

---

## STATUTORY INSTRUMENTS

---

# 1998 No. 1870

## The Individual Savings Account Regulations 1998

### Interpretation

2.—(1) In these Regulations unless the context otherwise requires—

(a) “account”, except in the case of—

- (i) an account with a deposit-taker, or
- (ii) a tax-exempt special savings account, or
- (iii) a share or deposit account with a building society, or
- (iv) a deposit account with an institution authorised under the Banking Act 1987 <sup>M1</sup>, or a relevant European institution,

shall be construed in accordance with regulation 4(1);

an “account investment” is an investment under the account which is a qualifying investment for a stocks and shares component, a cash component or an insurance component, as the case may be, within the meaning of regulation 7, 8 or 9;

an “account investor” is an individual who subscribes to an account and who is a qualifying individual within the meaning of regulation 10;

an “account manager” is a person who fulfils the conditions of these Regulations and is approved by the Board for the purposes of these Regulations as an account manager;

[<sup>F1</sup>“approved employee share ownership plan”, “participant”, “plan shares” and (in relation to plan shares) “ceasing to be subject to the plan” shall have the meanings given in Schedule 8 to the Finance Act 2000, except that, in construing “plan shares”, paragraph 115(8), and the words “or securities or rights” in paragraph 116(1), of that Schedule, shall be omitted;]

“approved profit sharing scheme” has the same meaning as in Chapter IV of Part V of the Taxes Act;

an “assurance undertaking” means an assurance undertaking within the meaning of Article 8 of the First Council Directive 79/267 <sup>M2</sup> as extended by the EEA Agreement;

“the Board” means the Commissioners of Inland Revenue;

“building society” means a building society within the meaning of the Building Societies Act 1986 <sup>M3</sup>, or the Irish Building Societies Act 1989 <sup>M4</sup>;

“company”, except in regulation 7(4), means any body corporate having a share capital other than—

- (i) an open-ended investment company, within the meaning given by section 75(8) of the Financial Services Act 1986 <sup>M5</sup>,
- (ii) a UCITS,
- (iii) an industrial and provident society, or
- (iv) a body corporate which is a 51 per cent. subsidiary of any industrial and provident society;

“deposit-taker” has the meaning given by section 481(2) of the Taxes Act <sup>M6</sup>;

[<sup>F2</sup>“the Director of Savings” has the same meaning as in the National Debt Act 1972]

“EEA Agreement” means the Agreement on the European Economic Area signed at Oporto on 2nd May 1992 <sup>M7</sup>, as adjusted by the Protocol signed at Brussels on 17th March 1993 <sup>M8</sup>;

“EEA State” means a State, other than the United Kingdom, which is a Contracting Party to the EEA Agreement;

“European institution” has the same meaning as in the Banking Co-ordination (Second Council Directive) Regulations 1992 <sup>M9</sup>;

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

“gains”, except in regulations 22(1)(a)(ii) to (v) and 35(6), means “chargeable gains” within the meaning of the Taxation of Chargeable Gains Act 1992;

“gilt-edged securities” has the meaning given by [<sup>F3</sup>paragraphs 1 and 1A] of Schedule 9 to the Taxation of Chargeable Gains Act 1992;

“income tax quarter” has the same meaning as in the Income Tax (Employments) Regulations 1993 <sup>M10</sup>;

an “incorporated friendly society” means a society incorporated under the Friendly Societies Act 1992 <sup>M11</sup>;

an “industrial and provident society” means a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 <sup>M12</sup> or under the Industrial and Provident Societies (Northern Ireland) Act 1969 <sup>M13</sup>;

“investment trust” has the meaning given by section 842 of the Taxes Act <sup>M14</sup>, and references to the “eligible rental income” of an investment trust have the same meaning as in that section;

“long term business” has the same meaning as in the Insurance Companies Act 1982 <sup>M15</sup> by virtue of section 1(1) to (3) of that Act, and references to long term business of a Class shall be construed in accordance with section 1 of and Schedule 1 to that Act;

“the Management Act” means the Taxes Management Act 1970 <sup>M16</sup>;

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

“notice”, except in [<sup>F4</sup>regulations 9 and 36], means notice in writing and “notify” shall be construed accordingly;

“qualifying distribution” has the same meaning as in section 832(1) of the Taxes Act;

