STATUTORY INSTRUMENTS

2004 No. []

CHILD TRUST FUNDS

The draft Child Trust Funds Regulations 2004

Made - - - -	*2004*
Laid before Parliament	*2004*
Coming into force - -	*In accordance with regulation 1*

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The Treasury, in exercise of the powers conferred upon them by sections 3(1) to (3) and (5), 5, 6(2), 7, 8(1), 9(2), 11(1), 12(2) 13, 15, 16, 23(1) and 28(1) to (4) of the Child Trust Funds Act 2004(**a**), hereby make the following Regulations:

PART 1

Introductory

Citation and commencement

1. These Regulations may be cited as the Child Trust Funds Regulations 2004 and shall come into force for the purposes of—

(a) issuing vouchers (see regulation 3),

(b) completing account-opening formalities (see regulation 5),

(c) applications under regulation 13 to open an account with effect from the appointed day,

(d) applications under regulation 14 to be approved as an account provider to manage accounts from the appointed day,

(e) regulation 17, so far as it relates to applications referred to in paragraph (d), and

(f) making a fortnightly claim and financial return (see regulation 30),

on 1st January 2005, and for all other purposes on the appointed day.

Interpretation

2.—(1) In these Regulations—

(a) the following expressions have the meanings given in the Child Trust Funds Act 2004 ("the Act")—

"appointed day"

"child"

"child trust fund"

"eligible child"

"Inland Revenue contributions" (see section 11(2) of the Act),

"relevant person" (see section 15(2) of the Act),

"responsible person", in relation to a child;

(b) except where the context otherwise requires—

"account" means a scheme of investment which (except in regulation 22(1)) qualifies as a child trust fund, other than in the cases of—

(i) an account with a deposit-taker,

(ii) a share or deposit account with a building society, or

(**a**)

(iii) a deposit account with a person falling within section 840A(1)(b) of the Taxes Act, or a relevant European institution;

an "account investment" is an investment under the account which is a qualifying investment for an account within the meaning of regulation 12;

an "account provider" is a person who fulfils the conditions of these Regulations and is approved by the Board for the purpose of these Regulations as an account provider;

"assurance undertaking" has the meaning in Article 8 of the First Council Directive 79/267 as extended by the EEA Agreement;

"the Board" means the Commissioners of Inland Revenue;

"building society" means a building society within the meaning of the Building Societies Act 1986, or the Irish Building Societies Act 1989;

"child benefit claimant", in relation to a child, means the person who is entitled to child benefit (within the meaning in section 2(1)(a), (4) and (6) of the Act) in respect of the child;

"company", except in regulation 12(4)(a), means any body corporate having a share capital other than -

(i) an open-ended investment company, within the meaning given by section 236 of the Financial Services and Markets Act 2000,

(ii) a UCITS,

(iii) an industrial and provident society, or

(iv) a body corporate which is a 51 per cent. subsidiary of any industrial and provident society;

"deposit-taker" has the meaning given by section 481(2) of the Taxes Act;

"the Director of Savings" has the same meaning as in the National Debt Act 1972;

"EEA Agreement" means the Agreement on the European Economic Area signed at Oporto on 2nd May 1992, as adjusted by the Protocol signed at Brussels on 17th March 1993;

"EEA State" means a State, other than the United Kingdom, which is a Contracting Party to the EEA Agreement;

"European institution" means an EEA firm of the kind mentioned in paragraph 5(a), (b) or (c) of Schedule 3 to the Financial Services and Markets Act 2000 which is an authorised person for the purposes of that Act as a result of qualifying for authorisation under paragraph 12 of that Schedule;

"51 per cent. subsidiary" and "75 per cent. subsidiary" have the meanings given by section 838 of the Taxes Act;

"gains", except in regulations 22(1) and (2), 24(a)(ii), (iii) and (v), 27(2), 37(6) and 38, means "chargeable gains" within the meaning in the 1992 Act;

"gilt-edged securities" has the meaning given by paragraphs 1 and 1A of Schedule 9 to the 1992 Act;

"incorporated friendly society" means a society incorporated under the Friendly Societies Act 1992;

"industrial and provident society" means a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or under the Industrial and Provident Societies (Northern Ireland) Act 1969;

"investment trust" has the meaning given by section 842 of the Taxes Act, and references to the "eligible rental income" of an investment trust have the same meaning as in that section;

"the Management Act" means the Taxes Management Act 1970;

"market value" shall be construed in accordance with section 272 of the 1992 Act;

"the 1992 Act" means the Taxation of Chargeable Gains Act 1992;

"notice", except in regulations 12(12) and 38, means notice in writing;

"recognised stock exchange" has the same meaning as in section 841 of the Taxes Act;

"registered friendly society" has the meaning given by the Friendly Societies Act 1992 and includes any society that by virtue of section 96(2) of that Act is to be treated as a registered friendly society;

"relevant authorised person" has the same meaning as in section 333A(12) of the Taxes Act;

"relevant European institution" has the meaning given by section 326A(10) of the Taxes Act;

"security", means any loan stock or similar security of a company whether secured or unsecured;

"subscriptions" has the meaning in section 12(1) of the Act (but excluding Inland Revenue contributions and income or gains arising from investments under the account);

"tax" where neither income tax nor capital gains tax is specified means either of those taxes;

"the Taxes Act" means the Income and Corporation Taxes Act 1988;

"year", except in the expression "subscription year" in regulations 9 and 21(5)(b), means a year of assessment (within the meaning in section 832(1) of the Taxes Act, or section 288(1) of the 1992 Act, as the case may be);

(c) "authorised fund" means—

(i) an authorised unit trust, or

(ii) an open-ended investment company with variable capital incorporated in the United Kingdom in the case of which an authorisation order made by the Financial Services Authority under regulation 14 of the Open-Ended Investment Companies Regulations 2001 is in force;

"authorised unit trust" means a unit trust scheme in the case of which an authorisation order made by the Financial Services Authority under section 243 of the Financial Services and Markets Act 2000 is in force;

"the Collective Investment Schemes Sourcebook" means the sourcebook of that name made by the Financial Services Authority under the Financial Services and Markets Act 2000;

"depositary interest" means the rights of the person mentioned in paragraph (ii), under a certificate or other record (whether or not in the form of a document) acknowledging—

(i) that a person holds relevant investments or evidence of the right to them, and

(ii) that another person is entitled to rights in or in relation to those or identical relevant investments, including the right to receive such investments, or evidence of the right to them or the proceeds from such investments, from the person mentioned in paragraph (i),

where "relevant investments" means investments which are exclusively qualifying investments for an account falling within regulation 12(2)(a) to (i), and the rights mentioned in paragraph (ii) are exclusively rights in or in relation to relevant investments;

"funds of funds scheme" means—

(i) an authorised fund which according to the terms of the scheme is a fund of funds scheme belonging to the category under that name established by the Financial Services Authority, and

(ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised fund;

"money market scheme" means—

(i) an authorised fund which according to terms of the scheme is a money market scheme belonging to the category under that name established by the Financial Services Authority, and

(ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised fund;

"open-ended investment company", except in sub-paragraph (a), has the meaning given by subsection (10) of section 468 of the Taxes Act as that subsection is added in relation to open-ended investment companies by regulation 10(4) of the 1997 Regulations, and "shares" in relation to an open-ended investment company, includes shares of any class and of any denomination of a given class and, in relation to a part of an umbrella company, means shares in the company which confer for the time being rights in that part;

