



The Child Trust Funds Regulations 2004 (SI 2004 No.1450)

as amended by The Child Trust Funds (Amendment) Regulations 2004 (SI 2004 No.2676)
and The Child Trust Funds (Amendment No.2) Regulations 2004 (SI 2004 No.3382)
and The Child Trust Funds (Amendment) Regulations 2005 (SI 2005 No.383)
and The Child Trust Funds (Amendment No.2) Regulations 2005 (SI 2005 No.909)
and The Child Trust Funds (Amendment No.3) Regulations 2005 (SI 2005 No.3349)
and The Child Trust Funds (Amendment) Regulations 2006 (SI 2006 No.199)
and The Child Trust Funds (Amendment No.2) Regulations 2006 (SI 2006 No.2684)
and The Child Trust Funds (Amendment No.3) Regulations 2006 (SI 2006 No.3195)
and The Mental Capacity Act 2005 (Transitional and Consequential Provisions) Order 2007 (SI 2007 No.1898)
and The Child Trust Funds (Amendment) Regulations 2009 (SI 2009 No.475)
and The Child Trust Funds (Amendment No.2) Regulations 2009 (SI 2009 No.694)
and The Child Trust Funds (Amendment) Regulations 2010 (SI 2010 No.582)
and The Child Trust Funds (Amendment No.2) Regulations 2010 (SI 2010 No.836)
and The Child Trust Funds (Amendment No.3) Regulations 2010 (SI 2010 No.1894)
and The Child Trust Funds (Amendment No.4) Regulations 2010 (SI 2010 No.2599)
and The Child Trust Funds (Amendment) Regulations 2011 (SI 2011 No.781)
and The Child Trust Funds (Amendment No.2) Regulations 2011 (SI 2011 No.992)
and The Child Trust Funds (Amendment No.3) Regulations 2011 (SI 2011 No.2447)
and The Child Trust Funds, Registered Pension Schemes and Stamp Duty Reserve Tax (Consequential Amendments) Regulations 2012 (SI 2012 No.886)
and The Child Trust Funds (Amendment) Regulations 2012 (SI 2012 No.1870)
and The Tribunals, Courts and Enforcement Act 2007 (Consequential Amendments) Order 2012 (SI 2012 No.2404)
and The Child Trust Funds (Amendment) Regulations 2013 (SI 2013 No.263)
and The Financial Services Act 2012 (Consequential Amendments and Transitional Provisions) Order 2013 (SI 2013 No.472)
and The Child Trust Funds (Amendment No.2) Regulations 2013 (SI 2013 No.1744)
and The Child Trust Funds (Amendment) Regulations 2014 (SI 2014 No.649)
and The Child Trust Funds (Amendment No.2) Regulations 2014 (SI 2014 No.1453)
and The Co-operative and Community Benefit Societies and Credit Unions Act 2010 (Consequential Amendments) Regulations 2014 (SI 2014 No.1815)
and The Child Trust Funds (Amendment) Regulations 2015 (SI 2015 No.600)
and The Child Trust Funds (Amendment No.2) Regulations 2015 (SI 2015 No.876)
and The Child Trust Funds (Amendment No.3) Regulations 2015 (SI 2015 No.1371)
and The Child Trust Funds (Amendment) Regulations 2017 (SI 2017 No.185)
and The Child Trusts Fund (Amendment No. 2) Regulations 2017 No. 748
and The Child Trust Fund (Amendment) Regulations 2018 No. 358
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NOTE:

[This note is not part of the Regulations]

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- The meaning of words and phrases printed in ***bold italic*** is specifically defined (these are usually to be found in Regulation 2).
- This consolidation incorporates the amendments included in SI 2019 No.381 which comes into force on 6th April 2019
- When compared with the consolidated CTF Regulations previously made available via the TISA website (*CTFRegs_2018 in force from 6 April 2018*)
 - these further amending regulations are indicated by
 - single bold change bars (in the right margin) to indicate paragraphs that are wholly new.
 - double change bars (in the right margin) indicate existing paragraphs that have been totally or partially amended.

The effect of the amendments is as follows -

- The annual limit on CTF subscriptions is increased from £4,260 to £4,368 (Regulation 9(2) & (3))

David Beaston, *Technical Manager, TISA*
15 July 2019

The Treasury, in exercise of the powers conferred upon them ... [in various primary legislation] ... hereby make the following Regulations:

PART 1 Introductory

[For simplicity, Regulation 1 has been omitted from this consolidation]

Interpretation

2. (1) In these Regulations—
- (a) the following expressions have the meanings given in the Child Trust Funds Act 2004 (“*the Act*”)—
- “*child*”
 - “*child trust fund*”
 - “*eligible child*”
 - “*Inland Revenue*”
 - “*Inland Revenue contributions*” (see section 11(2) of *the Act*)
 - “*parental responsibility*” (see section 3(9) of *the Act*)
 - “*relevant person*” (see section 15(2) of *the Act*)
 - “*relevant social security benefit*” (see section 9(6) of *the Act*)
 - “*responsible person*” (see section 3(8) of *the Act*)
 - “*tax year*” (see section 9(6) of *the Act*)
 - “*the income threshold*” (see section 9(6) of *the Act*)
 - “*the person entitled to child benefit in respect of the child*” (see section 2(1)(a), (4) and (6) of *the Act*)
 - “*the relevant income*” (see section 9(6) of *the Act*)
- (b) except where the context otherwise requires—
- “*account*” means a scheme of investment which (except in regulation 22(1)) qualifies as a *child trust fund*, other than in the cases of—
- (i) an account with a *deposit-taker*,
 - (ii) a share or deposit account with a *building society*, or
 - (iii) a deposit account with a person falling within section 991(2) of the Income Tax Act 2007¹, or a *credit union*;
- an “*account investment*” is an investment under the *account* which is a qualifying investment for an *account* within the meaning of regulation 12;
- an “*account provider*” is a person who fulfils the conditions of these Regulations and is approved by *the Board* for the purpose of these Regulations as an *account* provider;

¹ 2007 c. 3.

2. (1) (b)
continued

“**adoption order**” has the meaning in section 46(1) of the Adoption and Children Act 2002² or section 28 of the Adoption and Children (Scotland) Act 2007³ or of “Adoption Order” in Article 2(2) of the Adoption (Northern Ireland) Order 1987⁴, as the case may be, and includes any corresponding order under the Adoption (Scotland) Act 1978⁵, and any order of a court in the Isle of Man or any of the Channel Islands which, under section 108 of the Adoption and Children Act 2002, is declared to correspond to an adoption order made under that Act;

“**appointed day**” means the day appointed under section 27 of **the Act**, for the purposes of sections 8 and 9 of **the Act**;

“**assurance undertaking**” has the meaning in Article 2 of the Council Directive of 5th November 2002 concerning life assurance (No. 2002/83)⁶;

“**Bank of England base rate**” means the rate announced from time to time by the Monetary Policy Committee of the Bank of England as the official dealing rate, being the rate at which the Bank is willing to enter into transactions for providing short-term liquidity in the money markets;

“**the Board**” means the Commissioners for Her Majesty’s Revenue and Customs;

“**building society**” means a building society within the meaning of the Building Societies Act 1986⁷, or the Irish Building Societies Act 1989⁸;

“**building society bonus**”, except in regulation 24(a)(i), excludes any bonus, distribution of funds or the conferring of rights in relation to shares—

(a) in connection with an amalgamation, transfer of engagements or transfer of business of a **building society**, and

(b) mentioned in section 96 or 100 of the Building Societies Act 1986⁹,

and “**payment under a building society bonus scheme**” shall be construed accordingly;

“**company**”, except in regulation 12(4)(a), means any body corporate having a share capital other than—

(i) an open-ended investment company, within the meaning given by section 236 of the Financial Services and Markets Act 2000¹⁰, or

(ii) a **UCITS**;

Paragraphs (iii) & (iv) omitted

“**credit union**” means a society registered as a credit union under the Industrial and Provident Societies Act 1965¹¹ or the Credit Unions (Northern Ireland) Order 1985¹²;

“**deposit-taker**” has the meaning given by section 853 (as extended under section 854) of **ITA 2007**¹³;

“**the Director of Savings**” has the same meaning as in the National Debt Act 1972¹⁴;

“**the Distance Marketing Directive**” means Directive 2002/65/EC of the European Parliament and of the Council of 23rd September 2002¹⁵, and includes any provisions by which an **EEA State** or the United Kingdom has transposed the Directive or has corresponding obligations in its domestic law, and “distance contract” has the meaning in that Directive;

² 2002 c. 38.

³ 2007 asp 4.

⁴ 1987 N.I. 22.

⁵ 1978 c. 28.

⁶ O.J. L345, 19.12.2002, p.1.

⁷ 1986 c.53.

⁸ Number 17 of 1989.

⁹ 1986 c. 53

¹⁰ 2000 c. 8.

¹¹ 1965 c. 12.

¹² SI 1985/1205 (N.I. 12).

¹³ 2007 c. 3; section 853 was amended by SI 2009/1890.

¹⁴ 1972 c. 65.

¹⁵ O.J. L271, 9.10.2002, p.16.

2. (1) (b)
continued

“**electronic communications**” includes any communications by means of a telecommunication system (within the meaning in the Telecommunications Act 1984¹⁶);

“**EEA Agreement**” means the agreement on the European Economic Area signed at Oporto on 2nd May 1992, together with the Protocol adjusting that Agreement signed at Brussels on 17th March 1993¹⁷, as modified or supplemented from time to time;

“**EEA State**”, in relation to any time, means a state which at that time is a member State, or any other state which at that time is a party to the **EEA Agreement**;

“**European institution**” means an EEA firm of the kind mentioned in paragraph 5(a) to (d), (f) and (h) of Schedule 3 to the Financial Services and Markets Act 2000 which is an authorised person for the purposes of that Act as a result of qualifying for authorisation under paragraph 12(1) to (4) and (7) of that Schedule;

“**51 per cent. subsidiary**” and “**75 per cent. subsidiary**” have the meanings given by section 838 of **the Taxes Act**;

“**FISMA 2000**” means the Financial Services and Markets Act 2000¹⁸;

“**gains**”, except in regulations 22(1) to (3), 24(a)(ii), (iii) and (v), 37(5) and 38, means “chargeable gains” within the meaning in **the 1992 Act**;

“**gilt-edged securities**” has the meaning given by paragraphs 1 and 1A of Schedule 9 to **the 1992 Act**¹⁹;

“**guardian**” means a guardian of a child within the meaning in section 5 of the Children Act 1989²⁰, section 7 of the Children (Scotland) Act 1995²¹ or Article 2(2) of the Children (Northern Ireland) Order 1995²², as the case may be;

“**incorporated friendly society**” means a society incorporated under the Friendly Societies Act 1992²³;

“**investments under the account**” has the same meaning as investments under a **child trust fund in the Act**;

“**investment trust**” means an investment trust within the meaning of section 1158 of the Corporation Tax Act 2010²⁴;

“**ITA 2007**” means the Income Tax Act 2007;

“**ITTOIA 2005**” means the Income Tax (Trading and Other Income) Act 2005;

“**the Management Act**” means the Taxes Management Act 1970²⁵;

“**market value**” shall be construed in accordance with section 272 of **the 1992 Act**;

“**the 1992 Act**” means the Taxation of Chargeable Gains Act 1992;

¹⁶ 1984 c. 12.

¹⁷ O.J. No. L1, 3.1. 94, pp. 3 and 572.

¹⁸ 2000 c. 8.

¹⁹ 1992 c. 12.

²⁰ 2009 c. 41.

²¹ 1995 c. 36.

²² SI 1995/755 (N.I. 2).

²³ 1992 c. 40.

²⁴ 2010 c.4. Section 1158 was substituted by section 49(2) of the Finance Act 2011 (c.11) and amended by section 45 of the Finance Act 2013 (c.29).

²⁵ 1970 c. 9.

2. (1) (b)
continued

“**non-UCITS retail scheme**”—

- (a) has the meaning in **COLL** (that is, a scheme to which, or to whose authorised fund manager and depositary, Sections 5.1, 5.4 and 5.6 of **COLL** apply),
- (b) includes a “recognised scheme” by virtue of section 270 or 272 of **FISMA 2000**, which would fall within paragraph (a) of this definition if it were an **authorised fund**, and
- (c) includes a sub-fund of an **umbrella** which the terms of the **scheme** identify as a sub-fund which would fall within paragraph (a) or (b) of this definition if it were itself an **authorised fund** or a recognised scheme.

In this definition, expressions defined in the Glossary forming part of the Financial Conduct Authority Handbook have those defined meanings;

“**notice**”, except in regulations 12(12) and 37(6)(a), means notice in writing;

“**qualifying units in or shares of a non-UCITS retail scheme**” means that—

- (a) the instrument constituting the scheme secures that redemption of the units or shares in question shall take place no less frequently than bi-monthly (see section 6.2.16(6) of **COLL** omitting the words “Except where (7) applies, and”, read with section 6.3.4(1), whether or not those sections apply to the scheme), and
- (b) a provision for suspension of dealings in exceptional conditions in accordance with section 7.2 of **COLL** (or any foreign procedure which is a direct foreign equivalent of that section) shall not be treated as a provision contrary to paragraph (a) of this definition;

“**recognised stock exchange**” has the same meaning as in section 1005 of **ITA 2007**;

“**registered contact**” means the person who has the authority to manage the child trust fund by virtue of section 3(6) of the Act;

“**registered friendly society**” has the meaning given by the Friendly Societies Act 1992 and includes any society that by virtue of section 96(2) of that Act is to be treated as a registered friendly society;

“**relevant authorised person**” means a firm mentioned in section 697(2)(b) of **ITTOIA 2005**²⁶;

“**security**”, means any loan stock or similar security of a **company** whether secured or unsecured;

“**special guardian**” has the meaning in section 14A of the Children Act 1989²⁷;

“**subscriptions**” has the meaning in section 12(1) of **the Act** (but excluding **Inland Revenue contributions** and income or **gains** arising from **investments under the account**);

“**tax**” where neither income tax nor capital gains tax is specified means either of those taxes;

“**the Taxes Act**” means the Income and Corporation Taxes Act 1988;

“**year**”, except in the expression “**subscription year**” in regulations 9, 21(5)(b) and 32(2)(b)(iv), means a year of assessment (within the meaning in section 832(1) of **the Taxes Act**, or section 288(1) of **the 1992 Act**, as the case may be);

(c) “**authorised fund**” means—

- (i) an **authorised unit trust**, or
- (ii) an **open-ended investment company** in the case of which an authorisation order made under regulation 14 of the Open-Ended Investment Companies Regulations 2001²⁸ is in force;

“**authorised unit trust**” means a unit trust scheme in the case of which an authorisation order under section 243 of the Financial Services and Markets Act 2000 is in force;

²⁶ 2005 c. 5.

