as described in regulation 21(1).

(8) For the purposes of this regulation—

- (a) a document is “posted” if it is sent pre-paid by a postal service which seeks to deliver documents by post within the United Kingdom no later than the next business day in all or the majority of cases, and to deliver by post outside the United Kingdom within such a period as is reasonable in all the circumstances; and
- (b) the “proper address” to which a document is to be sent is any current address provided by the transferor or transferee as an address for service of such documents, but if no current address is provided then it shall be the address of its registered or principal office in the United Kingdom.

## **21B Transfers relating to junior ISA accounts**

- (1) This regulation only applies to an account that is a junior ISA account
- (2) In this regulation, in relation to a transfer—

“the current year's subscriptions” means—

- (a) subscriptions made to the account in the year in which the transfer takes place, but before the transfer,
- (b) subscriptions made to any other account held by the named child in the year in which the transfer takes place and transferred to the account before the transfer, and
- (c) the qualifying investments and other proceeds (including income) representing the subscriptions in sub-paragraphs (a) and (b) of this definition;

“the previous years' subscriptions” means—

- (a) subscriptions made to the account (or any other account) in any earlier year or years, and
- (b) the qualifying investments and other proceeds (including income) representing those subscriptions.

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- (3) Any transfer relating to an account or part of an account shall be made—
- (a) directly between one account manager (“the transferor”) and another account manager (“the transferee”), or
  - (b) where the same person is account manager before and after the transfer, solely by that manager (who shall maintain the records of both transferor and transferee required by this regulation).
- (4) The current year's subscriptions may only be transferred as a whole (with or without the whole or part of any previous years' subscriptions).
- (5) In the case of a cash account—
- (a) all or part of the previous year's subscriptions and, if current year's subscriptions are to be transferred, all of the current year's subscriptions made to the cash account may be transferred to a junior ISA account that is a stocks and shares account belonging to the same account investor, or
  - (b) all of the subscriptions made to the cash account (“old cash account”) that are held in the account immediately before the transfer may be transferred to a junior ISA account that is a cash account (“new cash account”) belonging to the same account investor (and, for the avoidance of doubt, no transfer may be made to a new cash account if the transfer does not comprise all of the subscriptions held in the old cash account immediately before the transfer).
- (6) In the case of a stocks and shares account—
- (a) all or part of the previous year's subscriptions and, if current year's subscriptions are to be transferred, all of the current year's subscriptions made to the stocks and shares account may be transferred to a junior ISA account that is a cash account belonging to the same account investor, or
  - (b) all of the subscriptions made to the stocks and shares account (“old stocks and shares account”) that are held in the account immediately before the transfer may be transferred to a junior ISA account that is a stocks and shares account (“new stocks and shares account”) belonging to the same account investor (and, for the avoidance of doubt, no transfer may be made to a new stocks and shares account if the transfer does not comprise all of the subscriptions held in the old stocks and shares account immediately before the transfer).
- (7) Where current year's subscriptions are transferred from a junior ISA account to another junior ISA account, the current year's subscriptions transferred shall count towards the overall subscription limit for the child holding the account for that year.

(8) The account investor shall make a fresh application under regulation 12A (with any necessary modifications to reflect that it is made on a transfer) to the transferee.

(9) This regulation shall also apply where an account is transferred in consequence of an account manager (“the transferor”) ceasing to act or to qualify as an account manager.

(10) The transferor shall within 30 days after the date of the transfer give the transferee a notice containing the information specified in paragraph (11) . . .

(11) The information specified in this paragraph is—

(a) as regards the named child who holds the account transferred-

- (i) the full name of the child,
- (ii) the address (including postcode) of the permanent residence of the child,
- (iii) the date of birth of the child;
- (iv) the national insurance number of the child (if any);

(b) as regards an account from which the transfer is made pursuant to paragraph (3)—

- (i) whether the account is a cash account or stocks and shares account,
- (ii) the date of the transfer,
- (iii) the total amount of cash subscribed to the account during the period from the beginning of the year in which the transfer takes place to the date of the transfer. . . ,
- (iv) the date on which the first subscription (if any) was made to the account, in the year in which the transfer takes place,
- (v) the amount of any dividends on account investments which are payable to, but have not been received by, the transferor at the date of the transfer.