"securities scheme" means—

(i) an authorised fund which according to the terms of the scheme is a securities scheme belonging to the category under that name established by the Financial Services Authority, and

(ii) a part of an umbrella scheme which the terms of the scheme identify as a part which would belong to that category if it were itself an authorised fund;

"the 1997 Regulations" means the Open-ended Investment Companies (Tax) Regulations 1997;

"UCITS" means undertakings for collective investment in transferable securities within the meaning of Article 1 of Council Directive 85/611;

"umbrella scheme" means an authorised fund which according to the terms of the scheme is an umbrella scheme belonging to the category under the name established by the Financial Services Authority, and

(i) in the case of an authorised fund which is an authorised unit trust, references to a part of an umbrella scheme shall be construed in accordance with subsection (8) of section 468 of the Taxes Act, and, in relation to a part of an umbrella scheme, references to investments subject to the trusts of an authorised unit trust and to a unit holder shall be construed in accordance with subsection (9) of that section, and

(ii) in the case of an authorised fund which is an open-ended investment company, references to a part of an umbrella scheme shall be construed in accordance with subsection (18) of section 468 of the Taxes Act as that subsection is added in relation to open-ended investment companies by regulation 10(4) of the 1997 Regulations, and, in relation to a part of an umbrella scheme, references to investments of the company shall be construed in accordance with subsection (12) of that section as so added;

"unit holder", except in relation to a part of an umbrella scheme, has the meaning given by subsection (6) of section 468 of the Taxes Act;

"unit trust scheme" has the meaning given by subsection (6) of section 468 of the Taxes Act**;**

"units", in relation to an authorised unit trust, means the rights or interests (however described) of the unit holders in that unit trust and, in relation to a part of an umbrella scheme, means the rights or interests for the time being of the unit holders in that part;

"warrant scheme" means—

(i) an authorised fund which according to the terms of the scheme is a warrant scheme belonging to the category under the name established by the Financial Services Authority, and

(ii) a part of an umbrella scheme which the terms of the scheme identify as a part that would belong to that category if it were itself an authorised fund.

(2) The table below indexes other definitions in these Regulations:

Term defined	*Regulation*
"the applicant"	5
"the commencement date"	7(3)
"description" of an account,	4
"the disqualifying circumstances"	16
"fortnightly period"	30(1)

"interim tax claim"	26(2)
"management agreement"	5
"the named child"	5
"qualifying circumstances"	14
"qualifying investments for an account"	12
"registered contact"	8(1)(d)
"subscription year"	9(2)
the "termination event"	12(11)
"the transfer instructions"	8(2)(h)
"the internal transfer instructions".	8(2)(i)

Vouchers

3.—(1) The voucher to be issued under section 5(1) of the Act shall contain the following particulars—

(a) the full name of the child,

(b) his date of birth,

(c) his unique reference number,

(d) the expiry date of the voucher, and

(e) the amount of the initial contribution (see regulation 7(1)),

and a statement that the voucher cannot be exchanged for money, and shall be sent to the child benefit claimant by post.

(2) The expiry date (when the voucher shall cease to be valid) shall be—

(a) where the voucher is issued under regulation 1(a) before the appointed day, the date 12 months after the appointed day, and

(b) in any other case, whichever is the earlier of—

(i) the date 12 months from the date of issue of the voucher, or

(ii) where the child is over 17 years of age, the date on which he will attain the age of 18 years.

Descriptions of accounts

4.—(1) An account may be of either of the following descriptions—

Stakeholder account

Where the account meets the characteristics and conditions in the Schedule to these Regulations.

Non-stakeholder account

Where any of those characteristics or conditions is not met.

(2) Accounts opened by the Inland Revenue (see regulation 6) must be stakeholder accounts.

Opening of account by responsible person

5. For the purposes of these Regulations, a responsible person for a child ("the applicant") opens an account for the child ("the named child") with an account provider on the date the last of the following conditions is satisfied (in any order):

Condition 1

The applicant gives the voucher relating to the named child to the account provider.

Condition 2

The applicant enters into an agreement with the account provider ("the management agreement") for the management of the account (see regulation 8(1) and (2)), which includes the application and declaration required by regulation 13.

Condition 3

Where that application is not in writing the applicant has agreed, or is treated as having agreed, the contents of the copy of the declaration required by regulation 13(3).

Condition 4

Where there is any right to cancel the agreement mentioned in Condition 2, the period during which it may be exercised has expired without that right being exercised.

Opening of account by Inland Revenue – (Revenue allocated accounts)

6.—(1) The Board shall apply to open an account for a child to whom section 6 of the Act applies, by forwarding to an account provider the particulars which would be required for a voucher (see regulation 3), but omitting sub-paragraph (d) of that regulation.

(2) The account provider shall immediately open a stakeholder account in the name of the child, which shall have the same effect as if a responsible person for the child had entered into the account provider's standard management agreement for the stakeholder account in question, including the terms mentioned in Condition 2 of regulation 5 (but treating the reference to the application and declaration required by regulation 13 as a reference to the application required by regulation 13(4)).

(3) The Inland Revenue shall maintain (and update from time to time) a list of account providers who have agreed to accept Revenue allocated accounts under this regulation, in the order of the date of their agreement, and the account provider shall be selected in rotation from the current list.

(4) Where the account provider offers two or more types of stakeholder account, the account to be opened shall be chosen by the account provider in rotation between those types.

Government contributions

7.—(1) The amounts of the initial contribution for the purposes of section 8(1) of the Act are set out in paragraphs (2) to (4).

(2) Where the child is an eligible child on the appointed day by virtue of section 2(1)(a) of the Act (by reason of a child benefit award), and—

(i) was born after 31st August 2002 but before 6th April 2003, the amount is £277,

(ii) was born between 6th April 2003 and 5th April 2004, the amount is £268, and

(iii) was born between 6th April 2004 and the day preceding the appointed day, the amount is £256.

(3) Where the child is an eligible child on the appointed day by virtue of section 2(1)(b) of the Act (by reason of being a child in the care of a local authority at that date) and—

(i) was born after 31st August 2002 but before 6th April 2003, the amount is £553,

(ii) was born between 6th April 2003 and 5th April 2004, the amount is £536, and

(iii) was born between 6th April 2004 and the day preceding the appointed day, the amount is £512.

(4) Where the child is born on or after the appointed day and—

(a) is first an eligible child by virtue of section 2(1)(a) of the Act, the amount is £250, and

(b) is first an eligible child by virtue of section 2(1)(b) of the Act, the amount is £500.

(5) The amounts of the supplementary contribution for the purposes of section 9(2) of the Act are set out in paragraphs (6) and (7).

(6) Where the child is an eligible child on the appointed day (and is a child to whom section 9 of the Act applies), the amount—

(a) if the commencement date was after 31st August 2002 but before 6th April 2003, is £266,

(b) if the commencement date was between 6th April 2003 and 5th April 2004, is £258,

(c) if the commencement date was between 6th April 2004 and the appointed day, is £250.

(7) Where the child becomes an eligible child after the appointed day the amount is £250.

(8) The "commencement date", in relation to a child, means the first day for which child benefit was paid (under a decision mentioned in section 2(6) of the Act) in respect of the child, except that—

(a) where entitlement to child benefit is wholly excluded by a directly applicable Community provision, it means the date on which that exclusion took effect, and

(b) where the child was prevented from being an eligible child by virtue of section 2(5) of the Act, it means the date on which the child became an eligible child.