²⁷ Section 14A was inserted by section 115 of the Adoption and Children Act 2002.

²⁸ SI 2001/1228.

2. (1) (c)
continued

“**COLL**” means the Collective Investment Schemes Sourcebook made by the Financial Conduct Authority under **FISMA 2000**;

“**depository interest**” means the rights of the person mentioned in paragraph (ii), under a certificate or other record (whether or not in the form of a document) acknowledging—

- (i) that a person holds relevant investments or evidence of the right to them, and
- (ii) that another person is entitled to rights in or in relation to those or identical relevant investments, including the right to receive such investments, or evidence of the right to them or the proceeds from such investments, from the person mentioned in paragraph (i),

where “relevant investments” means investments which are exclusively qualifying investments for an **account** falling within regulation 12(2)(a) to (i), and the rights mentioned in paragraph (ii) are exclusively rights in or in relation to relevant investments;

“**insolvency event**” means the procedures listed in the definition of “insolvency event” in regulation 19(15) of the Payment Services Regulations 2009²⁹;

“**open-ended investment company**”, means a company to which section 236 of **FISMA 2000** applies, and “shares” in relation to an open-ended investment company, includes shares of any class and of any denomination of a given class and, in relation to a part of an umbrella company, means shares in the company which confer for the time being rights in that part;

“**recognised UCITS**” means—

- (a) a collective investment scheme constituted in an EEA State, which is a “recognised scheme” under section 264 of **FISMA 2000**, and complies with the requirements to be a “UCITS scheme” for the purposes of **COLL**, or
- (b) a part of a recognised UCITS mentioned in paragraph (a) of this definition, which would be a sub-fund of an umbrella scheme which is a recognised UCITS;”;

“**UK UCITS**” means—

- (a) a collective investment scheme with Part 4A permission under **FISMA 2000**, which complies with the requirements to be a “UCITS scheme” for the purposes of **COLL**, or
- (b) a part of a UK UCITS mentioned in paragraph (a) of this definition which would be a sub-fund of an umbrella scheme which is a UK UCITS;

“**umbrella scheme**” means an **authorised fund** which according to the terms of the scheme is an umbrella scheme belonging to the category under that name established by the Financial Conduct Authority, and

- (i) in the case of an **authorised fund** which is an **authorised unit trust**, references to a part of an umbrella scheme shall be construed in accordance with subsection (8) of section 468 of **the Taxes Act** and paragraphs (6) and (7) of regulation 7 of the Authorised Investment Funds (Tax) Regulations 2006³⁰ shall apply for the purposes of these Regulations as they apply for the purposes of those Regulations, and
- (ii) in the case of an **authorised fund** which is an **open-ended investment company**, references to a part of an umbrella scheme shall be construed in accordance with subsection (4) of section 468A of the Taxes Act³¹, and paragraphs (2) and (3) of regulation 7 of the Authorised Investment Funds (Tax) Regulations 2006 shall apply for the purposes of these Regulations as they apply for the purposes of those Regulations;

“**units**”, in relation to an **authorised unit trust**, means the rights or interests (however described) of the unit holders in that unit trust and, in relation to a part of an **umbrella scheme**, means the rights or interests for the time being of the unit holders in that part;

“**units in, or shares of, a UK UCITS or recognised UCITS**” means the rights (however described) of the holders of the units or shares in that **UK UCITS** or **recognised UCITS**;

²⁹ SI 2009/209.

³⁰ SI 2006/964.

³¹ Section 468A was inserted by section 16 of the Finance (No. 2) Act 2005 (c. 22).

2. (1A) In these Regulations—

- (a) a “**bulk transfer of accounts**” occurs where two or more **accounts** are transferred, without a break in the management of the accounts, by an **account provider** (“**the transferor**”) direct to another **account provider** (“**the transferee**”)—
- (i) pursuant to an agreement made between **the transferor** and **the transferee** where the transfers are not made pursuant to requests made by the person who is the **registered contact** in relation to the **accounts** transferred; or
- (ii) pursuant to an insurance business transfer scheme or a banking business transfer scheme under Part 7 (Control of Business Transfers) of **FISMA 2000**;

Paragraphs (b) & (c) omitted

(2) The table below indexes other definitions in these Regulations:

<i>Term defined</i>	<i>Regulation</i>
“ the applicant ”	5
“ the commencement date ”	7(8)
“ description ” of an account	4
“ the disqualifying circumstances ”	16
“ initial contribution ”	7(1)
“ interim tax claim ”	26(2)
“ local authority ”	33A(6)
“ looked after child ”	33A(6)
“ management agreement ”	5
“ the named child ”	5 and 8(1)
“ qualifying circumstances ”	14
“ qualifying investments for an account ”	12
“ special contribution ”	7(1)
“ subscription year ”	9(2)
“ supplementary contribution ”	7(5)
the “ termination event ”	12(12)
“ the transfer instructions ”	8(2)(h)
“ the internal transfer instructions ”.	8(2)(i)

Vouchers

3. (1) The voucher to be issued under section 5(1) of **the Act** shall contain the following particulars—
- (a) the full name of the **child**,
 - (b) his date of birth,
 - (c) his unique reference number,
 - (d) the short expiry date of the voucher, and
 - (e) the amount of the **initial contribution** (see regulation 7(1)),
- and a statement that the voucher cannot be exchanged for money.
- (2) The voucher shall be sent to **the person who is entitled to child benefit in respect of the child** (or, in the case of a **child** who is an **eligible child** because of section 2(3) of **the Act**, to a **responsible person** in relation to the **child**) by post.
- (3) The expiry date shall be whichever is the earlier of—
- (a) the date 12 months from the date of issue of the voucher, or
 - (b) where the **child** is over 17 years of age, the date on which he will attain the age of 18 years.
- (4) But for references in these Regulations to the short expiry date of the voucher paragraph (3) applies with “60 days” instead of “12 months”.

References to 'short expiry date' in 3(1)(d) and 3(4) apply only to vouchers issued on or after 1 January 2012

Descriptions of accounts

4. (1) An **account** may be of either of the following descriptions—
- Stakeholder account**
- Where the **account** meets the characteristics and conditions in the Schedule to these Regulations.
- Non-stakeholder account**
- Where any of those characteristics or conditions is not met.
- (2) **Accounts** opened by the **Inland Revenue** (see regulation 6) must be **stakeholder accounts**.

Opening of account by responsible person or the child

5. (1) For the purposes of these Regulations, subject to paragraph (1A) and (2), an **account** is opened for a **child** ("**the named child**") with an **account provider** on the date the last of the following conditions is satisfied (in any order), where "**the applicant**" means—

- (a) if **the named child** is 16 or over, the **child**; and
- (b) in any other case, a **responsible person** in relation to **the named child**:

Condition 1

The applicant gives the voucher relating to **the named child** to the **account provider** not later than 7 days after its short expiry date or, where the **account provider** has chosen to open accounts without sight of the relevant voucher, **the applicant** gives the following information to the **account provider**:

- (a) the short expiry date of the voucher,
- (b) the amount of the **initial contribution** as specified on the voucher, and
- (c) where the date of birth shown on the voucher differs from the actual date of birth of the **child** (see regulation 13(5)(c)), the date of birth shown on the voucher

Condition 2

The applicant enters into an agreement with the **account provider** (the "**management agreement**") for the management of the **account** (see regulation 8(1) and (2)), which includes the application and declaration required by regulation 13.

Condition 3

Where that application is not in writing **the applicant** has agreed, or is treated as having agreed, the contents of the copy of the declaration required by regulation 13(3).

Condition 4

- (a) In any case where the **management agreement** is a distance contract, the agreement must be an initial service agreement for the purposes of **the Distance Marketing Directive**³², and contain the instructions required by regulation 8(1)(f), and
 - (b) in every case where there is any right to cancel (or automatic cancellation of) the **management agreement**, the period during which it may be exercised or occur has expired without that right being exercised or cancellation occurring.
- (1A) The application to open the account must be made, and Condition 2 satisfied, not later than the short expiry date of the voucher.
- (2) An **account** must satisfy the requirements that—
- (a) no subscription to the **account** is accepted by the **account provider** until the **account** has been opened in accordance with paragraph (1); and
 - (b) where the **account** is so opened before the **appointed day**, it shall not be treated as open for the purpose of accepting **subscriptions** until the **appointed day**.

References to 'short expiry date' in Condition 1 and also in para (1A) apply only to vouchers issued on or after 1 January 2012

³² O.J. L271, 9.10.2002, p.16.

Opening of account by Inland Revenue – (Revenue allocated accounts)

6. (1) **The Board** shall apply to open an **account** for a **child** to whom section 6 of **the Act** applies, by forwarding to an **account provider** the particulars which would be required for a voucher (see regulation 3), but omitting paragraph (1)(d) of that regulation.
- (2) The **account provider** shall immediately open a **stakeholder account** in the name of the **child**, which shall have the same effect as if a **responsible person** for the **child** (or the **child** if aged 16 or over) had entered into the **account provider's** standard **management agreement** for the **stakeholder account** in question, including the terms mentioned in Condition 2 of regulation 5(1) (but treating the reference to the application and declaration required by regulation 13 as a reference to the authorisation required by regulation 13(4)) and regulation 8(1)(f).
- (3) The **Inland Revenue** shall maintain (and update from time to time) a list of **account providers** who have agreed to accept Revenue allocated **accounts** under this regulation, in the order of the date of their agreement, and the **account provider** shall be selected in rotation from the current list.
- (4) Where the **account provider** offers two or more types of **stakeholder account** –
- (a) the **account provider** shall select the type or types to be used for the purposes of this regulation (subject to sub-paragraph (b)),
 - (b) any type selected must be offered to the general public at the time of opening a Revenue allocated **account** of that type, and
 - (c) if more than one type has been selected, the **account** to be opened shall be chosen by the **account provider** in rotation between the selected types of **accounts**.”
- (5) The **Inland Revenue** shall write to **the person who is entitled to child benefit in respect of the child** (or, in the case of a **child** who is an **eligible child** because of section 2(3) of **the Act**, to a **responsible person** in relation to the **child**) to inform them of the opening of the **account** and particulars of it.

Government contributions

7. (1) The amounts of the contribution for the purposes of section 8(1) of **the Act** are set out in paragraphs (2) to (4B), (the amounts set out in paragraphs (2), (4)(a) and (4A) to be known as the “**initial contribution**”, and the amounts set out in paragraphs (3), (4)(b) and (4B) as the “**special contribution**”).
- (2) Where the **child** is an **eligible child** on the **appointed day** by virtue of section 2(1)(a) of **the Act** (by reason of a child benefit award), and—
- (i) was born after 31st August 2002 but before 6th April 2003, the amount is £277,
 - (ii) was born between 6th April 2003 and 5th April 2004, the amount is £268, and
 - (iii) was born between 6th April 2004 and the day preceding the **appointed day**, the amount is £256.
- (3) Where the **child** is an **eligible child** on the **appointed day** by virtue of section 2(1)(b) of **the Act** (by reason of being a **child** in the care of a **local authority** at that date) and—
- (i) was born after 31st August 2002 but before 6th April 2003, the amount is £554,
 - (ii) was born between 6th April 2003 and 5th April 2004, the amount is £536, and
 - (iii) was born between 6th April 2004 and the day preceding the **appointed day**, the amount is £512.
- (4) Subject to paragraphs (4A) and (4B), where the **child** becomes an **eligible child** on or after the **appointed day** and—
- (a) is first an **eligible child** by virtue of section 2(1)(a) of **the Act**, the amount is £250, and
 - (b) is first an **eligible child** by virtue of section 2(1)(b) of **the Act**, the amount is £500.
- (4A) Where a **child**—
- (a) is first an **eligible child** by virtue of section 2(1)(a) of **the Act**, and
 - (b) **the commencement date** for the **child** (see paragraph (8)) is after **the relevant 2010 date** (see paragraph (10E)),
- the amount is £50.
- (4B) Where a **child**—
- (a) is first an **eligible child** by virtue of section 2(1)(b) of **the Act**, and
 - (b) either—
 - (i) is born on or after **the relevant 2010 date**, or
 - (ii) is first in the United Kingdom (other than temporarily) on or after **the relevant 2010 date**, or
 - (iii) becomes an **eligible child** on or after 3 months (less one day) after **the relevant 2010 date**,
- the amount is £100.
- (5) The amounts of the **supplementary contribution** for the purposes of section 9(2) of **the Act** (to be known as the “**supplementary contribution**”) are set out in paragraphs (6) and (7).
- (6) Where the **child** is an **eligible child** on the **appointed day** (and is a **child** to whom section 9 of **the Act** applies), the amount—
- (a) if **the commencement date** was after 31st August 2002 but before 6th April 2003, is £266,
 - (b) if **the commencement date** was between 6th April 2003 and 5th April 2004, is £258,
 - (c) if **the commencement date** was between 6th April 2004 and the **appointed day**, is £250.
- (7) Subject to paragraph (7A), where the **child** becomes an **eligible child** after the **appointed day** (and is a **child** to whom section 9 of **the Act** applies), the amount is £250.
- (7A) Where the **child** is one to whom section 9 of **the Act** applies, and **the commencement date** for the **child** is after **the relevant 2010 date**, the amount is £50.

