Draft Regulations laid before the House of Commons under section 4(2) of the Savings (Government Contributions) Act 2017, for approval by resolution of the House of Commons.

DRAFT STATUTORY INSTRUMENTS

2017 No. 0000

INCOME TAX

CAPITAL GAINS TAX

The Individual Savings Account (Amendment No. 2) Regulations 2017

Made - - - -	***
Coming into force - -	*6th April 2017*

The Treasury make the following Regulations in exercise of the powers conferred by section 151 of the Taxation of Chargeable Gains Act 1992(**a**), sections 694, 695, 696, 699 and 701 of the Income Tax (Trading and Other Income) Act 2005(**b**) and sections 1 and 4(2)(a) and (b), (5) and (6) of, and paragraphs 2(2), 3, 4, 7, 8(2), (5) and (6), 9(1), (2), (3) and (5) and 11 of Schedule 1 to, the Savings (Government Contributions) Act 2017(**c**).

Citation and commencement

1. These Regulations may be cited as the Individual Savings Account (Amendment No. 2) Regulations 2017 and come into force on 6th April 2017.

Amendment of the Individual Savings Account Regulations 1998

2. The Individual Savings Account Regulations 1998(**d**) are amended as follows.

Regulation 2

3.—(1) Amend regulation 2 (interpretation) as follows.

(2) In paragraph (1)—

(a) in the definition of "account investment"(**e**)—

(**a**) 1992 c. 12. Section 151 was amended by section 85 of the Finance Act 1993 (c. 34), paragraph 436 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005, section 40(6) of the Finance Act 2011(c. 11) and section 27(2) of the Finance Act 2016.(c. 24).

(**b**) 2005 c. 5. Section 694 was amended by section 40(2) of the Finance Act 2011. Sections 695 and 696 were amended by paragraph 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11). Section 699 was amended by section 40(4) of the Finance Act 2011 and paragraph 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005. Section 701 was amended by section 40 of the Finance Act 2008 (c. 9) and section 40(5) of the Finance Act 2011.

(**c**) 2017 c. 2.

(**d**) S.I.1998/1870; relevant amending instruments are: S.I. 2000/2079, 2002/3158, 2006/3194, 2007/2119, 2011/1780, 2012/1871, 2013/605, 2014/1450, 2015/608, 2015/869, 2015/941, 2016/16, 2016/364, 2016/977 and the Individual Savings Account (Amendment) Regulations 2017.

(**e**) The definition of "account investment" was amended by S.I. 2016/364.

(i) for "or an innovative finance component" substitute ", an innovative finance component or a Lifetime ISA component", and

(ii) after "8" insert ", 8ZA"(**a**),

(b) after the definition of "CTA 2010"(**b**) insert—

""current year payments" has the meaning given in regulation 10A(3)(**c**);",

(c) after the definition of "eligible child"(**d**) insert—

""eligible conveyancer" has the meaning given in paragraph 7 of the Schedule;",

(d) after the definition of "gilt-edged securities" insert—

""government bonus" has the meaning given in the Schedule;",

(e) after the definition of "lender"(**e**) insert—

""Lifetime ISA" has the meaning given in regulation 4(1ZB)(**f**);",

""Lifetime ISA payment limit" has the meaning given in regulation 4ZA(1A);",

""Lifetime ISA qualifying individual" has the meaning given in regulation 10A;", and

(f) after the definition of "plan shares"(**g**) insert—

""qualifying addition" has the meaning given in the Schedule;".

(3) In the Table in paragraph (2) after the entry for "Qualifying investments for a cash component" insert—

"Qualifying investments for a Lifetime ISA component	8ZA"

Regulation 2A

4. In regulation 2A (meaning of account investor)(**h**)—

(a) in paragraph (2) after "junior ISA account" insert "nor a Lifetime ISA", and

(b) after paragraph (5) insert—

"(6) In relation to a Lifetime ISA, "account investor" means an individual who—

(a) makes, or has made, a qualifying addition to a Lifetime ISA, and

(b) at the time of each qualifying addition by the individual into the Lifetime ISA, is a Lifetime ISA qualifying individual.".

Regulation 2D

5. In regulation 2D (regulations that do not apply to junior ISA accounts)(**i**)—

(a) after "4A," insert "4AA(**j**),",

(b) omit "5B,", and

(c) for "8A, 10, 11, 12," substitute "8ZA, 8A, 10 to 12, 12B(**k**),".

(**a**) Regulation 8ZA is inserted by these Regulations.
(**b**) The definition of "CTA 2010" was inserted by S.I. 2012/1871.
(**c**) Regulation 10A is inserted by these Regulations.
(**d**) The definition of "eligible child" was inserted by S.I. 2011/1780.
(**e**) The definition of "lender" was inserted by S.I. 2016/364.
(**f**) Regulations 4(1ZB) and 4ZA(1A) are inserted by these Regulations.
(**g**) The definition of "plan shares" was inserted by S.I. 2008/704.
(**h**) Regulation 2A was inserted by S.I. 2011/1780 and amended by S.I. 2012/1871.
(**i**) Regulation 2D was inserted by S.I. 2011/1780 and amended by S.I. 2012/1871, 2014/1450, 2015/869, 2016/16 and 2016/364.
(**j**) Regulation 4AA is inserted by these Regulations.
(**k**) Regulation 12B is inserted by these Regulations.

Regulation 4

6.—(1) Amend regulation 4 (general conditions for accounts and subscriptions to accounts)(**a**) as follows.

(2) In paragraph (1) after "innovative finance account" insert "or a Lifetime ISA".

(3) In paragraph (1ZA) for "(1B)(ba) to (e)" substitute "(1B)(ba) and (c), d(i) and (e)".

(4) After paragraph (1ZA) insert—

"(1ZB) A Lifetime ISA is an account in respect of which—

(a) the conditions in paragraphs (1A)(a) and (cb), (1B)(bb), (c), (d)(ii), (e) and (f) and (5) to (10) are fulfilled; and

(b) the application to open the account is made in accordance with regulation 12B."

(5) In paragraph (1A)—

(a) in sub-paragraph (a) for "or an innovative finance account" substitute ", an innovative finance account or a Lifetime ISA", and

(b) after sub-paragraph (ca) insert—

"(cb) a Lifetime ISA is made up of a single Lifetime ISA component only;".

(6) In paragraph (1B)—

(a) after sub-paragraph (ba) insert—

"(bb) a Lifetime ISA qualifying individual may only make a qualifying addition to a single Lifetime ISA in a particular year;",

(b) at the end of sub-paragraph (c) insert—

"or, in the case of a Lifetime ISA, to which only one Lifetime ISA qualifying individual makes a qualifying addition",

(c) for sub-paragraph (d) substitute—

"(d) subject to regulations 5DDA(2)(e)(**b**) and 7(2)(h), it is—

(i) an account that is not a Lifetime ISA account to which the qualifying individual subscribes only by payment to the account manager of a sum or sums of the individual's cash, or

(ii) a Lifetime ISA to which the Lifetime ISA qualifying individual makes qualifying additions only by—

(aa) payment to the account manager of a sum or sums of the individual's cash; or

(bb) a transfer of qualifying investments for a Lifetime ISA component from another account of the account investor;", and

(d) after sub-paragraph (e) insert—

"; and

(f) in the case of a Lifetime ISA the current year payments made by a Lifetime ISA qualifying individual do not in aggregate in any year exceed the Lifetime ISA payment limit in regulation 4ZA(1A)(**c**).".

