EXPLANATORY MEMORANDUM TO

THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2015

2015 No. 600

1. This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This 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).

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 products for eligible children born on or after 1 September 2002. New eligibility for CTF accounts was ended in 2011. An individual may save in a CTF without being taxed on any income or gains arising from those savings.

4.2 Regulation 9 of the principal regulations sets out the maximum amount which can be subscribed annually to a CTF.

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

- What is being done and why

7.1 The annual CTF subscription limit is being increased to £4,080 from £4,000 for 2015-2016, with effect from 6 April 2015. This increase is consistent with the usual annual uprate of CTF subscription limits.

8. Consultation outcome

8.1 This change increases the current CTF subscription limits, for which formal consultation is not required.

9. Guidance

9.1 HMRC's Guidance Notes for CTF managers will be updated to reflect the changes to the subscription limit. The Guidance Notes are available at https://www.gov.uk/government/publications/child-trust-fund-guidance-notes-for-providers

10. Impact

10.1 CTF providers already have well-established and simple processes in place to accommodate the annual changes to the CTF subscription limit and the overall impact on businesses is therefore expected to be negligible.

10.2 The impact on charities and voluntary bodies is negligible.

10.3 The impact on the public sector is negligible.

10.4 A Tax Information and Impact Note has not been prepared for this Instrument, as it contains no substantive change to tax policy.

11. Regulating small business

11.1 The instrument applies to small banks and building societies.

11.2 To minimise the impacts of the requirements on small firms employing up to 20 people, the approach taken is to apply the same basic requirements as apply to all affected businesses and monitor the impact of these changes.

12. Monitoring & review

12.1 HMRC will continue to monitor impact and compliance through regular contact with the industry and using the information provided annually by CTF managers.

13. Contact

Simon Turner at HMRC can answer queries regarding the instrument on behalf of HM Treasury - Tel: 03000 546588 or email: simon.turner@hmrc.gsi.gov.uk.