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STATUTORY INSTRUMENTS

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**2014 No. 654**

**INCOME TAX  
CAPITAL GAINS TAX**

**The Individual Savings Account  
(Amendment) Regulations 2014**

<i>Made</i>	- - - -	<i>14th March 2014</i>
<i>Laid before the House of Commons</i>	- - - -	<i>14th March 2014</i>
<i>Coming into force</i>	- -	<i>6th April 2014</i>

The Treasury make these Regulations exercising their powers in sections 694, 695, 695A(2)(c), 696 and 701(1), (4) and (5) of the Income Tax (Trading and Other Income) Act 2005(1) and section 151(1) and (2) of the Taxation of Chargeable Gains Act 1992(2).

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Individual Savings Account (Amendment) Regulations 2014 and come into force on 6th April 2014.

(2) Regulation 3(c) (definition of European Institution) has effect from 15th August 2013.

**Amendment of the Individual Savings Account Regulations 1998**

2. The Individual Savings Account Regulations 1998(3) are amended as follows.

3. In regulation 2 (interpretation), in paragraph (1)(a)—

(a) in the definition of “account”, in paragraph (iv), from “section” to “institution”, substitute: “section 991(2) of the Income Tax Act 2007(4)”;

(b) after the definition of “assurance undertaking” insert—

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- (1) 2005 c. 5. Section 694 was amended, and section 695A inserted, by section 40 of the Finance Act 2011 (c. 11). Section 695 was amended by paragraphs 131 and 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11). Section 701(4) was inserted by section 40 of the Finance Act 2008 (c. 9).
- (2) 1992 c. 12. Section 151(2) was amended by section 64(2) of the Finance Act 1995 (c. 4), section 75(6) of, and Part 3(15) of Schedule 27 to, the Finance Act 1998 (c. 36), paragraph 436 of Schedule 1(2) to the Income Tax (Trading and Other Income) Act 2005 (c. 5), and section 40 of the Finance Act 2011.
- (3) S.I. 1998/1870. Relevant amending instruments are S.I. 1998/3174, 2001/3629, 2002/3158, 2004/2996, 2005/3230, 2007/2119, 2008/704, 2008/1934, 2009/1994, 2011/1780, 2013/267 and 2013/1743.
- (4) 2007 c. 3.

- “bank” has the meaning given by section 991(2) to (5) of the Income Tax Act 2007;”;
- (c) in the definition of “European institution”, for “paragraph 5(a), (b) or (c)”, substitute: “paragraph 5(a) to (d), (f) and (h)”; and after “under paragraph 12”, insert: “(1) to (4) and (7)”;
- (d) for the meaning given for “investment trust”, substitute—
- “investment trust” is a company that is such a trust for the purposes of the Corporation Tax Acts<sup>(5)</sup>, or would be such a trust but for section 1158(3) of the Corporation Tax Act 2010<sup>(6)</sup>;
- (e) omit the definition of “relevant European institution”.
4. In regulation 2C (meaning of “registered contact” etc), paragraph (3)—
- (a) substitute from “This paragraph applies” to “section 1(2) of the Mental Health Act 1983<sup>(7)</sup>,” with—
- “For the purposes of paragraph (2)(b)(ii) this paragraph applies in relation to the child—
- (a) if the child is resident in England and Wales and lacks capacity in relation to the management of the junior ISA account under section 2(1) of the Mental Capacity Act 2005<sup>(8)</sup>;
- (b) in sub-paragraph (b), substitute for “in relation to a child resident in Scotland,” the words: “if the child is resident in Scotland, the child is suffering mental disorder within the meaning given by”; and
- (c) in sub-paragraph (c), substitute for “in relation to a child resident in Northern Ireland,” the words: “if the child is resident in Northern Ireland, the child is suffering mental disorder within the meaning given by”.
5. In regulation 4ZA (subscriptions to an account other than a junior ISA account)—
- (a) in paragraph (1)(a), for “£5,760” substitute “£5,940”; and
- (b) in paragraph (1)(b), for “£11,520” substitute “£11,880”.
6. In regulation 4ZB(1) (subscriptions to a junior ISA account), for “£3,720” substitute “£3,840”.
- 7.—(1) In regulation 4ZE (permitted withdrawals from a junior ISA account where the named child is terminally ill), in paragraph (2)(b) for case 1 substitute—
- “Case 1
- The named child holding the account:”
- (i) in England and Wales or Scotland, falls within either section 72(5) of the Social Security Contributions and Benefits Act 1992<sup>(9)</sup> (special rules for terminally ill person’s entitlement to care component of disability living allowance) or section 82(4) of the Welfare Reform Act 2012<sup>(10)</sup> (terminal illness); or

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(5) The definition of “the Corporation Tax Acts” was inserted into Schedule 1 to the Interpretation Act 1978 (c. 30) by the Finance Act 1987 (c. 16), Schedule 15, paragraph 12.

(6) 2010 c 4; relevant amendments made by section 49(2) of the Finance Act 2011 (c. 11) and section 45(1) of the Finance Act 2013 (c. 29).

(7) 1983 c. 20; relevant amendments made by the Mental Health Act 2007 (c. 12).

(8) 2005 c. 9.