(7) In paragraph (6)—

(a) in sub-paragraphs (c) and (d) after "qualifying investments for an innovative finance component," insert ", a Lifetime ISA component", and

(b) in sub-paragraph (fa) after "any cash shall be transferred or paid to him" insert "or, where paragraph 6(12) of the Schedule applies, an eligible conveyancer".

(**a**) Regulation 4 was amended by S.I. 2002/1974, 2011/1780, 2014/1450, 2015/869, 2016/364 and 2016/977.
(**b**) Regulation 5DDA was inserted by S.I. 2015/869.
(**c**) Regulation 4ZA(1A) is inserted by these Regulations.

(8) At the end of paragraph (7) insert—

"Where the account is a Lifetime ISA and an amount is being withdrawn for the purpose of a first-time residential purchase by the account investor under paragraph 6 of the Schedule, the period of 30 days referred to in sub-paragraph (a) runs from the date on which the account manager receives the information from the account investor's conveyancer in accordance with paragraph 8(2) and (3) of the Schedule.".

(9) After paragraph (8) insert—

"(9) A Lifetime ISA opened in accordance with regulation 12B is to be treated as such an account notwithstanding that the account investor reaches 50 years of age or over and that no further qualifying addition can be made to the account.

(10) A Lifetime ISA in relation to which an account manager has received notification of closure within 30 days after the latest applicable cancellation period start date for the purposes of the Conduct of Business Sourcebook (published by the Financial Conduct Authority under FISMA 2000(**a**)) is to be treated for all purposes of these Regulations as never having been such an account.

(11) Where a Lifetime ISA is opened ("the new account") on a transfer from another such account ("the original account") of the account investor, the latest applicable cancellation period start date for the original account is to be treated for the purposes of paragraph (10) as the latest applicable cancellation start date for the new account.

(12) If during the year 2017-18 after the opening of a Lifetime ISA a withdrawal is made other than in any of the circumstances specified in paragraph (13) or described in paragraph 11 of the Schedule the account is to be treated for all purposes of these Regulations as never having been such an account.

(13) The circumstances specified in this paragraph are where—

(a) the withdrawal is by way of a transfer to another Lifetime ISA in accordance with regulation 21;

(b) the account investor is suffering from a terminal illness (within the meaning of paragraph 4(2) of the Schedule); or

(c) the withdrawal is made at a time after the account investor's death.".

Regulation 4ZA

7. In regulation 4ZA (subscriptions to an account other than a junior ISA account)(**b**) after paragraph (1) insert—

"(1A) The overall Lifetime ISA payment limit in respect of current year payments for any Lifetime ISA qualifying individual for any year is £4,000.".

Regulation 4A

8. In regulation 4A (repair of certain incompatible account and excess subscriptions – accounts other than junior ISA accounts)(**c**) after paragraph (6) insert—

"(7) This regulation is subject to regulation 4AA.".

New Regulation 4AA

9. After regulation 4A insert—

(**a**) The Conduct of Business Sourcebook published by the Financial Conduct Authority can be obtained from https://www.handbook.fca.org.uk/handbook/COBS/15/?view=chapter and from the Financial Conduct Authority, 25 The North Colonnade, London E14 5HS.

(**b**) Regulation 4ZA was inserted by S.I. 2011/1780.

(**c**) Regulation 4A was inserted by S.I. 2002/3158 and the heading was substituted by S.I. 2011/1780. Relevant amending instruments are S.I.2007/2119, 2011/1780, 2014/1450 and 2016/364.

"**Application of the repair provisions to Lifetime ISAs**

4AA.—(1) The following modifications to regulation 4A apply where one or more of the accounts to which the investor subscribes in the relevant year is a Lifetime ISA.

(2) Where an investor has made current year payments in excess of the Lifetime ISA payment limit in regulation 4ZA(1A) to a single Lifetime ISA, an officer of the Board may direct the removal of the excess and proceeds representing the excess, whether or not the overall subscription limit in regulation 4ZA(1) has been exceeded.

(3) Where an investor has exceeded the overall subscription limit in regulation 4ZA(1), but has not exceeded the Lifetime ISA payment limit in regulation 4ZA(1A), the excess shall be removed from the accounts which are not Lifetime ISAs.

(4) Where an investor has made current year payments or a payment described in regulation 10A(4)(c) to more than one Lifetime ISA, only one account will be a valid account which is eligible for the payment of a government bonus.".

Regulation 5D

10. In regulation 5D (subscriptions disregarded for the purposes of the subscription limits in regulations 4ZA and 4ZB)(**a**)—

(a) in the heading and in paragraph (1) for "4ZA" substitute "4ZA(1)",

(b) after paragraph (2)(a)(i) insert—

"(ia) a defaulted Lifetime ISA subscription;

(ib) a returned withdrawal from a Lifetime ISA following failure of a purchase to complete under paragraph 10(1) of the Schedule;", and

(c) after paragraph (2)(c) insert—

"; and

(d) in a case within paragraph (2)(a)(ib) the account manager of the Lifetime ISA to which the subscription is made is provided with the information specified in paragraph 9(3)(b) of the Schedule.".

Regulation 5DA

11. In regulation 5DA(a) (defaulted cash account subscription)(**b**) for "or a cash account" substitute ", a cash account, an innovative finance account or a Lifetime ISA".

New regulation 5DAA

12. After regulation 5DA (defaulted cash account subscription) insert—

"**Defaulted Lifetime ISA subscription**

5DAA. A subscription is a defaulted Lifetime ISA subscription if—

(a) it is made to a Lifetime ISA held by the account investor who held the Lifetime ISA in respect of which a defaulted investment payment has been made no more than 180 days before the subscription is made; and

(b) it does not exceed the defaulted investment payment.".

(**a**) Regulation 5D was inserted by S.I. 2012/1871.
(**b**) Regulation 5DA was inserted by S.I. 2012/1871.

Regulation 5DD

13. In regulation 5DD(b) (defaulted investment payment)(**a**) —

(a) at the end of paragraph (a) omit "or",

(b) after paragraph (b) insert—

"; or

(c) described in regulation 7 or 8, held in a Lifetime ISA (whether or not the defaulted investment continues to be held in the account at the time of the payment).".

Regulation 5DDA

14. In regulation 5DDA (additional permitted subscription to an account other than a junior ISA account) after paragraph (3A)(**b**) insert—

"(3B) For the purposes of paragraph (3) the value of a Lifetime ISA at the date of the deceased's death includes any government bonus that has accrued to the date of death but has not been paid.".

Regulation 5DDB

15. In regulation 5DDB (flexible account)(**c**)—

(a) in paragraph (1) after "junior ISA account" insert "or a Lifetime ISA", and

(b) in paragraph (2) for "and (ba)" substitute ", (ba) and (bb)".

Regulation 5DF

16. In regulation 5DF(1)(b)(information required by regulation 5D)(**d**)—

(a) after " defaulted investment subscription" insert ", defaulted Lifetime ISA subscription", and

(b) in sub-paragraph (iii) for "or innovative finance account" insert ", innovative finance account or Lifetime ISA".

Regulation 5DG

17. In regulation 5DG (single regulation 5D subscription)(**e**) after "defaulted investment subscription" insert ", defaulted Lifetime ISA subscription".

Regulation 6

18. In regulation 6(6) (general investment rules)(**f**) after "rights or proceeds" insert "(including any government bonus)".