“recognised stock exchange” has the same meaning as in section 841 of the Taxes Act;

a “registered friendly society” has the meaning given by the Friendly Societies Act 1992 <sup>M17</sup>, and includes any society that by virtue of section 96(2) of that Act is to be treated as a registered friendly society;

“release date” has the meaning given by section 187(2) of the Taxes Act <sup>M18</sup>;

“relevant authorised person” has the same meaning as in section 333A(12) of the Taxes Act <sup>M19</sup>;

“relevant European institution” has the meaning given by section 326A(10) of the Taxes Act <sup>M20</sup>;

“savings-related share option scheme” has the meaning given by paragraph 1 of Schedule 9 to the Taxes Act;

“security”, except in regulations [<sup>F5</sup>7(2)(c) to (cb) and (8)(b), 8(2)(e) and (f)], 31(4)(b) and 34(3), means any loan stock or similar security of a company whether secured or unsecured;

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

“tax credit” means a tax credit under section 231 of the Taxes Act <sup>M21</sup>;

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

“tax-exempt special savings account” means a deposit account or share account which is a tax-exempt special savings account for the purposes of section 326A of the Taxes Act, and references to—

- (i) the day on which such an account “matured”,
- (ii) “the total amount deposited in the matured account, before it matured”, and
- (iii) “a follow-up account”,

have the same meanings as in section 326BB of the Taxes Act <sup>M22</sup>;

“year” means a year of assessment, and “the year 1999—00” means the year of assessment beginning on 6th April 1999;

- (b) “authorised unit trust” means a unit trust scheme in the case of which an authorisation order made by the Financial Services Authority under section 78 of the Financial Services Act 1986 <sup>M23</sup> is in force;

[<sup>F6</sup>“depository interest” means the rights of the person mentioned in paragraph (b), under a certificate or other record (whether or not in the form of a document) acknowledging—

- (a) that a person holds relevant investments or evidence of the right to them, and
- (b) 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 (a),

where “relevant investments” means investments which are exclusively qualifying investments for a stocks and shares component falling within any of regulation 7(2)(a) to (h), and the rights mentioned in paragraph (b) are exclusively rights in or in relation to relevant investments;]

[<sup>F7</sup>“the first condition”, and references to the terms of a scheme complying with that condition, mean that the terms of the scheme do not permit any of the investments subject to the trusts of the scheme to consist of units in authorised unit trusts or parts of umbrella schemes which are not securities funds or warrant funds, or of shares in open-ended investment companies or parts of umbrella companies which are not securities companies or warrant companies;

“the second condition”, and references to the terms of a scheme complying with that condition, mean that the terms of the scheme only permit any of the investments subject to the trusts of the scheme to consist of units or shares in—

- (i) a collective investment scheme which is a “recognised scheme” by virtue of section 87 or 88 of the Financial Services Act 1986, or
- (ii) a part of a scheme mentioned in paragraph (i) which would be a part of an umbrella company, or a part of an umbrella scheme, if the definitions of “umbrella company”, “umbrella scheme” and a part thereof in either case applied to a scheme mentioned in paragraph (i),

where the terms of the scheme mentioned in paragraph (i) identify that scheme, or the part thereof, as the case may be, as a scheme or part that would belong to one of the categories of securities fund, warrant fund, securities company or warrant company, if that scheme or part, as the case may be, were independently an authorised unit trust or an open-ended investment company in respect of which an authorisation order made by the Financial Services Authority was in force;]

“fund of funds”, except in regulation 8(2)(d), means—

- (i) an authorised unit trust which according to the terms of the scheme is a fund of funds belonging to the category under that name established by the Financial Services Authority, and
- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust,

where, in either case, the terms of the scheme [<sup>F8</sup>comply with the first condition and the second condition.]

“money market fund” means—

- (i) an authorised unit trust which according to the terms of the scheme is a money market fund belonging to the category under that name established by the Financial Services Authority, and
- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust;

“open-ended investment company”, except in sub-paragraph (a), has the meaning given by subsection (10) of section 468 of the Taxes Act as that subsection is added in relation to open-ended investment companies by regulation 10(4) of the 1997 Regulations, 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;

