

CHILD TRUST FUND CONSULTATION ON AGE 7 TOP-UP PAYMENTS - FURTHER ISSUES

BACKGROUND

1.1 As announced in the 2004 Pre-Budget Report, the Government is consulting on further payments into Child Trust Fund accounts at age 7 based on a universal payment of £250, with children from low-income families receiving £500.

1.2 So far, the Government has asked for views on:

1. Value of the universal age seven payment into Child Trust Fund accounts
2. Value of the additional payment to children in lower income families at age seven
3. Ratio of progressivity

1.3 Further detail on these issues can be found in Child Trust Fund consultation on age 7 top-up payments, HM Treasury December 2004 at:

www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr04/press_notices/prebud_pbr04_press05.cfm

1.4 In Budget 2005 the Chancellor announced a further consultation inviting views on what further payments can be made into Child Trust Fund accounts at secondary school age.

1.5 Further detail on that consultation can be found in Child Trust Fund consultation on further payments at secondary school age, HM Treasury March 2005 at:

http://www.hm-treasury.gov.uk/budget/budget_05/other_documents/bud_bud05_ctf.cfm

1.6 The Government is grateful for all responses received to these consultations so far.

1.7 The Government would now like to consult on the following issues:

Timing of the universal payment into Child Trust Fund accounts at age seven.

1.8 The Government has said that there will be a universal payment to all children at age seven and an additional payment to children in families on lower incomes. The Government now invites views on the appropriate timing of the universal payment to all children at age seven.

1.9 For example, should the payments be made throughout the year as each child reaches their seventh birthday or should all children in a school year (births between 1 September in Year X to 31 August in Year X+1) receive their universal payments on or near a set date in Year X or X+1.

Eligibility criteria for the additional payment to children in lower income families at age seven

1.10 The Government has said that children in lower income families who qualify for the full Child Tax Credit at the child's seventh birthday will qualify for the higher payment at age seven. This payment would be made directly into the child's Child Trust Fund account once the Child Tax Credit award for the tax year in which the child's seventh birthday falls is finalised. The Government now invites views on what the appropriate eligibility criteria should be for the age seven additional payment for lower income families.

1.11 For example, should eligibility be based on the finalised Child Tax Credit award at the child's seventh birthday or should an earlier qualification date be used such as the finalised Child Tax Credit award at the child's sixth birthday.

Responses

1.12 The Government asks respondents to consider particularly:

- fairness;
- simplicity;
- public awareness of the Child Trust Fund;
- interaction with financial education in schools;
- provider capacity;
- interaction between age-related universal payment to all children and additional payment to children in lower-income families.

1.13 HM Treasury invites views from industry, consumer organisations, charities and other stakeholders on these issues.

Respondents are asked to reply by e-mail to:

CTFage7payments@hm-treasury.gov.uk

Or in writing to:

CTF Age 7 payments consultation
Assets, Savings and Wealth team
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Responses are requested by **28 February 2006**.