New regulation 8ZA

19. After regulation 8 insert—

(**a**) Regulation 5DD was inserted by S.I. 2012/1871 and substituted by S.I. 2016/364.
(**b**) Regulation 5DDA was inserted by S.I. 2015/869 and paragraph (3A) was inserted by S.I. 2016/364 and amended by S.I. 2016/977.
(**c**) Regulation 5DDB was inserted by S.I. 2016/16 and amended by S.I. 2016/364.
(**d**) Regulation 5DF was inserted by S.I. 2012/1871. Paragraph (1)(b)(iii) was amended by S.I. 2016/364.
(**e**) Regulation 5DG was inserted by S.I. 2012/1871.
(**f**) Regulation 6(6) was amended by S.I. 2007/2119.

"Qualifying investments for a Lifetime ISA component

8ZA. The kind of investments ("qualifying investments for a Lifetime ISA component") which may be purchased, made or held under a Lifetime ISA are—

(a) qualifying investments for a stocks and shares component; and

(b) qualifying investments for a cash component.".

Regulation 10

20. In regulation 10 (qualifying individuals who may invest under an account that is not a junior ISA account)—

(a) at the end of the heading insert "nor a Lifetime ISA", and

(b) in paragraph (1) after "junior ISA account" insert "nor a Lifetime ISA(**a**)".

New regulation 10A

21. After regulation 10 insert—

"**Lifetime ISA qualifying individuals who may invest under a Lifetime ISA**

10A.—(1) This regulation specifies the description of individual ("Lifetime ISA qualifying individual") who may invest under a Lifetime ISA.

(2) A Lifetime ISA qualifying individual to whom paragraph (1) refers is an individual who—

(a) is 18 years of age or over;

(b) in relation to a current year payment is under 50 years of age;

(c) in relation to a current year payment or a payment under paragraph (4)(c), has not made, and will not make, any such payment to any other Lifetime ISA in the year in which the payment is made;

(d) has not exceeded the overall subscription limit in regulation 4ZA(1)(**b**) in that year;

(e) has not exceeded the overall Lifetime ISA payment limit in regulation 4ZA(1A)(**c**) in that year; and

(f) in relation to a current year payment or a payment under paragraph (4)(c), is resident in the United Kingdom or, if not so resident—

(i) is a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003(**d**), or

(ii) is married to or in a civil partnership with a person mentioned in paragraph (i).

(3) Subject to paragraph (4), the following are current year payments—

(a) a subscription of money;

(**a**) The heading was amended, and paragraph (1) was substituted, by S.I. 2011/1780.

(**b**) The subscription limit in regulation 4ZA(1) was most recently substituted by S.I. 2015/608 and is amended by these regulations.

(**c**) Regulation 4ZA(1A) is inserted by these Regulations.

(**d**) Regulation 2 of S.I. 1998/1870 defines ITEPA 2003 as meaning the Income Tax (Earnings and Pensions) Act 2003 (2003 c. 1); section 28(5) and (6) was amended by paragraph 102(2) and (3)(a) of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11).

(b) a subscription of shares to which regulation 7(2)(h)(**a**) applies;

(c) a subscription to which regulation 5D(**b**) applies;

(d) an additional permitted subscription in accordance with regulation 5DDA(**c**);

(e) a replacement subscription in accordance with regulation 5DDB(**d**);

(f) an additional permitted subscription on closure of a Help to Buy ISA in accordance with regulation 5DDC(**e**); and

(g) a transfer of qualifying investments for a Lifetime ISA component from an account which is not a Lifetime ISA.

(4) The following are not current year payments—

(a) a defaulted Lifetime ISA subscription under regulation 5D(2)(a)(ia);

(b) a returned withdrawal under regulation 5D(2)(a)(ib); and

(c) the first or only transfer from a Help to Buy ISA (as described in regulation 5DDC(6)) to a Lifetime ISA in the year 2017-18 in an amount not exceeding the balance on the Help to Buy ISA as at 5th April 2017 plus accrued interest.".

Regulation 11

22. In regulation 11 (account investor ceasing to qualify)—

(a) after "subscribing" insert "or making a qualifying addition";

(b) after "regulation 10(2)(d)" insert "or 10A(2)(f)(**f**), as the case may be,"; and

(c) after "subscribe further" insert "or make a qualifying addition".

Regulation 12

23. In regulation 12 (conditions for application to open an account that is not a junior ISA account)(**g**)

(a) at the end of the heading insert "or a Lifetime ISA"; and

(b) after paragraph (13) insert—

"(14) This regulation does not apply to a Lifetime ISA.".

New regulation 12B

24. After regulation 12A(**h**) insert—

"Conditions for application to open an account that is a Lifetime ISA

12B.—(1) An application by an individual to open a Lifetime ISA must be made to an account manager in the year in which the applicant first makes a payment to that account and must fulfil the conditions specified in paragraph (2).

(2) The application must state that it is an application to open a Lifetime ISA and—

(a) specify the first year to which the application relates;

(b) contain the information and authorisation specified in paragraph (3); and

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(**a**) Regulation 7(2)(h) was amended by paragraph 86 of Schedule 8 to the Finance Act 2014 (c. 26) and S.I. 2000/2079, 2008/704 and 2011/1780.
(**b**) Regulation 5D was inserted by S.I. 2012/1871 and amended by S.I. 2015/869, 2015/941 and 2016/16.
(**c**) Regulation 5DDA was inserted by S.I. 2015/869 and amended by S.I. 2016/16 and 2016/364.
(**d**) Regulation 5DDB was inserted by S.I. 2016/16 and amended by S.I. 2016/364.
(**e**) Regulation 5DDC was inserted by S.I. 2016/16.
(**f**) Regulation 10A is inserted by these Regulations.
(**g**) The heading was substituted by S.I. 2011/1780.
(**h**) Regulation 12A was inserted by S.I. 2011/1780 and amended by S.I. 2013/605 and 2015/941.

(c) contain a declaration by the applicant in accordance with paragraph (4).

(3) The application must contain—

(a) the applicant's full name;

(b) the address and postcode of the applicant's permanent residence;

(c) the applicant's national insurance number;

(d) the applicant's date of birth; and

(e) the authorisation specified in paragraph (7).

(4) The application must contain a declaration by the applicant that—

(a) all subscriptions of money made, and to be made, to the account are or will be the applicant's money;

(b) in the first year and in any subsequent year to which the application relates, the applicant has not—

(i) in relation to a qualifying addition made into the account, made and will not make, any such addition to any other Lifetime ISA,

(ii) exceeded, and will not exceed, the overall subscription limit in regulation 4ZA(1), and

(iii) made, and will not make, current year payments that exceed the overall Lifetime ISA payment limit in regulation 4ZA(1A);

(c) the applicant is 18 years of age or over;

(d) except where paragraph (5) applies, the applicant is under 40 years of age, and

(i) is resident in the United Kingdom, or

(ii) is a person who has general earnings from overseas Crown employment subject to United Kingdom tax within the meaning given by section 28 of ITEPA 2003, or

(iii) is married to or in a civil partnership with a person mentioned in sub-paragraph (ii); and

(e) the applicant will inform the account manager if any of the circumstances under sub-paragraph (d)(i) to (iii) changes.

(5) This paragraph applies where the Lifetime ISA is being opened to receive—

(a) a transfer of current year's subscriptions or previous years' subscriptions from another Lifetime ISA (within the meaning of regulation 21(1)), or

(b) a payment in accordance with regulation 5D(2)(a)(ia) or (ib).

(6) A declaration under paragraph (4) shall have effect for each year in which the applicant makes a payment to the account to which the declaration relates except that after the account has been opened the reference to 40 in paragraph (4)(d) is deemed to be 50.