[<sup>F9</sup>a “relevant UCITS” means—

- (i) a UCITS, situated in a member state other than the United Kingdom, which has been authorised by the competent authorities of the member state in which it is situated, and which is a “recognised scheme” by virtue of section 86 of the Financial Services Act 1986, and
- (ii) a part of a UCITS mentioned in paragraph (i), which would be a part of an umbrella company, or a part of an umbrella scheme, if the definitions of “umbrella company”, “umbrella scheme” and a part thereof in either case applied to a relevant UCITS,

where the terms of the UCITS mentioned in paragraph (i) identify that UCITS, or the part thereof, as the case may be, as a scheme or part that would belong to one of the categories of securities fund, warrant fund, securities company or warrant company, if that UCITS or part, as the case may be, were independently an authorised unit trust or an open-ended investment company in respect of which an authorisation order made by the Financial Services Authority was in force;]

“securities company” means—

- (i) an open-ended investment company which according to its instrument of incorporation is a securities company belonging to the category under that name established by the Financial Services Authority and in respect of which an authorisation order made by that Authority is in force, and
- (ii) a part of an umbrella company which according to the instrument of incorporation of the company is a part which would belong to that category if it were itself an open-ended investment company, in respect of which an authorisation order made by the Financial Services Authority is in force;

“securities fund” means—

- (i) an authorised unit trust which according to the terms of the scheme is a securities fund belonging to the category under that name established by the Financial Services Authority, and

- (ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust;

“the 1997 Regulations” means the Open-ended Investment Companies (Tax) Regulations 1997;<sup>M24</sup>

“UCITS” means undertakings for collective investment in transferable securities within the meaning of Article 1 of Council Directive 85/611<sup>M25</sup>, and references to—

- (i) “the member state in which a UCITS is situated”, and  
(ii) a UCITS which has been “authorised by the competent authorities of the member state in which it is situated”

shall have the same meanings as in Articles 3 and 4 respectively of that Directive;

“umbrella company” and references to a part of an umbrella company shall be construed in accordance with subsection (18) of section 468 of the Taxes Act as that subsection is added in relation to open-ended investment companies by regulation 10(4) of the 1997 Regulations and, in relation to a part of an umbrella company, references to investments of the company shall be construed in accordance with subsection (12) of that section as so added;

“umbrella scheme” and references to a part of an umbrella scheme shall be construed in accordance with subsection (8) of section 468 of the Taxes Act and, in relation to a part of an umbrella scheme, references to investments subject to the trusts of an authorised unit trust and to a unit holder shall be construed in accordance with subsection (9) of that section;

“unit holder”, except in relation to a part of an umbrella scheme, has the meaning given by subsection (6) of section 468 of the Taxes Act;

“unit trust scheme” has the meaning given by subsection (6) of section 468 of the Taxes Act;

“units”, in relation to an authorised unit trust, means the rights or interests (however described) of the unit holders in that authorised 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 relevant UCITS” means the rights or interests (however described) of the holders of the units or shares in that relevant UCITS;

“warrant company” means—

- (i) an open-ended investment company which according to its instrument of incorporation is a warrant company belonging to the category under that name established by the Financial Services Authority and in respect of which an authorisation order made by that Authority is in force, and  
(ii) a part of an umbrella company which according to the instrument of incorporation of the company is a part which would belong to that category if it were itself an open-ended investment company, in respect of which an authorisation order made by the Financial Services Authority is in force;

“warrant fund” means—

- (i) an authorised unit trust which according to the terms of the scheme is a warrant fund belonging to the category under that name established by the Financial Services Authority, and  
(ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised unit trust.

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

<i>Term defined</i>	<i>Regulation</i>
Account	4(1)

*Status: Point in time view as at 13/12/2000. This version of this provision has been superseded.*

*Changes to legislation: There are currently no known outstanding effects for the The Individual Savings Account Regulations 1998, Section 2. (See end of Document for details)*

Component	4(1)(a)
The disqualifying circumstances	17(1)
Interim claim	25
Maxi-account	4(1)(c)
Mini-account	4(1)(d)
Qualifying circumstances	14(1)
Qualifying individual	10
Qualifying investments for a stocks and shares component	7
Qualifying investments for a cash component	8
Qualifying investments for an insurance component	9
Qualifying securities	7(2)(b)
Subscription limits	4(2) to (4)
TESSA only account	4(1)(e).