7. (8) The “**commencement date**”, in relation to a **child**, means the first day for which child benefit was paid (under a decision mentioned in section 2(6) of **the Act**) in respect of the **child**, except that—
- (a) where entitlement to child benefit is wholly excluded by a directly applicable Community provision, it means the date on which that exclusion took effect.
- (9) The **Inland Revenue** shall, following final determination of entitlement to child tax credit, write to **the person** who is **entitled to child benefit in respect of the child** (or, in the case of a **child** who is an **eligible child** because of section 2(3) of **the Act**, to a **responsible person** in relation to the **child**) to inform them that the **supplementary contribution** is being paid into the **child's account**.
- (10) A further contribution under section 10 of **the Act** of £50 is due for any **child** where—
- (a) **the commencement date** (for child benefit: see paragraph (8)) in relation to that **child** is after 5th April 2005, and
- (b) income support or income-based jobseeker's allowance was paid for that **commencement date** to a person whose applicable amount included an amount in respect of the **child**.
- (10A) A further contribution under section 10 of **the Act** of £50 is due for any **child** if—
- (a) an account is held by the **child**,
- (b) the **child** was first an **eligible child** by virtue of section 2(1)(a) of **the Act**,
- (c) section 9 of **the Act** does not apply to the **child**,
- (d) a contribution is not, and has not been, due for the **child** under paragraph (10),
- (e) the **child** is an **eligible child** on the day identified under the provisions of paragraph (10B) or (10C) as the case may be, and
- (f) the condition in paragraph (10B) or (10C) is satisfied in relation to the **child**.
- (10B) The condition in this paragraph is that it has been determined in accordance with the provision made by and by virtue of sections 18 to 21 of the Tax Credits Act 2002³³—
- (a) that a person was, or persons were, entitled to child tax credit in respect of the **child** for any day falling—
- (i) after **the commencement date**, but
- (ii) not later than three months immediately preceding the expiry date of the voucher for the **child** (see regulation 3), and
- (b) that either the relevant income of the person or persons for the tax year in which that day fell does not exceed the income threshold or the person, or either of those persons, was entitled to a relevant social security benefit for that day,
- and that determination has not been overturned.
- (10C) The condition in this paragraph is that income support, or income-based jobseeker's allowance, was paid for any day falling—
- (a) after **the commencement date**, but
- (b) not later than one month immediately preceding the expiry date of the voucher for the **child** (see regulation 3),
- to a person whose applicable amount included an amount in respect of the **child**.
- (10D) Her Majesty's Revenue and Customs must inform the **account provider** holding the child's account where an amount is payable to the **account** under paragraph (10) or (10A)

³³ 2002 c.21

7. (10E) In this regulation, “**the relevant 2010 date**” means—
- (a) 2nd August 2010; or
 - (b) if later, the day on which regulation 3 of the Child Trust Funds (Amendment No. 3) Regulations 2010 came into force.
- (11) On receipt of the further contribution mentioned in paragraph (10) or (10A) from the **Inland Revenue** the **account provider** must credit the **account** held by the **child** with the amount of the payment.

Regulation 7A omitted

Yearly disability payments

- 7B. (1) A further contribution under section 10 of **the Act** is due for any **eligible child** who is entitled in the year 2009/10 or 2010/11 to a disability living allowance, in accordance with paragraphs (2) to (4).
- (2) Where it has been determined that the **child** is entitled to the care component of a disability living allowance at the highest weekly rate (see section 72(4)(a) of either the Social Security Contributions and Benefits Act 1992³⁴ or the Social Security Contributions and Benefits (Northern Ireland) Act 1992³⁵), at any time in the year (whether it is paid or not), the contribution payable for the year shall be £200.
- (3) In any other case where it has been determined that the **child** is entitled to a disability living allowance at any time in the year (whether it is paid or not), the contribution payable for the year shall be £100.

Paragraph (4) omitted

- (5) Her Majesty’s Revenue and Customs must inform the **account provider** holding the **child’s account** where an amount is payable to that **account** under this regulation.
- (6) On receipt of each further contribution from Her Majesty’s Revenue and Customs, the **account provider** must credit the **child’s account** with the amount of the payment.

³⁴ 1992 c. 4.

³⁵ 1992 c. 7.

PART 2

Other requirements to be satisfied in relation to accounts

General requirements for accounts

8. (1) An **account** must satisfy the requirements that—
- (a) it is the **account** for a single **child** (“**the named child**”);
 - (b) **the named child** is or has been an **eligible child**;
 - (c) no **child** may hold more than one **account**;
- Paragraph (d) omitted
- (e) the **account** must at all times be managed in accordance with these Regulations by an **account provider** and, subject to regulation 6(2), under terms agreed and recorded in a **management agreement** made between the **account provider** and the **registered contact** (on behalf of **the named child** where appropriate); and
 - (f) the **management agreement** must include instructions to the provider as to the manner in which **Inland Revenue contributions** and any **subscriptions** made are to be invested under the **account**.
- (2) Apart from other requirements of these Regulations the terms so agreed shall include the conditions that—
- (a) the **account investments** shall be in the beneficial ownership of **the named child**;
 - (b) the title to all **account investments**, except those falling within regulation 12(2)(k), (l) or (m), shall be vested in the **account provider** or his nominee, subject to sub-paragraph (f);
 - (c) where a share certificate or other document evidencing title to an **account investment** is issued, it shall be held by the **account provider** or as he may direct, subject to sub-paragraph (f);
 - (d) in relation to qualifying investments falling within regulation 12(2)(a), (b) and (f) to (j), the **account provider** shall, if the **registered contact** so elects (and subject to any charge for the arrangement), arrange for the **registered contact** to receive a copy of the annual report and accounts issued to investors by every **company**, unit trust, **open-ended investment company** or other entity in which **account investments** are held;
 - (e) in relation to qualifying investments falling within regulation 12(2)(a), (b) and (f) to (j), the **account provider** shall, if the **registered contact** so elects (subject to any charge for the arrangement, and to any provisions made under any enactment), be under an obligation to arrange for the **registered contact** to be able—
 - (i) to attend any meetings of investors in companies, unit trusts, open-ended investment companies and other entities in which **account investments** are held,
 - (ii) to vote, and
 - (iii) to receive, in addition to the documents referred to in sub-paragraph (d), any other information issued to investors in such companies, unit trusts, open-ended investment companies and other entities;
 - (f)

8. (2)
continued

- (f) if and so long as a person falling within regulation 14(2)(d)(iv) acts as **account provider** of an **account**, and the **account investments** include a policy of life insurance—
- (i) the title to all such policies shall be vested in the **registered contact**, and
- (ii) where a policy document or other document evidencing title to such policies of life insurance is issued, it shall be held by the **registered contact**;
- (g) the **account provider** shall satisfy himself that any person to whom he delegates any of his functions or responsibilities under the **management agreement** is competent to carry out those functions or responsibilities;
- (h) on the instructions of the **registered contact** (“**the transfer instructions**”) and within such time as is stipulated by the **registered contact** in the transfer instructions, the whole of an **account**, with all rights and obligations of the parties to it, shall be transferred free of expense (except any incidental expenses) to another **account provider** subject to and in accordance with regulation 21;
- (ha) where the **account** is or has been transferred to the **account provider** by a transfer under regulation 21, that no charges or expenses are due in respect of that transfer, except in accordance with sub-paragraph (h);
- (hb) any transfer under regulation 20A shall be free of expense (except any incidental expenses)
- (i) where the **account provider** offers **accounts** of another **description** or type, on the instructions of the **registered contact** (“**the internal transfer instructions**”) and within such time as is stipulated by the **registered contact** in the internal transfer instructions, the **account** shall become (free of expense, except any incidental expenses) an **account** of that other **description** or type (any necessary change in the investments being made accordingly); and
- (j) the **account provider** shall notify the **registered contact** if by reason of any failure to satisfy the provisions of these Regulations an **account** is or will become no longer exempt from **tax** by virtue of regulation 24.
- (3) Where **the transfer instructions** or internal transfer instructions, or any new **management agreement** entered into by the **registered contact** with the **account provider** (or a new **account provider**) under regulation 8(1)(e), is a distance contract, the transfer or internal transfer shall only take effect once those contracts satisfy Condition 4 in regulation 5(1).
- (4) The time stipulated in transfer instructions or internal transfer instructions shall be subject to any reasonable business period (not exceeding 30 days) of the **account provider** required for the practical implementation of the instructions.
- (5) In this regulation, “incidental expenses” means stamp duty and other dealing costs of disposing of or acquiring investments.

Annual limit on subscriptions

9. (1) Any person (including the **child**) may make **subscriptions** to a **child's account**, subject to paragraphs (2) and (3).
- (2) **Subscriptions** to an **account** made during any **subscription year**, that is—
- (a) the period beginning with the day on which the **account** is opened (or if opened before the **appointed day**, opened for the purpose of accepting **subscriptions** under regulation 5(2)(b)), and ending immediately before the **child's** next birthday, and
- (b) any succeeding period of twelve months, shall not in aggregate exceed the sum of £4,368.
- (3) Where the aggregate of **subscriptions** in any **year** falls short of £4,368 or is nil, there shall be no addition to the amount for any succeeding **year**.

Statements for an account

10. (1) The **account provider** must produce a statement for the **account**—
- (a) subject to paragraphs (6) and (7), annually (“**an annual statement**”), and
 - (b) where an **account** is transferred under regulation 20A or 21, as at the transfer date (“**a transfer statement**”).
- (2) References in paragraphs (2A)(b), (3), (4), (5), (6) and (8) to a statement (without more) shall be construed as references to any statement required to be produced in accordance with this regulation.
- (2A) The **account provider** must produce an **annual statement** at a date (a “**relevant date**”) not later than 12 months from the latest of—
- (a) the date of the opening of the **account**;
 - (b) the date at which the most recent statement was produced; and
 - (c) the last date at which, but for paragraph (6), a previous **annual statement** would have had to have been produced.
- (3) A statement required to be produced in accordance with this regulation shall be sent—
- (a) where **the named child** is the **registered contact**, to the **child**,
 - (b) where a **responsible person** is the **registered contact**, to **the named child** care of the **registered contact**,
 - (c) where a person has been appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act, to that person on behalf of the child, and
 - (d) in any other case, to **the named child**,
- within 30 days of the date specified in paragraph (3A).
- (3A) The date specified in this paragraph is—
- (a) in relation to an **annual statement**, the **relevant date**;
 - (b) in relation to a **transfer statement**, the **transfer date**; or
 - (c) where paragraph (7) applies, the later of the **relevant date** in relation to the **annual statement** requested and the date that the request is received by the **account provider**.”.
- (4) Statements shall include the following information—
- (a) the full name of the **child**;
 - (b) his address;
 - (c) his date of birth;
 - (d) his unique reference number;
 - (e) the **description** of the **account** (see regulation 4);
 - (f) the name of the **registered contact** (if any);
 - (g) the **relevant date**;
 - (h) the total **market value** of the **investments under the account** at the date at which the most recent statement was produced (if any);
 - (i) the amount of any Government contributions (see regulation 7) received by the **account provider**, during the period between—
 - (i) the date at which the most recent statement was produced, or the opening of the **account** (whichever is the later), and
 - (ii) the **relevant date**;
 - (j)

10. (4)
continued

- (j) the aggregate amount of **subscriptions** (if any) received during the period in subparagraph (i);
 - (k) the total amount of deductions (including management charges) made during the period in subparagraph (i);
 - (l) the total **market value** of the **investments under the account** at the **relevant date**;
 - (m) the number or amount, **description** and **market value** of each of the **investments under the account** at the **relevant date**;
 - (n) the basis used in calculating the **market value** of each investment under the **account** (together with a statement of any change from a basis used in the previous statement); and
 - (o) the exchange rate used where any investment is, or is denominated in, a currency other than sterling.
- (5) As an alternative to the information in paragraph (4)(k), the statement may include, in relation to any management charges or other incidental expenses deducted from the **account** during the period in paragraph (4)(i)—
- (a) the rate, expressed as an annual percentage rate, at which, and the period in relation to which, such deductions were made, or
 - (b) where such deductions were made in relation to different periods at different rates—
 - (i) each rate, expressed as an annual percentage rate, at which those deductions were made; and
 - (ii) the period in relation to which they were made at that rate.
- (6) Where, in relation to an **annual statement**, at a **relevant date**—
- (a) the aggregate **market value** of the **account investments** held under the **account** is less than £300, or
 - (b) no **subscriptions** under regulation 9 have been made to the **account** during **the relevant period**, then, subject to paragraph (7), the **account provider** need only produce the **annual statement** if it would be the first statement to be produced following the **child's** fourth, tenth or fifteenth birthday.
- (7) Paragraph (6) shall not apply where any potential recipient of an **annual statement** (see paragraph (3)) requests such a statement.
- (8) "**The relevant period**" means the period—
- (a) beginning on the latest of—
 - (i) the date of the opening of the **account**;
 - (ii) the date at which the most recent statement was produced; and
 - (iii) the last date as at which, but for paragraph (6), an **annual statement** would have had to have been produced; and
 - (b) ending on the **relevant date**.

