

**EXPLANATORY MEMORANDUM TO
THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT NO.3).
REGULATIONS 2008**

2008 No. 3025

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Purpose of the instrument**

- 2.1 These regulations amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (“the principal Regulations”).

- 2.2 They amend the existing regulations by extending the list of qualifying investments for the stocks and shares ISA to include bonds issued by multilateral institutions (as defined by Organisation for Economic Cooperation and Development).

3. **Matters of special interest to the Select Committee on Statutory Instruments**

None

4. **Legislative Context**

- 4.1 The ISA is a tax advantaged savings account, introduced in 1999. The ISA scheme allows individuals to save, through ISA accounts, without being taxed on any income or gains that they receive from those savings.

- 4.2 The principal Regulations specify the type of investments that may be made under a plan. Securities that are eligible must be issued by the UK or a European Government, or by a company which has a share capital.

- 4.3 The amendments made by regulations 3 and 4 of these Regulations are required to enable bonds issued by multilateral institutions to be qualifying investments for the stocks and shares ISA.

5. **Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- 7.1 The Government has worked closely with other national Governments to develop a vision for international poverty reduction, which is set out in the Millennium Development Goals. These are an internationally agreed set of objectives providing a global framework for development.
- 7.2 Some Multilateral Institutions, which receive grant payments from national Governments, have issued securities on the capital markets, in order to raise funds for their development goals.
- 7.3 The ISA regulations are being amended by this instrument to enable retail investors who purchase these securities to be able to do so within their ISA allowance. This will enhance the choices available to ISA investors as well as meeting the Government's wider objectives on international poverty reduction.
- 7.4 The amendments will take effect from the date these regulations come into force.

8. Consultation outcome

- 8.1 An informal consultation document was published in an ISA Bulletin by HMRC Savings Schemes Office on 9 October 2008. ISA Bulletins keep managers, industry representatives and interested parties informed of any new developments relating to the ISA scheme.
- 8.2 The Bulletin, which contained draft Regulations, described the proposed changes to the ISA Regulations. Comments were invited on the draft Regulations by 29 October 2008. In view of the negligible impacts on both the public and the private sector, the consultation period was for a three week period. This also took into account the policy objective to lay the Regulations as early as possible.
- 8.3 The Department received only one response to the consultation document which was in favour of the proposed amendments with no changes. A copy of the ISA Bulletin and further information is available at the following site: [HM Revenue & Customs: Individual Savings Account \(ISAs\)](#)

9. Guidance

- 9.1 HMRC Guidance Notes for ISA Managers will be updated to reflect the changes to the ISA Regulations. The Guidance Notes are available at: <http://www.hmrc.gov.uk/isa/isa-guidance-notes-2008.pdf>

10. Impact

The explanatory note to this Instrument explains that:

“A full and final Impact Assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen.”

This is because the accepted Government practice is that no IA will be published for HMRC and HMT tax measures for which:

- The total effect of the changes across all UK business is less than £100, 000 of administrative burden costs/savings and/or £3m of compliance cost in total; and
- The Department’s Better Regulation and Policy team has confirmed that
 - there are no disproportionate impacts on any business or sector; and
 - there are no other issues which might make publication of an IA advisable.

This is such a measure.

HMRC are working with BERR to ensure that the next edition of the Statutory Instrument Practice reflects these changes.

11. Regulating small business

The legislation does not apply to small business.

12. Monitoring & review

Multilateral Institutions who have previously looked to institutional investors to raise funds will now be able to obtain funds from retail investors. ISA managers of stocks and shares ISAs will also be able to invest directly into these securities using subscriptions received from their retail investors.

13. Contact

Contact Steve Lig at HM Revenue and Customs, telephone 020 7147 2827 or e-mail: Steve.lig@hmrc.gsi.gov.uk, can answer any queries regarding this instrument.