PART 2
Other requirements to be satisfied in relation to accounts

General requirements for accounts

8.—(1) An account must satisfy the requirements that—

(a) it is the account for a single child ("the named child");

(b) the named child is or has been an eligible child;

(c) no child may hold more than one account;

(d) at any time, only a single responsible person ("the registered contact") may give instructions to the account provider with respect to its management; and

(e) the account must at all times be managed in accordance with these Regulations by an account provider and, subject to regulation 6(2), under terms agreed and recorded in a management agreement made between the account provider and the registered contact for the named child.

(2) Apart from other requirements of these Regulations the terms so agreed shall include the conditions that—

(a) the account investments shall be in the beneficial ownership of the named child;

(b) the title to all account investments, except those falling within regulation 12(2)(k), (l) or (m), shall be vested in the account provider or his nominee, subject to sub-paragraph (f);

(c) where a share certificate or other document evidencing title to an account investment is issued, it shall be held by the account provider or as he may direct, subject to sub-paragraph (f);

(d) in relation to qualifying investments falling within regulation 12(2)(a), (b) and (f) to (j), the account provider shall, if the registered contact so elects (and subject to any charge for the arrangement), arrange for the registered contact to receive a copy of the annual report and accounts issued to investors by every company, unit trust, open-ended investment company or other entity in which account investments are held;

(e) in relation to qualifying investments falling within regulation 12(2)(a), (b) and (f) to (j), the account provider shall, if the registered contact so elects (subject to any charge for the arrangement, and to any provisions made under any enactment), be under an obligation to arrange for the registered contact to be able—

(i) to attend any meetings of investors in companies, unit trusts, open-ended investment companies and other entities in which account investments are held,

(ii) to vote, and

(iii) to receive, in addition to the documents referred to in sub-paragraph (d), any other information issued to investors in such companies, unit trusts, open-ended investment companies and other entities;

(f) if and so long as a person falling within regulation 14(2)(d)(iv) acts as account provider of an account, and the account investments include a policy of life insurance—

(i) the title to all such policies shall be vested in the registered contact, and

(ii) where a policy document or other document evidencing title to such policies of life insurance is issued, it shall be held by the registered contact;

(g) the account provider shall satisfy himself that any person to whom he delegates any of his functions or responsibilities under the management agreement is competent to carry out those functions or responsibilities;

(h) on the instructions of the registered contact ("the transfer instructions") and within such time as is stipulated by the registered contact in the transfer instructions, the whole of an account, with all rights and obligations of the parties to it, shall be transferred free of expense (except any incidental expenses) to another account provider subject to and in accordance with regulation 21;

(i) where the account provider offers accounts of another description or type, on the instructions of the registered contact ("the internal transfer instructions") and within such time as is stipulated by the registered contact in the internal transfer instructions, the account shall become (free of expense, except any incidental expenses) an account of that other description or type (any necessary change in the investments being made accordingly); and

(j) the account provider shall notify the registered contact if by reason of any failure to satisfy the provisions of these Regulations an account is or will become no longer exempt from tax by virtue of regulation 24.

(3) The time stipulated in transfer instructions or internal transfer instructions shall be subject to any reasonable business period (not exceeding 30 days) of the account provider required for the practical implementation of the instructions.

(4) In this regulation, "incidental expenses" means stamp duty and other dealing costs of disposing of or acquiring investments.

Annual limit on subscriptions

9.—(1) Any person (including the child) may make subscriptions to a child's account, subject to paragraphs (2) and (3).

(2) Subscriptions to an account made during any subscription year, that is—

(a) the period beginning with the day on which the account is opened and ending immediately before the child's next birthday, and

(b) any succeeding period of twelve months,

shall not in aggregate exceed the sum of £1,200.

(3) Where the aggregate of subscriptions in any year falls short of £1,200 or is nil, there shall be no addition to the amount for any succeeding year.

Statements for an account

10.—(1) The account provider must issue a statement for the account—

(a) as at the named child's birthday, and

(b) where an account is transferred to another account provider under regulation 21, as at the transfer date.

(2) The statement shall be sent to the named child by post, within 60 days of the statement date.

(3) Statements shall include the following information—

(a) the full name of the child;

(b) his address;

(c) his date of birth;

(d) his unique reference number;

(e) the description of the account (see regulation 4);

(f) the name of the registered contact (if any);

(g) the statement date;

(h) the total market value of the account at the previous statement date (where the account provider held the account at the named child's previous birthday);

(i) the amount of any Government contributions claimed by the account provider under regulation 7, during the period between—

(i) the previous statement date, or the opening of the account (whichever is the later), and

(ii) the statement date;

(j) the aggregate amount of subscriptions (if any) received during the period in sub-paragraph (i);

(k) the total amount of deductions (including management charges) made during the period in sub-paragraph (i), and

(l) the total market value of the account at the statement date.

General investment rules

11.—(1) All transactions by way of purchase by an account provider of investments under an account shall be made—

(a) in the case of an authorised fund which is a dual priced unit trust, at the manager's price for the sale of the relevant class of units within the meaning of, and complying with the requirements of, rule 15.4.4 of the Collective Investment Schemes Sourcebook;

(b) in the case of an authorised fund which is a single priced unit trust or an open-ended investment company, at the price of a unit or share within the meaning of, and complying with the requirements of, rule 4.3.11 of the Collective Investment Schemes Sourcebook; and

(c) in the case of all other account investments, at the price for which those investments might reasonably be expected to be purchased in the open market.

(2) In paragraph (1)—

"a dual priced unit trust" means an authorised unit trust in respect of which the manager gives different prices for buying and selling units at the same time;

"a single priced unit trust" means an authorised unit trust in respect of which the manager gives the same price for buying and selling units at the same time.

(3) All other transactions by way of sale or otherwise by an account provider in investments under an account 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.

(4) Investments, or rights in respect of investments, may not at any time—

(a) be purchased or made otherwise than out of cash which an account provider holds under an account at that time; or

(b) be purchased from—

(i) the named child, or

(ii) the spouse of the named child,

so as to become account investments under the account.

(5) Subject to paragraph (6), contributions, subscriptions and any other cash held by an account provider under an account shall be held only in sterling and be deposited in an account with a deposit-taker, or a deposit account or a share account with a building society, which is designated as an CTF account for the purposes of these Regulations only.

(6) An account provider who is a European institution, a relevant authorised person or an assurance undertaking may hold an account investor's cash subscription and other cash held under an account in the currency of the EEA State in which he has his principal place of business and may deposit such cash in an account, which is designated as mentioned in paragraph (5), with any person authorised under the law of that State to accept deposits.

Qualifying investments for an account

12.—(1) This regulation specifies the kind of investments ("qualifying investments for an account") which may be purchased, made or held under an account.

