

## **COMMENTARY ON THE CHILD TRUST FUND (AMENDMENT) REGULATIONS 2005**

In Budget 2003 the Chancellor of the Exchequer announced the introduction of the Child Trust Fund (CTF) and that accounts would be available from April 2005. Children born from 1 September 2002 will be eligible for accounts if a child benefit award has been made for them and they are living in the UK.

The Child Trust Fund will:

- Help people understand the benefits of saving and investing;
- Encourage parents and children to develop the savings habit and engage with financial institutions;
- Ensure that in future all children have a financial asset at the start of adult life to invest in their future; and
- Build on financial education to help people make better financial choices.

The Child Trust Funds Act 2004 received Royal Assent on 13 May 2004. This Act gives the Treasury power to make regulations in connection with various aspects of the CTF. The main CTF regulations, the Child Trust Fund Regulations 2004 were laid on 27 May 2004. In October further regulations were laid allowing early access to Child Trust Fund accounts for children who are terminally ill and making some other procedural changes.

The CTF (Amendment) Regulations 2005 require the Inland Revenue to make payments to account providers for eligible children in households receiving the child elements in income support or jobseeker's allowance when child benefit was first paid for the eligible child.

This commentary provides an analysis of the regulations laid under section 10 of the Child Trust Fund Act 2004.

### **The Regulations**

Regulation 1 gives the title by which the regulations are to be known and the date on which they will come into force.

Regulation 2 provides that the main CTF regulations shall be amended.

Regulation 3 amends regulation 7 of the main CTF regulations to add at the end that a further contribution of £250 is due for a child where the date child benefit was first paid for that child is after 5 April 2005 and a person was receiving the child element in either income support or jobseeker's allowance when child benefit was first paid in relation to that child. It is further specified that the account provider must credit the eligible child's account with the payment received from the Inland Revenue.

Regulation 4 amends regulation 22(2) of the main regulations (governing the recovery by the Inland Revenue of CTF payments that are discovered not to be due) so that where a further contribution under regulation 7 (10) is made but is subsequently determined not to have been properly due (because either

income support or jobseeker's allowance were not properly due), it can be recovered by the Inland Revenue.

Regulation 5 amends regulation 30(6) of the main regulations (setting out the requirements for the fortnightly claim from account providers to the Inland Revenue for monies due to the CTF accounts they hold) to specify that this claim must include the further contribution under regulation 7(10) where the Inland Revenue has informed the account provider that this contribution is due.