STATUTORY INSTRUMENTS

2024 No. 1022

INCOME TAX

CAPITAL GAINS TAX

The Individual Savings Account (Amendment) (No. 2) Regulations 2024

Made - - - -	*9th October 2024*
Laid before the House of Commons	*14th October 2024*
Coming into force - -	*4th November 2024*

The Treasury make these Regulations in exercise of the powers conferred by section 151(1) and (2) of the Taxation of Chargeable Gains Act 1992(**a**) and sections 694, 695, 695A, 696, 699 and 701 of the Income Tax (Trading and Other Income) Act 2005(**b**).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Individual Savings Account (Amendment) (No. 2) Regulations 2024 and come into force on 4th November 2024.

(2) The amendments made by regulation 7 have effect in relation to the tax year 2025-26 and subsequent tax years.

Amendment of the Individual Savings Account Regulations 1998

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

Amendment of regulation 4

3. In regulation 4 (general conditions for accounts and subscriptions to accounts)(**d**), in paragraph (6)—

(a) after sub-paragraph (a), insert—

"(aa) where the account investments are fractional interests, that—

(**a**) 1992 c. 12. Subsection (2) was substituted by paragraph 436 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5). It was amended by section 27(2)(a) of the Finance Act 2016 (c. 24).

(**b**) 2005 c. 5. Section 694 was amended by section 40(2) of the Finance Act 2011 (c. 11). Section 695 was amended by paragraph 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11). Section 695A was inserted by section 40(3) of the Finance Act 2011. Section 699 was amended by paragraph 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 and section 40(4) of the Finance Act 2011. Section 701 was amended by section 40 of the Finance Act 2008 (c. 9) and section 40(5) of the Finance Act 2011.

(**c**) S.I. 1998/1870.

(**d**) Paragraph (6) of regulation 4 was amended by S.I. 2002/1974, 2010/2957, 2011/1780, 2014/1450, 2016/977, 2017/466 and 2024/350.

(i) the requirement under sub-paragraph (a) applies in relation to the beneficial ownership of the whole share in which the account investor holds a fractional interest, and

(ii) the beneficial interest held by the account investor shall be in proportion to the fractional interest in the whole share;";

(b) in sub-paragraph (b), after "except in relation to" insert "a fractional interest,";

(c) after sub-paragraph (b) insert—

"(ba) that fractional interests are treated as meeting the requirements of sub-paragraph (b)(i) or (ia) if (and only if) the title to the whole share in which the account investor holds a fractional interest meets the requirements of those paragraphs;";

(d) in sub-paragraph (d), after "stocks and shares component" insert "(excluding an investment in fractional interests)"; and

(e) after sub-paragraph (d) insert—

"(da) that, in relation to investments in fractional interests, where the account investor holds more than one fractional interest in relation to the same investment, the aggregated value of which amounts to at least one whole share ("aggregated whole share")—

(i) the obligations under sub-paragraph (d) apply to the manager in relation to the account investor who holds such an aggregated whole share, and

(ii) the aggregated whole share is subject to the requirements in sub-paragraph (b);".

Amendment of regulation 4ZA

4. In regulation 4ZA (subscriptions to an account other than a junior ISA account)(**a**), in paragraph (4)(b), for "have" substitute "qualify for".

Amendment of regulation 6

5. For paragraph (2) of regulation 6 (general investment rules)(**b**) substitute—

"(2) All other transactions by way of sale or otherwise in an investment under account, and all transactions by way of trade or otherwise by an account manager of an investment in fractional interests—

(a) shall be made at the price for which those investments might reasonably be expected to be sold or otherwise transacted, as the case may be, in the open market, and

(b) in the case of transactions in fractional interests, the price shall be proportionate to the size of the fraction relative to the whole share.".

Amendment of regulation 7

6.—(1) In paragraph (2)(a) of regulation 7 (qualifying investments for a stocks and shares component)(**c**) before the word "shares" insert "subject to paragraphs (2B) and (2C),".

(**a**) Regulation 4ZA was added by S.I. 2011/1780.
(**b**) Paragraph (2) of regulation 6 was amended by S.I. 2016/977.
(**c**) Paragraph (2) was amended by section 202(2) of the Finance Act 1996 (c. 8), paragraphs 86 and 145 of Schedule 8 to the Finance Act 2014 (c. 26), S.I. 1998/3174, 2000/2079, 2000/3112, 2001/3778, 2003/2747, 2004/2996, 2005/2561,

(2) In paragraph (2)(d), before "shares" insert "and subject to paragraphs (2B) and (2C),".

(3) After paragraph (2)(g) insert—

"(ga) subject to paragraphs (2B) and (2C), shares of a UK UCITS, a recognised UCITS or a non-UCITS retail scheme that are listed on or admitted to trading on a recognised stock exchange;".