General investment rules

11. (1) All transactions by way of purchase by an **account provider** of investments under an **account** shall be made—
- (a) in the case of an **authorised fund** which is a dual priced unit trust, at the maximum sale price of a unit of the relevant class at the relevant valuation point within the meaning of, and complying with the requirements of, paragraphs 6.3.5 and 6.3.5B of **COLL**;
 - (b) in the case of an **authorised fund** which is a single priced unit trust or an **open-ended investment company**, at the price of a unit of the relevant class at the relevant valuation point within the meaning of, and complying with the requirements of, paragraphs 6.3.5 and 6.3.5A of **COLL**; and
 - (c) in the case of all other **account investments**, at the price for which those investments might reasonably be expected to be purchased in the open market.
- (2) In paragraph (1)—
- “a dual priced unit trust” means an **authorised unit trust** in respect of which the manager gives different prices for buying and selling **units** at the same time;
- “a single priced unit trust” means an **authorised unit trust** in respect of which the manager gives the same price for buying and selling **units** at the same time.
- (3) All other transactions by way of sale or otherwise by an **account provider** in investments under an **account** shall be made at the price for which those investments might reasonably be expected to be sold or otherwise transacted, as the case may be, in the open market.
- (4) Investments, or rights in respect of investments, may not at any time—
- (a) be purchased or made otherwise than out of cash which an **account provider** holds under an **account** at that time; or
 - (b) be purchased from—
 - (i) **the named child**, or
 - (ii) the spouse of **the named child**,so as to become **account investments under the account**.
- (5) Subject to paragraph (6), contributions, **subscriptions** and any other cash held by an **account provider** under an **account** shall be held only in sterling and be deposited in an account with a **deposit-taker** (including for this purpose a **credit union**), or a deposit account or a share account with a **building society**, which is designated as a CTF account for the purposes of these Regulations only.
- (6) An **account provider** who is a **European institution**, a **relevant authorised person** or an **assurance undertaking** may hold an **account** investor’s cash subscription and other cash held under an **account** in the currency of the **EEA State** in which he has his principal place of business and may deposit such cash in an account, which is designated as mentioned in paragraph (5), with any person authorised under the law of that State to accept deposits.

Qualifying investments for an account

12. (1) This regulation specifies the kind of investments (“**qualifying investments for an account**”) which may be purchased, made or held under an **account**.
- (2) Qualifying investments for an **account** to which paragraph (1) refers are—
- (a) shares, not being shares in an **investment trust**, issued by a **company** wherever incorporated and either officially listed on a **recognised stock exchange** or, in the European Economic Area, admitted to trading on a **recognised stock exchange** (see paragraph (3));
 - (b) securities—
 - (i) issued by a **company** wherever incorporated, and
 - (ii) which satisfy at least one of the conditions specified in paragraph (5);
 - (c) **gilt-edged securities**;
 - (d) any securities issued by or on behalf of a government of any **EEA State**;
 - (e) any securities which, in relation to a security mentioned in sub-paragraph (d), would be a strip of that security if “strip” had the same meaning as in section 47 of the Finance Act 1942³⁶, with the omission of the words “issued under the National Loans Act 1968”;
 - (f) shares in an **investment trust**;
- Paragraphs 2(g) & (h) omitted
- (i) **units in, or shares of, a UK UCITS or recognised UCITS**;
 - (j) a **depository interest**;
 - (k) cash deposited in a deposit account with a **building society**, or a person falling within section 991 of **ITA 2007** (including for this purpose a **credit union**), subject to paragraph (8);
 - (l) cash deposited in a share account with a **building society**, subject to paragraph (8);
 - (m) policies of life insurance which satisfy the conditions specified in paragraphs (9) and (10);
 - (n) any securities issued under the National Loans Act 1968³⁷—
 - (i) for the purpose of or in connection with raising money under the auspices of **the Director of Savings** within the meaning of section 11(1)(a) of the National Debt Act 1972³⁸, and
 - (ii) other than national savings certificates, premium savings bonds, national savings stamps and national savings gift tokens,

which, according to the terms and conditions subject to which they are issued and purchased, are expressly permitted to be held under an **account**.
 - (o) arrangements falling within section 47 of the Finance Act 2005³⁹(alternative finance arrangements) under which the person referred to in that section as Y is a financial institution;
 - (p) arrangements falling within section 49 of that Act;
 - (q) qualifying units in or shares of a **non-UCITS retail scheme**.
 - (r) core capital deferred shares within the meaning of regulation 2 of the Building Societies (Core Capital Deferred Shares) Regulations 2013⁴⁰, provided that such shares are listed on the official list of a recognised stock exchange.”.
- (3)

³⁶ 1942 c. 21: the relevant amendment to section 47 was made by section 202(2) of the Finance Act 1996 (c. 8).

³⁷ 1968 c.13.

³⁸ 1972 c. 65.

³⁹ 2005 c. 7.

⁴⁰ SI 2013/460

12. (3) An investment in shares fulfils the conditions as to official listing and admission to trading in paragraph (2)(a) or (f), or the condition as to admission to trading in paragraph (2)(a), if—
- (a) in pursuance of a public offer, the **account provider** applies for the allotment or allocation to him of shares in a **company** which are due to be admitted to such listing or admitted to such trading within 30 days of the allocation or allotment, and which, when admitted to such listing or trading, would be qualifying investments for an **account**, and
 - (b) the shares are not allotted or allocated to the **account provider** in the circumstances specified in paragraph (4).
- (4) The circumstances specified in this paragraph are where—
- (a) the allotment or allocation of the shares was connected with the allotment or allocation of—
 - (i) shares in the **company** or **investment trust** of a different class, or
 - (ii) rights to shares in the **company** or **investment trust** of a different class, or
 - (iii) shares or rights to shares in another **company** or **investment trust**, or
 - (iv) **units** in or shares in, or rights to **units** in or shares in, an **authorised fund** or a part of an **umbrella scheme**, or
 - (v) securities or rights to securities of the **company** or **investment trust**, or of another **company** or **investment trust**,
 to the **account provider**, the **registered contact** or any other person; and
 - (b) the terms on which the first-mentioned shares in this paragraph were offered were significantly more favourable to the **account provider** or **the named child** than they would have been if their allotment or allocation had not been connected as described in subparagraph (a).
- (5) The conditions specified in this paragraph are—
- (a) that the shares in the **company** issuing the securities are listed on the official list of a **recognised stock exchange**;
 - (b) that the securities are so listed;
 - (c) that the **company** issuing the securities is a **75 per cent. subsidiary** of a **company** whose shares are so listed;
 - (d) that the shares in the **company** issuing the securities are admitted to trading on a **recognised stock exchange** in the European Economic Area;
 - (e) that the securities are so admitted to trading;
 - (f) that the **company** issuing the securities is a **75 per cent. subsidiary** of a **company** whose shares are so admitted to trading.

Paragraph (6) omitted

- (7) In paragraph (4)(a), "**company**" means any body corporate having a share capital.
- (8) A deposit account or share account which is a **qualifying investment for an account** falling within paragraph (2)(k) or (l) must not be connected with any other investment, held by **the named child** or any other person.
- (8A) For the purposes of paragraph (8), a deposit account or share account described in that paragraph, is connected with another investment if—
 - (a) either was opened or acquired with reference to the other, or with a view to enabling the other to be opened or acquired on particular terms, or with a view to facilitating the opening or acquisition of the other on particular terms,
 - (b) the terms on which the deposit account or share account was opened would have been significantly less favourable to the holder if the other investment had not been held, and
 - (c) the other investment is not a tax exempt investment.

12. (8B) The following are tax exempt investments for the purposes of paragraph (8A)—
- (a) an account investment held under a **child trust fund**;
 - (b) an account investment within the meaning given in the Individual Savings Account Regulations 1998 held under an account opened (or treated as opened) in accordance with regulation 12 or 12A of those regulations.
- (9) The conditions specified in this paragraph are that—
- (a) the insurance is on the life of **the named child** only;
 - (b) the terms and conditions of the policy provide—
 - (i) that the policy may only be owned or held as a qualifying investment for an **account** which satisfies the provisions of these Regulations;
 - (ii) that the policy shall automatically terminate if it comes to the notice of the **account provider**, in any manner, that the event specified in paragraph (11) has occurred in relation to the policy;
 - (iii) for an express prohibition of any payment of the proceeds from the termination of the policy or a partial surrender of the rights conferred by the policy, to **the named child** (while he is still a **child**) except in accordance with regulation 18A (terminal illness); and
 - (iv) that the policy, the rights conferred by the policy and any share or interest in the policy or rights respectively, shall not be capable of assignment or (in Scotland) assignation, other than that they may be vested in **the named child's** personal representatives, and that the title to the policy may be transferred to a new **account provider** subject to and in accordance with regulations 8(2)(f) and 21;
 - (c) the policy evidences or secures a contract of insurance which—
 - (i) falls within paragraph 1 or 3 of Part 2 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001⁴¹, or
 - (ii) would fall within either of those paragraphs if the insurer were a **company** with permission under Part 4 of the Financial Services and Markets Act 2000⁴² to effect or carry out contracts of insurance;
 - (d) the policy is not—
 - (i) a contract to pay an annuity on human life,
 - (ii) a personal portfolio bond within the meaning given by section 516 of **ITTOIA 2005**, or
 - (iii) a contract, the effecting and carrying out of which constitutes “pension business” within the meaning given by section 431B(1) of **the Taxes Act**⁴³; and
 - (e) after the first payment in respect of a premium in relation to the policy has been made, there is no contractual obligation on any person to make any other such payment.
- (10) The condition specified in this paragraph is that no sum may at any time, at or after the making of the insurance, be lent to or at the direction of **the named child** or **registered contact** by or by arrangement with the insurer for the time being responsible for the obligations under the policy.
- (11) The event specified in this paragraph is that—
- (a) there has been a breach of any of the conditions in paragraph (9) or (10), or any of those conditions was not satisfied at the date on which the insurance was made; and
 - (b) the breach or non-compliance cannot be remedied in accordance with regulation 23, or (in any other case), has not been remedied within a reasonable time.
- (12)

⁴¹ SI 2001/544.

⁴² 2000 c. 8.

⁴³ 1988 c. 1; section 431B was inserted by paragraphs 2 and 57 of schedule 8 to the Finance Act 1995 (c. 4).

12. (12) Where the event specified in paragraph (11) occurs in relation to a policy, the policy shall nevertheless be treated, for the purposes of these Regulations, excepting paragraphs (9)(b)(ii) and (11), and regulations 37(6) and 38, as if it had satisfied the conditions in paragraphs (9) and (10) during the period—
- (a) commencing at the time when that specified event occurred, and
 - (b) ending immediately before—
 - (i) the end of the final insurance year in relation to the policy, within the meaning given by section 499 of *ITTOIA 2005*, or
 - (ii) the time at which that specified event came to the notice of the **account provider**, whichever first occurs (the “**termination event**”).

Conditions for application by responsible person or the child to open an account (and changes to an account)

13. (1) An application by a **responsible person** in relation to a **child** or the **child** if 16 or over, as the case may be, ("**the applicant**") to open an **account** for the **child** with an **account provider** must be made to the **account provider** in a statement which must satisfy the conditions specified in paragraphs (2) to (6).
- (2) An application must specify the **description** of **account** applied for.
- (3) An application must incorporate a declaration by **the applicant** that he—
- (a) is aged 16 years of age or over,
 - (b) is -
 - (i) (where the **child** is under 16) a **responsible person** in relation to **the named child** (that is, that he has **parental responsibility** or, in Scotland, parental responsibilities in relation to the **child**), or
 - (ii) the **child** if 16 or over, and
 - (c) is to be the **registered contact** for the **account**;
- and where the application is not in writing, must authorise the **account provider** to record the terms of the declaration in a written declaration made on behalf of **the applicant**.
- (4) **The applicant** must authorise the **account provider** (on behalf of **the named child** where appropriate)—
- (a) to hold the **child's Inland Revenue contributions, subscriptions, account investments**, interest, dividends and any other rights or proceeds in respect of those investments and cash, and
 - (b) to make on his behalf any claims to relief from **tax** in respect of **account investments**,
- and the authority must continue until a further application and declaration is made in accordance with paragraph (10).
- (5) An application must contain—
- (a) **the applicant's** full name,
 - (b) his address, including postcode,
 - (c) **the named child's** full name and date of birth,
 - (d) his address, including postcode, and
 - (e) the **child's** unique reference number on the voucher.
- (6) There may be only one declaration and authorisation under paragraphs (3) to (5) in force for an **account** at any time.
- (7) Except in the case—
- (a) of the death or incapacity of the **registered contact**,
 - (b) where the **registered contact** cannot be contacted,
 - (c) of the bringing to an end of a Court order, under which he is a **responsible person** for **the named child**,
 - (d) of **the named child** attaining the age of 16 years,
 - (da) where the new registered contact has been appointed to be a **guardian** or **special guardian** of the named child,
 - (db) where the new registered contact is the adopter of the named child under an **adoption order**;"
 - (e) where a person is appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act, or"; and
 - (f) where a Court so orders,
- any change in the identity of the **registered contact** shall require confirmation by the current **registered contact** that his declaration and authorisation under paragraphs (3)(c) and (4) is cancelled, and in the cases in sub-paragraphs (a) to (f) it shall be treated as automatically cancelled.

13. (8) An **account provider** must decline to accept an application if he has reason to believe that—
- (a) the voucher has expired, or is not or might not be genuine, or
 - (b) **the applicant** has given untrue information in his application.
- (9) Where the application is not in writing, the **account provider** shall make the written declaration referred to in paragraph (3), and notify **the applicant** of its contents, and such declaration shall take effect from the date on which **the applicant** agrees the contents (subject to any corrections), and if he neither agrees or disagrees with the contents within 30 days, he shall be treated as having agreed them.
- (10) Where—
- (a) there is a change in the identity of the **registered contact**, the new **registered contact**, or
 - (b) an **account** has been opened by the **Inland Revenue** under regulation 6 (Revenue allocated accounts) and —
 - (i) a **responsible person** in relation to the **child** subsequently applies to the **account provider** to be the **registered contact** for the **account**, or
 - (ii) the **child**, if the **child** is 16 or over and has elected to manage the **account**, subsequently applies to the **account provider** to be the **registered contact** for the **account**,that individual must make the application or declaration required by paragraphs (3) to (5) but as if for regulation 13(3)(b) there were substituted —
 - “(b) is —
 - (i) a **responsible person** in relation to **the named child** (that is, that he has **parental responsibility** or, in Scotland, parental responsibilities in relation to the **child**), or
 - (ii) the **child**, where the **child** is 16 or over and has elected to manage the **account**.”
- (11) Where the new **registered contact** is the person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act, that person shall make the declaration and authorisation required by paragraphs (3)(c) and (4) and shall be treated as a party to the existing management agreement for the account in question.

