

**2020 No. 29**

**CHILD TRUST FUNDS**

**The Child Trust Funds (Amendment) Regulations 2020**

*Made* - - - - *13th January 2020*

*Laid before Parliament* *15th January 2020*

*Coming into force in accordance with regulation 1*

The Treasury make these Regulations in exercise of the powers conferred by sections 3(5), 7B, 15 and 28(2) and (3) of the Child Trust Funds Act 2004(a).

**Citation and commencement**

**1.**—(1) These Regulations may be cited as the Child Trust Funds (Amendment) Regulations 2020 and come into force, except as provided in paragraph (2), on 6th April 2020.

(2) Regulations 3(b) and 5 come into force immediately after the coming into force of regulations 10 to 13 of the Tax Credits and Child Trust Funds (Amendment) (EU Exit) Regulations 2019(b).

**Amendment of the Child Trust Funds Regulations 2004**

**2.** The Child Trust Funds Regulations 2004(c) are amended as follows.

**3.** In regulation 2(1) (interpretation)—

(a) in sub-paragraph (b), insert at the appropriate place—

““matured CTF account” has the meaning given by regulation 13B(2)(a)(d);”.

(b) in sub-paragraph (c), for the definition of “recognised UCITS”(e) substitute—

““recognised UCITS” means—

(a) a UCITS within the meaning given by section 236A(f) of the Financial Services and Markets Act 2000 which is a recognised scheme for the purposes of Part 17 of that Act; or

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- (a) 2004 c. 6. Section 7B was inserted by section 62(3) of the Deregulation Act 2015(c.20). Section 15 was amended by S.I. 2009/3094. The functions of the Commissioners of Inland Revenue were transferred to the Commissioners for Her Majesty’s Revenue and Customs by section 5(1) of the Commissioners for Revenue and Customs Act 2005 (c.11). Section 50(1) of that Act provides that, insofar as is appropriate in consequence of section 5 of that Act, a reference in an enactment, however expressed, to the Commissioners of Inland Revenue is to be treated as a reference to the Commissioners for Her Majesty’s Revenue and Customs.
- (b) S.I. 2019/713.
- (c) S.I. 2004/1450. Relevant amending instruments are S.I. 2004/2676, 2010/582, 2011/992, 2013/472, 2015/876, 2019/381 and 2019/713.
- (d) Regulation 13B is inserted by these regulations.
- (e) The definition of “recognised UCITS” was inserted by S.I. 2010/582 and is substituted by S.I. 2019/713 which is not yet in force.
- (f) 2000 c.8. Section 236A was inserted by S.I. 2019/325.

- (b) an undertaking established in Gibraltar which is a UCITS under the law of Gibraltar which implemented Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities;”.

4. In regulation 10(6) (statements for an account)(a), for “or fifteenth”, substitute “, fifteenth or seventeenth”.

5. In regulation 12 (qualifying investments for an account), insert after paragraph (2) —

“(2A) Notwithstanding any provision of paragraph (2), investments which—

- (a) are held under an account on the coming into force of this paragraph; and
- (b) immediately beforehand fell within paragraph (2)(i)(b) by virtue of being units in, or shares of, a recognised UCITS,

are to be treated, for as long as they are so held, as qualifying investments for an account.”.

6. After regulation 13 (conditions for application by responsible person or the child to open an account (and changes to an account)) insert—

#### **“Maturity of child trust fund - instructions**

**13A.**—(1) Instructions of a holder of a child trust fund to the account provider as to what is to be done with the investments under—

- (a) the child trust fund on its maturity or,
- (b) where regulation 13B(2)(a) applies, the matured CTF account,

are to be in accordance with paragraph (2).

(2) Those instructions may be—

- (a) where the investments are held otherwise than in cash, to transfer them in specie or to realise them and to transfer the proceeds, or
- (b) where they are held in cash, to transfer the cash amount.

#### **Maturity of child trust fund - no instructions**

**13B.**—(1) On the 18th birthday of the holder of a child trust fund, where no instructions have been given under regulation 13A, all the investments under the child trust fund held immediately before that birthday are to be transferred by the account provider to a protected account held with the account provider.