(2) Qualifying investments for an account to which paragraph (1) refers are—

(a) shares, not being shares in an investment trust, issued by a company wherever incorporated and officially listed on a recognised stock exchange (see paragraph (3));

(b) securities—

(i) issued by a company wherever incorporated,

(ii) which satisfy at least one of the conditions in paragraph (5), and

(iii) in the case of securities of an investment trust, purchased or acquired by the account provider in circumstances where the investment trust satisfies the condition specified in paragraph (6);

(c) gilt-edged securities;

(d) any securities issued by or on behalf of a government of any EEA State;

(e) any securities which, in relation to a security mentioned in sub-paragraph (d), would be a strip of that security if "strip" had the same meaning as in section 47 of the Finance Act 1942, with the omission of the words "issued under the National Loans Act 1968";

(f) shares in an investment trust, listed in the Official List of the Stock Exchange (see paragraph (3)), in circumstances where the trust satisfies the condition specified in paragraph (6);

(g) units in, or shares of, a securities scheme, warrant scheme or fund of funds scheme;

(h) units in, or shares of, a money market scheme;

(i) units in, or shares of a UCITS;

(j) a depositary interest;

(k) cash deposited in a deposit account with a building society, or a person falling within section 840A(1)(b) of the Taxes Act or a relevant European institution, subject to paragraph (8);

(l) cash deposited in a share account with a building society, subject to paragraph (8);

(m) policies of life insurance which satisfy the conditions specified in paragraphs (9) and (10);

(n) any securities issued under the National Loans Act 1968—

(i) for the purpose of or in connection with raising money under the auspices of the Director of Savings within the meaning of section 11(1)(a) of the National Debt Act 1972, and

(ii) other than national savings certificates, premium savings bonds, national savings stamps and national savings gift tokens,

which, according to the terms and conditions subject to which they are issued and purchased, are expressly permitted to be held under an account.

(3) An investment in shares fulfils the condition as to official listing in paragraph (2)(a) or (f) if—

(a) in pursuance of a public offer, the account provider applies for the allotment or allocation to him of shares in a company or investment trust which are due to be admitted to such listing within 30 days of the allocation or allotment, and which, when admitted to such listing, would be qualifying investments for an account, and

(b) the shares are not allotted or allocated to the account provider in the circumstances specified in paragraph (4).

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

(a) the allotment or allocation of the shares was connected with the allotment or allocation of—

(i) shares in the company or investment trust of a different class, or

(ii) rights to shares in the company or investment trust of a different class, or

(iii) shares or rights to shares in another company or investment trust, or

(iv) units in or shares in, or rights to units in or shares in, an authorised fund or a part of an umbrella scheme, or

(v) securities or rights to securities of the company or investment trust, or of another company or investment trust,

to the account provider, the registered contact or any other person; and

(b) the terms on which the first-mentioned shares in this paragraph were offered were significantly more favourable to the account provider or the named child than they would have been if their allotment or allocation had not been connected as described in sub-paragraph (a).

(5) The conditions specified in this paragraph are—

(a) that the shares in the company issuing the securities are listed on the official list of a recognised stock exchange;

(b) that the securities are so listed;

(c) that the company issuing the securities is a 75 per cent. subsidiary of a company whose shares are so listed.

(6) The condition specified in this paragraph is that the investment trust has no eligible rental income, in its most recent accounting period to end before the date on which the shares in, or securities of, the investment trust first become investments under the account, provided that the shares or securities shall cease to be qualifying investments for an account if the investment trust has any eligible rental income, in subsequent accounting periods, during which the shares or securities are held.

(7) In paragraph (4)(a), "company" means any body corporate having a share capital.

(8) A deposit account or share account which is a qualifying investment for an account falling within paragraph (2)(k) or (l) must not be connected with any other investment, held by the named child or any other person, and for this purpose such an account is connected with an investment if—

(a) either was opened or acquired with reference to the other, or with a view to enabling the other to be opened or acquired on particular terms, or with a view to facilitating the opening or acquisition of the other on particular terms, and

(b) the terms on which the account was opened would have been significantly less favourable to the holder if the investment had not been acquired.

(9) The conditions specified in this paragraph are that—

(a) the insurance is on the life of the named child only;

(b) the terms and conditions of the policy provide—

(i) that the policy may only be owned or held as a qualifying investment for an account which satisfies the provisions of these Regulations;

(ii) that the policy shall automatically terminate if it comes to the notice of the account provider, in any manner, that the event specified in paragraph (11) has occurred in relation to the policy;

(iii) for an express prohibition of any payment of the proceeds from the termination of the policy or a partial surrender of the rights conferred by the policy, to the named child (while he is still a child); and

(iv) that the policy, the rights conferred by the policy and any share or interest in the policy or rights respectively, shall not be capable of assignment or (in Scotland) assignation, other than that they may be vested in the named child's personal representatives, and that the title to the policy may be transferred to a new account provider subject to and in accordance with regulations 8(2)(f) and 20;

(c) the policy evidences or secures a contract of insurance which—

(i) falls within paragraph 1 or 3 of Part 2 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, or

(ii) would fall within either of those paragraphs if the insurer were a company with permission under Part 4 of the Financial Services and Markets Act 2000 to effect or carry out contracts of insurance;

(d) the policy is not—

(i) a contract to pay an annuity on human life,

(ii) a personal portfolio bond within the meaning given by regulation 2(1) of the Personal Portfolio Bonds (Tax) Regulations 1999, or

(iii) a contract, the effecting and carrying out of which constitutes "pension business" within the meaning given by section 431B(1) of the Taxes Act; and

(e) after the first payment in respect of a premium in relation to the policy has been made, there is no contractual obligation on any person to make any other such payment.

(10) The condition specified in this paragraph is that no sum may at any time, at or after the making of the insurance, be lent to or at the direction of the named child or registered contact by or by arrangement with the insurer for the time being responsible for the obligations under the policy.

(11) The event specified in this paragraph is that—

(a) there has been a breach of any of the conditions in paragraph (9) or (10), or any of those conditions was not satisfied at the date on which the insurance was made; and

(b) the breach or non-compliance cannot be remedied in accordance with regulation 23, or (in any other case), has not been remedied within a reasonable time.

(12) Where the event specified in paragraph (11) occurs in relation to a policy, the policy shall nevertheless be treated, for the purposes of these Regulations, excepting paragraphs (9)(b)(ii) and (11), and regulation 38, as if it had satisfied the conditions in paragraphs (9) and (10) during the period—

(a) commencing at the time when that specified event occurred, and

(b) ending immediately before—

(i) the end of the final year in relation to the policy, within the meaning in section 546(4) of the Taxes Act, or

(ii) the time at which that specified event came to the notice of the account provider,

whichever first occurs (the "termination event").

Conditions for application by responsible person to open an account (and changes to an account)

13.—(1) An application by a responsible person ("the applicant") to open an account for a child with an account provider must be made to an account provider in a statement which must satisfy the conditions specified in paragraphs (2) to (6).

(2) An application must specify the description of account applied for.

(3) An application must incorporate a declaration by the applicant that he—

(a) is aged 18 years of age or over (in Scotland, 16 years of age or over),

(b) is a responsible person in relation to the named child (that is, that he has parental responsibility in relation to the child or, in Scotland, parental responsibilities or is the child if over 16), and

(c) is to be the registered contact for the account;

and where the application is not in writing, must authorise the account provider to record the terms of the declaration in a written declaration made on behalf of the applicant.

(4) The applicant must authorise the account provider (on behalf of the named child)—

(a) to hold the child's Inland Revenue contributions, subscriptions, account investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and

(b) to make on his behalf any claims to relief from tax in respect of account investments,

until a further declaration and authorisation is made in accordance with paragraph (10).

(5) An application must contain—

(a) the applicant's full name,

(b) his address, including postcode,

(c) the named child's full name,

(d) his address, including postcode, and

(e) the child's unique reference number on the voucher.

(6) There may be only one declaration and authorisation under paragraphs (3) to (5) in force for an account at any time.

(7) Except in the case—

(a) of the death or incapacity of the registered contact,

(b) where the registered contact cannot be contacted,

(c) of the bringing to an end of a Court order, under which he is a responsible person for the named child,

(d) in Scotland, of the named child attaining the age of 16 years, or

(e) where a Court so orders,

any change in the identity of the registered contact shall require confirmation by the current registered contact that his declaration and authorisation under paragraphs (3)(c) and (4) is cancelled.