Account provider – qualifications and Board’s approval

14. (1) This regulation specifies the circumstances (“**qualifying circumstances**”) in which a person may be approved by **the Board** as an **account provider**.
- (2) The **qualifying circumstances** are the following—
- (a) the person must make an application to **the Board** for approval in a form specified by **the Board**;
 - (b) the person must undertake with **the Board**—
 - (i) to either offer **stakeholder accounts** to the general public (whether or not accounts of another **description** are offered), or to fulfil the requirements in paragraph (3),
 - (ii) to accept vouchers from any **responsible person** or the **child** if 16 or over (subject to paragraph (ia) and regulation 13(8)),
 - (ia) in the case of a **credit union**, to accept vouchers from any **responsible person** or the child if 16 or over, if the child to which the voucher relates is a member, or fulfils or is treated as fulfilling a qualification for admission to membership, of the **credit union** (subject to regulation 13(8)),
 - (iii) where the person accepts Revenue allocated accounts, to allow instructions for their management to be made or given by post (whether or not other methods are allowed),
 - (iv) to publicise (and up-date where appropriate) statements of the minimum amount which may be subscribed to an **account** on a single occasion, and the permitted means of payment of **subscriptions**,
 - (v) to inform persons proposing to make **subscriptions** to an **account** (other than **the named child**) that the subscription is a gift to the **child**,
 - (vi) to publicise (and up-date where appropriate) statements of the extent to which social, environmental or ethical decisions are taken into account in selecting, retaining or realising investments,
 - (vii) that a **child’s** unique reference number shall only be used for the purposes of the **child’s account** (and of fulfilling the requirements of these Regulations with regard to that **account**), and
 - (viii) that whether there is an **initial contribution** or **special contribution** to an **account**, whether there is a **supplementary contribution** to the **account**, and whether the **account** is a Revenue allocated **account** is information held for the purposes mentioned in paragraph (vii) only, and shall not be used for other purposes (including marketing other products);

Paragraph (c) omitted

- (d)

14. (2)
continued

- (d) an **account provider** must be—
- (i) an authorised person within the meaning of **FISMA 2000**, who has permission to carry on one or more of the activities specified in Articles 14, 21, 25, 37, 40, 45, 51ZA, 51ZC, 51ZE, 53 and (in so far as it applies to any of those activities) 64 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001⁴⁴, but excluding any person falling within paragraph (iv) below;
 - (ii) a **European institution** which carries on one or more of those activities;
 - (iia) in the case of a **credit union**, an authorised person within the meaning of section 31(1)(a) of the Financial Services and Markets Act 2000⁴⁵, who has permission to carry on one or more of the activities specified in Article 5 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001⁴⁴;
 - (iii) a **building society** or a person falling within section 991 of **ITA 2007** (including for this purpose a **credit union**); or
 - (iv) an insurance company within the meaning given by section 431(2) of **the Taxes Act**, an **incorporated friendly society** or a **registered friendly society**, or any other **assurance undertaking**;
- (e) an **account provider** must not be prevented from acting as such by any requirement imposed under Part 4A of **FISMA 2000**, or by any prohibition or prohibition order in or made under that Act; and
- (f) an **account provider** who—
- (i) is a **European institution** or a **relevant authorised person** and who does not have a branch or business establishment in the United Kingdom, or has such a branch or business establishment but does not intend to carry out all his functions as an **account provider** at that branch or business establishment, or
 - (ii) falls within the expression “any other **assurance undertaking**” in sub-paragraph (d)(iv), must fulfil one of the three requirements specified in regulation 15.
- (3) The requirements in this paragraph are that the person provides to any potential applicant for a **child trust fund** (before commencement of completion of any application under regulation 13)—
- (a) a statement that a **stakeholder account** is available from a named alternative **account provider** who offers it on the terms in paragraph (2)(b)(i) (omitting the words from “, or to” to the end);
 - (b) a detailed **description** of that **stakeholder account**; and
 - (c) sufficient information (according to the method of communication used, and including documentation where appropriate) to put the potential applicant in the position to make an application to that alternative **account provider**, complying with regulation 13.
- (4) The terms of **the Board’s** approval may include conditions designed to ensure that the provisions of these Regulations are satisfied.

⁴⁴ SI 2001/544.

⁴⁵ 2000 c.8

Account provider - appointment of tax representative

15. (1) This regulation specifies the requirements mentioned in regulation 14(2)(f).
- (2) The first requirement specified in this regulation is that -
- (a) a person who falls within section 698(2)(b) of *ITTOIA 2005*⁴⁶ is for the time being appointed by the **account provider** to be responsible for securing the discharge of the duties prescribed by paragraph (5) which fall to be discharged by the **account provider**, and
 - (b) his identity and the fact of his appointment have been notified to **the Board** by the **account provider**.
- (3) The second requirement specified in this regulation is that there are for the time being other arrangements with **the Board** for a person other than the **account provider** to secure the discharge of such duties.
- (4) The third requirement specified in this regulation is that there are for the time being other arrangements with **the Board** designed to secure the discharge of such duties.
- (5) The duties prescribed by this paragraph are those that fall to be discharged by an **account provider** under these Regulations.
- (6) The appointment of a person in pursuance of the first requirement shall be treated as terminated in circumstances where—
- (a) **the Board** have reason to believe that the person concerned—
 - (i) has failed to secure the discharge of any of the duties prescribed by paragraph (5), or
 - (ii) does not have adequate resources to discharge those duties, and
 - (b) **the Board** have notified the **account provider** and that person that they propose to treat his appointment as having terminated with effect from the date specified in the **notice**.
- (7) Where, in accordance with the first requirement, a person is at any time responsible for securing the discharge of duties, the person concerned—
- (a) shall be entitled to act on the **account provider's** behalf for any of the purposes of the provisions relating to the duties;
 - (b) shall secure (where appropriate by acting on the **account provider's** behalf) the **account provider's** compliance with and discharge of the duties; and
 - (c) shall be personally liable in respect of any failure of the **account provider** to comply with or discharge any such duty as if the duties imposed on the **account provider** were imposed jointly and severally on the **account provider** and the person concerned.

⁴⁶ 2005 c. 5.

Account provider - withdrawal by Board of approval

16. (1) This regulation specifies the circumstances ("**the disqualifying circumstances**") in which **the Board** may by **notice** withdraw their approval of a person as an **account provider** in relation to an **account**.
- (2) **The disqualifying circumstances** are that **the Board** have reason to believe—
- (a) that any provision of **the Act** or these Regulations, or any term of an undertaking given in accordance with regulation 14(2)(b) or condition under regulation 14(4), is not or at any time has not been satisfied, either in respect of an **account** managed by the **account provider** or otherwise; or
 - (b) that a person to whom they have given approval to act as an **account provider** is not qualified so to act.
- (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.
- (3) The **notice** to which paragraph (1) refers shall specify—
- (a) the date from which **the Board's** approval is withdrawn; and
 - (b) **the disqualifying circumstances**.
- (4) On receiving the notice referred to in paragraph (1), subject to any appeal under section 22(1)(b) of **the Act**, the account provider shall notify the registered contact (or, if there is no registered contact, the named child) of the right to transfer the account under regulation 21, and of his or her rights under regulation 20(3).

Account provider - appeal against non-approval or withdrawal of Board's approval

17. A person who has been notified of a decision by **the Board** not to approve that person as an **account provider**, or an **account provider** to whom **notice** of withdrawal of approval has been given under regulation 16, may appeal against the decision by **notice** given to **the Board** within 30 days after the date of the notification or **notice**.

Permitted withdrawals from an account

18. Withdrawals from an **account** before the date on which **the named child** attains the age of 18 years may only be made—
- (a) by the **account provider**, to settle any management charges and other incidental expenses, which are due by or under the **management agreement**, or
 - (ab) in accordance with regulation 18A, or
 - (b) where the **account provider** is satisfied that **the named child** has died under that age.

Permitted withdrawals from an account where the child is terminally ill

- 18A. (1) A person with **parental responsibility** (or, in Scotland, parental responsibilities) for **the named child** (including a **local authority**, but excluding a person under 16), or **the named child** if 16 or over, may make a claim to **the Board**, for withdrawals from an **account** to be permitted in accordance with this regulation.
- (2) The claim shall be—
- (a) made in a manner prescribed by **the Board**, which shall include the giving of any consent necessary for the verification or consideration of the claim, and
 - (b) accepted in either of the following cases:

Case 1The **child**:

- (i) in England and Wales or Scotland falls within either section 72(5) of the Social Security Contributions and Benefits Act 1992⁴⁷ (special rules for terminally ill person's entitlement to care component of disability living allowance) or section 82(4) of the Welfare Reform Act 2012⁴⁸ (terminal illness); or
- (ii) in Northern Ireland, falls within section 72(5) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992⁴⁹ (the care component).

Case 2

Evidence that **the named child** is **terminally ill** has been supplied to the satisfaction of **the Board**.

- (3) **The Board** shall issue a letter to the claimant authorising withdrawals from the **account** under this regulation.
- (4) Once a claim has been accepted, withdrawals may be made by the **registered contact** (on behalf of **the named child**, where he is not the **child**) at any time—
 - (a) provided that, immediately following any withdrawal, a balance sufficient to keep the **account** open is maintained in the **account**, and
 - (b) excepting any transfer of a policy of life insurance (as opposed to the proceeds from such a policy).
- (5) Where **account investments** are withdrawn in a form other than sterling currency, regulation 36(1)(b) shall apply (with any necessary modifications) to any such investment immediately before it is withdrawn.
- (6) In this regulation, "**terminally ill**" has the meaning
 - (a) for England, Wales and Scotland, in section 66(2)(a) of the Social Security Contributions and Benefits Act 1992 or in section 82(4) of the Welfare Reform Act 2012 (terminal illness); or
 - (b) for Northern Ireland, in section 72(5) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (the care component).

⁴⁷ 1992 c. 4; relevant amendments made by section 67(2) of the Welfare Reform and Pensions Act 1999 (c. 30) and section 52 of the Welfare Reform Act 2007 (c. 5).

⁴⁸ 2012 c. 5.

⁴⁹ 1992 c. 7; amended by SI 1999/3147 and S.R. 1999/494.

Account provider's intention to make a bulk transfer of accounts or to cease to act as an account provider

19. (1) An account provider must give **notice** to **the Board** if the **account provider**—
- (a) intends to cease to act as an **account provider**, or
 - (b) intends to make a **bulk transfer of accounts**.
- (2) An **account provider** must give **notice** to the person who is the **registered contact** (or, if there is no **registered contact, the named child**) if the **account provider**—
- (a) intends to cease to act as an **account provider**, or
 - (b) intends that the **account** will be one of the accounts transferred in a **bulk transfer of accounts**.
- (3) The **notices** described in paragraphs (1) and (2) must—
- (a) specify whether the **account provider**—
 - (i) intends to cease to act as an **account provider**, or
 - (ii) intends to make a **bulk transfer of accounts**;
 - (b) where the **notice** specifies an intention to cease to act as an **account provider**—
 - (i) specify the day on or after which the **account provider** intends to cease to act as an **account provider**, and
 - (ii) be given no less than 30 days before that day;
 - (c) where the **notice** specifies an intention to make a **bulk transfer of accounts**—
 - (i) specify the day on or after which the **account provider** intends to make the first transfer in the **bulk transfer of accounts**;
 - (ii) be given no less than 30 days before that day; and
 - (iii) advise the name and address of the person to whom the **account provider** intends to transfer accounts.
- (4) The **notice** described in paragraph (2) must also—
- (a) identify the **account** to which it relates;
 - (b) in the case of a **notice** under paragraph (2)(a), advise the **registered contact** of the right to transfer the account under regulation 21 and of his rights under regulation 20(3);
 - (c) in the case of a **notice** under paragraph (2)(b)—
 - (i) advise the **registered contact** that the **account** may be transferred otherwise than in a **bulk transfer of accounts**, such that regulation 21 applies, if sufficient instructions are provided to enable the **account provider** to do so; and
 - (ii) advise the day by which the **account provider** must receive sufficient instructions for the **account** to be transferred otherwise than in a **bulk transfer of accounts**.
- (5) Where an **account provider** intends to make a **bulk transfer of accounts** in consequence of an intention to cease to act as an **account provider**, such intention may be specified in a single notice to **the Board** or to a **registered contact** (or, if there is no **registered contact, the named child**) (as appropriate, respectively) provided the requirements of paragraphs (3), (4)(a) and (c) are met.

Account provider ceasing to accept Revenue allocated accounts

- 19A. A person shall give **notice** to **the Board** of his intention to cease to accept further **Revenue allocated accounts** under regulation 6, not less than 30 days before he so ceases.