#### Textual Amendments

- F1** Words in reg. 2(1)(a) inserted (21.8.2000) by [The Individual Savings Account \(Amendment No. 2\) Regulations 2000 \(S.I. 2000/2079\)](#), regs. 1, **3**
- F2** Words in reg. 2(1)(a) inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(2)(a)**
- F3** Words in reg. 2(1)(a) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(2)(b)**
- F4** Words in reg. 2(1)(a) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(2)(c)**
- F5** Words in reg. 2(1)(a) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(2)(d)**
- F6** Words in reg. 2(1)(b) inserted (13.12.2000) by [The Individual Savings Account \(Amendment No. 3\) Regulations 2000 \(S.I. 2000/3112\)](#), regs. 1, **3**
- F7** Words in reg. 2(1)(b) inserted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(3)(a)**
- F8** Words in reg. 2(1)(b) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(3)(b)**
- F9** Words in reg. 2(1)(b) substituted (6.4.1999) by [The Individual Savings Account \(Amendment\) Regulations 1998 \(S.I. 1998/3174\)](#), regs. 1, **3(3)(c)**

#### Marginal Citations

- M1** [1987 c.22.](#)
- M2** [O.J. 1979 L63/1](#), amended by [O.J. 1992 L360/1](#) and [O.J. 1995 L168/7](#).
- M3** [1986 c.53.](#)
- M4** Number 17 of 1989.
- M5** [1986 c.60.](#)
- M6** [1988 c.1](#); section 481(2) was amended by section 30 of, and paragraph 8 of Schedule 5 to, the [Finance Act 1990 \(c.29\)](#).
- M7** [O.J. No. L1, 3.1.94](#), p3.

- M8** O.J. No. L1, 3.1.94, p572.
- M9** S.I. 1992/3218; amended by S.I. 1993/3225 and 1995/1217.
- M10** S.I. 1993/744; there are no relevant amending Statutory Instruments.
- M11** 1992 c.40.
- M12** 1965 c.12.
- M13** 1969 c.24.
- M14** 1988 c.1; section 842 was amended by section 117 of the [Finance Act 1988 \(c.39\)](#), [section 55](#) of the [Finance Act 1990 \(c.29\)](#), [paragraphs 14\(1\)](#) and 55 of Schedule 10 to the [Taxation of Chargeable Gains Act 1992 \(c.12\)](#), [section 146](#) of and paragraph 8 of Schedule 17 to the Finance Act 1994, and paragraphs 2 and 3 of Schedule 30, and paragraph 7 of Schedule 38, to the [Finance Act 1996 \(c.8\)](#).
- M15** 1982 c.50; section 1 was amended by S.I. 1990/1519.
- M16** 1970 c.9.
- M17** 1992 c.40.
- M18** 1988 c.1; section 187 was amended by paragraph 9 of Schedule 12 to the [Finance Act 1989 \(c.26\)](#), [sections 38](#) and 41 of the Finance Act 1991, paragraph 14(1) and (13) of Schedule 10 to the Taxation of Chargeable Gains Act 1992, paragraph 12(a) of Part III of Schedule 4, and Part II of Schedule 7 to the [Pensions Act 1995 \(c.26\)](#) and sections 116 and 117(2) of, and Part V(5) of Schedule 41 to, the [Finance Act 1996 \(c.8\)](#).
- M19** Section 333A was inserted by section 64(1) of the Finance Act 1995.
- M20** Section 326A was inserted by section 28(1) of the Finance Act 1990, and amended by section 63(1) to (3) of the Finance Act 1995.
- M21** Section 231 was amended by section 106 of and Part IV of Schedule 17 to the Finance Act 1989, paragraph 2 of Schedule 7 to the Finance Act 1990, paragraph 12 of Schedule 20 and Part V(10) of Schedule 41 to the Finance Act 1996, Part VI(7) of Schedule 18 to the [Finance Act 1997 \(c.16\)](#), and sections 19, 22 and 30 of, and paragraph 4 of Schedule 4, and Part II(9) of Schedule 8 to, the [Finance \(No. 2\) Act 1997 \(c.58\)](#).
- M22** Section 326BB was inserted by section 62(2) of the Finance Act 1995.
- M23** 1986 c.60.
- M24** S.I. 1997/1154.
- M25** O.J. No. L375, 31.12.1985, p.3—18, amended by Council Directive 88/220/EEC (O.J. No. L100, 19.04.1988, p.31—32).

**Status:**

Point in time view as at 13/12/2000. This version of this provision has been superseded.

**Changes to legislation:**

There are currently no known outstanding effects for the The Individual Savings Account Regulations 1998, Section 2.