### **21C Repair of invalid junior ISA accounts**

(1) It is an overriding requirement to be satisfied in relation to a junior ISA account that the account manager and registered contact, as the case may be, take any steps necessary to remedy any breach of these Regulations.

(2) Where a breach is remedied as mentioned in paragraph (1), the account shall, to the extent of that breach, be treated as having been a valid account at all times.

## 22 Exemption from tax of account income and gains

(1) Subject to these Regulations—

- (a) no tax shall be chargeable on the account manager or his nominee or on the account investor—
  - (i) in respect of interest, dividends, distributions or gains in respect of account investments (excluding any building society bonus), or
  - (ia) in respect of alternative finance return or profit share return paid by a financial institution (within the meanings in Chapter 5 of Part 2 of the Finance Act 2005), or
  - (ib) in respect of a payment under a building society bonus scheme, so far as the payment is calculated by reference to account investments (and if paid directly by the society into the account, the payment shall not count towards the subscription limits in **regulations 4ZA(1) and (2) and 4ZB(1)**), or
  - (ii) on any annual profits or gains treated under Part 12 of ITA 2007 (accrued income profits) as having been received by any of them in respect of account investments, or
  - (iii) on an offshore income gain to which a disposal made by any of them of an account investment gives rise, which is treated by section 761(1) of the Taxes Act as constituting profits or gains, or
  - (iv) on a profit on the disposal of a deeply discounted security within the meaning given by section 430 of ITTOIA 2005, or
  - (v) in respect of gains treated under Chapter 9 of Part 4 of ITTOIA 2005 as arising in connection with a policy of life insurance which is an account investment . . . ;
- (b) losses in respect of account investments shall be disregarded for the purposes of capital gains tax;
- (ba) any gain or loss accruing on and attributable to a payment within paragraph (ib) of sub-paragraph (a) shall not be a chargeable gain or allowable loss for capital gains tax purposes;
- (c) a deficiency arising in a tax year and falling within section 539(1) of ITTOIA 2005, so far as it relates to an account investment, shall not be allowable as a deduction from the total income of the account investor;

- (d) relief in respect of tax shall be given in the manner and to the extent provided by these Regulations;
- (e) **in relation to an account that is not a junior ISA account**, interest on a cash deposit which is an account investment held under a cash component shall not, except for the purposes of section 629 of ITTOIA 2005, be regarded as income for any income tax purposes; **and**
- (f) **in relation to a junior ISA account, income arising from account investments shall not be regarded as income for any income tax purposes (including section 629 of ITTOIA 2005).**

(2) An account investor who, after subscribing to an account, at any time ceases to be resident in the United Kingdom, shall be treated as if he were resident in the United Kingdom for the purposes of determining his entitlement to, or to payment of, tax credits in respect of qualifying distributions, so far as they relate to account investments under an account held by him.

(3) **The reference to interest in this regulation includes a reference to any bonus and to a dividend paid or credited in respect of a share account with a building society.**

### **23 Interest on cash deposits held under a stocks and shares component in relation to an account that is not a junior ISA account . . .**

(1) When in any year, a sum of interest is paid or credited in respect of a cash deposit which is held under a stocks and shares component . . . in accordance with regulation 6(4) to (6)—

- (a) no relief from tax shall apply to such interest, but
- (b) paragraph (2) shall apply, and the amount determined in accordance with that paragraph shall be taken to represent the tax on such interest, in the place of the liabilities to tax which would otherwise arise.

(2) Where this paragraph applies—

- (a) the account manager shall pay to the Board an amount representing income tax at the basic rate in force for the year on all sums of interest referred to in paragraph (1) paid or credited in that year; and
- (b) any amount so payable—
  - (i) may be set-off against any repayment in respect of tax due under regulation 25, and subject thereto
  - (ii) shall be treated as an amount of tax due under an assessment which is final and conclusive and payable not later than 6 months after the end of the year in which the interest was paid or credited.