(8) An account provider must decline to accept an application if he has reason to believe that—

(a) the voucher has expired, or is not or might not be genuine, or

(b) the applicant has given untrue information in his application.

(9) Where the application is not in writing, the account provider shall make the written declaration therein referred to, and notify the applicant of its contents, and such declaration shall take effect from the date on which the applicant agrees the contents (subject to any corrections), and if he neither agrees or disagrees with the contents within 30 days, he shall be treated as having agreed them.

(10) Where—

(a) there is a change in the identity of the registered contact, the new registered contact, or

(b) an account has been opened by the Inland Revenue under regulation 6 (Revenue allocated accounts) and a responsible person for the child subsequently applies to the account provider to be the registered contact for the account, he,

shall make the application and declaration required by paragraphs (3) to (5).

Account provider – qualifications and Board's approval

14.—(1) This regulation specifies the circumstances ("qualifying circumstances") in which a person may be approved by the Board as an account provider.

(2) The qualifying circumstances are the following—

(a) the person must make an application to the Board for approval in a form prescribed by the Board;

(b) the person must undertake with the Board—

(i) to offer stakeholder accounts to the general public (whether or not accounts of another description are offered),

(ii) to accept vouchers from any responsible person (subject to regulation 13(8)),

(iii) where the person accepts Revenue allocated accounts, to allow instructions for their management, to be made or given by post (whether or not other methods are allowed),

(iv) to publicise the minimum amount which may be subscribed to an account on a single occasion,

(v) to publicise statements of the extent to which social, environmental or ethical decisions are taken into account in selecting, retaining or realising investments,

(vi) that a child's unique reference number shall only be used for the purposes of the child's account (and of fulfilling the requirements of these Regulations with regard to that account), and

(vii) that the amount of the initial contribution to an account, whether there is a supplementary contribution to the account, and whether the account is a Revenue allocated account is information held for the purposes mentioned in paragraph (vi) only, and shall not be used for other purposes (including marketing other products);

(c) the person must demonstrate to the satisfaction of the Board that the person can correctly operate the procedures in regulation 30;

(d) an account provider must be—

(i) an authorised person within the meaning of section 31(1)(a) or (c) of, or Schedule 5 to, the Financial Services and Markets Act 2000, who has permission to carry on one or more of the activities specified in Articles 14, 21, 25, 37, 40, 45, 51, 53 and (in so far as it applies to any of those activities) 64 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, but excluding any person falling within paragraph (iv) below;

(ii) a European institution which carries on one or more of those activities;

(iii) a building society, a person falling within section 840A(1)(b) of the Taxes Act or a relevant European institution; or

(iv) an insurance company within the meaning given by section 431(2) of the Taxes Act, an incorporated friendly society or a registered friendly society, or any other assurance undertaking;

(e) an account provider must not be prevented from acting as such by any requirement imposed under section 43 of the Financial Services and Markets Act 2000, or by any prohibition imposed by or under any rules made by the Financial Services Authority under that Act; and

(f) an account provider who—

(i) is a European institution or a relevant authorised person and who does not have a branch or business establishment in the United Kingdom, or has such a branch or business establishment but does not intend to carry out all his functions as an account provider at that branch or business establishment, or

(ii) falls within the expression "any other assurance undertaking" in sub-paragraph (d)(iv),

must fulfil one of the three requirements specified in regulation 15.

(3) The terms of the Board's approval may include conditions designed to ensure that the provisions of these Regulations are satisfied.

Account provider - appointment of tax representative

15.—(1) This regulation specifies the requirements mentioned in regulation 14(2)(f).

(2) The first requirement specified in this regulation is that -

(a) a person who falls within subsection (5) of section 333A of the Taxes Act is for the time being appointed by the account provider to be responsible for securing the discharge of the duties prescribed by paragraph (5) which fall to be discharged by the account provider, and

(b) his identity and the fact of his appointment have been notified to the Board by the account provider.

(3) The second requirement specified in this regulation is that there are for the time being other arrangements with the Board for a person other than the account provider to secure the discharge of such duties.

(4) The third requirement specified in this regulation is that there are for the time being other arrangements with the Board designed to secure the discharge of such duties.

(5) The duties prescribed by this paragraph are those that fall to be discharged by an account provider under these Regulations.

(6) The appointment of a person in pursuance of the first requirement shall be treated as terminated in circumstances where—

(a) the Board have reason to believe that the person concerned—

(i) has failed to secure the discharge of any of the duties prescribed by paragraph (5), or

(ii) does not have adequate resources to discharge those duties, and

(b) the Board have notified the account provider and that person that they propose to treat his appointment as having terminated with effect from the date specified in the notice.

(7) Where, in accordance with the first requirement, a person is at any time responsible for securing the discharge of duties, the person concerned—

(a) shall be entitled to act on the account provider's behalf for any of the purposes of the provisions relating to the duties;

(b) shall secure (where appropriate by acting on the account provider's behalf) the account provider's compliance with and discharge of the duties; and

(c) shall be personally liable in respect of any failure of the account provider to comply with or discharge any such duty as if the duties imposed on the account provider were imposed jointly and severally on the account provider and the person concerned.

Account provider - withdrawal by Board of approval

16.—(1) This regulation specifies the circumstances ("the disqualifying circumstances") in which the Board may by notice withdraw their approval of a person as an account provider in relation to an account.

(2) The disqualifying circumstances are that the Board have reason to believe—

(a) that any provision of the Act or these Regulations, or any term of an undertaking given in accordance with regulation 14(2)(b) or condition under regulation 14(3), is not or at any

time has not been satisfied, either in respect of an account managed by the account provider or otherwise; or

(b) that a person to whom they have given approval to act as an account provider is not qualified so to act.

(3) The notice to which paragraph (1) refers shall specify—

(a) the date from which the Board's approval is withdrawn; and

(b) the disqualifying circumstances.

Account provider - appeal against non-approval or withdrawal of Board's approval

17. A person who has been notified of a decision by the Inland Revenue not to approve that person as an account provider, or an account provider to whom notice of withdrawal of approval has been given under regulation 16, may appeal against the decision by notice given to the Board within 30 days after the date of the notification or notice.

Permitted withdrawals from an account

18. Withdrawals from an account before the date on which the named child attains the age of 18 years may only be made—

(a) by the account provider, to settle any management charges and other incidental expenses, which are due by or under the management agreement, or

(b) where the account provider is satisfied that the named child has died under that age.

Account provider ceasing to act (or ceasing to accept Revenue allocated accounts)

19.—(1) A person shall give notice to the Board and to the registered contact of the account which he manages (or, if there is no registered contact, the named child) of his intention to cease to act as the account provider not less than 30 days before he so ceases so that his obligations to the Board under the account can be conveniently discharged at or about the time the time he ceases so to act, and the notice to the registered contact shall inform him of the right to transfer the account under regulation 21.

(2) A person shall also give notice to the Board of his intention to cease to accept further Revenue allocated accounts under regulation 6, not less than 30 days before he so ceases.

