EXPLANATORY MEMORANDUM TO

THE CHILD TRUST FUNDS (AMENDMENT) REGULATIONS 2010

2010 No. [XXXX]

1. This explanatory memorandum has been prepared by H.M. Revenue and Customs and is laid before Parliament by Command of Her Majesty.

2. Purpose of the Instrument

2.1 These Regulations amend the Child Trust Funds Regulations 2004 (S.I. 2004/1450). They provide for the already announced Government payments into the Child Trust Fund accounts of disabled and severely disabled children.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 This instrument is being made to implement a policy change to the Child Trust Fund, namely to deliver two new Government payments to Child Trust Fund accounts when children are either disabled or severely disabled.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Exchequer Secretary to the Treasury, Sarah McCarthy-Fry MP, has made the following statement regarding Human Rights:

In my view the provisions of the draft Child Trust Funds (Amendment) Regulations 2010 are compatible with the Convention rights.

7. Policy Background

o ***What is being done and why***

7.1 All children born since 1 September 2002, who are the subject of a child benefit award, are eligible for the Child Trust Fund, as long as they live in the UK and are not subject to immigration control. The Government provides an initial contribution of £250, and children in lower income families are entitled to a top-up contribution of a further £250. The Government provides a further contribution of £250 when the child reaches age 7, with children in lower income families similarly entitled to another top-up contribution of £250. Friends and family can contribute up to £1,200 into the account

each year and there are special arrangements so that children looked after by local authorities do not miss out.

7.2 The Chancellor announced at Budget 2009 that the Government will make payments of £100 per year into the Child Trust Fund accounts of disabled children. Severely disabled children (those who receive the Highest Care Element of Disability Living Allowance) will receive £200 per year. These payments will not count towards the £1,200 yearly contribution limit.

o ***Consolidation***

7.3 Not appropriate.

8. Consultation Outcome

8.1 Not applicable.

9. Guidance

9.1 The rule changes implemented by this instrument will be incorporated into H.M. Revenue and Customs' Child Trust Fund guidance for providers and local authorities. H.M. Revenue and Customs has already issued preliminary guidance to providers as to how these payments will be made.

10. Impact

10.1 There is a negligible impact on business. The new payments will be made using providers' existing systems and methodology. There is no impact on charities or voluntary bodies.

10.2 The impact on the public sector is negligible. Information regarding children's entitlement to disability living allowance will be obtained directly from the Department for Work and Pensions by extending existing data feeds.

10.2 An Impact Assessment has not been prepared for this instrument.

11. Regulating Small Business

11.1 The legislation applies to small business.

11.2 The impact upon small business will be negligible as Child Trust Fund providers already have systems in place to make similar Government payments.

12. Monitoring & Review

12.1 The impact of the measures will be monitored under H.M. Revenue and Customs' broader plans for monitoring trends and developments in the savings and investments sector. H.M. Revenue and Customs collects data on Child Trust Fund investments and uses it to publish annual statistics and this policy will be monitored as part of that process.

13. Contact

Declan Norris at H.M. Revenue and Customs Tel: 020 7147 0855 or email: Declan.norris@hmrc.gsi.gov.uk can answer any queries regarding the instrument.