(7) The authorisation specified by this paragraph is authority given by the applicant to the account manager—

(a) to hold the payments, account investments, interest, dividends and any other rights or proceeds (including any government bonus) in respect of those investments and cash;

(b) to make on behalf of the applicant any claims to relief from tax in respect of account investments;

(c) to submit any government bonus claims to the Board on the applicant's behalf;

(d) to withhold and deduct from a balance in the account and pay to the Board—

(i) any charges due to the Board from the account manager on withdrawals from the account; and

(ii) any amount wrongly paid by way of government bonus accountable to the Board by the account manager under paragraph 12 of the Schedule; and

(e) to make a record in writing in accordance with paragraph (9)(a) where that paragraph requires the account manager to do so.

(8) An account manager may not accept as an account investor any individual if the account manager has reason to believe that—

(a) the individual is not, or might not be, a Lifetime ISA qualifying individual;

(b) the individual has given untrue information in an application; or

(c) subject to the exceptions described in paragraph (5), the individual is 40 years of age or over.

(9) Where an application is not in writing, or the account manager operates a record system under which all original written applications are not retained—

(a) the account manager must, immediately after receiving the application, record in writing on behalf of the applicant, the declaration required by paragraph (2)(c) and the authorisation required by paragraph (3)(e);

(b) the account manager must notify the applicant of the contents of the written record within 5 business days of making it; and

(c) the written record, as amended by any corrections notified to the account manager by the applicant within 30 days of the notification mentioned in sub-paragraph (b), shall be treated as the applicant's declaration required by paragraph (2)(c) and the authorisation required by paragraph (3)(e).

(10) For the purposes of paragraph (9), "in writing" and "written record" have the same meanings as in regulation 12A(12) to (14)(**a**).

(11) The application may be made on an individual's behalf—

(a) if the individual is resident in England and Wales—

(i) pursuant to an order under section 16(2)(a) of the Mental Capacity Act 2005(**b**); or

(ii) by a deputy appointed under section 16(2)(b) of that Act; or

(b) if the individual is resident in Scotland or Northern Ireland and is suffering from mental disorder, by a parent, guardian, spouse, civil partner, son or daughter of the individual.

(12) In paragraph (11)(b) "mental disorder" has the meaning given by, in Scotland section 328 of the Mental Health (Care and Treatment) (Scotland) Act 2003(**c**) or, in Northern Ireland, Article 3 of the Mental Health (Northern Ireland) Order 1986(**d**).".

Regulation 14

25. In regulation 14(3)(a) (account manager–qualifications and Board's approval)(**e**) after "innovative finance accounts only," insert "or Lifetime ISAs only,".

Regulation 21

26.—(1) Amend regulation 21 (transfers relating to accounts other than junior ISA accounts)(**f**) as follows.

(2) In paragraph (1)—

(a) in paragraph (c) of the definition of "the current year's subscriptions" for "income)" substitute "income and any government bonus)",

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(**a**) Regulation 12A was inserted by S.I. 2011/1780.
(**b**) 2005 c. 9.
(**c**) 2003 asp 13.
(**d**) S.I. 1986/595 (N.I. 4).
(**e**) Regulation 14(3)(a) was amended by S.I. 2007/2119 and 2016/364.
(**f**) Regulation 21 was amended by S.I. 2007/2119, 2009/1994, 2011/1780, 2012/1871, 2014/1450 and 2016/364.

(b) in paragraph (b) of the definition of "the previous years' subscriptions" for "income)" substitute "income and any government bonus)", and

(c) after the definition of "the previous years' subscriptions" insert—

""subscriptions" includes all payments made into a Lifetime ISA.".

(3) In paragraph (4)—

(a) omit "or" at the end of sub-paragraph (b), and

(b) after sub-paragraph (c) insert—

", or

(d) a Lifetime ISA (if the account investor is 18 or over),".

(4) In paragraph (4C)—

(a) omit "or" at the end of sub-paragraph (b),

(b) at the end of sub-paragraph (c) insert—

" or

(d) a Lifetime ISA to a Lifetime ISA,", and

(c) after "remaining permitted subscriptions insert " or qualifying additions".

(5) In paragraph (4CA) for "Regulation 12(1) does" substitute "Regulations 12(1) and 12B(1) do".

(6) In paragraph (4D) for "12" substitute "12 or 12B, as the case may be,".

(7) In paragraph (4DA)—

(a) after sub-paragraph (ca) insert—

"(cb) a Lifetime ISA (whether or not in a bulk transfer of accounts) is transferred to a Lifetime ISA held with the transferee immediately before the time when the transfer is made;", and

(b) in sub-paragraphs (d), (e) and (f) after "accounts) to" insert "a Lifetime ISA,".

(8) In paragraph (4DB) at the end insert—

"This paragraph does not apply to a Lifetime ISA.".

(9) After paragraph (4DC) insert—

"(4DCA) In the case of a Lifetime ISA, where the account is transferred in a bulk transfer of accounts which is not a transfer described in paragraph (4DA)(cb) a payment by the account investor to the account after the transfer may only be made (unless permitted by paragraph (4DE)) after the account investor has made an application to the transferee in relation to the account in accordance with regulation 12B (with any necessary modifications where appropriate to reflect the fact that the account has been transferred in a bulk transfer of accounts).".

(10) In paragraphs (4DE), (4DF) and (4DI) insert after "12", wherever it appears, "or 12B".

(11) In paragraph (4DE)(c) and (4DF)(b) at the beginning insert "except in relation to a Lifetime ISA,".

(12) In paragraph (4DI) after "(4DB)(a)" insert "or (4DCA), as the case requires,".

(13) In paragraph (6)—

(a) in sub-paragraph (b)(i) for "or innovative finance account" substitute ", an innovative finance account or a Lifetime ISA",

(b) after sub-paragraph (b) insert—

"(ba) where the transfer is as described in regulation 10A(4)(c), that the amount being transferred is in respect of a Help to Buy ISA and is as described in that regulation (and in this case paragraph (6)(b)(i) and (iii) to (v) is not to apply).", and

(c) at the end(**a**) insert—

"and

(d) as regards an account or any part of an account transferred pursuant to paragraph (2) which is a Lifetime ISA—

(i) the date on which that Lifetime ISA was first opened and for the purposes of a payment made in accordance with regulation 5D(2)(a)(ia) or (ib), a Lifetime ISA opened for the purpose of receiving the payment is to be treated as being the same Lifetime ISA from which the money the subject of the payment originated;

(ii) the date of the first qualifying addition to the account in the year of transfer;

(iii) the amount of any government bonus that has accrued, but not been claimed, at the date of the transfer,

(iv) the number allocated to the account by the transferor;

(v) any government bonus already paid within the current year;

(vi) the total amount of qualifying additions to the Lifetime ISA during the period from the beginning of the year in which the transfer takes place to the date of transfer, with separate entries for a Help to Buy transfer under regulation 10A(4)(c) and any other qualifying additions;

(vii) details of qualifying additions to the Lifetime ISA for which a claim has not been made with separate entries for a Help to Buy transfer under regulation 10A(4)(c) and any other qualifying additions;

(viii) confirmation of whether or not there has been a withdrawal for a first-time residential purchase, for which information required under paragraph 9 of the Schedule and expected by the transferor has not been received;

(ix) if there has been such a withdrawal, an undertaking to pass on to the transferee any such information received without delay. ".