Account provider ceasing to qualify

20. (1) A person shall cease to qualify as an **account provider** and shall notify **the Board** within 30 days of the relevant event in sub-paragraphs (a) to (f), of that relevant event, where—
- (a) the person no longer fulfils the conditions of regulation 14;
 - (b) there is an **insolvency event** in relation to the account provider;
 - (ba) a debt relief order is made in respect of the person (under Part 7A of the Insolvency Act 1986);
 - (c) an application has been made for a bank insolvency order or a bank administration order;
- Paragraph (d) omitted
- (e) in the case of a **building society**, a person falling within section 991 of **ITA 2007**⁵⁰ or a **credit union** —
 - (i) it ceases to be a **building society** or to fall within section 991 of **ITA 2007** or to be a **credit union**, as the case may be;
 - (ii) its directors have made a proposal under Part 1 of the Insolvency Act 1986⁵¹ for a composition in satisfaction of its debts or a scheme of arrangement of its affairs; or
 - (iii) a receiver or manager of its property has been appointed; or
 - (f) in the case of a **European institution**, a **relevant authorised person** or an **assurance undertaking** which falls within regulation 14(2)(d)(iv), action corresponding to any described in sub-paragraph (b) to (e) has been taken by or in relation to the institution, person or undertaking under the law of an **EEA State**.
- (2) On giving the **notice** referred to in paragraph (1), the person shall also notify the **registered contact** (or, if there is no **registered contact**, **the named child**) of the right to transfer the **account** under regulation 21, and the **notice** shall inform the recipient of the rights under paragraph (3).
- (3) Where a **registered contact**—
- (a) receives a **notice** under paragraph (2), or regulation 16(4) or 19(2)(a), and
 - (b) within 30 days of the sending of the **notice**, transfers the **account** to another **account provider** pursuant to regulation 21, the period between the transferor ceasing to act or qualify as an **account provider**, and the transfer to the transferee, shall be ignored in determining whether the **account** has at all times been managed by an **account provider**.

Transfers to other accounts for children

- 20A. (1) An account provider must at the request of the **registered contact**—
- (a) transfer all the investments under the child trust fund, or an amount representing their value in cash, to a protected child account⁵² that is provided by a person chosen by the **registered contact**, and
 - (b) when all the investments have been transferred, close the child trust fund.
- (2) An account is only a protected child account for the purposes of section 7A(2) of the Act if it satisfies the condition of being a junior ISA account within regulation 2B of the Individual Savings Account Regulations 1998⁵³.

⁵⁰ 2007 c. 3.

⁵¹ 1986 c. 45.

⁵² Section 7A(2) of the Child Trust Funds Act 2004 defines “protected child account”

⁵³ S.I. 1998/1870; relevant amending instrument is S.I. 2011/1780

Transfer of accounts

21. (1) Where—
- (a) arrangements are made by a **registered contact** to transfer the whole of the investments under an **account** from one **account provider** (“**the transferor**”) to another **account provider** (“**the transferee**”),
 - (b) the whole of the investments under an **account** are so transferred in consequence of an **account provider** (“**the transferor**”) ceasing to act or to qualify as an **account provider**,
 - (ba) there is a transfer under regulation 20A to a protected child account, or
 - (c) an **account** is transferred in a **bulk transfer of accounts**,
- the transfer shall be treated as a transfer of the **account**.
- (2) The **account** and its **description** under regulation 4 shall not be affected for the purposes of these Regulations by reason of the transfer in paragraph (1)(a), (b) or (c), save that, where the **registered contact** specifies in accordance with paragraph (3)(a) an **account** of a different **description**, the **account** shall, on the transfer, become an **account** of that other **description**.
- (3) The **registered contact** shall make—
- (a) the application required by regulation 13(2) (modified as if the words “applied for” were replaced with “following the transfer”), and
 - (b) the application and declaration required by regulation 13(3) to (5), to the transferee but (in the case mentioned in subparagraph (b)) as if for regulation 13(3)(b) there were substituted —
 - “(b) is —
 - (i) a **responsible person** in relation to **the named child** (that is, that he has **parental responsibility** or, in Scotland, parental responsibilities in relation to the **child**), or
 - (ii) the **child**, where the **child** is 16 or over and has elected to manage the **account**.”
- (3A) Paragraph (3) does not apply where an **account** is transferred under regulation 20A or in a **bulk transfer of accounts**.
- Paragraphs (3B) to (3F) omitted
- (3G) An **account** transferred in accordance with this regulation in a **bulk transfer of accounts** is an **account** opened pursuant to an application in accordance with regulation 13 for the purposes of these Regulations.
- (3H) Where a **registered contact** applies in accordance with paragraph (3) to a potential transferee for a transfer under this regulation, specifying a **stakeholder account** offered by **the transferee**, **the transferee** shall not decline to accept that application (or the transfer in consequence of it) except where—
- (a) **the transferee** has reason to believe that the **registered contact** has given untrue information in his application;
 - (b) **the transferee** demonstrates to the satisfaction of **the Board** that acceptance of transfers, or a class of transfers, during a particular period would jeopardise his ability to prevent any of the matters mentioned in regulation 16(2)(a); or
 - (c) **the transferor** does not give **the transferee** the **notice** in accordance with paragraph (4).
- (4) **The transferor** shall on the date of the transfer give **the transferee** a **notice** containing the information specified in paragraph (5).
- (4A) In relation to paragraph (1)(ba), the **account provider** shall on the date of the transfer give the person providing the protected child account a notice containing the information specified in paragraph (5)(a) and (b)(i), (ii) and (iv).
- (5)

21. (5) The information specified in this paragraph is—
- (a) as regards **the named child**—
 - (i) his full name,
 - (ii) his date of birth,
 - (iii) his unique reference number;
 - (b) as regards the **account**—
 - (i) the **description** of the **account**,
 - (ii) the date of the transfer,
 - (iii) the total amount subscribed to the **account** during the period from the beginning of the **subscription year** in which the transfer takes place to the date of the transfer,
 - (iv) any amount which has been claimed from **the Board** under regulations 26, or 27 and which has not been paid at the date of the transfer, and
 - (v) the total amount subscribed to the account during the previous subscription year, where that subscription year ended later than the 5th April preceding the date of the transfer
 - (c) the full name and address, including postcode, of the **registered contact** who has made the transfer arrangements.

Paragraph (6) omitted

Recoupment of Inland Revenue contributions to void accounts (and other accounts)

22. (1) Where—

- (a) **the named child** has never been an **eligible child** (see regulation 8(1)(b)), or
- (b) there is a breach of regulation 8(1)(c) in relation to an account,

the account is void, and the persons mentioned in paragraph (3) shall account to the **Inland Revenue** for **Inland Revenue contributions** paid in respect of the account, together with income and gains which have arisen in consequence of the crediting of any of those payments to the account.

(2) Where—

- (a) the condition in section 9(5) of **the Act** or regulation 7(10B) or 7A(4) was satisfied in relation to a **child**, but the determination under sections 18 to 21 of the Tax Credits Act 2002⁵⁴ has been overturned, or
- (b) the condition in section 9(8) of **the Act** was satisfied in relation to a **child**, but it has subsequently been determined that payment of the relevant benefit or tax credit mentioned in that subsection should not have been made, or that the applicable amount or tax credit should not have included an amount or credit in respect of the **child**,

or

- (c) the requirements of regulation 7(10) were, or the condition in regulation 7(10C), 7A(5) or 7B(1) was, satisfied in relation to a **child**, but it has subsequently been determined that payment of the relevant benefit mentioned in the relevant provision should not have been made, or that the applicable amount should not have included an amount in respect of that **child**,

the persons mentioned in paragraph (3) shall **account** to the **Inland Revenue** for any **supplementary contribution**, or further contribution, as the case may be, paid in respect of the **account**, together with income and gains which have arisen in consequence of the crediting of any such payment to the **account**.

(3) The persons mentioned in paragraphs (1) and (2) are—

- (a) the **account provider** (to the extent that he has assets in his possession or control),
- (b) the **registered contact**,
- (c) **the named child**, and
- (d) any person in whom the **Inland Revenue contributions**, income or gains, or any property directly or indirectly representing any of them, is vested (whether beneficially or otherwise)

and they shall be jointly and severally liable.

(4) Where a person accountable under this regulation is notified by the **Inland Revenue** that an amount is due from him under it, that amount shall be treated for the purposes of Part 6 of **the Management Act**⁵⁵ (collection and recovery) as if it were **tax** charged in an assessment on that person, and due and payable.

“Repair” of invalid accounts

23. (1) Except in the case of a breach of regulation 8(1)(b) or (c) (where no repair of an **account** is possible), it is an overriding requirement to be satisfied in relation to an **account** that the **account provider** and **registered contact**, as the case may be, take any steps necessary to remedy any breach of these Regulations.
- (2) Where a breach is remedied as mentioned in paragraph (1), the **account** shall, to the extent of that breach, be treated as having been a valid **account** at all times, except for determining whether there has been a breach of these Regulations for the purposes of section 20 of **the Act** (penalties).

⁵⁴ 2002 c. 21.

⁵⁵ 1970 c. 9.

PART 3

Tax and administration of accounts

Exemption from tax of account income and gains

24. Subject to compliance with these Regulations (and in particular regulation 9)—
- (a) no **tax** shall be chargeable on the **account provider** or his nominee, or on **the named child** or **registered contact** (on his behalf)—
 - (i) in respect of interest, dividends, distributions or **gains** in respect of **account investments** (excluding any building society bonus),
 - (ia) in respect of alternative finance return or profit share return paid by a financial institution (within the meanings in Chapter 5 of Part 2 of the Finance Act 2005)
 - (ib) in respect of a **payment under a building society bonus scheme**, so far as the payment is calculated by reference to **account investments** (and if paid directly by the society into the **account**, the payment shall not count towards the subscription limit in regulation 9);
 - (ii) on any annual profits or gains treated under Part 12 of **ITA 2007** as having been received by any of them in respect of **account investments**,
 - (iii) on an offshore income gain to which a disposal made by any of them of an **account investment** gives rise, which is treated by section 761(1) of **the Taxes Act** as constituting profits or gains,
 - (iv) on a profit on the disposal of a deeply discounted security within the meaning given by section 430 of **ITTOIA 2005**, or
 - (v) in respect of gains treated under Chapter 9 of Part 4 of **ITTOIA 2005** as arising in connection with a policy of life insurance which is an **account investment**;
 - (b) losses accruing on any disposal of **account investments** shall be disregarded for the purposes of capital gains tax;
 - (ba) any gain or loss accruing on and attributable to a payment within paragraph (ib) of sub-paragraph (a) shall not be a chargeable gain or allowable loss for capital gains tax purposes;
 - (c) section 935 of **ITA 2007** shall apply with the following modifications—
 - (i) for references to a plan manager, substitute references to an **account provider**,
 - (ii) for references to a plan, substitute references to an **account**, and
 - (iii) for the reference to Chapter 3 of Part 6 of **ITTOIA 2005**, substitute a reference to **the Act**;
 - (d) a deficiency arising in a tax year and falling within section 539(1) of **ITTOIA 2005**, so far as it relates to a policy of life insurance which is an **account investment**, shall not be allowable as a deduction from the total income of **the named child**;
 - (e) relief in respect of **tax** shall be given in the manner and to the extent provided by these Regulations; and
 - (f) income arising from **account investments** shall not be regarded as income for any income tax purposes (including section 629 of **ITTOIA 2005**).

Tax liabilities and reliefs – account provider to act on behalf of **the named child**

25. (1) An **account provider** may under these Regulations make **tax** claims, conduct appeals and agree on behalf of **the named child** (or of the **registered contact** in respect of the **child**) liabilities for and reliefs from **tax** in respect of an **account**.
- (2) **Tax** claims shall be made to **the Board** in accordance with the provisions of regulations 26 and 27.
- (3)

25. (3) Where any relief or exemption from **tax** previously given in respect of an **account** has by virtue of these Regulations become excessive, in computing the relief due on any claim there shall be deducted (so that amounts equal to that excess are set-off or repaid to **the Board**, as the case may be) notwithstanding that those amounts have been invested, any other amount of **tax** due to **the Board** by the **account provider** in respect of any **tax** liability in respect of **account investments** under an **account** including (but without prejudice to the making of an assessment under that Schedule) any amount falling due in respect of a liability under Chapter 9 of Part 15 of **ITA 2007**.

Repayments in respect of tax to account provider – interim tax claims

26. (1) Notwithstanding the provisions of any other enactment, **the Board** shall not be under an obligation to make any repayment in respect of **tax** under these Regulations earlier than the end of the month following the month in which the claim for the repayment is received.
- (2) A claim for repayment in respect of **tax** which is not an annual claim ("**interim tax claim**") may be made only for a period of a month (or a number of months not exceeding six) beginning on the 6th day of the month and ending on the 5th day of the relevant following month.
- (3) No claim for repayment may be made for the month ending 5th October or any subsequent month in a **year** until the annual claim due under regulation 27(2) in respect of an **account** for the preceding **year** has been duly made by the **account provider** and received by **the Board**.
- (4) Where, on the occasion of a claim, there is due to **the Board** an amount in respect of **tax**, that amount shall be recoverable by **the Board** in the same manner as **tax** charged by an assessment on the **account provider** which has become final and conclusive.
- (5) This regulation and regulation 27 shall not apply to any repayment in respect of **tax** on **account investments** falling within regulation 12(2)(m) (life insurance), or on distributions and other rights or proceeds in respect of those investments.

Repayments in respect of tax to account provider – annual tax claims

27. (1) An annual **tax** claim is a claim for repayment in respect of **tax** for a **year** and may not be made at any time more than six years after the end of the **year**.
- (2) Where the **account provider**—
- has made at least one **interim tax claim** during a **year**, or
 - wishes to reclaim **tax**, or there is due to **the Board** an amount in respect of **tax**, following the end of the **year**, the **account provider** shall within six months after the end of the **year** make an annual **tax** claim to establish the total of **tax** repayments due under an **account** for that **year**.
- (3) Where the aggregate of the repayments in respect of **interim tax claims** for the **year** shown by an annual **tax** claim exceeds the amount of **tax** repayable for the **year** shown on the claim, the **account provider** shall repay the amount of the excess to **the Board** with the claim.
- (4) If an **account provider** fails to make the annual **tax** claim required under paragraph (2)(a) within the time limited, **the Board** may issue a **notice** to the **account provider** showing the aggregate of payments in respect of the **interim tax claims** for the **year**, and stating that **the Board** are not satisfied that the amount due to the **account provider** for that **year** exceeds the lower amount stated in the **notice**.
- (5) If an annual **tax** claim is not delivered to **the Board** within 14 days after the issue of a **notice** under paragraph (4) the amount of the difference between the aggregate and the lower amount stated in the **notice** shall immediately become recoverable by **the Board** in the same manner as **tax** charged by an assessment on the **account provider** which has become final and conclusive.
- (6) Where an annual **tax** claim has been made and the **account provider** subsequently discovers that an error or mistake has been made in the claim the **account provider** may make a supplementary annual claim within the time allowed in paragraph (1).