(3) The interest referred to in paragraph (1) shall in all other respects be regarded as if it were not income for any income tax purposes, and no repayment of tax or amounts representing tax shall be made to the account investor receiving or entitled to such interest.

(4) The reference to interest in paragraph (1) includes a reference to any bonus and to a dividend paid or credited in respect of a share account with a building society.

#### **24 Tax liabilities and reliefs—account manager to act on behalf of account investor**

(1) An account manager may under these Regulations make claims, conduct appeals and agree on behalf of the account investor liabilities for and reliefs from tax in respect of an account.

(2) Claims shall be made to the Board in accordance with the provisions of regulations 25 and 26.

(3) Where any relief or exemption from tax previously given in respect of an account has by virtue of these Regulations become excessive, in computing the relief due on any claim there shall be deducted (so that amounts equal to that excess are set-off or repaid to the Board, as the case may be) notwithstanding that those amounts have been invested—

- (a) any amount repaid in respect of income tax or paid in respect of a tax credit;
- (b) any sum representing income tax which is payable under regulation 23 on amounts of interest paid or credited as mentioned in that regulation; and
- (c) any other amount due to the Board by an account manager in respect of any tax liability in respect of account investments under an account including (but without prejudice to the making of an assessment under the provisions of that Schedule) any amount falling due in respect of a liability under Chapter 9 of Part 15 of ITA 2007.

(4) Any amount deducted under paragraph (3) shall be treated as an amount of income tax deducted at source and not repayable within the meaning and for the purposes of section 95(2)(a) of the Management Act.

#### **25 Repayments in respect of tax to account manager—interim claims**

(1) Notwithstanding the provisions of any other enactment, the Board shall not be under an obligation to make any repayment in respect of tax under these Regulations earlier than the end of the month following the month in which the claim for the repayment is received.

(2) A claim for repayment in respect of tax which is not an annual claim (“interim claim”) may be made only for a period of a month (or a number of months not exceeding

six) beginning on the 6th day of the month and ending on the 5th day of the relevant following month.

(3) No claim for repayment may be made for the month ending 5th October or any subsequent month until the annual return under regulation 26(2) due in respect of an account for the preceding year has been duly made by the account manager and received by the Board.

(4) Where, on the occasion of a claim, there is due to the Board an amount in respect of tax, that amount shall be recoverable by the Board in the same manner as tax charged by an assessment on the account manager which has become final and conclusive.

(5) This regulation and regulation 26 shall not apply to any repayment in respect of tax on policies of life insurance falling within regulation 9, or on distributions and other rights or proceeds in respect of such policies except in so far as regulation 26(2) requires a return of all sums of interest referred to in regulation 23(2)(a) and any gain treated as arising in accordance with regulation 36(3)(a) or (b).

## **26 Repayments in respect of tax to account manager—annual returns and annual claims**

(1) An annual claim is a claim for repayment in respect of tax for a year and may not be made at any time more than six years after the end of the year.

(2) An account manager shall within six months after the end of the year make a return of all income, and of all sums of interest referred to in regulation 23(2)(a) and any gain treated as arising in accordance with regulation 36(3)(a) or (b), and in addition an annual claim to establish the total of repayments due under an account for that year, and the total amount payable under regulation 23(2)(a).

(3) Where the aggregate of the repayments in respect of interim claims for the year shown by an annual claim exceeds the amount repayable for the year shown on the claim, the account manager shall repay the amount of the excess to the Board with the claim.

(4) If an account manager fails to make the return and the annual claim required under this regulation within the time limited, the Board may issue a notice to the account manager showing the aggregate of payments in respect of the interim claims for the year, and stating that the Board are not satisfied that the amount due to the account manager for that year exceeds the lower amount stated in the notice.

(5) If a return and an annual claim are not delivered to the Board within 14 days after the issue of such a notice under paragraph (4) the amount of the difference between the aggregate and the lower amount stated in the notice shall immediately be recoverable by the Board in the same manner as tax charged by an assessment on the account manager which has become final and conclusive.