(14) After paragraph (6) insert—

"(6A) Where a Lifetime ISA is transferred, the transferee must before the time of the transfer give to the transferor a notice stating whether or not the account to which the investments are being transferred is a Lifetime ISA.

(6B) A Lifetime ISA of an account investor to which another Lifetime ISA of the account investor ("the original") is transferred in accordance with this regulation is a successor to the original.".

Regulation 22

27. In regulation 22(1)(a)(i) (exemption from tax of account income and gains)(**b**) for "excluding" substitute "including any government bonus, but excluding".

Regulation 31

28. In regulation 31 (returns of information by account manager)—

(a) after paragraph (1) insert—

"(1A) For the purposes of a Lifetime ISA in relation to paragraphs (3) and (10), paragraph (1B) applies instead of paragraph (1).

(1B) An account manager of a Lifetime ISA must, within 14 days after the end of each year in which the account manager acts as an account manager, and after ceasing to act or qualify as an account manager, deliver to the Board a return for the year or part of a year in

(**a**) sub-paragraph (c) was revoked by S.I.2007/2119.
(**b**) Regulation 22(1)(a)(i) was amended by S.I. 2006/3194.

which the account manager so acted or was qualified, in a form or manner prescribed by the Board, which contains the information specified in the sub-paragraphs referred to in paragraph (9).",

(b) in paragraph (4)—

(i) after sub-paragraph (a) insert—

"(aa) the information specified in sub-paragraph (a) in respect of any such account investments (excluding cash (including cash represented in share accounts with building societies)) that are held under Lifetime ISA components;", and

(ii) after sub-paragraph (b) insert—

"(ba) the information specified in sub-paragraph (b), in respect of any such account investments that are held under Lifetime ISA components;", and

(c) after paragraph (8) insert—

"(9) Paragraphs (3) (except as provided in paragraph (10)) and (3A), (3B), (3C), (7) and (7A) do not apply to a Lifetime ISA.

(10) The following provisions of paragraph (3) apply to a Lifetime ISA—

(a) sub-paragraph (a) with the omission of "if he has one" and the words in parentheses;

(b) sub-paragraph (b) with the substitution of "a Lifetime ISA" for " a cash account or stocks and shares account";

(c) sub-paragraph (c)(ii) with the substitution of "paragraph (3AB)(a)" for "paragraphs (3A) and (3AB)(a)"; and

(d) sub-paragraph (c)(iv).".

Regulation 35

29. In regulation 35—

(a) after paragraph (5) insert—

"(5A) Paragraphs (3) to (5) do not apply to an assessment made or deemed to be made under the Schedule.", and

(b) after paragraph (9) insert—

"(9A) Paragraph (9) does not apply to any form prescribed under regulation 31(1B) or the Schedule.".

New regulation 37

30. After regulation 36 insert—

"**37.** The Schedule makes further provision for Lifetime ISA.".

New Schedule

31. At the end insert as a Schedule—

"SCHEDULE

LIFETIME ISA FURTHER PROVISION

Interpretation

1.—(1) In this Schedule—

"claim period" has the meaning given in sub-paragraphs (2) and (3);

"government bonus" is an amount equal to 25% of the aggregate of qualifying additions made to a Lifetime ISA in a relevant period;

"qualifying addition" means a current year payment or a payment under regulation 10A (4)(c) which is made into a Lifetime ISA;

"relevant period" means the year 2017-2018 and any subsequent year;

"Schedule 1" means Schedule 1 to the Savings (Government Contributions) Act 2017;

"withdrawal charge" has the meaning given in paragraph 9(4) of Schedule 1.

(2) "Claim period" means—

(a) for the year 2017-18, except where sub-paragraph (3) applies, that year, and

(b) for the year 2018-19 and subsequent years, a month,

or such period as the Board may specify from time to time pursuant to paragraph 2(1).

(3) Where an account manager during the year 2017-18 is notified of a death or determination in accordance with paragraph 4(2) of a terminal illness of an account investor, "claim period" means—

(a) the period beginning with the date of the opening of the account, or, where there has been a transfer, the date of the original opening of the transferred account, and ending at the end of the month in which such notification is received, and

(b) in the case of a continuing terminal illness of the account investor, each month subsequent to the period determined under sub-paragraph (a), in which a qualifying addition has been made to the account.

(4) For the purposes of sub-paragraphs (2) and (3) "month" is a period beginning on the 6th of one month and ending on the 5th of the following month.

Government bonus claim

2.—(1) The Board may from time to time specify—

(a) the information to be included in a claim for a government bonus;

(b) the periods to which such a claim is to relate; and

(c) the form or manner in which such a claim is to be made.

(2) A government bonus is only payable if a claim for it is made in accordance with this Schedule.

(3) The person who must make a claim for a government bonus for qualifying additions made to the Lifetime ISA in a claim period is—

(a) subject to sub-paragraph (b), the person who is, or was, the account manager of a Lifetime ISA at the end of a claim period or on closure of a Lifetime ISA;

(b) where a Lifetime ISA is transferred to another such account of the account investor during a claim period, the account manager of the account at the end of the period.

(4) The claim is to be made within 14 days beginning with the day after the end of a claim period.

(5) The Board (subject to checking and if necessary correcting the amount of the claim) must pay the account manager any government bonus amount that is due—

(a) where the claim is made by the due date, within 14 days beginning with the day after the due date for the claim; and

(b) where the claim is made later than the due date, within 14 days beginning with the day after the due date for a claim for the claim period in which the late claim is made.

(6) Any government bonus payment which on being made is not paid into a Lifetime ISA of the account investor must be treated as a withdrawal.

(7) Where a claim has been made and the account manager becomes aware within six years after the end of the claim period that—

(a) anything which should have been included in the claim has not been included,

(b) anything which should not have been included in the claim has been included, or

(c) any other error has occurred in the claim,

the account manager must correct the error without delay.

(8) If the account manager corrects a claim, such assessments, adjustments, payments or repayments of government bonus as are necessary for achieving the objective mentioned in sub-paragraph (9) must be made.

(9) The objective is that the entitlement (or otherwise) of the account investor to a government bonus should be the same as it would have been if a correct claim had been delivered.

(10) The Board may enquire into a claim and return if—

(a) they have reasonable grounds for believing that an error has occurred in the claim, and

(b) they give notice to the account manager of their intention to do so no later than 12 months after the date on which the claim is made.

(11) Otherwise than where an account manager is notified of a death or determination in accordance with paragraph 4(2) of a terminal illness of an account investor, no claim for a government bonus arising in respect of the year 2017-18 may be made before the end of that year.

Rejection of government bonus claim

3.—(1) The Board must notify the account manager of a rejection of any claim for a government bonus together with reasons for the decision—

(a) where the claim is made by the due date, within 14 days beginning with the day after the due date for the claim, and

(b) where the claim is made later than the due date, within 14 days beginning with the day after receipt of the claim.

(2) The account manager on receipt of such notification must notify the account investor within 14 days beginning with the day after the day of receipt.

(3) An account investor may within 90 days beginning with the day after receipt of a notification under sub-paragraph (2) apply to the Board for payment of a government bonus which has been refused.

(4) Paragraph 16 (appeals) applies, in relation to an account manager, to a notification under sub-paragraph (1), and, in relation to an account investor, to a decision in respect of an application under sub-paragraph (3).

(5) The effect of any notification or decision is not suspended by the making of an application or an appeal.

Specified age; terminal illness; transfer to another Lifetime ISA-no withdrawal charge

4.—(1) For the purposes of paragraph 7(1)(a) of Schedule 1 (withdrawals not triggering a charge-specified age) the specified age is 60.