(4) After paragraph (2)(q) insert—

"(r) an interest in a fraction of a share where the account investor holds the beneficial interest in a fraction that is less than one whole share under the terms which are contained in a contractual arrangement between the account investor and the account manager ("fractional interest").".

(5) After paragraph (2A) insert—

"(2B) An interest in a fraction of a qualifying investment falling within any of sub-paragraphs (a) to (ha) of paragraph (2) is not a qualifying interest for the stocks and shares component unless it is a fractional interest within the meaning of sub-paragraph (r) of that paragraph.

(2C) In sub-paragraph (r) of paragraph (2), "shares" means shares which are qualifying investments in accordance with sub-paragraphs (a), (d) or (ga) of that paragraph.".

(6) In paragraph (3) for "(2)(a) or (d)" substitute "(2)(a), (d) or (ga)".

Amendment of regulation 12

7. In regulation 12 (conditions for application to open an account that is not a junior ISA account or a Lifetime ISA)(**a**), in paragraph (4)(c), for ", or confirmation that he does not have one" substitute "or, where applicable, confirmation that the applicant does not qualify for a national insurance number".

Amendment of regulation 21

8. In regulation 21 (transfers relating to accounts other than junior ISA accounts)(**b**)—

(a) in paragraph (6)(b), at the beginning, insert "subject to paragraph (6ZA),", and

(b) after paragraph (6) insert—

"(6ZA) But there is no obligation to provide the information specified in paragraph (6)(b)(iii) or (iv) where, in relation to an account—

(a) there is a transfer in part of the current year's subscriptions, and

(b) a current year's subscription remain with the transferor after the transfer.".

Amendment of regulation 21A

9. In regulation 21A (further requirements relating to transfers between cash accounts)(**c**)—

(a) in paragraph (3)(b), in each of sub-paragraphs (ii) and (iii), at the beginning insert "subject to paragraph (3ZA),", and

(b) after paragraph (3) insert—

2005/3350, 2007/2119, 2008/704, 2008/3025, 2009/1994, 2011/1780, 2013/1743, 2014/1450, 2015/1370, 2019/689 and 2023/264.

(**a**) Paragraph (4)(c) was amended by S.I. 2011/1780.

(**b**) Paragraph (6) of regulation 21 was amended by S.I. 2007/2119, 2014/1450, 2016/16, 2016/364, 2017/466, 2017/1089, and 2024/350.

(**c**) Regulation 21A was inserted by S.I. 2010/2957 and was amended by S.I. 2011/1780, 2012/1871, 2016/16 and 2017/1089.

"(3ZA) But there is no obligation to provide the information specified in paragraph (3)(b)(ii) or (iii) where, in relation to an account—

(a) there is a transfer in part of the current year's subscriptions, and

(b) a current year's subscription remains with the transferor after the transfer.".

Jeff Smith
Vicky Foxcroft

9th October 2024 — Two of the Lords Commissioners of His Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) ("the principal Regulations").

The amendments made by regulation 7 have effect in relation to the tax year 2025-26 and subsequent tax years. The amendments made by the rest of these Regulations have effect when the Regulations come into force (regulation 2).

Regulation 3 amends regulation 4 of the principal Regulation to provide the requirements to be met in relation to fractional interests in order that they qualify for investment in stocks and shares ISAs. It also makes provision for circumstances in which an account investor holds fractional interests which amount to at least one whole share.

Regulation 4 amends paragraph (4)(b) of regulation 4ZA of the principal Regulations so that the declaration by a qualifying individual needs to declare (if it is the case) that the qualifying individual does not qualify for a national insurance number.

Regulation 5 amends regulation 6 of the principal Regulations. It substitutes a new paragraph (2) which requires all other transactions by way of sale, and all transactions in fractional interests, to be at the open market price and (in the case of fractional interests) the price is to be in proportion to the fraction of the interest in the whole share.

Regulation 6 amends regulation 7 of the principal Regulations. It provides that only fractional interests which comply with new paragraph (2)(r) of regulation 7 qualify for investment in a stocks and shares ISA. It inserts new paragraphs (2B and (2C) to prescribe the shares and investments which qualify for a stocks and shares component.

Regulation 7 amends regulation 12 of the principal Regulations. An application to open an account that is not a junior ISA account or a Lifetime ISA must contain confirmation (if it is the case) that the applicant does not qualify for a national insurance number.

Regulation 8 amends regulation 21 of the principal Regulations. Where there is a transfer in part of an account's current year subscriptions, and a current year's subscription remains with the transferor after the transfer, new paragraph (6ZA) provides that the information specified in paragraph (6)(b)(iii) and (iv) does not need to be provided.

Regulation 9 amends regulation 21A of the principal Regulations. Where there is a transfer in part of cash account's current year subscriptions, and a current year's subscription remains with the transferor after the transfer, new paragraph (3ZA) provides that the information specified in paragraph (3)(ii) and (iii) does not need to be provided.

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

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