(6) Where a return and an annual claim have been made and the account manager subsequently discovers that an error or mistake has been made in the return or claim the account manager may make a supplementary return or annual claim within the time allowed in paragraph (1).

## **27 Account manager's returns and claims—supplementary provisions**

(1) Section 42 of the Management Act shall not apply to claims under these Regulations.

(2) No appeal shall lie from the Board's decision on an interim claim.

(3) An appeal . . . from the Board's decision on an annual claim. . . shall be brought by giving notice to the Board within 30 days of receipt of notice of the decision.

(4) No payment or repayment made or other thing done on or in relation to an interim claim or a notice under regulation 26(4) shall prejudice the decision on an annual claim.

(5) The like provisions as are contained in Part V of the Management Act (appeals and other proceedings) shall apply to an appeal under paragraph (3) above, and on an appeal that is notified to the tribunal, the tribunal may vary the decision appealed against whether or not the variation is to the advantage of the appellant.

(6) All such assessments, payments and repayments shall be made as are necessary to give effect to the Board's decision on an annual claim or to any variation of that decision on appeal.

(7) Returns and claims under these Regulations shall be in such form and contain such particulars as the Board prescribe and, subject to regulation 31(1) and (2), shall be signed by the account manager, and forms prescribed for annual claims may require a report to be given by a person qualified for appointment as auditor of a company.

## **28 Assessments for withdrawing relief and recovering tax**

(1) Where—

- (a) any relief or exemption from tax given in respect of income or gains under an account is found not to be due or to be excessive, or
- (b) the full amount of tax in respect of the income or gains under an account has not otherwise been fully accounted for and paid to the Board by or on behalf of the account investor,

an assessment to tax may be made by the Board in the amount or further amount which in their opinion ought to be charged.

(2) An assessment to which paragraph (1) refers may be made on the account manager or on the account investor.

(3) If the assessment is made to recover tax in respect of income (including any amount in respect of a tax credit) under an account it shall be made under **Chapter 8 of Part 5 of ITTOIA 2005**.

(4) **Sections 72 and 73 of the Management Act shall be modified in relation to accounts that are junior ISA accounts so that-**

- (a) references to a parent or guardian include a reference to a named child who has attained the age of 16 years, and
- (b) references to an incapacitated person, in relation to Scotland, are to a child under the age of 16 years.

## **29 Records to be kept by account manager**

An account manager shall at all times keep sufficient records in respect of an account to enable the requirements of these Regulations to be satisfied.

## **30 Information to be given to account investor by account manager in relation to an account that is not a junior ISA account**

(1) An account manager shall give notice to the account investor, at the commencement of, and in respect of, each successive year following the year in which the investor first subscribed to the account, during which the declaration referred to in regulation 12(3) has or may have effect, that—

- (a) in the case of a stocks and shares account, if the account investor subscribes to that account in the year to which the notice relates, the account investor may not subscribe to any other stocks and shares account, in that year;
- (b) in the case of a cash account, if the account investor subscribes to that account in the year to which the notice relates, the account investor may not subscribe to any other cash account, in that year;
- (c) the account investor must not subscribe more than the appropriate overall subscription limit in regulation **4ZA(1)** in that year (aggregating subscriptions to all accounts); and
- (d) in the case of a cash account, the account investor must not subscribe more than the subscription limit in regulation **4ZA(2)**, in that year.

(2) An account manager who makes a payment to an account investor out of or in respect of which tax, or a sum representing tax, has been deducted shall, if the account investor so requests in writing, furnish the account investor with a statement in writing showing the gross amount of the payment, the amount deducted and the amount actually paid.

(3) On the transfer to an account investor of an account investment, subject to regulation 9(3)(b), the account manager shall provide for the account investor details in writing of the market value on the date of transfer.

(4) Upon an account ceasing to be a junior ISA account when the named child holding the account attains the age of 18 years, the account manager shall provide details in writing of the market value on that day to the person who is the holder of the account immediately before the account ceases to be a junior ISA account.