(2) For the purposes of paragraph 7(5)(c) of Schedule 1 (withdrawals not triggering a charge-terminal illness) an account investor is to be considered as suffering from a terminal illness if the account manager of the account investor's Lifetime ISA has received written evidence from a registered medical practitioner that the account investor is expected to live for less than one year.

(3) For the purposes of paragraph 7(5)(d) of Schedule 1 (withdrawals not triggering a charge-transfer to another Lifetime ISA), a withdrawal by way of transfer from one Lifetime ISA of the account investor to another such account of the investor must be made in accordance with regulation 21.

Specified percentage for withdrawal charge

5. For the purposes of paragraph 8(2) of Schedule 1 (charge when unlisted withdrawal made) the specified percentage is 25%.

First-time residential purchase

6.—(1) For the purposes of paragraph 7(5)(a) and (b) of Schedule 1 (withdrawals not triggering a charge) the provisions in sub-paragraphs (2) to (14) apply.

(2) The withdrawal must only be used by the account investor towards defraying the purchase price for the acquisition by the account investor as a first-time buyer of a residential property.

(3) The purchase price must not exceed £450,000.

(4) The account investor must be purchasing as sole owner or as joint owner with another individual who may already own the property.

(5) The purchase must be of a legal interest in land situated in the United Kingdom with a view to the account investor becoming a residential property owner.

(6) The purchase must be—

(a) funded by a loan that will be secured by a charge over the land by way of—

(i) a legal mortgage (if land in England and Wales),

(ii) a heritable security (if land in Scotland), or

(iii) a legal charge, mortgage by conveyance, demise, assignment or sub-demise (if land in Northern Ireland); or

(b) made under the terms of a regulated home purchase plan.

(7) Except in the circumstances specified in paragraph (8) the charge under paragraph (6)(a) must not be by way of a Buy to Let Mortgage.

(8) The circumstances specified in this paragraph are where the account investor is an individual described in regulation 10A(2)(f)(i) or (ii) who is unable to occupy the land as their only or main residence at the time of the acquisition but intends, in the future, to so occupy such land.

(9) The account investor must—

(a) on completion of the purchase occupy the land as their only or main residence; or

(b) in consequence of the land comprising a residential property in the process of being constructed or adapted for use as a dwelling, on completion of the purchase must intend it to be their only or main residence and must occupy it as such on its becoming suitable for such use; or

(c) in consequence of the account investor being an individual described in regulation 10A(2)(f)(i) or (ii), be unable to so occupy the land but must intend to do so in the future.

(10) The withdrawal and, where there is more than one withdrawal made for the purposes of the purchase, the aggregate of them, must not exceed the purchase price on completion of the purchase.

(11) The account investor's Lifetime ISA from which the withdrawal is made must have been open for at least 12 months after the date of the first payment into it and, for this purpose, a Lifetime ISA opened in the circumstances provided for in regulation 12B(5) is to

be treated as being the same Lifetime ISA as the one from which the moneys transferred or paid into the account originated.

(12) The amount of the withdrawal must be passed directly by the account manager to the account investor's conveyancer, who must be an eligible conveyancer.

(13) The account investor must—

(a) provide to their conveyancer the information specified in paragraph 8(1) together with the declaration specified in paragraph 8(3); and

(b) procure that the conveyancer provide the information set out in paragraph (8)(2) to their account manager together with the declaration specified in paragraph 8(3).

(14) Where the account manager has received all of the information specified in paragraph (13)(b) and has no reason to believe that the information and declarations are not true and complete, the account manager must transfer the amount of the withdrawal to the account investor's conveyancer within the period stipulated under regulation 4(7).

Definitions for the purposes of paragraph 6

7. The following definitions apply for the purposes of paragraph 6—

"Buy to Let Mortgage" means a loan made to one or more borrowers to be secured by a mortgage over a residential property that is—

(a) either —

(i) let at the date the mortgage is granted, or

(ii) intended by the borrower or borrowers to be let either at that time or in the future, and

(b) marketed as being intended for such purpose;

"eligible conveyancer" means—

(a) in England and Wales, a conveyancer within the meaning of rule 217A of the Land Registration Rules 2003(**a**);

(b) in Scotland, a solicitor or advocate within the meaning of section 65 of the Solicitors (Scotland) Act 1980(**b**), or a conveyancing practitioner as defined in section 23 of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990(**c**); or

(c) in Northern Ireland, a person enrolled as a solicitor of the Court of Judicature of Northern Ireland pursuant to the Solicitors (Northern Ireland) Order 1976(**d**);

"first-time buyer" means an account investor who is not, and never has been, a residential property owner;

"a legal interest in land" includes land which will be acquired under the terms of a regulated home purchase plan;

"purchase price" means—

(a) in connection with the acquisition of any legal interest in land in circumstances other than those described in paragraph (b), (c) or (d), the value of the consideration required to be paid, and which is paid, by the purchaser under the sale and purchase agreement entered into in connection with the acquisition of that interest in land; or

(b) in connection with the acquisition of any legal interest in land under the terms of a regulated home purchase plan, the value of the consideration required to be paid, and which is paid, to the original seller for the interest in that land; or

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(**a**) S.I.2003/1417. Rule 217A was inserted by S.I. 2011/1410.
(**b**) 1980 c. 46.
(**c**) 1990 c. 40.
(**d**) S.I.1976/582 (N.I.12).

(c) in connection with the acquisition of a legal interest in land by an individual who as a result of the acquisition becomes a joint owner of the land with another individual who previously owned the land, the market value of the whole of the land as determined at the time of the acquisition; or

(d) in connection with the acquisition of a leasehold legal interest in land under a shared ownership arrangement—

(i) the value determined in accordance with paragraph (a), or

(ii) the value of the premium required to be paid, and which is paid, by the purchaser under the sale and purchase agreement entered into in connection with the acquisition of that interest, divided by the fraction representing the share of the property to be acquired on completion by the purchaser in return for the premium (howsoever described in the sale and purchase agreement or the lease);

"regulated home purchase plan" means a home purchase plan that is a regulated home purchase plan within the meaning of article 63F of the Regulated Activities Order 2001(**a**);

"residential property owner" means an individual who owns as sole or joint owner an interest in residential property (including a legal interest in land acquired under the terms of a regulated home purchase plan or a shared ownership arrangement) which is—

(a) in England or Wales—

(i) freehold;

(ii) leasehold, where the lease was originally granted for a term certain exceeding 21 years; or

(iii) commonhold;

(b) in Scotland, registered or recorded, or would be capable of being registered or recorded, as a right of absolute ownership in the Land Register of Scotland or General Register of Sasines in Scotland, as applicable;

(c) in Northern Ireland—

(i) freehold; or

(ii) leasehold, where the lease was originally granted for a term certain exceeding 21 years; or

(d) an equivalent interest in land to the legal interests in land listed in paragraphs (a) to (c) under the laws of any jurisdiction outside the United Kingdom;

"residential property" means a legal interest in land which comprises a building that is used or suitable for use as a dwelling, or is in the process of being constructed or adapted for such use; and

"shared ownership arrangement" means an arrangement whereby a purchaser acquires from a housing association, local authority or other person a leasehold legal interest in a property which is specified in the sale and purchase agreement and the lease to be comprised of —

(a) a share for which the purchaser is required to pay a premium on completion, and

(b) a separate share in respect of which the purchaser is required to pay a periodic rent over the term of the lease.

