EXPLANATORY MEMORANDUM TO

THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2019

2019 No. 381

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's 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 increases the amount that can be subscribed to a tax-advantaged Child Trust Fund 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 annual limit on subscriptions to CTFs in CTF Regulation 9 will be increased from £4,260 to £4,368, which is broadly in line with the September 2018 Consumer Prices Index calculated and published by the Office for National Statistics.

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 because this instrument simply increases the annual subscription limit from £4,260 to £4,368.

10. Consultation outcome

10.1 No consultation has been undertaken in respect of this instrument as it simply increases the annual CTF subscription limit, broadly in line with the September 2018 CPI, from £4,260 to £4,368.

11. Guidance

11.1 HMRC's Guidance for CTF providers will be updated to show the new annual subscription limit of £4,368. This is available at https://www.gov.uk/government/publications/child-trust-fund-guidance-notes-for-providers

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

12. Impact

12.1 The impact on business, charities or voluntary bodies is that there will be negligible one-off costs for CTF account providers in changing the annual subscription limit for accounts. The impact on individual account holders will depend upon their individual circumstances and the investments they choose to hold in their account. However, the change in this instrument is not expected to affect the ability of children and families to access suitable tax-advantaged savings products that meet their needs, given the range of choice in the market for children's savings.

12.2 There is no impact on the public sector.

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

12.4 The change in the annual subscription limit only affects providers and holders of CTF accounts.

13. Regulating small business

13.1 The legislation applies to small businesses that offer CTFs.

13.2 No specific action is proposed to minimise regulatory burdens on small businesses.

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 £4,260 to £4,368.

14. Monitoring & review

14.1 The approach to monitoring of this legislation is that 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 provide a review provision 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 Tim Roscamp at HMRC email: savings.audit@hmrc.gsi.gov.uk can be contacted with any queries regarding the instrument.

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

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