EXPLANATORY MEMORANDUM TO

THE CHILD TRUST FUNDS (AMENDMENT NO. 2) REGULATIONS 2020

2020 No. 269

1. Introduction

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

2. Purpose of the instrument

2.1 This instrument increases the amount that can be subscribed to a tax-advantaged Child Trust Funds account (CTF) in a subscription year. A subscription year is each twelve-month period before a child's 18th birthday between one birthday and the next. A CTF is tax-advantaged because no tax is paid on any interest or capital growth arising from investments in the account.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

3.2 As the instrument is subject to negative resolution procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business.

4. Extent and Territorial Application

4.1 The territorial extent of this instrument is the United Kingdom.

4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

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

6. Legislative Context

6.1 CTFs are tax-advantaged savings accounts for children born between 1 September 2002 and 2 January 2011. The CTF account rules, including the annual subscription limit for these accounts, are set out in the Child Trust Funds Regulations 2004 (S.I. 2004/1450) (the "CTF Regulations"), which are made under a power (section 12(2)) set out in the Child Trust Funds Act 2004. Regulation 9 of the CTF Regulations provides for the annual limit on subscriptions.

7. Policy background

What is being done and why?

7.1 The CTF annual subscription limit will be increased from £4,368 to £9,000. This change in limit maintains the government's support for savings for younger people.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 There are no plans to consolidate the CTF Regulations.

10. Consultation outcome

10.1 No consultation has been undertaken in respect of this instrument as it simply increases the annual CTF subscription limit.

11. Guidance

11.1 HMRC's Guidance for CTF providers will be updated to show the new annual subscription limit of £9,000 from 6 April 2020. This is available at www.gov.uk/government/publications/child-trust-fund-guidance-notes-for-providers.

11.2 Guidance on CTFs is available at www.gov.uk/child-trust-funds.

12. Impact

12.1 There is no, or no significant, impact on business, charities or voluntary bodies.

12.2 There will be a positive impact on children, their families and friends who choose - and are able - to make subscriptions in excess of the existing annual limit.

12.3 There is no, or no significant, impact on the public sector.

12.4 A Tax Information and Impact Note covering this instrument will be published on the website at www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses that offer CTFs, such as smaller financial mutuals (friendly societies and co-operatives) and credit unions.

13.2 No specific action is proposed to minimise regulatory burdens on small businesses (employing up to 50 people). HMRC will continue to monitor the impact of this instrument, as well as the cumulative effect of the CTF Regulations, on small businesses through its regular engagement with the CTF industry and representative bodies.

13.3 The basis for the final decision on what action to take to assist small businesses is that no action is required because the only impact on small businesses is that the annual CTF subscription limit will be increased from £4,368 to £9,000.

14. Monitoring & review

14.1 HMRC will continue to review compliance with the CTF Regulations using the information provided annually by CTF providers as well as through regular contacts with CTF providers and other groups.

14.2 This instrument is exempt from the requirement to include a statutory review clause in accordance with section 28(3)(a) of The Small Business, Enterprise and Employment Act 2015 because it amends a provision to vary tax.

15. Contact

15.1 Hasmukh Dodia at HMRC can be contacted on telephone 03000 512336 or by email savings.audit@hmrc.gsi.gov.uk with any queries regarding this instrument.

15.2 Guy Hooper, Deputy Director for Pensions, Savings and Charities policy at HMRC can confirm that this Explanatory Memorandum meets the required standard.

15.3 John Glen MP, the Economic Secretary to the Treasury can confirm that this Explanatory Memorandum meets the required standard.