EXPLANATORY MEMORANDUM TO

THE HELP–TO–SAVE ACCOUNTS REGULATIONS 2018

2018 No. 0000

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 The instrument makes detailed provision for Help-to-Save accounts under the Savings (Government Contributions) Act 2017.

2.2 The instrument also makes provision for a time limited pilot exercise to trial the Help-to-Save scheme with an invited group of relevant eligible Help-to-Save customers.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None

Other matters of interest to the House of Commons

3.2 Disregarding minor or consequential changes, the territorial application of this instrument includes Scotland and Northern Ireland

4. Legislative Context

4.1 These Regulations are made under the Savings (Government Contributions) Act 2017.

5. Extent and Territorial Application

5.1 The extent of this instrument is United Kingdom.

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

6. European Convention on Human Rights

The Economic Secretary to the Treasury, Stephen Barclay MP, has made the following statement regarding Human Rights:

"In my view the provisions of the Help-to-Save Account Regulations 2018 are compatible with the Convention rights."

7. Policy background

What is being done and why

7.1 The government recognises the important role that savings play in enabling individuals to plan and meet their aspirations throughout their lives. That is why it is committed to supporting people to save at all income levels and all stages of life. Over recent years the government has introduced a range of reforms to promote savings,

these reflect the need to tackle barriers to saving and ensure that the right incentives are in place for savers. Help to Save will support working families on low incomes to build up a rainy-day fund by offering a 50% bonus on up to £50 of monthly saving. The scheme will be open to around 4 million individuals who either receive working tax credits at a rate other than nil, or a nil award working tax credit, but at the same time have a child tax credit award at a rate other than a nil rate. It is also open to those who receive universal credit and have minimum weekly household or individual earnings equivalent to 16 hours at the national living wage rate.

7.2 A Help-to-Save account is to be a sterling money savings account held by an account holder, who is to be an eligible person, with an authorised account provider, which is to be the Director of Savings, National Savings and Investment (NS&I). The scheme is to be administered by HMRC which, if there is an entitlement to an amount of government bonus, must, via the authorised account provider, pay a government bonus into the account. The bonus is to be free of tax.

7.3 The bonus is to be paid to an account holder at the end of the period of 24 months beginning with the calendar month in which the account is opened (first bonus period), and at the end of the maturity period (which is to be a period of up to 48 calendar months beginning with the calendar month in which the account is opened). The maturity period may be a shorter period in the event of an earlier death or terminal illness of an account holder.

7.4 The amount of a bonus is to be nil if the account is closed or otherwise ceases to be a Help-to-Save account before the end of a period in respect of which a bonus would otherwise be payable.

7.5 The maximum monthly amount which an account holder may pay into an account is £50. However, an individual who is absent from the UK (bar any temporary absences) is not able to pay any amount into an account and no bonus will accrue on any amount which is paid into an account during such a period. The bonus is to be an amount equal to 50 per cent of the qualifying balance. For the first bonus period that is the highest balance achieved for that period.

7.6 In the case of a bonus that is paid at the end of the maturity period, if later than the end of the first bonus period, the qualifying balance is the highest balance on an account achieved after the first bonus period, less the highest balance of the account achieved in the first bonus period (if any).

7.7 An eligible person for an account is to be an individual who (on the eligibility reference dates, being the dates on which an application is made and is accepted) meets one of two benefit entitlement conditions and a UK connection condition.

7.8 The first benefit entitlement condition is that one of the conditions specified in regulation 3(2) relating to working tax credit and child tax credit is met. The second benefit entitlement condition is that the condition specified in regulation 3(3) is met relating to universal credit and weekly earned income equal to or greater than 16 hours at the national living wage rate.

7.9 The UK connection condition is met if the individual is in the United Kingdom. An individual who meets the first benefit entitlement condition is treated as being in the United Kingdom, if the individual would be so treated for tax credits. An individual who meets the second benefit entitlement condition is treated as being in the United Kingdom, if the individual would be so treated for universal credit.

7.10 Detailed provision is made relating to the benefit entitlement conditions and the UK connection condition, opening and maintenance of Help-to-Save accounts, the limits on amounts which may be paid into an account, the amount of the bonus entitlement, rejection of bonus claims, recoupment of wrongly paid amounts of bonus by HMRC, payments of interest on amounts payable to and by HMRC, repair of accounts where there has been a technical breach of the regulations and appeals relating to decisions or notifications made or given by HMRC.

