EXPLANATORY MEMORANDUM TO

THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT NO. 2) REGULATIONS 2020

2020 No. 261

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 the House of Commons 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 Junior Individual Savings Account (Junior ISA) in a tax year. A Junior ISA 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 Select 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 at this stage.

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 An ISA is a tax-advantaged savings product providing relief from tax to individuals. A Junior ISA is a tax-advantaged savings product available to children. The Junior ISA rules, including the annual subscription limit, are set out in the Individual Savings Account Regulations 1998 (S.I. 1998/1870) (the "ISA Regulations"), which this instrument amends. Regulation 4ZB provides for the Junior ISA annual limit.

7. Policy background

What is being done and why?

7.1 The Junior ISA annual subscription limit will be increased from £4,368 to £9,000, with effect from 6 April 2020. 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 ISA regulations.

10. Consultation outcome

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

11. Guidance

11.1 HMRC's Guidance Notes for ISA providers will be amended to reflect the change to the Junior ISA limit to £9,000 from 6 April 2020. These are available at www.gov.uk/government/collections/isa-managers-guidance.

11.2 Guidance on Junior ISAs is available at www.gov.uk/junior-individual-savings-accounts.

12. Impact

12.1 The impact on business, charities or voluntary bodies is that there will be negligible one-off costs for Junior ISA account providers in changing the subscription limit for accounts. There will be no impact on 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 which offer Junior ISAs, 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 ISA Regulations, on small businesses through its regular engagement with the ISA 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 Junior ISA subscription limit will be increased from £4,368 to £9,000.

14. Monitoring & review

14.1 HMRC will continue to review compliance with the ISA regulations using information provided annually and through regular contact with ISA providers and other groups

14.2 This regulation is exempt from the requirement to provide 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.