(9) 1992 c. 4; relevant amendments made by section 67(2) of the the Welfare Reform and Pensions Act 1999 (c. 30) and section 52 of the Welfare Reform Act 2007 (c. 5)

(10) 2012 c. 5

- (ii) in Northern Ireland, falls within section 72(5) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992(11) (the care component).
- (2) In paragraph (3) after “regulation” omit: “, and shall also notify the account manager”.
- (3) In paragraph (6)—
  - (a) after “meaning” insert: “(a) for England and Wales and Scotland”; and
  - (b) before the full stop at the end, insert: “or section 82(4) of the Welfare Reform Act 2012 (terminal illness); or (b) for Northern Ireland, section 72(5) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (the care component)”.
- 8. In regulation 7 (qualifying investments for a stocks and shares component)—
  - (a) in paragraph (2)(d), after “shares in an investment trust,” omit: “listed in the Official List of the Stock Exchange,”;
  - (b) in paragraph (3), from “An investment” to “admission to trading in paragraph (2)(a)” substitute: “An investment in shares fulfils the conditions as to official listing and admission to trading in paragraph (2)(a)”;
  - (c) in paragraph (3)(a), omit “or trust”.
- 9. In regulation 8 (qualifying investments for a cash component)—
  - (a) for paragraph (2)(a)(iii), substitute—
    - “(iii) a bank, other than of a type at paragraph (a), (d) or (e) of section 991(2) of the ITA 2007,”;
  - (b) omit paragraph (2)(a)(iv) and the preceding “or”.
- 10. In regulation 12 (conditions for application to open an account that is not a junior ISA account)—
  - (a) for paragraph (12) substitute—
    - “(12) An application may be made on an individual’s behalf —
      - (a) if the individual is resident in England and Wales—
        - (i) pursuant to an order under section 16(2)(a) of the Mental Capacity Act 2005; or
        - (ii) by a deputy appointed under section 16(2)(b) of that Act; or
      - (b) if the individual is resident in Scotland or Northern Ireland and is suffering from mental disorder, by a parent, guardian, spouse, civil partner, son or daughter of the individual.”;
  - (b) in paragraph 13 after “has the meaning given by”, omit: “section 1(2) of the Mental Health Act 1983 or,”
- 11. In regulation 14 (account manager – qualifications and Board’s approval), at paragraph (2)(b)(iii), from “, a person falling within” to “European institution”, substitute: “ or a person falling within section 991(2)(b) or (c) or (3)(c) of ITA 2007 (bank or credit union)”.
- 12. In regulation 31 (returns of information by account manager)—
  - (a) in paragraph (3)(b)(ii), after “component of the account”, omit: “subject to paragraph (6),”; and
  - (b) in paragraph (4)(a)(i), after “ non-UCITS retail scheme,”, insert: “officially listed on a recognised stock exchange”;;
  - (c) after paragraph (4)(a)(i), insert—

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**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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“(ia) such shares admitted to trading on a recognised stock exchange in an EEA State,”.

14th March 2014

*Mark Lancaster*  
*Sam Gyimah*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Individual Savings Accounts Regulations 1998 (S.I. 1998/1870) (“the Regulations”).

The retrospective effect of regulation 3(c) to 15 August 2013 is permitted by section 701(4) of the Income Tax (Trading and Other Income) Act 2005 (c. 5), and section 151(2) of the Taxation of Chargeable Gains Act 1992 (c. 12).

Regulation 3 amends regulation 2 of the Regulations to make changes to the definition of “account” and “European Institution” to update these definitions and ensure consistency with other legislation currently in force. It amends regulation 2 to insert and apply the definition of “bank” used at section 991 of the Income Tax Act 2007. It omits the meaning of “relevant European Institution” as a consequence of amendments to regulation 14 of the Regulations. It adopts the definition of “investment trust” used for the Corporation Tax Acts.

Regulations 4 and 10 amend regulations 2C(3) and 12(12) of the Regulations respectively to update these Regulations in line with the Mental Capacity Act 2005 as regards the concepts used to determine a person’s mental capacity to enter into arrangements regarding their property. The update applies only to persons resident in England and Wales.

Regulation 5(a) amends regulation 4ZA of the Regulations to increase the overall annual subscription limit from £5,760 to £5,940 for ISA accounts held by qualifying individuals aged 16 or over but less than 18.

Regulation 5(b) amends regulation 4ZA of the Regulations to increase the overall annual subscription limit from £11,520 to £11,880 for ISA accounts held by all other qualifying individuals.

Regulation 6 increases the overall annual subscription limit in regulation 4ZB(1) of the Regulations from £3,720 to £3,840 for a junior ISA account.

Regulation 7 amends the Regulations by amending regulation 4ZE to take account of the changes in qualification for Disability Living allowance brought about by the Welfare Reform Act 2012 and adds corresponding provision for Northern Ireland.

Regulation 8 amends regulation 7(2)(d) of the Regulations in line with the new definition of “investment trust”. It also amends regulation 7(3) of the Regulations so that investment trusts about to be listed or admitted to trading and which satisfy the conditions in regulation 7(3) and (4) continue to be qualifying investments.

Regulations 9 and 11 update regulations 8 and 14 respectively, about qualifying investments and account managers’ qualifications.

Regulation 12 amends regulation 31 of the Regulations to create reporting requirements which reflect the different categories of shares at regulation 7(2)(a) of the Regulations.

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