

This Bulletin tells you about

- Regulations that were laid before Parliament yesterday; and
- The Government's intention to relax the rules regarding annual statements for Child Trust Fund (CTF) accounts
- The announcement of a new tax-free savings account for children

Enquiries about this bulletin should be addressed to savings.audit@hmrc.gsi.gov.uk.

Please ensure the appropriate people in your organisation read this bulletin.

The HMRC website address is www.hmrc.gov.uk and there are pages for [CTF providers](#).

Regulations that were laid before Parliament yesterday

We expect the Regulations laid in Parliament yesterday to come into effect on 16 November 2010. These Regulations will allow CTF providers to opt not to accept any new vouchers but to keep their existing portfolio of CTF accounts. Providers must give HMRC 30 days written notice of their intention to stop accepting vouchers. This will apply to all vouchers, regardless of their value. In other words, providers will not be able to opt not to take £50 vouchers, but to continue to accept £250 vouchers.

The Government's intention to relax the rules regarding annual statements for Child Trust Fund (CTF) accounts

In September the Government published draft Regulations which, as well as the clauses laid in Parliament yesterday, included provisions to relax some of the annual statement

requirements for CTF accounts. In particular, those draft Regulations would have allowed providers not to send annual statements to accounts that had received no third party contributions since the last statement date, or to accounts valued at less than £300. Statements would still have been required in the year following the child's 4th, 10th and 15th birthdays, and the registered contact would have been able to request annual statements for the account. The Regulations laid yesterday do not include these provisions; however, it is still the Government's intention to relax the requirements for annual statements as soon as possible.

Financial Services Authority (FSA) rules and the CTF Regulations require providers to issue annual statements for all CTF accounts. The FSA has agreed to consult on amending their rules so that the CTF Regulations can be changed to allow CTF providers not to have to issue annual statements in all circumstances:

http://www.fsa.gov.uk/Pages/consumerinformation/product_news/saving_investments/child_trust_funds/index.shtml

Subject to the outcome of the consultation, we anticipate this rule change could take effect as early as March 2011. The Government and the FSA are working closely together on this issue and the Government will lay the necessary enabling Regulations before Parliament to coordinate with any forthcoming FSA rule change. We will then update providers with a further Bulletin.

Following comments from some CTF providers, the Government intends one further relaxation to the CTF annual statement rules. Currently statements must be sent within 61 days of the child's birthday. That rule will be removed so that providers who wish to issue all their statements in one annual batch may do so. This change will be brought in alongside the other changes following the FSA's consultation.

The announcement of a new tax-free savings account for children

The Financial Secretary to the Treasury, Mark Hoban, announced yesterday that the Government will create a new tax-free children's savings account:

http://www.hm-treasury.gov.uk/press_57_10.htm

2010 No. 2599

CHILD TRUST FUNDS

The Child Trust Funds (Amendment No. 4) Regulations 2010

<i>Made</i>	- - - -	<i>25th October 2010</i>
<i>Laid before Parliament</i>		<i>26th October 2010</i>
<i>Coming into force</i>	- -	<i>16th November 2010</i>

The Treasury make the following Regulations in exercise of the powers conferred by sections 3(1) and 28(1) to (3) of the Child Trust Funds Act 2004⁽¹⁾:

Citation and commencement

1. These Regulations may be cited as the Child Trust Funds (Amendment No. 4) Regulations 2010 and shall come into force on 16th November 2010.

Amendments to the Child Trust Funds Regulations 2004

2. Regulation 16 of the Child Trust Funds Regulations 2004⁽²⁾ (account provider – withdrawal by Board of approval) is amended as follows.

3.—(1) After paragraph (2) of regulation 16 insert—

“(2A) Where paragraph (2B) applies, a term of an undertaking given in accordance with regulation 14(2)(b) shall not be taken as not satisfied only by reason that the person to whom the Board’s approval as an account provider has been given does not accept vouchers.

(2B) This paragraph applies where—

- (a) a person does not accept any voucher after a day specified by that person; and
- (b) no less than 30 days before the specified day, notice in writing is given to the Board of the person’s intention not to accept vouchers after that day.”.

25th October 2010

Michael Fabricant
Angela Watkinson
Two of the Lords Commissioners of Her Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations which come into force on 16th November 2010 amend regulation 16 of the Child Trust Funds Regulations 2004 (S.I. 2004/1450) (“the principal Regulations”) which specifies the circumstances in which the Commissioners for H. M. Revenue and Customs (“the

(1) 2004 c.6.