(2) The protected account may be, at the option of the account provider, either—

- (a) an account (“matured CTF account”) which is to be treated as a continuing account of the person who held the child trust fund (“account holder”) to be held subject to these regulations and otherwise on the same terms and conditions which applied immediately before the account holder’s 18th birthday as if the investments had remained in the account for the child trust fund; or
- (b) an account, within the meaning of regulation 4 of the Individual Savings Account Regulations 1998(c), which is a cash account, in respect of investments which are held in cash, or a stocks and shares account, in respect of investments which are held as stocks or shares, to be held subject to those regulations and otherwise on the same terms and conditions which applied immediately before the account

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(a) Paragraph (6) was substituted by S.I. 2011/992.  
(b) Paragraph (2)(i) was substituted by S.I. 2010/582.  
(c) S.I.1998/1870.

holder's 18th birthday as if the investments had remained in the account for the child trust fund.

(3) Investments which are held otherwise than in cash are to be transferred in specie.

(4) In the terms and conditions mentioned in paragraph (2) and in these regulations references to the following howsoever described—

- (a) “account” and “child trust fund” are to be read as including the protected account,
- (b) “named child”, “eligible child” or “child” are to be read as the account holder of the protected account, and
- (c) “registered contact” and “responsible person” are to be read as the account holder of the protected account where instructions, notifications, assessments, actions or decisions need to be made in relation to it.

### **Matured CTF Account**

**13C.**—(1) Where regulation 13B(2)(a) applies, then notwithstanding any other provision of these regulations, paragraphs (2) to (8) are to apply.

(2) No subscription is to be made to the matured CTF account.

(3) Amounts in respect of investments on the matured CTF account are to be credited to it.

(4) No transfer is to be made of any part of the matured CTF account otherwise than, in circumstances where the account provider intends to cease to act as an account provider, when regulation 19 (account provider's intention to make a bulk transfer of accounts or to cease to act as an account provider) or 21 (transfer of accounts) applies.

(5) In regulation 10(a) (statements for an account)—

- (a) in paragraph (1)(a), the phrase “subject to paragraphs (6) and (7)” is to be treated as omitted,
- (b) the words in paragraph (2A) are to be treated as replaced with—

“The account provider must produce a statement not later than 12 months beginning with the date the funds entered the matured account and annually thereafter”, and

- (c) paragraphs (4)(b), (c), (e), (f) and (m) to (o) are to be treated as omitted.

(6) Regulations 14(2)(b)(vi) (relating to publication of statements), 18A (permitted withdrawals from an account where the child is terminally ill)(b) and 20A (transfers to other accounts for children)(c) are to be treated as omitted.

(7) In regulation 32 (returns of information by account provider), paragraphs (2)(b)(i), (ii) and (iv) are to be treated as omitted.

(8) An account provider must, when all the investments have been transferred out of the matured CTF account in accordance with instructions under regulation 13A, close the account.”.

*Mike Freer*  
*Rebecca Harris*

13th January 2020

Two of the Lord Commissioners of Her Majesty's Treasury

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(a) Relevant amendments made by S.I. 2011/992.  
(b) Inserted by S.I. 2004/2676.  
(c) Inserted by S.I. 2015/876.

## EXPLANATORY NOTE

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

These Regulations amend the Child Trust Funds Regulations 2004 (S.I. 2004/1450) (“Child Trust Funds Regulations”) to provide for, when no instructions are received from the holder of a child trust fund, an account provider to transfer all the investments under a child trust fund held by a person immediately before his or her 18th birthday to a protected account under section 7B of the Child Trust Funds Act 2004 (c. 6),

A protected account is to be, at the option of the account provider, either a continuing account of the account for the child trust fund or an individual savings account under the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (“the Individual Savings Account Regulations”).

Regulation 3 makes an amendment to the definition of “recognised UCITS” in regulation 2(1) of the Child Trust Fund Regulations to take account of amendments made under the Financial Services and Markets Act 2000 (c.8). Consequential amendment is made by regulation 5 to regulation 12 of those Regulations.

Regulation 6 inserts new regulations 13A, 13B and 13C into the Child Trust Funds Regulations.

Regulation 13A provides for when instructions are given by the person who holds the child trust fund as to what is to be done with the investments in the child trust fund.

Regulations 13B and 13C provide for when no instructions are given.

Amendment has been made to the Individual Savings Account Regulations to reflect these Regulations which come into force at the same time as these Regulations.

A Tax Information and Impact Note will be published on the HM Government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

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