EXPLANATORY MEMORANDUM TO

THE INDIVIDUAL SAVINGS ACCOUNT (AMENDMENT) REGULATIONS 2026

2026 No. 248

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) on behalf of His Majesty's Treasury and is laid before the House of Commons by Command of His Majesty.

2. Declaration

2.1 Lucy Rigby MP, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Helen Page, Deputy Director for Pensions, Savings and Charities at HMRC confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Helen Williams at HMRC can be contacted by email at the following address with any queries regarding the instrument: savings.audit@hmrc.gov.uk. Alternatively, the department can be contacted by telephone: 03000 200 3300.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument amends the Individual Savings Account Regulations 1998 (the ISA Regulations) to deliver the Government's decision to allow Long Term Asset Funds (LTAFs) to be qualifying investments for a stocks and shares ISA (s&s ISA) with effect from 6 April 2026. It also provides that LTAFs which were held within an Innovative Finance ISA (IF ISA) prior to 6 April 2026 are to be treated as qualifying investments for a s&s ISA.

4.2 The instrument amends the ISA Regulations to deliver the Government's decision that cryptoasset exchange traded notes (cETNs) are to be qualifying investments for an IF ISA with effect from 6 April 2026. It removes their eligibility for a s&s ISA or Junior ISA and also provides that cETNs which were held in a s&s ISA or Junior ISA, prior to 6 April 2026 can be retained within the account(s).

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) of which the instrument forms part of the law) is the United Kingdom.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 An Individual Savings Account (ISA) is a tax-advantaged savings product providing relief from tax to individuals. The Junior ISA is an equivalent product designed for

children. The ISA rules, including which investments qualify for inclusion and the basis on which accounts must operate, are set out in the ISA Regulations. One such rule is that only authorised or recognised funds may be held in a s&s ISA or Junior ISA. Currently, cETNS are not defined separately from other securities. The Government has decided that, with effect from 6 April 2026, cETNs cannot be held within a Junior ISA and that they are to be restricted to the IF ISA.

5.2 This instrument amends the ISA Regulations to provide that LTAFs are qualifying investments for a s&s ISA. It removes the provision which allows LTAFs to be qualifying investments for an IF ISA and provides that LTAFs which were held within an IF ISA prior to 6 April 2026 are to be treated as qualifying investments for a s&s ISA.

5.3 The instrument also amends the ISA Regulations to define cETNs for the purposes of the ISA Regulations. It provides that cETNs are qualifying investments for an IF ISA and amends the provision which allowed cETNS to be qualifying investments for a s&s ISA and Junior ISA. It also provides that cETNS which were held in a s&s ISA or Junior ISA prior to 6 April 2026 can be retained within the account.

What was the previous policy, how is this different?

5.4 The ISA Regulations provide that funds which would otherwise be eligible for a s&s ISA but for their limited liquidity are eligible for the IF ISA. Because LTAFs have limited liquidity, they were only eligible for inclusion in an IF ISA.

5.5 At Mansion House 2025, it was announced that LTAFs would become qualifying investments for a s&s ISA with effect from April 2026.

5.6 The ISA Regulations provide that securities are qualifying investments for the s&s ISA and Junior ISA. The definition of qualifying securities does not specify cETNS separately. Due to historical and recent changes to the Financial Conduct Authority's (FCA) marketing rules, it is possible that cETNs have been marketed to retail investors and are held within a s&s ISA and Junior ISA.

5.7 On 8 October 2025, it was announced that access to a cETN should be restricted to the IF ISA, reflecting the Government's commitment to ensuring access to a diverse range of assets within ISAs, while recognising the evolving nature of digital finance.

6. Legislative and Legal Context

How has the law changed?

6.1 Regulation 2 of the ISA Regulations provides the definition of investments which qualify for inclusion in an ISA under Regulation 8.

6.2 This instrument will create a definition of a cETN for the purposes of Regulation 8.

6.3 Regulation 4 prescribes the general conditions with which an account must comply if it is to qualify for relief from tax, including that the investor must be able to access funds in the account within 30 days of a request.

6.4 The instrument will amend Regulation 4 to provide an exemption from the requirement that the investor must be able to access funds in the account within 30 days of a request where the investment is an LTAF. It will also make a consequential amendment to refer to cETNs.

6.5 Regulation 5DDA prescribes the conditions which permit the civil partner or spouse of a deceased ISA investor to subscribe the funds held in the deceased's ISA account(s) to an ISA of their own outside the annual subscription limits.

6.6 The instrument will amend Regulation 5DDA to include reference to cETNs.

6.7 Regulation 7 specifies the kind of investments which may be held in a s&s ISA.

6.8 The instrument will amend Regulation 7 to provide that LTAFs are qualifying investments for a s&s ISA. The Regulations will also provide that LTAFs which were held within an IF ISA prior to 6 April 2026 are to be treated as qualifying investments for a s&s ISA from that date. Regulation 7 will also be amended to provide that cETNs are not qualifying investments for a s&s ISA unless they were held within a s&s ISA prior to 6 April 2026.

6.9 Regulation 8A specifies the kind of investments which may be held in an IF ISA.

6.10 The instrument will amend Regulation 8A to remove the provision that allows LTAFs to be held in an IF ISA. It will also be amended to provide that cETNs are qualifying investments for an IF ISA.

6.11 Regulation 31 specifies the returns of information which must be made by the ISA manager to HMRC.

6.12 The instrument will amend Regulation 31 to require ISA managers to report LTAFs separately and will make a consequential amendment to refer to cETNs.

Why was this approach taken to change the law?

6.13 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 Policy officials in HMRC and HMT have regular discussions with industry representatives and ISA managers on the operational design of ISAs, potential improvements, and the application of the ISA rules. These discussions have informed the proposed changes which will allow LTAFs to be included as qualifying investments for a s&s ISA rather than an IF ISA, and the changes relating to cETNs. Additionally, technical consultation on the draft legislation and the operational consequences of the changes took place between September and October 2025 (LTAF) and between December 2025 and January 2026 (cETNs). Limited comments were received on the text of the amending legislation, with the majority of comments concentrating on the Government's policy decision. Where technical comments were received, they have informed the drafting of the amending legislation.

8. Applicable Guidance

8.1 HMRC's Guidance Notes for ISA managers available on the gov.uk website[1] will be amended to reflect the changes to the ISA rules.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument will be published on the gov.uk website.[2]

[1] Guidance Notes for ISA managers: http://www.gov.uk/government/collections/isa-managers-guidance
[2] Tax Information and Impact Note: https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies. The changes satisfy business requests for LTAFs to be eligible for a stocks and shares ISA. The change was announced by the EST in June 2025 and businesses are expecting the change. The change to cETNs was announced on 8 October 2025. ISA managers who wish to offer cETNs within an IF ISA will need HMRC approval to offer the IF ISA if they do not already have it.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because the changes do not affect how businesses interact with HMRC.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that HMRC will continue to review compliance with the ISA Regulations using information provided annually and through regular contact with ISA Managers and other public sector bodies.

10.2 The instrument does not include a statutory review clause, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, because it amends a provision to vary tax.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative procedure and does not amend primary legislation no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).