Account provider ceasing to qualify

20.—(1) A person shall cease to qualify as an account manager and shall notify the Board within 30 days of the relevant event in sub-paragraphs (a) to (e), of that relevant event, where—

(a) the person no longer fulfils the conditions of regulation 14;

(b) in the case of an individual, he becomes bankrupt or, in Scotland, his estate is sequestrated, or he makes any arrangement or composition with his creditors generally;

(c) in the case of a company, a resolution has been passed or a petition has been presented to wind it up;

(d) in the case of a building society, a person falling within section 840A(1)(b) of the Taxes Act or a relevant European institution—

(i) it ceases to be a building society or to fall within section 840A(1)(b) of the Taxes Act or to be a relevant European institution, as the case may be;

(ii) its directors have made a proposal under Part 1 of the Insolvency Act 1986 for a composition in satisfaction of its debts or a scheme of arrangement of its affairs; or

(iii) a receiver or manager of its property has been appointed; or

(e) in the case of a European institution, a relevant authorised person or an assurance undertaking which falls within regulation 14(2)(d)(iv), action corresponding to that

described in sub-paragraph (b), (c) or (d) has been taken by or in relation to the institution, person or undertaking under the law of an EEA State.

(2) On giving the notice referred to in paragraph (1), the person shall also notify the registered contact (or, if there is no registered contact, the named child) of the right to transfer the account under regulation 21, and the notice shall inform the recipient of the rights under paragraph (3).

(3) Where a registered contact—

(a) receives a notice under paragraph (2), or regulation 19(1), and

(b) within 30 days of the sending of the notice, transfers the account to another account provider pursuant to regulation 21,

the period between the transferor ceasing to act or qualify as an account manager, and the transfer to the transferee, shall be ignored in determining whether the account has at all times been managed by an account provider.

Transfer of accounts to other account providers

21.—(1) Where—

(a) arrangements are made by a registered contact to transfer the whole of the investments under an account from one account provider ("the transferor") to another account provider ("the transferee"), or

(b) the whole of the investments under an account are so transferred in consequence of an account provider ("the transferor") ceasing to act or to qualify as an account provider,

the transfer shall be treated as a transfer of the account.

(2) The account and its description under regulation 4 shall not be affected for the purposes of these Regulations by reason of the transfer, and any change of description under regulation 8(2)(i) must be carried out wholly before, or wholly after, any transfer under this regulation.

(3) The registered contact shall make the application and declaration required by regulation 13(3) to (5) to the transferee.

(4) The transferor shall on the date of the transfer give the transferee a notice containing the information specified in paragraph (5) and the declaration specified in paragraph (6).

(5) The information specified in this paragraph is—

(a) as regards the named child—

(i) his full name,

(ii) his date of birth,

(iii) his unique reference number;

(b) as regards the account—

(i) the description of the account,

(ii) the date of the transfer,

(iii) the total amount subscribed to the account during the period from the beginning of the subscription year in which the transfer takes place to the date of the transfer,

(iv) the total amount of Government contributions credited to the account in the period in paragraph (iii),

(v) any amount which has been claimed from the Board under regulations 26, 27 or 30 and which has not been paid at the date of the transfer;

(c) the full name and address, including postcode, of the registered contact who has made the transfer arrangements.

(6) The declaration specified in this paragraph is a declaration by the transferor that—

(a) he has fulfilled all his obligations to the named child, the Board or otherwise, which are imposed by these Regulations;

(b) he has transferred to the transferee or his nominee all the account investments and that, where registration of any such transfer is required, he has taken the necessary steps to ensure that those account investments can be registered in the name of the transferee or nominee;

(c) he will forward any further payment received in respect of those account investments to the transferee, on receipt of the payment, and

(d) the information contained in the notice is correct.

Recoupment of Inland Revenue contributions to void accounts

22.—(1) Where—

(a) the named child has never been an eligible child (see regulation 8(1)(b)), or

(b) there is a breach of regulation 8(1)(c) in relation to an account,

the account is void, and the following persons shall account to the Inland Revenue for Inland Revenue contributions paid in respect of the account, together with income and gains which have arisen in consequence of the crediting of any of those payments to the account.

(2) Those persons are—

(a) the account provider (to the extent that he has assets in his possession or control),

(b) the registered contact,

(c) the named child, and

(d) any person in whom the Inland Revenue contributions, income or gains, or any property directly or indirectly representing any of them, is vested (whether beneficially or otherwise)

and they shall be jointly and severally liable.

(3) Where a person accountable under this regulation is notified by the Inland Revenue that an amount is due from him 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 on that person, and due and payable.

"Repair" of invalid accounts

23.—(1) Except in the case of a breach of regulation 8(1)(b) or (c) (where no repair of an account is possible), it is an overriding requirement to be satisfied in relation to an account that the account provider and registered contact, as the case may be, take any steps necessary to remedy any breach of these Regulations.

(2) Where a breach is remedied as mentioned in paragraph (1), the account shall, to the extent of that breach, be treated as having been a valid account at all times, except for determining whether there has been a breach of these Regulations for the purposes of section 20 of the Act (penalties).

PART 3
Tax and administration of accounts

Exemption from tax of account income and gains

24. Subject to compliance with these Regulations (and in particular regulation 9)—

(a) no tax shall be chargeable on the account provider or his nominee, or on the named child or registered contact (on his behalf)—

(i) in respect of interest, dividends, distributions or gains in respect of account investments,

(ii) on any annual profits or gains treated by section 714(2) of the Taxes Act as having been received by any of them in respect of account investments,

(iii) on an offshore income gain to which a disposal made by any of them of an account investment gives rise, which is treated by section 761(1) of the Taxes Act as constituting profits or gains,

(iv) on a profit realised by any of them from the discount on a relevant discounted security within the meaning of Schedule 13 to the Finance Act 1996, which is held as an account investment, or

(v) in respect of gains treated by section 541 of the Taxes act as arising in connection with a policy of life insurance which is an account investment;

(b) losses accruing on any disposal of account investments shall be disregarded for the purposes of capital gains tax;

(c) a corresponding deficiency occurring at the end of the final year, within the meaning of section 549(1) of the Taxes Act, so far as it relates to a policy of life insurance which is an account investment, shall not be allowable as a deduction from the total income of the named child;

(d) relief in respect of tax shall be given in the manner and to the extent provided by these Regulations; and

(e) income arising from account investments shall not be regarded as income for any income tax purposes (including section 660B of the Taxes Act).

Tax liabilities and reliefs – account provider to act on behalf of the named child

25.—(1) An account provider may under these Regulations make tax claims, conduct appeals and agree on behalf of the named child (or of the registered contact in respect of the child) liabilities for and reliefs from tax in respect of an account.

(2) Tax claims shall be made to the Board in accordance with the provisions of regulations 26 and 27.

(3) Where any relief or exemption from tax previously given in respect of an account has by virtue of these Regulations become excessive, in computing the relief due on any claim there shall be deducted (so that amounts equal to that excess are set-off or repaid to the Board, as the case may be) notwithstanding that those amounts have been invested, any other amount of tax due to the Board by the account provider in respect of any tax liability in respect of account investments under an account including (but without prejudice to the making of an assessment under that Schedule) any amount falling due in respect of a liability under paragraph 3 or 4 of Schedule 23A to the Taxes Act.

Repayments in respect of tax to account provider – interim tax claims

26.—(1) Notwithstanding the provisions of any other enactment, the Board shall not be under an obligation to make any repayment in respect of tax under these Regulations earlier than the end of the month following the month in which the claim for the repayment is received.

(2) A claim for repayment in respect of tax which is not an annual claim ("interim tax claim") may be made only for a period of a month (or a number of months not exceeding six) beginning on the 6th day of the month and ending on the 5th day of the relevant following month.