### **31 Returns of information by account manager**

(1) An account manager shall within 60 days after the end of each year (beginning with the year 1999–00) in which he acts as an account manager, and after ceasing to act or to qualify as an account manager, deliver to the Board a return for that year, or for the part of that year in which he so acted or qualified, which contains the information specified in paragraphs (3), (4), (5) and (7) and is accompanied by a certificate as to the contents of the return, in the form prescribed by the Board, signed by the account manager or on his behalf.,

(2) . . .

(3) The information specified in this paragraph is information relating to the account, in respect of which he acted as account manager, in the year or the part of the year for which the return is made, other than accounts transferred to another account manager under Regulation 21(2) in that year or part of a year, as to—

(a) as regards the account investor—

- (i) his full name,
- (ii) the address of his permanent residence, including postcode,
- (iii) his date of birth, and
- (iv) if he has one, his national insurance number;

(b) as regards each such account—

- (i) the number allocated to the account by the account manager, and
- (ii) the market value of the account investments held under the component of the account the value of each account investment being determined either as at 5th April in that year, or any other valuation date in that year, not falling earlier than 5th October, and

(c) as regards each such account, to which subscriptions or a transfer under regulation 21 . . ., were made in that year or part of a year—

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- (i) whether the account is a cash account or stocks and shares account,
- (ia) whether the account is a junior ISA account in any part of the year or part of the year for which the return is made,
- (ii) the total amount of cash subscribed to the account, in the year or the part of the year for which the return is made,
- (iii) subject to paragraph (3A), the date on which the first subscription (being either cash. . . or shares pursuant to regulation 7(2)(h)) was made to the account, in the year or the part of the year for which the return is made, and
- (iv) the aggregate market value at the date of transfer of any shares transferred to the account manager or his nominee in accordance with regulation 7(2)(h) in the year or the part of the year for which the return is made and
- (v) the date when any such cash account was closed, where that occurred during the year or the part of the year for which the return was made;

(3A) In relation to an account that is a junior ISA account, the information described in paragraph (3)(c)(iii) shall only be provided in the return for the year or part of the year in which the application to open the account in accordance with regulation 12A is made.

- (4) Subject to paragraph (5), the information specified in this paragraph is—
  - (a) the respective market values at the end of the year or the part of the year for which the return is made of account investments held under stocks and shares components, by him or a nominee for him on behalf of account investors, under all accounts in respect of which he acted as account manager in that year or part, with separate values for—
    - (i) shares, not being shares in an investment trust or in a UK UCITS, recognised UCITS or non-UCITS retail scheme,
    - (ii) qualifying securities,
    - (iia) government securities falling within regulation 7(2)(c), (ca) or (cb),
    - (iii) shares in investment trusts,
    - (iv) units in an authorised unit trust,
    - (v) units in, or shares of, a recognised UCITS, or non-UCITS retail scheme (constituted outside the United Kingdom),
    - (vi) shares in an open-ended investment company,

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- (via) the surrender value of life insurance policies which satisfy the condition of regulation 7(15),
- (vii) cash, including cash represented in share accounts with building societies,

with depositary interests being included in the paragraph to which their relevant investments (referred to in paragraphs (a) and (b) of the definition of “depository interest”) relate;

- (b) the respective market values at the end of the year or the part of the year for which the return is made of account investments held under cash components, by him or a nominee for him on behalf of account investors, under all the accounts in respect of which he acted as account manager in that year or part, with separate values for—
  - (i) cash, including cash represented in share accounts with building societies,
  - (ii) the surrender value of life insurance policies which do not satisfy the condition in regulation 7(15), and
  - (iii) investments (other than those specified in paragraphs (i) and (ii)) which do not satisfy the condition in regulation 7(15); and
- (c) the aggregate market value at that date of all such account investments held by him or his nominee.

(5) Paragraph (4) shall apply to policies of life insurance falling within regulation 9 with the omission of the words “by him or a nominee for him on behalf of account investors,” with references to the market value of account investments, in the case of policies of life insurance, being replaced with references to the surrender value of such policies, and as if separate valuations were required of such policies. . . .

