
STATUTORY INSTRUMENTS

2016 No. 977

**The Individual Savings Account
(Amendment No. 3) Regulations 2016**

Amendment of the Individual Savings Account Regulations 1998

7. In regulation 8A (qualifying investments for an innovative finance component)—
- (a) after sub-paragraph (2)(c), insert—
 - “(ca) debentures where the conditions in paragraph (4) are met;”;
 - (b) after paragraph (3), insert—
 - “(4) The conditions in this paragraph are—
 - (a) the debenture is a transferable security issued by a company or a charity;
 - (b) the investment in the debenture is facilitated by a person carrying on an activity of the kind specified in article 25 of the Regulated Activities Order 2001⁽¹⁾ through an electronic system operated by that person in an EEA State for such purpose;
 - (c) that person or another, acting under an arrangement with that person or at that person’s direction, in respect of the investment, treats the account investor as its client and undertakes on behalf of the account investor to—
 - (i) receive payments in respect of the debenture;
 - (ii) make payments, when due, in respect of the debenture to the account investor; and
 - (iii) exercise, or facilitate the exercise of, rights in respect of the debenture;
 - (d) the investment in the debenture is not part of a scheme or arrangement the main purpose, or one of the main purposes, of which is the avoidance of tax;
 - (e) the debenture is not made available to the account investor by reason of their or of another’s status, whether past, present or prospective, as an employee, director, partner, trustee or the holder of any office;
 - (f) the account investor is not connected with the issuer of the debenture, and for this purpose “connected” has the meaning given in section 170 of ITA 2007⁽²⁾ with the omission of the reference to “in period A” in sub-section (7);
 - (g) the debenture must not be connected with any other investment held outside an account by the account investor or any other person, and for this purpose an investment is to be treated as connected with another if—
 - (i) either was made with reference to the other or with a view to enabling the other to be made on particular terms;

⁽¹⁾ Article 25 was amended by [S.I. 2001/3538](#) and [S.I. 2006/3384](#).

⁽²⁾ [2007 c. 3](#); section 170 was amended by section 1177 and paragraphs 494 and 499 of Schedule 1 to the Corporation Tax Act [2010 \(c. 4\)](#) and section 39 of and Part 1, paragraphs 1, 4(b) and 22(1) of Schedule 7 to the Finance Act [2012 \(c.14\)](#).

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- (ii) the terms on which either investment was made would have been significantly less favourable if the other investment had not been made; and
- (h) the investment in the debenture is made on genuine commercial terms.”.