

EXPLANATORY MEMORANDUM TO
THE NATIONAL SAVINGS BANK (INVESTMENT DEPOSITS) (LIMITS)
(AMENDMENT) ORDER 2009

2009 No. 2460

1. This explanatory memorandum has been prepared by the Treasury and is laid before Parliament by Command of Her Majesty.
2. **Purpose of the instrument**
 - 2.1 This Order amends the National Savings Bank (Investment Deposits) (Limits) Order 1977 (“the 1977 Order”).
 - 2.2 It amends the 1977 Order by raising the Individual Savings Account (“ISA”) annual cash subscription limit to £5,100 for all individuals from 6 April 2010. It also varies the 1977 Order to raise the annual cash subscription limit for individuals who will be aged 50 or over not later than 5 April 2010, to £5,100 with effect from 6 October 2009.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
 - 3.1 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 National Savings Bank Regulations 1972 (S.I. 1972/764) provide the principal legislative framework within which the Director of Savings conducts her business activities in relation to ISAs. In addition, the Treasury limits, by means of the 1977 Order, the amount which may be received into National Savings and Investments ISAs.
 - 4.3 The Individual Savings Account Regulations 1998 (S.I. 1998/1870) provide the legislative framework for the operation of ISAs generally and specify the annual ISA subscription limits. These regulations were amended by the Individual Savings Account (Amendment) Regulations 2009 (S.I. 2009/1550) to raise the annual subscription limits in the manner described at paragraph 2.2 above. A copy of the Explanatory Memorandum to the Individual Savings Account (Amendment) Regulations 2009 is attached as the Annex to this memorandum.

4.4 This Order, therefore, amends and varies the 1977 Order to make it consistent with the Individual Savings Account Regulations 1998, as amended.

5. Territorial Extent and Application

5.1 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

- *What is being done and why*

7.1 See paragraph 7 of the Annex.

- *Consolidation*

7.2 Although this is not the first time the 1977 Order has been amended, the Treasury does not presently intend to consolidate the Order. The limits on subscriptions may be subject to further review and change in future years and the Order provides the flexibility for effecting such changes.

8. Consultation outcome

See paragraph 8 of the Annex.

9. Guidance

See paragraph 9 of the Annex.

10. Impact

See paragraph 10 of the Annex. The accompanying Impact Assessment is available to download at

<http://www.hmrc.gov.uk/better-regulation/ia.htm>.

11. Regulating small business

See paragraph 11 of the Annex.

12. Monitoring & review

See paragraph 12 of the Annex.

13. Contact

Kirstie Prince at National Savings and Investments Tel: 0207 348 9415 or email: kirstie.prince@nsandi.com can answer any queries regarding the instrument.

ANNEX

EXPLANATORY MEMORANDUM TO THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT) REGULATIONS 2009

2009 No. 1550

1. This explanatory memorandum has been prepared by HM Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.
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 raising the ISA subscription limits for individuals who will be aged 50 or over not later than 5 April 2010, to £10,200, of which £5,100 can be invested in cash, with effect from 6 October 2009. They also raise the ISA limits to these levels for all individuals from 6 April 2010.
3. **Matters of special interest to the Select Committee on Statutory Instruments**
 - 3.1 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 annual ISA subscription limits. These limits apply to all ISA investors except those aged between the ages of 16 and 18 who may only invest in cash ISAs.
 - 4.3 The amendments made by regulations 3 to 9 of these Regulations are required to enable the ISA subscription limits to be increased from 6 October 2009 for ISA investors aged 50 or over and for all ISA investors from 6 April 2010.
5. **Territorial Extent and Application**
 - 5.1 This instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**

6.1 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 recognises that low interest rates have meant that savers have seen their return from savings fall. In particular, this has affected those people who have retired, or are beginning to prepare for retirement, who are more reliant on their income from savings to meet day to day needs or fund discretionary purchases.

7.2 The Government is taking targeted action to help people aged 50 and over with their savings. For the tax year 2009-10, the ISA regulations have been amended by this instrument to increase the annual ISA investment limit for everyone aged 50 and over. Individuals will be able to save £10,200 in their ISAs, up to £5,100 of which can be saved in cash. To allow ISA providers time to adjust their systems, deposits above the current ISA allowance can only be made from 6 October 2009.

7.3 This will also enable people who have retired or are beginning to prepare for retirement to move taxed savings into a tax advantaged ISA, rewarding those who have saved by improving their returns.

7.4 The Government also recognises that people need to be supported to save as the economy emerges from the downturn. The increases to the ISA limits have therefore been increased for everyone from 6 April 2010. The annual ISA investment limit will increase for every adult to £10,200, up to £5,100 of which can be saved in cash.

8. Consultation outcome

8.1 An ISA Bulletin was published by HMRC Savings Schemes Office on 22 April 2009. The 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 20 May 2009. The consultation period was for four weeks and took into account the policy objective to lay the Regulations as soon as possible.

8.3 The Department has received responses to the ISA Bulletin from the major industry representative bodies. As a result of the feedback received and in order to ensure that the ISA changes can be administered as easily as possible, the draft ISA Regulations have been amended. This will enable those people whose 50th birthday is on or before 5 April 2010 to be able to subscribe the additional amount from 6 October 2009 onwards.

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

10.1 The impact on business will be in relation to the timescales and costs of implementing the changes. However, ISA providers will benefit from the anticipated increase in retail deposits for both cash and stocks and shares ISAs.

10.2 The impact to the public sector will be minor. The IT system changes in relation to the increase in the ISA limits will be small and there will be minimal compliance costs.

10.3 An Impact Assessment is attached to this memorandum.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 In principle all ISA providers will be affected by the changes to the ISA limits although the impact of the changes will vary according to the providers' client base. However, no action is considered necessary as it is not considered that small providers will be disproportionately affected by the changes to the ISA limits.

12. Monitoring & review

12.1 The changes to the ISA limits aim to help those who have retired or are beginning to prepare for retirement, to move existing savings to a tax free environment from 6 October 2009. In addition, the changes to the ISA limits from 6 April 2010 recognise that people need to be supported to save as the economy emerges from the downturn.

12.2 The impact of the measure itself will be monitored under HMRC's broader plans for monitoring trends and developments in the savings and investments sector. HMRC collects data on ISA investments and uses it to publish annual stats, and that this policy will be monitored as part of that process.

13. Contact

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