(3) No claim for repayment may be made for the month ending 5th October or any subsequent month in a year until the annual return under regulation 27(2) due in respect of an account for the preceding year has been duly made by the account provider and received by the Board.

(4) Where, on the occasion of a claim, there is due to the Board an amount in respect of tax, that amount shall be recoverable by the Board in the same manner as tax charged by an assessment on the account provider which has become final and conclusive.

(5) This regulation and regulation 27 shall not apply to any repayment in respect of tax on account investments falling within regulation 12(2)(m) (life insurance), or on distributions and other rights or proceeds in respect of those investments, except in so far as regulation 27(2) requires the return of any gain treated as arising in accordance with regulation 38.

Repayments in respect of tax to account provider – annual tax returns and tax claims

27.—(1) An annual tax claim is a claim for repayment in respect of tax for a year and may not be made at any time more than six years after the end of the year.

(2) An account provider shall within six months after the end of the year make a tax return of all income, and any gain treated as arising in accordance with regulation 37, and in addition an annual tax claim to establish the total of tax repayments due under an account for that year.

(3) Where the aggregate of the repayments in respect of interim tax claims for the year shown by an annual tax claim exceeds the amount of tax repayable for the year shown on the claim, the account provider shall repay the amount of the excess to the Board with the claim.

(4) If an account provider fails to make the tax return and the annual tax claim required under this regulation within the time limited, the Board may issue a notice to the account provider showing the aggregate of payments in respect of the interim tax claims for the year, and stating that the Board are not satisfied that the amount due to the account provider for that year exceeds the lower amount stated in the notice.

(5) If a tax return and an annual tax claim are not delivered to the Board within 14 days after the issue of a notice under paragraph (4) the amount of the difference between the aggregate and the lower amount stated in the notice shall immediately be recoverable by the Board in the same manner as tax charged by an assessment on the account provider which has become final and conclusive.

(6) Where a tax return and an annual tax claim have been made and the account provider subsequently discovers that an error or mistake has been made in the return or claim the account provider may make a supplementary return or annual claim within the time allowed in paragraph (1).

Account provider's tax returns and tax claims – supplementary provisions

28.—(1) Section 42 of the Management Act shall not apply to tax claims under these Regulations.

(2) No appeal shall lie from the Board's decision on an interim tax claim.

(3) An appeal shall be to the Special Commissioners from the Board's decision on an annual tax claim, and the appeal shall be brought by giving notice to the Board within 30 days of receipt of notice of the decision.

(4) No payment or repayment made or other thing done on or in relation to an interim tax claim or a notice under regulation 27(4) shall prejudice the decision on an annual tax claim.

(5) The like provisions as are contained in Part 5 of the Management Act (appeals and other proceedings) shall apply to an appeal under paragraph (3) above, and on appeal the Special Commissioners may vary the decision appealed against whether or not the variation is to the advantage of the appellant.

(6) All such assessments, payments and repayments shall be made as necessary to give effect to the Board's decision on an annual tax claim or to any variation of that decision on appeal.

(7) Returns and claims under these Regulations shall be in such form and contain such particulars as the Board prescribe and, subject to regulation 32(1), shall be signed by the account provider, and forms prescribed for annual claims may require a report to be given by a person qualified for appointment as auditor of a company.

Assessments for withdrawing relief and recovering tax

29.—(1) Where—

(a) any relief or exemption from tax given in respect of income or gains under an account is found not to be due or to be excessive, or

(b) the full amount of tax in respect of the income or gains under an account has not otherwise been fully accounted for and paid to the Board on behalf of the named child,

an assessment to tax may be made by the Board in the amount or further amount which in their opinion ought to be charged.

(2) An assessment to which paragraph (1) refers may be made on the account provider or on the registered contact (in respect of the child).

(3) If the assessment is made to recover tax in respect of income under an account it shall be made under Case VI of Schedule D.

(4) Sections 72 and 73 of the Management Act shall be modified in relation to accounts, so that—

(a) references to a parent or guardian include a reference to the registered contact for an account held by the named child, and

(b) references to an incapacitated person, in relation to Scotland, are to a person under the age of 16 years.

Fortnightly claim and financial returns

30.—(1) In this regulation—

"electronic communications" has the meaning in regulation 33;

"fortnightly period" means a period—

(a) beginning on the 1st, and ending on the 15th, day of a calendar month, or

(b) beginning on the 16th, and ending on the last, day of a calendar month;

"initial return period" means—

(a) for account providers approved with effect from a date between 1st January 2005 and 30th March 2005, the period beginning on the date on which the approval takes effect and ending on 31st March 2005;

(b) for account providers approved later, the period—

(i) beginning on the date on which the approval takes effect, or the appointed day (whichever is the later), and

(ii) ending simultaneously with the end of the current fortnightly period.

(2) The following provisions of this regulation apply to an account provider in relation to—

(a) that provider's initial return period, and

(b) each succeeding fortnightly period,

during which, or during any part of which, he acted as an account provider.

(3) Within five days of the end of each period mentioned in paragraph (2), an account provider shall deliver by means of electronic communications to the Board, a return for that period, in a form prescribed by the Board.

(4) The return shall include a declaration of the information in paragraph (5), and a claim as mentioned in paragraph (6) (in each case, stated separately for each account, quoting the named child's unique reference number and date of birth).

(5) The information is that, during that period—

(a) the account provider has opened an account in accordance with regulation 5 (by means of a voucher);

(b) the account provider has opened a Revenue allocated account in accordance with regulation 6;

(c) an account has been transferred to the account provider in accordance with regulation 20, and is held with the account provider at the end of the period; or

(d) an account has been closed, due to the named child dying under the age of 18.

(6) The claim is—

(a) where paragraph (5)(a) or (b) applies, a claim for the initial contribution due to the account in accordance with regulation 7(1); and

(b) where the Inland Revenue have informed the account provider that section 9 of the Act applies to the named child, a claim for the supplementary contribution due to the account in accordance with regulation 7(2).

(7) Paragraphs (5)(a) and (b) and (6)(a) and (b) shall apply notwithstanding any transfer of the account to another account provider under regulation 21, before the end of the period in question.

Records to be kept by account provider

31.—(1) An account provider shall at all times keep sufficient records in respect of an account to enable the requirements of these Regulations to be satisfied.

(2) In particular, an account provider shall produce (when required to do so by an officer of the Board) any—

(a) application made under regulation 13(1) or (10),

(b) voucher given to him, and

(c) transfer notice given to him under regulation 21(4),

or electronic copies, within the period of 3 years from when it was made or given (notwithstanding any transfer of the account under regulation 21).

Returns of information by account provider

32.—(1) An account provider shall within 60 days after the end of each year in which he acts as an account provider, and after ceasing to act or to qualify as an account provider, deliver to the Board a return for that year, or for the part of that year in which he so acted or qualified, which contains the information specified in paragraph (2), and is accompanied by a certificate as to the contents of the return, in the form prescribed by the Board, signed by the account provider or on his behalf.

(2) The information specified in this paragraph is information relating to each account in respect of which he acted as account provider, in the year or the part of the year for which the return is made, other than accounts transferred to another account provider under regulation 21 in that year or part of a year, as to—

(a) as regards the named child—

(i) his full name,

(ii) his date of birth, and

(iii) his unique reference number;

(b) as regards each such account—

(i) whether or not the account is a stakeholder account,

(ii) whether or not there is a registered contact for the account,

(iii) the aggregate market value of the account investments held under the account, subject to paragraph (3), the value of each account investment being determined either as at 5th April in that year, or any other valuation date not falling earlier than 5th October in that year, and

(iv) the total amount of cash subscribed to the account, in the year or the part of the year for which the return is made.

