

Government Announcement on Child Trust Funds

The Government has announced today that it intends to reduce and then stop all government contributions to Child Trust Funds. The following provides further details of the planned changes for customers.

Subject to legislation, the Government intends to reduce government contributions at birth, and to stop government contributions at age 7, from 1 August 2010. The Government also intends for HMRC to stop issuing new Child Trust Fund vouchers from 1 January 2011.

There will be no immediate effect on Child Trust Funds. Legislation is required to implement the Government's intentions and until that legislation is in place Child Trust Funds will continue as usual.

This means that, for the present:

- vouchers will continue to be issued inviting parents to open CTF accounts for their children;
- vouchers that have already been issued will continue to be valid up to their expiry date;
- HMRC will continue to open CTF accounts for children where the voucher has not been used by its expiry date; and
- government contributions into CTF accounts will continue to be made at current levels.

1. My child already has a CTF account - what will happen to it?

CTF accounts already in existence will continue to operate as currently. So we expect that:

- they will continue to be CTF accounts until the child's 18th birthday, with no withdrawals permitted;
- they will continue to benefit from tax free investment growth;

- friends and family will continue to be able to contribute up to a total of £1,200 a year;
- vouchers will continue to be valid until their expiry date; and
- HMRC will open accounts for children where the voucher has not been used by the expiry date.

But once the relevant legislation is in place there will be no further entitlement to government contributions.

2. I have received my child's CTF voucher but not used it yet – can I still use it?

Yes. You will be able to use it up to the expiry date shown on the voucher, and if you do not use it HMRC will open an account for your child and tell you about this. Your child's CTF will then operate in the same way as existing CTFs (see above).

3. Can my child's friends and family still contribute to his/her CTF account?

Yes. There are no plans to change anything here - family and friends will still be able to contribute up to a total of £1,200 into a CTF account each year.

4. Will my child's CTF account still get tax relief?

Yes. There are no plans to change anything here – existing CTF accounts will continue to benefit from tax free investment growth.

5. Will I (or my child) now be able to withdraw the money invested in my child's CTF account?

No. There are no plans to change anything here – no withdrawals will be permitted until the child turns 18.

6. Will the Government withdraw the money it has put into my child's CTF account?

No.

7. Can I still move my child's account?

Yes, existing CTF accounts continue to operate as before, so you can move your account to another provider in the normal way.

8. How and when does the Government intend to reduce and then stop CTF payments?

The Government intends to reduce government contributions later this year, and then stop them altogether from early in 2011. Subject to the relevant legislation being approved by Parliament, the Government intends:

- to reduce government contributions for children born from August 2010:
 - from £250 to £50 to children in better off families; and
 - from a total of £500 to £100 to children in lower income families.
- to stop all government contributions at age 7 for children that turn 7 after August 2010; and
- for HMRC to stop issuing new CTF vouchers from January 2011 (vouchers issued before this date will remain valid).

9. I've lost my voucher. Does that mean I won't now get a CTF for my child?

No. You can apply for a replacement voucher at the CTF website at www.childtrustfund.gov.uk

10. I am pregnant. Will I still get a CTF voucher when my child is born?

Yes, if your child is born before the legislation to stop issuing CTF vouchers is in place and you meet the other eligibility requirements (you make a valid Child Benefit claim for your child who lives in the UK and is not subject to immigration control).

11. My child turns 7 later this year. Will they still get their age 7 payment?

Government contributions at age 7 will continue as normal until the relevant legislation is in place. The Government intends for all government contributions at age 7 to stop for children that turn 7 after August 2010.

12. My child is 4 years old. Will they still get their age 7 payment?

No, under the Government's proposed changes your child will not receive a government contribution at age 7.

13. I have opened a CTF account but I haven't yet got my additional payment (the £250 for children in lower income families) – will I still get it?

Yes. Additional payments for children who became entitled to a CTF account before the relevant legislation is in place will be paid.

14. My tax credit award hasn't been finalised, will I still get an additional payment?

Additional payments that become due because of a relevant tax credit award in 2009/10, whether or not the award is finalised yet, will be paid.

15. My child is disabled, will they still get a government payment?

If your child has a CTF account, and is entitled to disability living allowance at any time in 2010-11, then they will be entitled to a disability payment into their CTF account, and this will be paid. From 2011-12 onwards, the Government intends that these payments will stop.

16. When government contributions stop, will I be able to open a CTF account for my child anyway (i.e. without a voucher)?

When the relevant legislation is in place, the Government intends that HMRC will no longer issue vouchers and it will not be possible to open a CTF account (other than for those who have already received a voucher before this date).

17. What will happen to the payments into CTF accounts paid by the Welsh Assembly for Welsh children?

That is a matter for the Welsh Assembly.

Issued: 24 May 2010