

EXPLANATORY MEMORANDUM TO
THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2010

2010 No. 582

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 These regulations amend the Child Trust Funds Regulations 2004 SI 2004/1450.
 - 2.2 The amendments:
 - make it easier for local authorities to give HM Revenue and Customs information about children in their care who may not be eligible for a Child Trust Fund.
 - make it easier for new adoptive parents to take over management of their adopted child's account.
 - implement minor changes to the information that Child Trust Fund providers are required to report, on transfer or maturity of a Child Trust Fund account.
 - introduce consequential legislative changes, remove obsolete references and update statutory references in the regulations.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 None
4. **Legislative Context**
 - 4.1 The Child Trust Fund scheme is a tax advantaged savings scheme for children, introduced in 2004 by the Child Trust Funds Act. Under the scheme every child living in the UK who is in a Child Benefit award and is not subject to immigration control is given a Child Trust Fund account. The Government makes certain contributions to the account, and the child's family and friends are also allowed to contribute up to a certain limit. The income and growth in the account is exempt from tax.
 - 4.2 The Child Trust Funds Regulations (SI 2004/1450) contain the detailed provisions for the operation of the Child Trust Fund scheme.
 - 4.3 Regulation 13 sets out who can open a Child Trust Fund account and what they have to do. This person becomes the 'registered contact' with whom the Child Trust Fund provider corresponds.
 - 4.4 Regulation 21 deals with transfers of Child Trust Fund accounts from one provider to another.

4.5 Regulation 32 provides for an annual information return to be made by each Child Trust Fund provider to HM Revenue and Customs.

4.6 Regulation 33 sets out rules for providing Child Trust Fund accounts for children in the care of local authorities, including requirements for local authorities to provide certain information to HM Revenue and Customs.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

7.1 Regulation 13 is being amended so that new adoptive parents can become the registered contact and take over management of the Child Trust Fund account without the provider having to seek permission from the birth parent.

7.2 Regulation 21 is being amended to enable providers to fulfil their information reporting obligations under Regulation 32. Under Regulation 32 providers must report the total subscriptions made to the account during the reporting year. To make this work where an account is transferred from one provider to another, regulation 21 requires the old provider to pass to the new provider information about subscriptions made so far during the reporting year, so that the new provider can report this to HMRC. In some cases there is a gap in reporting such that the new provider does not get all the necessary information from the old provider about subscriptions made prior to the transfer and not yet reported to HMRC. The amendment corrects this.

7.3 Under Regulation 32 providers are required to provide annually to HMRC information about the market value of accounts under their management. Accounts may be valued at any time from 5 October during the reporting year. This requirement is being amended so that, for accounts that mature during the reporting year, the valuation date is the date the account matures. This will simplify the reporting requirements for the year of maturity.

7.4 Under Regulation 33 local authorities are required to tell HM Revenue and Customs about children who may be under immigration control and therefore not eligible for a CTF account. This instrument amends regulation 33 so that instead of providing the Home Office reference number the local authority is required to tell HM Revenue and Customs if they have information indicating the child may be subject to immigration control. This makes it easier for local authorities to comply with their reporting obligations and consequently HM Revenue and Customs will be able to police the eligibility rules more effectively.

7.5 This instrument amends various other of the Child Trust Fund regulations in order to implement consequential changes and to bring cross references in the Regulations up to date. For example, references to the lower rate of income tax, which was abolished by Finance Act 2008, are replaced with references to basic rate. These amendments do not change the law substantively.

8. Consultation outcome

8.1 The draft instrument was issued for comment to Child Trust Fund providers and interested representative bodies. No responses were received.

9. Guidance

9.1 The rules changed by this instrument will be incorporated into HM Revenue and Customs' Child Trust Fund guidance for providers and local authorities.

10. Impact

10.1 There is a negligible impact on business. The instrument makes small changes to the reporting requirements for Child Trust Fund providers, who are financial institutions. There is no impact on charities or voluntary bodies.

10.2 There is a negligible impact on the public sector. The instrument makes a small change to the reporting obligations for local authorities.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 In principle all Child Trust Fund providers will be affected by these minor changes to the Child Trust Fund Regulations. Accordingly, no action is considered necessary as no small providers will be disproportionately affected by the minor changes.

12. Monitoring & review

12.1 The impact of the measures will be monitored under HM Revenue and Customs' broader plans for monitoring trends and developments in the savings and investments sector. HM Revenue and Customs collects data on Child Trust Fund investments and uses it to publish annual statistics and this policy will be monitored as part of that process.

13. Contact

Declan Norris at HM Revenue and Customs Tel: 020 7147 0855 or email: Declan.norris@hmrc.gsi.gov.uk can answer any queries regarding the instrument.