

**EXPLANATORY MEMORANDUM TO**  
**THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2024**

**2024 No. 349**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by His Majesty’s Revenue and Customs (HMRC) on behalf of His Majesty’s Treasury and is laid before Parliament by Command of His Majesty.

**2. Declaration**

- 2.1 Bim Afolami MP, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.
- 2.2 Andrew Edwards, Deputy Director for Pensions, Savings and Charities at HMRC confirms that this Explanatory Memorandum meets the required standard.

**3. Contact**

- 3.1 Kelly Williams at HMRC Telephone: 03000 512336 or email: ipdtechnicalsavingsmailbox@hmrc.gov.uk can be contacted with any queries regarding the instrument.

**Part One: Explanation, and context, of the Instrument**

**4. Overview of the Instrument**

*What does the legislation do?*

- 4.1 This instrument amends the Child Trust Funds Regulations 2004 (“the CTF Regulations) to bring into effect a Spring Budget 2023 announcement and to accommodate developments in other legislation.

*Where does the legislation extend to, and apply?*

- 4.2 The extent of this instrument (that is, the jurisdiction which the instrument forms part of the law of) is the United Kingdom.
- 4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

**5. Policy Context**

*What is being done and why?*

- 5.1 A Child Trust Fund (CTF) is a tax-advantaged savings account for children born between 1 September 2002 and 2 January 2011. The CTF rules, including which investments qualify for inclusion and the circumstances in which monies can be withdrawn from a CTF before the age of 18 years, are set out in the CTF Regulations, which this instrument amends.
- 5.2 This instrument amends the CTF Regulations to bring into effect a Spring Budget 2023 announcement that European Economic Area (EEA) based managers could no

longer operate through a third-party tax representative and must have a UK base. The measure also accommodates continuing developments in the Overseas Funds Regime.

*What was the previous policy, how is this different?*

- 5.3 It was announced at Spring Budget 2023 that CTF provider eligibility would generally be restricted to UK based providers – placing EEA based managers, who could previously operate through a tax representative, in the same position as the rest of the world, where prospective managers must have a UK presence.
- 5.4 The Overseas Funds Regime (OFR) will provide recognition for authorised overseas collective investment schemes who wish to market to retail investors in the United Kingdom. The existing regulations do not adequately reflect the forthcoming introduction of the OFR.

## **6. Legislative and Legal Context**

*How has the law changed?*

- 6.1 Regulation 2 of the CTF Regulations defines “recognised Undertakings for Collective Investments in Transferable Securities (UCITS)” and “non-UCITS retail scheme” for CTF purposes.
- 6.2 This instrument amends the definition of recognised UCITS and non-UCITS retail scheme in regulation 2 to accommodate the continuing development of Financial Conduct Authority (FCA) policy on overseas collective investment schemes under the Overseas Funds Regime.
- 6.3 Regulation 14 of the CTF Regulations specifies the circumstances in which HMRC may approve a person as a CTF provider. The instrument will amend regulation 14 to remove the provision which allowed authorised European institutions without a UK base to operate via a UK based tax representative.

*Why was this approach taken to change the law?*

- 6.4 This is the only possible approach to make the necessary changes.

## **7. Consultation**

*Summary of consultation outcome and methodology*

- 7.1 Regular discussions take place with industry representatives and CTF providers on the operational design of CTF, potential improvements, and to clarify misapprehensions. These discussions have informed the detail of the proposed changes. In addition, the draft regulations have been shared with key industry stakeholders in order to provide advance notice of the precise changes the Regulations will implement.

## **8. Applicable Guidance**

- 8.1 HMRC’s Guidance Notes for CTF providers will be amended to reflect the changes to the CTF rules<sup>1</sup>.

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<sup>1</sup> CTF guidance notes: <http://www.gov.uk/government/publications/child-trust-fund-guidance-notes-for-providers>

## **Part Two: Impact and the Better Regulation Framework**

### **9. Impact Assessment**

- 9.1 A Tax Information and Impact Note covering this instrument will be published on gov.uk.<sup>2</sup>

#### *Impact on businesses, charities and voluntary bodies*

- 9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The change to the definition of recognised UCITS and non-UCITS retail scheme may benefit ISA managers who choose to engage in these markets.
- 9.3 The legislation does not impact small or micro businesses.
- 9.4 There is no, or no significant, impact on the public sector because the changes do not affect how businesses interact with HMRC.

### **10. Monitoring and review**

#### *What is the approach to monitoring and reviewing this legislation?*

- 10.1 The approach to monitoring this legislation is that HMRC will continue to review compliance with the CTF Regulations using information provided annually and through regular contact with CTF providers and other groups.
- 10.2 This instrument does not include a statutory review clause, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, because it amends a provision to vary tax.

## **Part Three: Statements and Matters of Particular Interest to Parliament**

### **11. Matters of special interest to Parliament**

- 11.1 None.

### **12. European Convention on Human Rights**

- 12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

### **13. The Relevant European Union Acts**

- 13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).

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<sup>2</sup> Tax information and impact notes: <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>