(2) S.I. 2004/1450; relevant amending instrument is S.I. 2010/582.

Board”) may by notice withdraw their approval of a person as an account provider of a scheme of investment which qualifies as a child trust fund.

These Regulations insert paragraphs (2A) and (2B) into regulation 16 of the principal Regulations.

One of the circumstances specified in regulation 16 by which approval by the Board may be withdrawn is where the Board has reason to believe that a term of an undertaking given in accordance with regulation 14(2)(b) of the principal Regulations is not or has not been satisfied. Where paragraph (2B) applies, paragraph (2A) of regulation 16 provides that a term of such an undertaking will not be taken as not satisfied only by reason that the person approved by the Board as an account provider does not accept vouchers issued under section 5(1) of the Child Trust Funds Act 2004 (c. 6) after a day specified in a written notice of the account provider’s intention not to accept such vouchers provided to the Board at least 30 days prior to the specified day.

An Impact Assessment has not been produced for this instrument as it has a negligible impact on business and no impact on charities or voluntary bodies.

EXPLANATORY MEMORANDUM TO
THE CHILD TRUST FUNDS (AMENDMENT NO. 4) REGULATIONS 2010
2010 No. 2599

1. This explanatory memorandum has been prepared by H.M. 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 (S.I. 2004/1450). They allow any provider of Child Trust Funds to stop accepting vouchers after a nominated date but to continue to act as a provider for the Child Trust Fund accounts it already holds.

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

3.1 None.

4. Legislative Context

4.1 This instrument is being made in response to representations by the Child Trust Fund industry following the Government's announcement to reduce and then end all government payments into accounts. Allowing providers of accounts to refuse new vouchers but to keep their existing portfolio of Child Trust Funds will allow more providers to continue managing Child Trust Funds and help maintain an orderly market.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy Background

• *What is being done and why*

7.1 In May 2010 the Government announced it would reduce and then end all government payments to Child Trust Fund accounts. Providers of Child Trust Funds have made representations to the Government suggesting measures that would enable as many of them as possible to continue to offer accounts, even with reduced government contributions, and to continue to manage the accounts that they already hold. These Regulations form part of the Government's response to those suggestions.

7.2 Shortly after an award for Child Benefit is made, the parents or legal guardians of eligible children are sent a Child Trust Fund voucher by H.M. Revenue and Customs. Vouchers for children born from 2 August 2010 are valued at £50 (previously £250). The Child Trust Funds (Amendment No. 3) Regulations 2010 (S.I. 2010/1894) provided for this change in voucher value. Parents or legal guardians have a year to present their voucher to any Child Trust Fund provider who in turn must then accept the voucher and open an account for the child.

7.3 Under the existing Child Trust Fund Regulations, Child Trust Fund account providers must undertake to accept all vouchers issued by H.M. Revenue and Customs. This is one of the conditions for obtaining and retaining HMRC approval as a Child Trust Fund account provider.

7.4 These Regulations relax that rule, so that H.M. Revenue and Customs approval may be retained where an account provider stops accepting vouchers, provided certain conditions are met. The conditions are that the provider has provided written notice of its intention to stop accepting new vouchers to H.M. Revenue and Customs from a specified date. The specified date must be at least 30 days after the date of the written notice. After the specified date, such a provider will not be permitted to accept any new voucher, no matter its value.

- ***Consolidation***

7.5 Not appropriate

8. Consultation Outcome

8.1 Not applicable.

9. Guidance

9.1 The rule changes implemented by this instrument will be incorporated into H.M. Revenue and Customs' Child Trust Fund guidance for providers and local authorities. H.M. Revenue and Customs will also issue guidance to providers as to how these changes will affect them.

10. Impact

10.1 There is a negligible impact on business.

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

10.3 There is no impact on the public sector or any voluntary bodies.

11. Regulating Small Business

11.1 The legislation applies to small business.

11.2 The impact upon small business will be negligible.

12. Monitoring & Review

12.1 The impact of the measures will be monitored under H.M. Revenue and Customs' broader plans for monitoring trends and developments in the savings and investments sector. H.M. 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 H.M. Revenue and Customs Tel: 020 7147 0855 or email:
Declan.norris@hmrc.gsi.gov.uk can answer any queries regarding the instrument.