Help to Save Trial

7.11 The Help-to-Save scheme will be tested in January 2018 and will initially be available to a sample group of users who will take part in a trial of the service. The trial is defined as a test of all the systems required to deliver Help-to-Save accounts and will run from the day the regulations come into force (being the day after they are made) until 15th October 2018. The trial provisions will apply to those customers who have been invited into the trial. Eligibility will be restricted to those relevant eligible persons who are taking part in the trial.

7.12 The trial is being implemented in order to extensively test the new IT system and ensure it provides a smooth customer experience and quality service in relation to customers in a range of different situations. It is important that the scheme builds up a good reputation during implementation as this will promote the long term success of the scheme.

7.13 The trial will increase numbers gradually in line with increasing confidence in the systems and processes. Invitees to the trial will be representative of the eligible Help-to-Save customer population. Over the course of the trial this will cover customers in different income brackets and with a range of different family circumstances, to fully test the service in a fair and open way.

7.14 At each stage of the trial, users taking part will be able to start building up their savings from the date of their successful application in a fully functioning account. In exceptional circumstances, we may need to temporarily limit or stop new applicants entering the service during the trial to preserve the service for those already using it. Customers affected by this will be able to apply when the service re-opens.

Consolidation

7.15 This instrument constitutes the first regulations made under the Act relating to Help-to-Save accounts.

8. Consultation outcome

8.1 A draft version of these regulations was published for consultation between 15th September and 27th October 2017. That can be viewed here

https://www.gov.uk/government/consultations/draft-legislation-help-to-save-accounts

8.2 HMRC received a total of 7 written responses, many of which addressed the policy itself. Four responses were from representative bodies and three from members of the public. Responses included a number of technical points and suggestions in relation to the draft.

8.3 The formal response to the consultation will be published in due course.

9. Guidance

9.1 HMRC are currently preparing detailed guidance. This guidance will be the subject of consultation prior to its publication ahead of the launch of the Help-to-Save accounts scheme.

10. Impact

10.1 An Impact Assessment has not been prepared for this instrument. An impact assessment in relation to Help-to-Save accounts more generally was published alongside the Savings (Government Contributions) Bill and can be viewed at https://www.gov.uk/government/collections/the-savings-government-contributions-bill

10.2 There is no requirement upon any business, charity or voluntary body to participate in the Help to Save scheme. Any impacts on business, charities or voluntary bodies will, therefore, only arise if they choose to offer advice on the Help to Save accounts.

10.3 The impact on the public sector is the cost to the Exchequer of the government bonus that will be earned by account holders, and the implementation and running costs for the Help-to-Save accounts scheme.

10.4 The Exchequer impacts of this scheme were published at Autumn Budget 2017, based on an April 2018 rollout. This costing therefore does not reflect the fact that the trial has been extended to run from January 2018, over time gradually increasing the numbers entering the service, ahead of the full rollout of Help to Save taking place by October 2018. Revised impacts will be updated at the next fiscal event.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Budget 2017	+£0m	+£0m	-£25m	-£85m	-£65m	-£90m

10.5 Initial estimates of the expenditure on bonus payments from 2017/18 are that spend will be negligible in 2017/18 and 2018/19 (as bonuses will only be paid out on death or proof of terminal illness in the first two years), then £25m in 2019/20, £85m in 2020/21, £65m in 2021/22 and £90m in 2022/23. The cost of the trial will be met by allocated project funds.

10.6 The Regulations include rights of appeals against certain HMRC decisions and notification, and this could increase demand for tribunal hearings. However provision is made for mandatory reviews by HMRC before an individual can have recourse to the tribunal service.

11. Regulating small business

11.1 This legislation applies to small businesses to the extent that they choose to advise on the Help-to-Save accounts. There will be no requirement on any small business to do so.

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

12. Monitoring & review

12.1 HMRC will monitor the impact of these changes on an ongoing basis using the information provided by NS&I as the account provider.

12.2 We will carry out ongoing evaluation throughout the trial. From a technical aspect, the trial will monitor the extent to which the service behaves as expected, as well as

monitoring performance and service availability. We will also test our manual processes for customers unable to use the digital electronic service. From a customer perspective, the trial will review how straightforward our customers find the Help-to-Save scheme, as well as analysing and responding to customer experience and feedback.

13. Contact

13.1 Tom Nelis at HMRC, Telephone: 03000 511 578 or email: helptosave.consultation@hmrc.gsi.gov.uk can answer any queries regarding the instrument.