(6) . . .

(7) The information specified in this paragraph is information relating to all accounts to which subscriptions were made in the year or part of the year, in respect of which he was acting as account manager immediately before the end of the year or part of the year for which the return is made, or in the case of an account that was closed during the year, in respect of which he was acting as manager at the date the account was closed, as to—

- (a) the total number of accounts to which subscriptions were made, with separate figures for—
  - (i) cash accounts holding policies of life insurance falling within regulation 9,

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- (ii) all cash accounts,
  - (iii) stocks and shares accounts holding policies of life insurance falling within regulation 9, and
  - (iv) all stocks and shares accounts; and
- (b) the total amount of cash subscriptions made in the year or part of the year—
- (i) to stocks and shares components of accounts;
  - (ii) to cash components of accounts; . . .
  - (iii) . . .
  - (iii) invested in policies (within the meaning in regulation 9(1)) under stocks and shares components; and
  - (iv) invested in policies (within that meaning) under cash components.

(8) No claim for repayment, or repayment, may be made under regulations 25 and 26 until the returns which have become due under this regulation have been duly made by the account manager and received by the Board.

### **32 Information to be provided to the Board**

...

### **33 Inspection of records by officer of the Board**

...

### **34 Capital gains tax—adaptation of enactments**

(1) For the purposes of capital gains tax on the occasion when the title to account investments is transferred from an account manager to an account investor there shall be deemed to be a disposal and reacquisition by the account investor of those investments for a consideration equal to their market value at the date of the transfer.

(2) Sections 104 to 114 of the Taxation of Chargeable Gains Act 1992 shall apply for the purposes of pooling and identifying account investments as if—

- (a) in section 106A after subsection (11) there were added—

“(12) This section and sections 104, 110, 110A and 114—

(a) shall apply separately in relation to any securities which are held by a person as account investments so long as they are so held, and

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(b) shall apply in relation to any such securities which became account investments by being transferred or renounced to an account manager or to a nominee for an account manager in the circumstances specified in regulation 7(2)(h) and (10)(a), (b) or (ba) as if they had been account investments—

(i) in the case of securities acquired by that person in accordance with the provisions of a savings-related share option scheme, which were transferred in the circumstances specified in regulation 7(2)(h)(i) and (10)(a), from the date of their acquisition by him, or

(ii) in the case of securities appropriated to that person in accordance with the provisions of an approved profit sharing scheme, which were transferred in the circumstances specified in regulation 7(2)(h)(ii) and (10)(b), from the date when he directed the trustees to transfer the ownership of the securities to him or, if earlier, the release date in relation to those securities, or

(iii) in the case of securities which were plan shares of an approved SIP before being transferred in the circumstances specified in regulation 7(2)(h)(iii) and (10)(ba), from the date when the securities ceased to be subject to the plan, and

(c) while applying separately to any such securities, shall have effect as if that person held them in a capacity other than that in which he holds any other securities of the same class whether under another such account or otherwise.

(13) In this section—

(a) “account”, “account investment” and “account manager” have the same meanings as in the Individual Savings Account Regulations 1998 and “regulation” means a regulation of those Regulations;

(b) “approved profit sharing scheme” has the same meaning as in Chapter IV of Part V of the Taxes Act and “savings-related share option scheme” has the meaning given by paragraph 1 of Schedule 9 to that Act;

(c) “approved SIP” and “ceased to be subject to the plan” shall be construed in accordance with the SIP code (see [section 488\(3\)](#) of ITEPA 2003); and

(d) “plan shares”, in relation to an approved SIP, shall be construed in accordance with the SIP code (see [section 488\(3\)](#) of ITEPA 2003) except that—