(**a**) S.I. 2001/544. Article 63F was inserted by S.I.2006/2383.

Specified information for the purposes of paragraph 6

8.—(1) The information to be provided by the account investor to their conveyancer under this sub-paragraph is—

(a) the amount of the withdrawal;

(b) the full name and address details (including postcode) of the account manager and the account number of the Lifetime ISA to which the withdrawal relates;

(c) a declaration that the account investor is a first-time buyer;

(d) the full address details of the residential property;

(e) the purchase price of the residential property;

(f) a declaration that the withdrawal will only be used towards defraying the purchase price for the acquisition of the residential property;

(g) a declaration that the account investor—

(i) is not also claiming a bonus under a Help to Buy ISA (within the meaning of regulation 5DDC(6)); and

(ii) has not received payment of such a bonus unless its full amount has been repaid to the scheme administrator of the Help to Buy ISA in accordance with applicable scheme rules;

(h) if known, the name and address of the seller's conveyancer for the acquisition to whom the amount of the withdrawal should be paid by the account investor's conveyancer; and

(i) a declaration that the provisions of paragraph 6(2) to (13) have been, or will on completion of the purchase, be complied with or, in the case of occupation under paragraph 6(9)(b), when that will take place.

(2) The information to be provided by the account investor's conveyancer to the account investor's account manager under this sub-paragraph is—

(a) a declaration that they are an eligible conveyancer;

(b) a declaration that they have received the information under sub-paragraph (1) and sub-paragraph (3) relative to the account investor;

(c) the purchase price of the residential property in question;

(d) a declaration that the funds withdrawn from the Lifetime ISA will only be released towards defraying the purchase price for the acquisition of the residential property;

(e) the account details where the withdrawal should be transferred; and

(f) the conveyancer's unique conveyancer registration number with the appropriate professional body.

(3) Information provided under sub-paragraphs (1) and (2) must be accompanied by a declaration made by the individual providing it that it is true and complete to the best of the individual's knowledge and belief.

Information from conveyancer

9.—(1) Within 10 business days after either of the events listed in sub-paragraph (2) the account investor must procure that the conveyancer provides the information referred to in sub-paragraph (3) to the account investor's account manager of the Lifetime ISA from which the withdrawal for the acquisition was made.

(2) The events referred to in sub-paragraph (1) are—

(a) the purchase of the residential property being completed;

(b) the purchase not completing within 90 days of the date of receipt of the withdrawal by the conveyancer or, if earlier, the withdrawal of the account investor or the seller from the sale and purchase of the residential property.

(3) The information referred to in sub-paragraph (1) is—

(a) in the case of a purchase completing—

(i) the date of completion of the purchase;

(ii) the account number of the Lifetime ISA from which the withdrawal was made; and

(iii) the conveyancer's unique conveyancer reference number with the appropriate professional body.

(b) in the case of a purchase not completing,—

(i) a declaration that the purchase of the residential property in question has not completed;

(ii) the amount of the withdrawal that is being returned and, if it is not the full amount, an account of any shortfall;

(iii) the name and address of the account investor;

(iv) the account number of the Lifetime ISA from which the withdrawal was made;

(v) the conveyancer's unique conveyancer registration number with the appropriate professional body; and

(c) in either of the events listed in sub-paragraph (2), a declaration, to the best of the individual's knowledge and belief, as to whether any of the requirements of paragraph 6(2) to (13) has not been complied with or any information provided under paragraph 8 is not true or complete.

Purchase failure

10.—(1) Where a purchase fails to complete, the account investor must procure that the conveyancer, within 10 business days of either of the events listed in paragraph 9(2)(b), must return the full amount of the account investor's withdrawal for the purchase to the account manager, to be held for the account investor in a Lifetime ISA.

(2) If there is a shortfall in the amount returned to the account manager, that amount is to be treated for the purposes of paragraph 7(4) of Schedule 1 as a withdrawal to which paragraph 8(6) of that Schedule applies.

(3) Where a person accountable under this paragraph is notified by the Board that an amount is due from them under it, that amount shall be treated for the purposes of Part 6 of the Management Act (collection and recovery) as if it were tax charged in an assessment and due and payable.

(4) The time limits in sections 34, 36 and 40 of the Management Act, as they apply to assessments, apply to amounts payable under sub-paragraph (3).

(5) Paragraph 16 (appeals) applies to any notification under this paragraph.

(6) The effect of any notification is suspended by an appeal under paragraph 16 until the appeal is determined or withdrawn.

Amounts not treated as withdrawals

11. For the purposes of paragraphs 7(2) and 11(b) of Schedule 1, withdrawals, removals or losses from a Lifetime ISA do not count for the application of a withdrawal charge if they are in respect of—

(a) a payment (including a government bonus) to an invalid account under regulation 4A or 4AA;

(b) excess payments and their proceeds described in regulation 4AA;

(c) any fees or charges properly levied or charged in respect of the management by the account manager of a Lifetime ISA and account investments in accordance with their terms and conditions;

(d) a default event under regulation 5DC(**a**) or in respect of an act or omission or circumstance not attributable to the account investor; or

(e) an amount recouped in accordance with paragraph 12.

Recoupment of government bonus payment

12.—(1) Where an amount has been wrongly paid by way of government bonus, the amount must be accounted for to the Board by—

(a) the account manager of the Lifetime ISA (to the extent that assets relating to the account, or directly or indirectly representing the amount, are in the account manager's possession or control);

(b) the person who is the account investor (to the extent that the amount has been made or credited to the account investor); and

(c) any person in whom the amount, or any property directly or indirectly representing any of it, is vested (whether beneficially or otherwise);

and the persons under (a), (b) and (c) shall be jointly and severally liable for the repayment of the amount (subject to the limitation applying under sub-paragraphs (a) and (b)).

(2) Where a person accountable under this paragraph is notified by the Board that an amount is due from them that amount shall be treated for the purposes of Part 6 of the Management Act as if it were tax charged in an assessment and due and payable.

(3) The time limits in sections 34, 36 and 40 of the Management Act, as they apply to assessments, apply to amounts payable under this paragraph.

(4) Paragraph 16 (appeals) applies to any notification under this paragraph.

(5) The effect of sub-paragraph (2) is suspended by an appeal under paragraph 16 until the appeal is determined or withdrawn.

Withdrawals: information returns

13.—(1) For the purposes of paragraph 9(1)(a) of Schedule 1, within 14 days after the end of a claim period, a person who is or was an account manager of a Lifetime ISA during that period must submit to the Board returns of information relating to the Lifetime ISA in respect of that period.

(2) The Board may from time to time specify—

(a) the information to be included in a return;

(b) the form of a return;

(c) the form or manner in which a return is to be submitted; and

(d) the period to which a return must relate.

(3) Where a return has been made and the account manager becomes aware within four years after the end of the claim period that—

(a) anything which should have been included in the return has not been so included,

(b) anything which should not have been included in the return has been so included, or

(c) any other error has occurred in the return,

the account manager must correct the error without delay.

(**a**) Regulation 5DC was inserted by S.I. 2012/1871.

(4) The Board may enquire into a return if the Board has reasonable grounds for believing that an error has occurred in the return and give notice to the account manager of the Board's intention to do so no later than 12 months after the date on which the return is made.

(5) Sub-paragraph (1) is not to apply for 2017-18 to an account manager for an account which has been transferred to another account before the end of the claim period.

Payment to the Board of withdrawal charges

14.—(1) For the purpose of paragraph 9(1)(e) of Schedule 1, an account manager liable under paragraph 8(3)(b) of that Schedule must pay to the Board within 14 days after the end of each claim period the amounts due in respect of the period.

