EXPLANATORY MEMORANDUM TO

THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2013

2013 No. 263

1. This explanatory memorandum has been prepared by H.M. Revenue and Customs (HMRC) and is laid before Parliament by Command of Her Majesty.

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

2. Purpose of the instrument

2.1 This statutory instrument amends the Child Trust Funds Regulations 2004 (S.I. 2004/1450) ("the principal regulations") to increase the amount which can be paid into a Child Trust Fund (CTF) each year and remove the requirement on CTF providers to make fortnightly information returns to HMRC.

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

3.1 None.

4. Legislative Context

4.1 CTFs are tax advantaged savings accounts, introduced in 2005 for eligible children born on or after 1 September 2002. They allow children to save in a cash or stocks and shares account held with a CTF manager, without being taxed on any income or gains arising from, or received in relation to, those savings.

4.2 The principal regulations, which this statutory instrument amends, were made and laid on 27 May 2004 using powers in sections 3 and 28 of the Child Trust Funds Act 2004.

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 The principal regulations set out the relevant CTF rules - including the maximum amount which can be paid into a CTF in a year. This instrument increases the annual CTF subscription limit from £3,600 to £3,720.

7.2 The principal regulations also require CTF managers to make fortnightly returns to HMRC containing information relating to the opening, transfer and closing of CTF accounts. The return also acts as a mechanism for managers to claim government contributions. Following the ending of new CTF eligibility in January 2011, these returns are no longer required. This instrument will remove the requirement upon CTF managers to provide these returns to HMRC.

8. Consultation outcome

8.1 The annual CTF subscription limit for 2012-13 was announced in the Chancellor of the Exchequer's Autumn Statement on 5 December 2012. Details of the changes in this instrument were also published in HMRC's CTF Bulletins on 13 December 2012 (http://www.hmrc.gov.uk/ctf/ctf-bulletin66.pdf) and 17 September 2012 (http://www.hmrc.gov.uk/ctf/ctf-bulletin65.pdf). No difficulties have been identified with the proposed changes.

9. Guidance

9.1 HMRC's Guidance Notes for CTF managers will be updated to reflect the changes to the CTF rules. The Guidance Notes are available at http://www.hmrc.gov.uk/ctf/ctfguidancenotes.pdf

10. Impact

10.1 The impact on charities and voluntary bodies is negligible.

10.2 The impact on the public sector is that HMRC will no longer receive and process fortnightly returns from CTF managers. This will contribute to the reduction in HMRC costs that will arise from the closedown of the CTF system.

10.3 A Tax Information and Impact Note covering this instrument will be published on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tinns.htm.

11. Regulating small business

11.1 The legislation applies to small business. All CTF managers should benefit from the changes, regardless of size. The changes are expected to reduce the costs or burdens for CTF managers and will allow increased amounts to be paid into a CTF.

12. Monitoring & review

12.1 HMRC will continue to review compliance with the CTF rules using the information provided annually by CTF managers.

13. Contact

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