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- (i) paragraph 87(6) of Schedule 2 to ITEPA 2003 (meaning of the word “shares” in the context of company reconstructions) shall not apply, and
  - (ii) in paragraph 88(2) of that Schedule (treatment of shares acquired under rights issue) the words “or securities or rights” shall be treated as omitted.”; and
- (b) in section 110A after subsection (5) there were added—
  - “(6) Where part of a section 104 holding is treated by section 106A(12)(b)(ii) as having been account investments since a particular date—
    - (a) an operative event shall be regarded as having occurred for the purposes of this section immediately before that date, consisting of the disposal of the part of that section 104 holding which is so treated, and
    - (b) this section shall apply in relation to the occurrence of that operative event as it would have applied if it had always applied separately in relation to the part of that section 104 holding which is so treated.”.
- (3) Section 106A of the Taxation of Chargeable Gains Act 1992 shall apply for the purposes of identifying securities within the meaning of that section which are eligible to become account investments as if—
  - (a) in subsection (4), there were added at the beginning the words “Subject to subsection (14) below”;
  - (b) in subsection (6), the words “subsections (4) and (5) above” were replaced with the words “subsections (4), (5) and (14)”;
  - (c) after subsections (12) and (13), as added by paragraph (2), there were added—
    - “(14) Where a person disposes of securities and securities of the same class which were eligible for transfer to an account under regulation 7(2)(h) were—
      - (a) held by him immediately before that disposal, or
      - (b) acquired by him on the same day as that disposal, or
      - (c) acquired by him within the period of thirty days after that disposal,and those securities were acquired in the circumstances specified in that regulation, he shall be treated as having first disposed of any securities of that class held or acquired by him which were not so eligible.”.

(4) Sections 127 to 131 of the Taxation of Chargeable Gains Act 1992 shall not apply in relation to qualifying investments falling within any of sub-paragraphs (a), (b), (d), (e), (f), (g) and (h) of regulation 7(2) which are held under an account if there is by virtue of any allotment for payment as is mentioned in section 126(2) of that Act a reorganisation affecting those shares or securities.

### **35 Administration of tax in relation to accounts—supplementary**

(1) Nothing in these Regulations shall be taken to prejudice any powers conferred or duties imposed by or under any enactment in relation to the making of returns of income or gains, or for the recovery of tax, penalties or interest by means of an assessment or otherwise.

(2) Notwithstanding the provisions of these Regulations an account manager shall not be released from obligations under these Regulations in relation to an account except under conditions agreed in writing with and notified to that person by the Board.

(3) The like provisions as are contained in the Management Act shall apply to any assessment under these Regulations as if it were an assessment to tax for the year in which, apart from these Regulations, the account investor would have been liable (by reason of his ownership of the investments).

(4) In the application of the like provisions as are contained in section 86 of the Management Act by virtue of paragraph (3) in relation to any sums due and payable by virtue of an assessment made on an account manager under these Regulations, the relevant date—

- (a) is the 1st January in the year for which the account investor would have been liable where the account manager has made an interim claim for a period falling within that year; and
- (b) in any other case, is the later of the following dates, that is to say—
  - (i) the 1st January in that year; or
  - (ii) the date of the making of the repayment by the Board following receipt of the annual claim for that year.

(5) The like provisions as are contained in section 97(1) of the Management Act shall apply as if—

- (a) there were inserted after the words “section 95 above” the words “or the Individual Savings Account Regulations 1998”, and
- (b) there were inserted after the words “that they were” the words “or have become”.

(6) If—

- (a) a chargeable event, within the meaning given by Chapter 9 of Part 4 of ITTOIA 2005, has happened in relation to a policy of life insurance which is an account investment . . .; 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.

(7) A termination of a policy of insurance pursuant to regulation 9(3)(b)(ii) shall be treated as the surrender of all rights under the policy for the purposes of section 484(1)(a)(i) of ITTOIA 2005.

(8) Where there are in force relevant insurances within the meaning given by section 552A of the Taxes Act then, so far as they consist of policies of life insurance which are account investments . . ., they shall be disregarded in calculating the amount or value of gross premiums, for the purposes of subsection (4)(b) of that section.

(9) Any form prescribed by the Board for the purposes of these Regulations shall provide for a declaration that all the particulars given in the form are correctly stated to the best of the knowledge and belief of the person concerned.