Account provider's tax claims – supplementary provisions

28. (1) Section 42 of *the Management Act* shall not apply to **tax** claims under these Regulations.
- (2) No appeal shall lie from *the Board's* decision on an **interim tax claim**.
- (3) An appeal shall be to the Special Commissioners from *the Board's* decision on an annual **tax** claim, and the appeal shall be brought by giving **notice to the Board** within 30 days of receipt of **notice** of the decision.
- (4) No payment or repayment made or other thing done on or in relation to an **interim tax claim** or a **notice** under regulation 27(4) shall prejudice the decision on an annual **tax** claim.
- (5) The provisions contained in Part 5 of *the Management Act* (appeals and other proceedings) shall apply to an appeal under paragraph (3) above, and on appeal the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of the appellant.
- (6) All such assessments, payments and repayments shall be made as necessary to give effect to *the Board's* decision on an annual **tax** claim or to any variation of that decision on appeal.
- (7) Claims under these Regulations shall be in such form and contain such particulars as *the Board* prescribe and, subject to regulation 32(1), shall be signed by the **account provider**, and forms prescribed for annual claims may require a report to be given by a person qualified for appointment as auditor of a **company**.

Assessments for withdrawing relief and recovering tax

29. (1) Where—
- (a) any relief or exemption from **tax** given in respect of income or **gains** under an **account** is found not to be due or to be excessive, or
- (b) the full amount of **tax** in respect of the income or **gains** under an **account** has not otherwise been fully accounted for and paid to *the Board* on behalf of *the named child*,
- an assessment to **tax** may be made by *the Board* in the amount or further amount which in their opinion ought to be charged.
- (2) An assessment to which paragraph (1) refers may be made on the **account provider** or on the **registered contact** (in respect of the **child** where the **child** is under the age of 16).
- (3) If the assessment is made to recover **tax** in respect of income under an **account** it shall be made under Case VI of Schedule D.

Paragraph (4) omitted

Regulation 30 omitted

Records to be kept by account provider

31. (1) An **account provider** shall at all times keep sufficient records in respect of an **account** to enable the requirements of these Regulations to be satisfied.
- (2) In particular, an **account provider** shall produce (when required to do so by an officer of **the Board**) any—
- (a) application made under regulation 13(1) or (10),
 - (b) voucher given to him,
 - (c) annual statement issued by him, and
 - (d) transfer **notice** given to him under regulation 21(4),
- or electronic copies, within the period of 3 years from when it was made, issued or given (notwithstanding any transfer of the **account** under regulation 20A or 21).

Paragraphs (3) and (4) omitted

Returns of information by account provider

32. (1) An **account provider** shall within 60 days after the end of each **year** in which he acts as an **account provider**, and after ceasing to act or to qualify as an **account provider**, deliver by means of **electronic communications** to **the Board** a return for that **year**, or for the part of that **year** in which he so acted or qualified, in a form specified by **the Board**, which contains the information specified in paragraph (2).
- (2) The information specified in this paragraph is information relating to each **account** in respect of which he acted as **account provider**, in the **year** or the part of the **year** for which the return is made, other than accounts transferred under regulation 20A or 21 in that **year** or part of a **year**, as to—
- (a) as regards **the named child**—
 Paragraphs (i) & (ii) omitted
 (iii) his unique reference number;
- (b) as regards each such **account**—
- (i) whether or not the **account** is a **stakeholder account**,
- (ii) whether or not there is a **registered contact** for the **account**,
- (iii) the aggregate **market value** of the **account investments** held under the **account**, subject to paragraph (3), the value of each **account investment** being determined either as at 5th April in that **year**, or any other valuation date not falling earlier than 5th October in that **year**, and
- (iv) the total amount of cash subscribed to the **account**, in the **subscription year** ending during the year or the part of the year for which the return is made.
- (2A) Where, during the year or part of the year, the named child reaches the age of 18 years or dies, there shall be substituted for paragraph (2)(b)(iii)—
- “(iii) the aggregate market value of the account investments held under the account immediately before the relevant event mentioned in paragraph (2A)”
- (3) The reference in paragraph (2)(b)(iii) to **market value** shall be construed—
- (a) in the case of policies of life insurance, as a reference to their surrender value, and
- (b) as referring to separate values for—
- (i) cash falling within regulation 12(2)(k) or (l), and
- (ii) policies of life insurance and all other **account investments**.
- (4) No claim for repayment, or repayment, may be made under regulations 26 and 27 until the returns which have become due under this regulation have been duly made by the **account provider** and received by **the Board**.

Regulation 33 omitted

The person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act to be the person who has the authority to manage an account

33A (1) The person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act is to be the person who has the authority to manage a child's account for the purposes of section 3(6)(b) of the Act where the circumstances specified in paragraph (2) apply.

(2) The circumstances specified are where

(za) except in a case of a person who was a looked after child or a looked after and accommodated child on 30th September 2017, there is a continuous period of at least twelve months during which the circumstances under sub-paragraphs (a) and (b) apply,

(zb) in a case of a person who was a looked after child or a looked after and accommodated child on 30th September 2017, the circumstances under sub-paragraphs (a) and (b) apply,;

(a) a **child** is **looked after** (in Scotland, **looked after and accommodated**) by the **local authority**, and

(b) at least one of the following conditions is satisfied.

Condition 1

There is no person, or no person other than the **local authority**, who has **parental responsibility** (in Scotland, parental responsibilities) for the **child**.

Condition 2

It is part of the care plan for the **child** that—

(a) the **child** will live indefinitely away from home (or his former home), and

(b) the **child** will not have face to face contact with any parent having **parental responsibility** (in Scotland, parental responsibilities) for the **child**.

Condition 3

An order has been made under section 34(4) of the Children Act 1989⁵⁶ or Article 53(4) of the Children (Northern Ireland) Order 1995⁵⁷, authorising the **local authority** to refuse to allow contact between the **child** and any person with **parental responsibility** (or, in Scotland, a supervision requirement made with a condition regulating contact under section 70(5)(b) of the Children (Scotland) Act 1995⁵⁸ that the **child** shall have no contact with a person with parental responsibilities), and there is no other individual with **parental responsibility** (in Scotland, parental responsibilities) for the **child** to act as **registered contact**.

Condition 4

The Court of Protection has—

(a) appointed a deputy for a person with **parental responsibility** for the **child**, or

(b) determined that such a person lacks capacity within the meaning of the Mental Capacity Act 2005 (c.9) to manage the child's property and affairs

and there is no other individual with parental responsibility for the child to act as registered contact.

In Scotland,

⁵⁶ 1989 c. 41.

⁵⁷ SI 1995/755 (N.I. 2).

⁵⁸ 1995 c. 36.

33A (2) In Scotland, in this Condition for—

- (a) “Court of Protection” substitute “Sheriff”,
- (b) “deputy” substitute “**guardian** appointed under section 58 of the Adults with Incapacity (Scotland) Act 2000⁵⁹”,
- (c) the reference to a person lacking capacity, substitute “incapable for the purposes of the Adults with Incapacity (Scotland) Act 2000,” and
- (d) “**parental responsibility**” substitute “parental responsibilities”.

Condition 5

The **child** has been lost or abandoned, and there is no prospect for the foreseeable future of reunification of the **child** with a parent having **parental responsibility** (in Scotland, parental responsibilities) for the **child**.

In this Condition, “lost or abandoned”—

- (a) in England, has the meaning in section 20(1)(b) of the Children Act 1989;
- (ab) in Wales, has the meaning in section 76 of the Social Services and Well-being (Wales) Act 2014⁶⁰;
- (b) in Northern Ireland, has the meaning in Article 21(1)(b) of the Children (Northern Ireland) Order 1995; and
- (c) in Scotland, has the meaning in section 25(1)(b) of the Children (Scotland) Act 1995.

Condition 6

In England and Wales, an adoption agency or **local authority** has been authorised to place the **child** for adoption under section 19, or by a placement order under section 21, of the Adoption and Children Act 2002⁶¹, or

in Northern Ireland, an Order has been made under Article 17 or 18 of the Adoption (Northern Ireland) Order 1987⁶² to free the **child** for adoption.

Paragraphs (2A), (2B) and (3) omitted

- (4) The person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act; shall cease to be the person who has the authority to manage the **child’s account** (and shall be discharged from the duties of **registered contact**) where—
 - (a) the **child** “is 16 or over and has elected to manage the **account**,”
 - (b) in any case where the **child** is **looked after** (in Scotland, **looked after and accommodated**) by a **local authority**—
 - (i) the **local authority** confirms to the person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act; that there is a named **responsible person** in relation to the **child**, who is able to be the **registered contact** for the **child’s account**, and that none of the Conditions in paragraph (2) applies, and
 - (ii) the person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act; cancels his declaration and authorisation in accordance with regulation 13(7) and is replaced as **registered contact** by that **responsible person**, in accordance with regulation 13(10), or
 - (c) in any case where the **child** is not **looked after** (in Scotland, **looked after and accommodated**) by a **local authority**—

⁵⁹ 2000 asp 4.

⁶⁰ 2014 (anaw 4).

⁶¹ 2002 c. 38

⁶² SI 1987/2203 (N.I.22)

- (i) a **responsible person** for the **child** provides evidence to the satisfaction of the person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act, as the case may be, that he has **parental responsibility** for the **child**, and
- (ii) the person appointed by the Treasury or the Secretary of State by virtue of section 3(10) of the Act; cancels his declaration and authorisation in accordance with regulation 13(7) and is replaced as **registered contact** by that **responsible person**, in accordance with regulation 13(10).

Paragraph (5) omitted

(6) In this regulation—

“**local authority**” includes an authority within the meaning of the Children (Northern Ireland) Order 1995⁶³;

“**looked after and accommodated child**”, in Scotland, means a **child** who is—

- (a) both looked after, and provided with or placed in accommodation, by a local authority within the meaning of those expressions in Part 2 of the Children (Scotland) Act 1995⁶⁴, or
 - (b) accommodated by a local authority under section 22 of that Act,
- and related expressions shall be construed accordingly;

.....

⁶³ SI 1995/755 (N.I. 2).

⁶⁴ 1995 c. 36.

33A (6) “looked after child”—

- (a) in England, has the meaning given in section 22(1) of the Children Act 1989⁶⁵, extended to include a **child** accommodated by a local authority under section 17 of that Act,
 - (ab) in Wales means looked after by a local authority within the meaning of section 74 of the Social Services and Well-being (Wales) Act 2014; and
 - (b) in Northern Ireland, means a **child** accommodated under Part 4 of the Children (Northern Ireland) Order 1995,
- and related expressions shall be construed accordingly;
- (7) Where the appointment of a person (“original appointee”) by the Treasury or the Secretary of State by virtue of section 3(10) of the Act ceases, the original appointee must provide any information held by that person in connection with the management of a child trust fund to the new person (if any) appointed instead.

Regulations 34 & 35 omitted

⁶⁵ 1989 c. 41.

Capital gains tax – adaptation of enactments

36. (1) For the purposes of capital gains tax—
- (a) any assets held by a named **child** as **account investments** shall be regarded as held by the **child** in a separate capacity from that in which he holds any other assets of the same **description**; and
 - (b) **the named child** shall be treated as having sold all the **account investments**, and as having reacquired them in his personal capacity, for a consideration equal to their **market value**, immediately before he attains the age of 18 years (and ceases to be a **child**).
- (2) Sections 127 to 131 of **the 1992 Act**⁶⁶ shall not apply in relation to qualifying investments falling within any of sub-paragraphs (a), (b), and (f) to (i) of regulation 12(2) which are held under an **account** if there is by virtue of any allotment for payment as is mentioned in section 126(2) of that Act a reorganisation affecting those assets.

Administration of tax in relation to accounts – supplementary

37. (1) Nothing in these Regulations shall be taken to prejudice any powers conferred or duties imposed by or under any enactment in relation to the making of returns of income or **gains**, or for the recovery of **tax**, penalties or interest by means of an assessment or otherwise.
- (2) Notwithstanding the provisions of these Regulations an **account provider** shall not be released from obligations under these Regulations in relation to an **account** except under conditions agreed in writing with and notified to that person by **the Board**.
- (3) The provisions contained in **the Management Act**⁶⁷ shall apply to any assessment under these Regulations as if it were an assessment to **tax** for the **year** in which, apart from these Regulations, **the named child** would have been liable (by reason of his ownership of the investments).
- (4) No obligation as to secrecy imposed by statute or otherwise shall preclude **the Board** from disclosing to an **account provider** or **registered contact** that any provision of these Regulations has not been satisfied or that relief has been given or claimed in respect of investments under an **account**.
- (5) If—
- (a) a chargeable event, within the meaning given by Chapter 9 of Part 4 of **ITTOIA 2005**, has happened in relation to a policy of life insurance which is an **account investment**, and
 - (b) the body by whom the policy was issued is satisfied that no gain is to be treated as chargeable to **tax** on the happening of the event by virtue of regulation 24(a)(v),
- the body shall not be obliged to deliver the certificates mentioned in section 552(1) of **the Taxes Act**.
This paragraph does not prevent the operation of section 552(1) in a case to which regulation 38(1) applies.
- (6) Where—
- (a) it comes to the notice of the **account provider**, in any manner, that the event specified in regulation 12(11) has occurred in relation to a policy, and
 - (b) the **account provider** is not the insurer for the time being responsible for the obligations under the policy or, where the policy is not still in existence, the person who was the last such insurer,
- the account provider** shall, within 30 days of the event coming to his notice give notice to that insurer, specifying the event mentioned in sub-paragraph (a) and the **termination event**.