(2) Where a person accountable under paragraph 8 of Schedule 1 is notified by the Board that an amount is due from them, that amount shall be treated for the purposes of Part 6 of the Management Act as if it were tax charged in an assessment and due and payable.

(3) The time limits in sections 34, 36 and 40 of the Management Act, as they apply to assessments, apply to amounts payable under sub-paragraph (2).

(4) An account investor may apply to the Board where a withdrawal charge has been wrongly made (including, without limitation, in circumstances not attributable to the account investor where paragraphs 4(2) or (3) would otherwise apply) for a refund of the amount of the withdrawal charge.

(5) An application under sub-paragraph (4) must be made within 4 years after the making of the withdrawal charge.

(6) If an application is made, the Board must make any necessary repayment of the charge.

(7) Paragraph 16 (appeals) applies to any decision of the Board in relation to a notification under sub-paragraph (2) or an application under sub-paragraph (4).

(8) The effect of any notification under sub-paragraph (2) is suspended by the making of an appeal under paragraph 16 until the appeal is determined or withdrawn.

(9) The effect of any decision in relation to an application under sub-paragraph (4) is not suspended by the making of an appeal in relation to such an application.

(10) A transfer from a Lifetime ISA to an account other than another Lifetime ISA of the account investor is to be treated as a withdrawal.

Payments and Interest

15.—(1) Any amount which is payable by virtue of an assessment made, or treated as made, under this Schedule is payable on the day following the end of the period of 30 days beginning with the day on which the notice of assessment is given.

(2) Sections 101 and 103 of the Finance Act 2009(**a**) apply for late payment interest on any amount that is payable to the Board under this Schedule which amount payable for this purpose is to be treated as income tax.

(3) Sections 102 and 103 of that Act apply for repayment interest on any amount that is payable by the Board under this Schedule which amount payable is to be treated as a repayment of an overpayment of income tax.

Appeals

16.—(1) This paragraph applies to a review or appeal in respect of a decision made or notification given by the Board under any of paragraphs 3 (rejection of government bonus

(**a**) 2009 c.10 and S.I.2011/701.

claim), 10 (purchase failure), 12 (recoupment of government bonus), 14 (withdrawal charges) and 15(1) (payments and interest).

(2) Notice of an appeal must be given to the Board within 30 days after the date on which notice of the decision or other notification was given.

(3) Notice of an appeal must—

(a) specify the grounds of appeal;

(b) be given in writing;

(c) contain sufficient information to identify the appellant and the decision against which the appeal is being made; and

(d) be signed, or authenticated in another way approved by the Board, by or on behalf of the appellant.

(4) Sections 49, 49A to 49I(**a**) and 54 of the Management Act apply in relation to proceedings for a review and appeal.

(5) The following provisions apply where a person is appealing to the Tribunal.

(6) The Tribunal must either—

(a) dismiss the appeal, or

(b) quash the whole or part of the decision to which the appeal relates.

(7) The Tribunal may act as mentioned in sub-paragraph (6)(b) only to the extent that it is satisfied that the decision was wrong on one or more of the following grounds—

(a) that the decision was based, wholly or partly, on an error of fact;

(b) that the decision was wrong in law.

(8) If the Tribunal quashes the whole or part of a decision, it may either—

(a) refer the matter back to the Board with a direction to reconsider and make a new decision in accordance with its ruling, or

(b) substitute its own decision for that of the Board.

(9) The Tribunal may not direct the Board to take any action which they would not otherwise have the power to take in relation to the decision.

(10) A decision of the Tribunal made by virtue of this section has the same effect as, and may be enforced in the same manner as, a decision of the Board.

(11) In this paragraph "the Tribunal" means the First-tier Tribunal, or when determined by or under Tribunal Procedure Rules, the Upper Tribunal.

Information to be given by account manager to account investor

17. If the account investor so requests in writing, an account manager who makes a payment to an account investor out of an account from which a withdrawal charge has been deducted must, within 30 days beginning with the day after the day of receipt of the request, furnish the account investor with a statement in writing showing—

(a) the gross amount of the payment,

(b) the amount deducted, and

(c) the amount actually paid.

Extensions

18. The Board may authorise an extension to any period of time provided for under this Schedule.".

(**a**) Section 49 was substituted and sections 49A to 49I were added by S.I.2009/56.

Name
Name
Date Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

The Regulations amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) ("the ISA Regulations").

The Regulations establish a new Individual Savings Account (ISA), the Lifetime ISA, from 6 April 2017.

The Regulations make consequential amendments to the ISA Regulations to take account of the Lifetime ISA (regulations 2 to 29). The principal provisions relating to the new account are set out in a new Schedule to the ISA Regulations, which is inserted by this Instrument (regulation 31).

An account in respect of which the account holder has notified closure within 30 days of the cancellation period start date set out in Financial Conduct Authority rules and one from which, other than in specified circumstances, a withdrawal is made in 2017-18, is to be disregarded for the purpose of the ISA Regulations (regulation 6).

The overall Lifetime ISA payment limit in respect of current year payments for any Lifetime ISA qualifying individual for any year is £4,000, (regulation 7), which must be within the overall subscription limit for an ISA in that year (regulation 21). An amount held in a Help to Buy: ISA on 5 April 2017 can also be transferred to a Lifetime ISA during the year 2017-18 without the amount counting towards the limit (regulation 21).

The Regulations set out eligibility conditions for opening and paying into the new account, including a requirement that an account can only be opened by an adult younger than 40 years old and that, subject to specified exceptions, an individual can only pay into an account if they are younger than 50 years old (regulations 21 and 24), they provide for the amount (regulation 7) and type of payments that can be made into an account, and which investments can be held in the account (regulations 6 and 19).

The Schedule inserted into the ISA Regulations sets out details in relation to the operation of a Lifetime ISA.

Paragraphs 1 and 2 of the Schedule provide for how an account provider claims a government bonus that is due, including specifying claim periods and the due date for claims, and they provide for a 25% government bonus to be payable on qualifying additions paid into the account.

Paragraph 3 sets out arrangements for cases in which a claim is rejected, including for review and appeal.

Paragraphs 4 to 6 specify circumstances in which sums may be withdrawn from an account without a charge being made, including on a first-time residential purchase, on an individual reaching 60 years old and on the account manager receiving written evidence from a medical practitioner that the account investor is expected to live for less than one year and provide for the application of a 25% charge on certain other withdrawals.

Paragraphs 6 to 8 set out the conditions which must be satisfied for a withdrawal in relation to a first-time residential purchase not to be subject to a withdrawal charge. These paragraphs also set out the process and information requirements that must be satisfied by an account holder and their conveyancer in relation to the withdrawal.

Paragraph 10 provides that withdrawn funds must be returned to a Lifetime ISA if a first-time residential purchase has not been completed within 90 days of receipt of the funds by the conveyancer. Any funds not returned may be subject to a withdrawal charge. The 90 day period,

as well as other time periods provided for in the Schedule may be extended by HMRC under paragraph 18.

Paragraphs 10 and 12 to 14 provide for the collection and payment of withdrawal charges or other amounts due and provision of information to HMRC.

Paragraph 11 provides for other circumstances in which removal of sums from a Lifetime ISA will not be subject to a withdrawal charge.

Paragraph 15 provides for late payment and repayment interest and paragraph 16 provides for appeals.

A Tax Information and Impact Note covering this instrument has been published on the HM Government website at: https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.

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