(10) No obligation as to secrecy imposed by statute or otherwise shall preclude the Board from disclosing to an account manager or account investor that any provision of these Regulations has not been satisfied or that relief has been given or claimed in respect of investments under an account.

**36 Application of the provisions of Chapter II of Part XIII of the Taxes Act and of Chapter 9 of Part 4 of ITTOIA 2005 to policies where an investor ceases to be or was not entitled to relief from tax**

- (1) This paragraph applies to a case where—
  - (a) an event specified in regulation 9(8) has occurred in relation to a policy of life insurance, and
  - (b) a termination event within the meaning given by regulation 9(7) occurs in relation to that policy.
- (2) Where—
  - (a) there is a case to which paragraph (1) applies, and

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- (b) a chargeable event in relation to the policy, falling within section 484(1) of ITTOIA 2005, has occurred prior to the time at which the termination event mentioned in paragraph (1)(b) occurs,

the account investor shall cease to be, and shall be treated as not having been, entitled to relief from tax under regulation 22(1)(a)(v), in respect of gains treated as arising on the occurrence of any chargeable event mentioned in sub-paragraph (b).

(3) The provisions of Chapter II of Part XIII of the Taxes Act and of Chapter 9 of Part 4 of ITTOIA 2005 shall apply, in a case to which paragraph (1) applies, to—

- (a) the termination event mentioned in paragraph (1)(b), and  
(b) any chargeable event mentioned in paragraph (2)(b),

with the modifications provided for in regulation 35(7) and paragraphs (4) to (7) of this regulation, and the account investor and the account manager shall account to the Board in accordance with this regulation for tax from which relief under regulation 22(1)(a)(v) has been given on the basis that the account investor was so entitled, or in circumstances such that the account investor was not so entitled.

(4) Section 530 of ITTOIA 2005 does not apply to a gain in a case in which paragraph (1) applies.

(5) Relief under section 535 of ITTOIA 2005 shall be computed as if paragraph (4) had not been enacted.

(6) In section 552 of the Taxes Act—

- (a) in subsection (1)(b) for the words “policy holder” there shall be substituted “account investor”;
- (b) in subsection (3)—
- (i) . . .
- (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) . . .
- (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;

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- (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—

    - (i) a termination event, or
    - (ii) a chargeable event preceding such a termination event (as mentioned in regulation 36(2) of the Individual Savings Account Regulations 1998),

the period of three months beginning with the date on which the insurer received notice under regulation 9(9)(b) of those Regulations or, if earlier, actual notice of the termination event.“;
- (e) in subsection (7)—
  - (i) . . .
  - (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—

  - (i) a termination event, or

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- (ii) a chargeable event preceding such a termination event (as mentioned in regulation 36(2) of the Individual Savings Account Regulations 1998),

the period of three months beginning with the date on which the insurer received notice under regulation 9(9)(b) of those Regulations or, if earlier, actual notice of the termination 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) ...

(g) ...

(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; and

- (iii) ...

- (iv) ...

- (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;” . . .

- (i) . . . .

(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.

(7) ...

(8) The account manager shall account for and pay income tax at the basic rate in force for the year of assessment in which the termination event, or the chargeable event

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mentioned in paragraph (2)(b), occurred, as the case may be, and any amount so payable—

- (a) may be set off against any repayment in respect of tax due under regulation 25 or regulation 26 and, subject thereto,
  - (b) shall be treated as an amount of tax due not later than 6 months after the end of the year in which the event specified in regulation 9(8) came to the notice of the account manager, and
  - (c) shall be payable without the making of an assessment.
- (9) Where tax is charged in accordance with paragraph (3)(a) or (b)—
- (a) an assessment to income tax at the basic rate in force for the relevant year of assessment may be made on the account manager or on the account investor, and
  - (b) an assessment to income tax at the higher rate within the meaning of section 832(1) of the Taxes Act, for that year of assessment, may be made on the account investor,

within five years after the 31st January next following that year of assessment, and regulation 28 shall not apply.