⁶⁶ 1992 c. 12.⁶⁷ 1970 c. 9.

Application of the provisions of Chapter 2 of Part 13 of the Taxes Act and of Chapter 9 of Part 4 of ITTOIA 2005 to policies

38. (1) This paragraph applies to a case where—

- (a) the event specified in regulation 12(11) has occurred in relation to a policy of life insurance, and
- (b) a **termination event** within the meaning in regulation 12(12) occurs in relation to that policy.

(2) Where—

- (a) there is a case to which paragraph (1) applies, and
- (b) a chargeable event in relation to the policy, within the meaning given by section 540 of **the Taxes Act**, has occurred prior to the time at which the **termination event** mentioned in paragraph (1)(b) occurs,

the named child shall cease to be, and shall be treated as not having been, entitled to relief from **tax** under regulation 24(a)(v), in respect of **gains** treated as arising on the occurrence of any chargeable event mentioned in sub-paragraph (b).

(3) The provisions of Chapter 2 of Part 13 of **the Taxes Act** shall apply, in a case to which paragraph (1) applies, to—

- (a) the **termination event** mentioned in paragraph (1)(b), and
- (b) any chargeable event mentioned in paragraph (2)(b),

with the modifications provided for in paragraphs (4) to (8) of this regulation, and the **registered contact** and the **account provider** shall account to **the Board** in accordance with this regulation for **tax** from which relief under regulation 24 has been given on the basis that **the named child** was so entitled, or in circumstances such that **the named child** was not so entitled.

(4) A termination of a policy of insurance pursuant to regulation 12(9)(b)(ii) shall be treated as the surrender of all rights under the policy for the purposes of section 484(1)(a)(i) of **ITTOIA 2005**.

(5) Section 530 of **ITTOIA 2005** does not apply to a gain in a case to which paragraph (1) applies.

(6) Relief under section 550 of **the Taxes Act** shall be computed as if paragraph (5) had not been enacted.

(7) In section 552 of **the Taxes Act**—

- (a) in subsection (1)(b) for “policy holder” substitute “named **child**”;
- (b) in subsection (3)—
 - (i) omit “(or, where the appropriate policy holder is a **company**, the corresponding financial **year**)”;
 - (ii) for “the name and address of the appropriate policy holder” substitute “the name and address of **the named child**”;
 - (iii) omit “and the corresponding financial year.”;
- (c) in subsection (5)—
 - (i) for “the appropriate policy holder” substitute “**the named child**”;
 - (ii) omit sub-paragraph (b)(ii);
 - (iii) omit paragraph (c);
 - (iv) in paragraph (d) omit “except where paragraph (c) above applies.”;
 - (v) omit paragraph (f);
- (d)

38. (7)
continued

- (d) in subsection (6)—
- (i) omit paragraph (b);
 - (ii) for paragraph (c) substitute—
 - “(c) if the event is a death, the period of three months beginning with the receipt of written notification of the death;”;
 - (iii) after paragraph (c) insert—
 - “(d) if the event is—
 - (i) a **termination event**, or
 - (ii) a chargeable event preceding a **termination event** (as mentioned in regulation 38(2) of the Child Trust Funds Regulations 2004),
 the period of three months beginning with the date on which the insurer received **notice** under regulation 37(6) of those Regulations or, if earlier, actual **notice** of the **termination event**.”;
- (e) in subsection (7)—
- (i) in paragraph (a) omit “, or, where the policy holder is a **company**, the financial year,”;
 - (ii) omit paragraph (b);
 - (iii) for paragraph (c) substitute—
 - “(c) if the event is a death, the period of three months beginning with the receipt of written notification of the death;”;
 - (iv) after paragraph (c) insert—
 - “(ca) if the event is—
 - (i) a **termination event**, or
 - (ii) a chargeable event preceding such a **termination event** (as mentioned in regulation 38(2) of the Child Trust Funds Regulations 2004, the period of three months beginning with the date on which the insurer received **notice** under regulation 37(6) of those Regulations or, if earlier, actual **notice** of the **termination event**.”; and
 - (v) in paragraph (d) after “paragraph (c)” insert “or (ca)”;
- (f) in subsection (8)—
- (i) in paragraph (b) for “policy holder” substitute “named **child** in respect”;
 - (ii) in paragraph (c) omit the words from “or” to the end;
- (g) in subsection (9) omit “or financial year” in each place where they occur;
- (h)

38. (7)
continued

- (h) in subsection (10)—
- (i) before the definition of “amount” insert—
““named **child**” has the same meaning as in the Child Trust Funds Regulations 2004;”;
 - (ii) omit the definitions of “appropriate policy holder” and “financial year”;
 - (iii) for the definition of “the relevant year of assessment” substitute—
““the relevant **year** of assessment”, in the case of any gain, means the **year** of assessment to which the gain is attributable;”; and
 - (iv) after the definition of “section 546 excess” insert—
““**termination event**” has the same meaning as in the Child Trust Funds Regulations 2004;”; and
 - (v) omit subsection (11).
- (8) In section 552ZA of *the Taxes Act*—
- (a) in subsection (2)(b) omit the words “or an assignment”; and
 - (b) omit subsections (3) and (4).
- (9) The **account provider** shall account for and pay income tax at the basic rate in force for the **year** in which the **termination event**, or the chargeable event mentioned in paragraph (2)(b) occurred, as the case may be, and any amount so payable—
- (a) may be set off against any repayment in respect of **tax** due under regulation 26 or 27 and subject thereto,
 - (b) shall be treated as an amount of **tax** due not later than 6 months after the end of the **year** in which the event specified in regulation 12(11) came to the notice of the **account provider**, and
 - (c) shall be payable without the making of an assessment.
- (10) Where **tax** is charged in accordance with paragraph (3)(a) or (b)—
- (a) an assessment to income tax at the basic rate in force for the relevant **year** may be made on the **account provider** or on the **registered contact** (on behalf of **the named child**), and
 - (b) an assessment to income tax at the higher rate within the meaning of section 10(3) of *ITA 2007*, for that **year**, may be made on the **registered contact** (on behalf of **the named child**) within five years after the 31st January next following that **year**, and regulation 29 shall not apply.

SCHEDULE

Stakeholder accounts

Description of stakeholder account

1. An **account** is a stakeholder account where it has the characteristics and complies with the conditions set out in paragraph 2.

Characteristics of stakeholder account etc

2. (1) A stakeholder account must have the characteristics set out in sub-paragraph (2) and must comply with the conditions set out in sub-paragraphs (3) to (5).
- (2) The characteristics of a stakeholder account are—
- (a) the **account** does not directly hold investments of any of the following kinds-
 - (i) those referred to in regulation 12(2)(f) (shares in an **investment trust**);
 - (ii) securities of an **investment trust**;
 - (iii) rights in with-profits endowment policies;
 - (iv) rights, under a **contract of insurance**, in a **with-profits fund**;
 - (v) **units** or shares in a **relevant collective investment scheme** unless it is a requirement of that scheme that the purchase and sale price of those **units** or shares shall, at any given time, not differ from each other and that the price must be made available to the public on a daily basis;
 - (vi) rights under a **contract of insurance** which are expressed as shares in funds held by the **insurer** unless it is a requirement of the **contract of insurance** that the purchase and sale price of those shares shall, at any given time, not differ from each other and that the price must be made available to the public on a daily basis;
 - (via) shares referred to in regulation 12(2)(a) (shares issued by a **company** wherever incorporated and officially listed on a **recognised stock exchange** or, in the European Economic Area, admitted to trading on a **recognised stock exchange**);
 - (vii) **depository interests**, where the investments concerned are investments of any of the kinds listed above in this paragraph;
 - (b) the requirement is fulfilled that the **account provider**, and any **relevant person**, ensure that, subject to the other provisions of this paragraph, the **account** has exposure to **equities**;
 - (ba) interest accrues on investments referred to in regulation 12(2)(k) and (l) (cash deposited in a deposit account or in a share account) on a daily basis at a rate that is not less than the Bank of England base rate minus 1 per cent per annum, except where cash is held temporarily on deposit in the course of dealing in investments under the **account**;
 - (baa) when the Bank of England base rate increases, the interest rate on investments referred to in regulation 12(2)(k) and (l) (cash deposited in a deposit account or in a share account) must be raised within one month of the date of that increase ;
 - (bb)

Sch 2 (2)
continued

- (bb) in relation to qualifying investments which are **securities** (other than in an **investment trust**) or a **depository interest** where the relevant investments (within the meaning in that definition) are such **securities**, the requirement is fulfilled that—
- (i) the **securities** fall within regulation 12(2)(c), (d) or (e), or
 - (ii) where the **securities** fall within regulation 12(2)(b), or (n), the contract under which the **securities** are or have been acquired, or any other transaction entered into by the **registered contact** or any other person, has the effect that **the named child** is not exposed, or not exposed to a significant extent, to the risk of loss from fluctuations in the value of the **securities** exceeding 20% of the capital consideration paid or payable for the acquisition of those **securities**, during the period when the **securities** in question are held in the **account**.
- (c) the requirement is fulfilled that the **account provider** and any **relevant person** have regard to—
- (i) the need for diversification of investments of the **account**, in so far as is appropriate to the circumstances of the **account**; and
 - (ii) the suitability for the purposes of the **account** of any investment, investment strategy or investment option proposed.
- (3) The **account provider** must permit payment of **subscriptions** to the **account** by—
- (a) cheque;
 - (b) direct debit;
 - (c) standing order;
 - (d) direct credit (other than standing order)

For the purposes of this sub-paragraph, those means of payment do not include payments by cash, credit card or debit card or any combination including a payment by cash, credit card or debit card.

- (4) The minimum amount which may be subscribed to the **account** on a single occasion is £10 except where the **account provider** permits a smaller amount.
- (5) Deductions from the **account** may only be made in the circumstances, and to the extent, set out in paragraph 3.
- (6) In this paragraph—

“**equities**” means shares issued by a **company** wherever incorporated and officially listed on a **recognised stock exchange** or, in the European Economic Area, admitted to trading on a **recognised stock exchange**;

“**insurer**” means—

- (a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to effect or carry out contracts of insurance, or
- (b) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to effect or carry out contracts of insurance;

“**relevant collective investment scheme**” means an **authorised unit trust** scheme, an authorised **open-ended investment company** or a recognised scheme, as the case may be, as defined in section 237(3) of the Financial Services and Markets Act 2000;

Sch 2 (6)
continued

“**relevant person**” means any person to whom the **account provider** has delegated any of his functions or responsibilities under the **management agreement**, and

“**with-profits fund**” means a fund maintained by an **insurer** in respect of a particular part of its long-term business for which—

- (a) separate accounting records are maintained by the **insurer** in respect of all income and expenditure relating to that part of its business; and
 - (b) the benefits payable in respect of policies allocated to that fund are determined partly by reference to a discretion exercisable by any person.
- (7) In this paragraph, the definitions of “**contract of insurance**” and “**insurer**” must be read with—
- (a) section 22 of the Financial Services and Markets Act 2000,
 - (b) any relevant order made under that section, and
 - (c) Schedule 2 to that Act.

Stakeholder accounts—charges etc

3. (1) Deductions from a stakeholder account may only be made to the extent set out in this paragraph.
- (2) Subject to sub-paragraph (5), charges for the management of, and other expenses in connection with, a stakeholder account may be recovered from the **account** to the extent that they do not exceed whichever is the greater of—
- (a) 3/730 per cent of the value of the **child's** rights in the **account** for each day on which the **account** is held; or
 - (b) 3/730 per cent of the value of the **investments under the account** for each day on which the **account** is held.
- (3) For the purposes of sub-paragraph (2)—
- (a) the frequency, which must be daily, weekly or monthly, with which rights or investments are to be valued; and
 - (b) where valuation is to take place weekly or monthly, the day of the week or, as the case may be, the date in the month on which it is to take place,
- must be specified in advance in writing by the **account provider** to the **registered contact**, and the specification may not be amended during the period of 12 months after the date on which it is made.
- (4) When calculating the value of a **child's** rights or of investments for the purposes of subparagraph (2), where the **account provider** has specified under sub-paragraph (3) that they are to be valued weekly or monthly—
- (a) where they are to be valued weekly, they are to be valued on such day of the week (“the specified day”) as has been so specified by the **account provider** (except that, where that day is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified day is to be taken to be the value of the rights on the previous specified day; and
 - (b) where they are to be valued monthly, they are to be so valued on such date in each month (“the specified date”) as has been so specified by the **account provider** (except that, where that date is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified date is to be taken to be the value of the rights on the previous specified date.
- (5)

- (5) The following charges and expenses may be deducted in full from the **account** and are not subject to and do not count towards the limit provided for in sub-paragraph (2)—
- (a) any stamp duty, stamp duty reserve tax, value added tax or other charges (including any dilution levy) incurred by the **account provider** directly or indirectly in the sale or purchase of investments held under the **account**;
 - (aa) where any amount of tax is paid or anticipated to be payable in respect of income received or capital gains realised by the **account provider** in respect of investments held for the purposes of the **account**, the amount so deducted or anticipated;
 - (b) any charges or expenses incurred by the **account provider** directly or indirectly in complying with an order of the court or any other requirements imposed by law; and
 - (c) expenses incurred by the **account provider** in complying with its obligations under regulation 8(2)(d) and (e).
- (6) Valuations for the purpose of sub-paragraph (2) shall be after the deduction of any charges or expenses properly deducted from the **account** under sub-paragraph (5).

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