(3) The reference in paragraph (2)(b)(iii) to market value shall be construed—

(a) in the case of policies of life insurance, as a reference to their surrender value, and

(b) as referring to separate values for—

(i) cash falling within regulation 12(2)(k) or (l), and

(ii) policies of life insurance and all other account investments.

(4) No claim for repayment, or repayment, may be made under regulations 26 and 27 until the returns which have become due under this regulation have been duly made by the account provider and received by the Board.

Information about "looked after children" from Local Authorities

33.—(1) In this regulation—

"electronic communications" includes any communications by means of a telecommunication system (within the meaning in the Telecommunications Act 1984);

"local authority" includes an authority within the meaning of the Children (Northern Ireland) Order 1995;

"looked after child"—

(a) in England and Wales, has the meaning in section 22(1) of the Children Act 1989, extended to include a child accommodated by a local authority under section 17 of that Act,

(b) in Scotland, means a child accommodated under Part 2 of the Children (Scotland) Act 1995, and

(c) in Northern Ireland, means a child accommodated under Part 4 of the Children (Northern Ireland) Order 1995,

and related expressions shall be construed accordingly;

"return period" means a period—

(a) beginning on the day immediately succeeding the appointed day, and ending one month after the appointed day, and

(b) each succeeding period of one month.

(2) Within one month of the appointed day, every local authority shall deliver by means of electronic communications to the Board, a return of the information in paragraph (3) for every child who was—

(a) looked after by the authority on the appointed day, and

(b) born after 31st August 2002.

(3) The information in this paragraph is a statement (prepared separately for each child) of—

(a) the name of the local authority,

(b) its address,

(c) the name of the local authority officer responsible for the return,

(d) the child's full name,

(e) his date of birth,

(f) the immigration status, if any, of the child, and

(g) either—

(i) the full name and address of an individual who has parental responsibility (in Scotland, parental responsibilities) in relation to the child, or

(ii) if paragraph (i) is considered inappropriate, a correspondence address for the child.

(4) Within five days of the end of each return period, every local authority shall deliver by means of electronic communications to the Board a return for that period, covering every child—

(a) born after 31st August 2002, and

(b) who during that period has become a child looked after by that authority, for the first time since the appointed day,

and in addition (after 31st August 2009) every child who was looked after on his 7th birthday.

(5) The return in paragraph (4) shall consist of a statement (prepared separately for each child) of—

(a) the information in paragraph (3),

(b) the date on which the child first became a child looked after by that authority,

(c) where the child has also died during that period, the name and address of his personal representatives.

Information to be provided to the Board

34. The Board may by notice require any relevant person to furnish them, within such time (not being less than 14 days) as may be provided in the notice, such information about any account or about any account investment (including copies of or extracts from any books or other records) as they may reasonably require for the purposes of these Regulations.

Inspection of records by officer of the Board

35.—(1) The Board may by notice require any relevant person, within such time (not being less than 14 days) as may be provided in the notice, to make available for inspection at a place within the United Kingdom by an officer of the Board authorised for that purpose all documents (including books and other records) in his possession or under his control relating to any account or to any account investment.

(2) Where records are maintained by computer the person required to make them available for inspection shall provide the officer making the inspection with all the facilities necessary for obtaining information from them.

Capital gains tax – adaptation of enactments

36.—(1) For the purposes of capital gains tax—

(a) any assets held by a named child as account investments shall be regarded as held by the child in a separate capacity from that in which he holds any other assets of the same description; and

(b) the named child shall be treated as having sold all the account investments, and as having reacquired them in his personal capacity, for a consideration equal to their market value, immediately before he attains the age of 18 years (and ceases to be a child).

(2) Sections 127 to 131 of the 1992 Act shall not apply in relation to qualifying investments falling within any of sub-paragraphs (a), (b), and (f) to (i) of regulation 12(2) which are held under an account if there is by virtue of any allotment for payment as is mentioned in section 126(2) of that Act a reorganisation affecting those assets.

Administration of tax in relation to accounts – supplementary

37.—(1) Nothing in these Regulations shall be taken to prejudice any powers conferred or duties imposed by or under any enactment in relation to the making of returns of income or gains, or for the recovery of tax, penalties or interest by means of an assessment or otherwise.

(2) Notwithstanding the provisions of these Regulations an account provider shall not be released from obligations under these Regulations in relation to an account except under conditions agreed in writing with and notified to that person by the Board.

(3) The like provisions as are contained in the Management Act shall apply to any assessment under these Regulations as if it were an assessment to tax for the year in which, apart from these Regulations, the named child would have been liable (by reason of his ownership of the investments).

(4) Any form prescribed by the Board for the purposes of these Regulations shall provide for a declaration that all the particulars given in the form are correctly stated to the best of the knowledge and belief of the person concerned.

(5) No obligation as to secrecy imposed by statute or otherwise shall preclude the Board from disclosing to an account provider or registered contact that any provision of these Regulations has

not been satisfied or that relief has been given or claimed in respect of investments under an account.

(6) If—

(a) a chargeable event, within the meaning given by Chapter 2 of Part 13 of the Taxes Act, has happened in relation to a policy of life insurance which is an account investment, and

(b) the body by whom the policy was issued is satisfied that no gain is to be treated as chargeable to tax on the happening of the event by virtue of regulation 24(a)(v),

the body shall not be obliged to deliver the certificates mentioned in section 552(1) of that Act.

This paragraph does not prevent the operation of section 552(1) in a case to which regulation 38(1) applies.

(7) Where—

(a) it comes to the notice of the account provider, in any manner, that the event specified in regulation 12(11) has occurred in relation to a policy, and

(b) the account provider is not the insurer for the time being responsible for the obligations under the policy or, where the policy is not still in existence, the person who was the last such insurer,

the account provider shall, within 30 days of the event coming to his notice give notice to that insurer, specifying the event mentioned in sub-paragraph (a) and the termination event.

Application of the provisions of Chapter 2 of Part 13 of the Taxes Act to policies

38.—(1) This paragraph applies to a case where—

(a) the event specified in regulation 12(11) has occurred in relation to a policy of life insurance, and

(b) a termination event within the meaning in regulation 12(12) occurs in relation to that policy.

(2) Where—

(a) there is a case to which paragraph (1) applies, and

(b) a chargeable event in relation to the policy, within the meaning given by section 540 of the Taxes Act, has occurred prior to the time at which the termination event mentioned in paragraph (1)(b) occurs,

the named child shall cease to be, and shall be treated as not having been, entitled to relief from tax under regulation 24(a)(v), in respect of gains treated as arising on the occurrence of any chargeable event mentioned in sub-paragraph (b).

(3) The provisions of Chapter 2 of Part 13 of the Taxes Act shall apply, in a case to which paragraph (1) applies, to—

(a) the termination event mentioned in paragraph (1)(b), and

(b) any chargeable event mentioned in paragraph (2)(b),

with the modifications provided for in paragraphs (4) to (8) of this regulation, and the registered contact and the account provider shall account to the Board in accordance with this regulation for tax from which relief under regulation 24 has been given on the basis that the named child was so entitled, or in circumstances such that the named child was not so entitled.

(4) A termination of a policy of insurance pursuant to regulation 12(9)(b)(ii) shall be treated as the surrender in whole of the rights conferred by the policy, for the purposes of section 540(1)(a)(iii) of the Taxes Act.

(5) In section 547(5) of the Taxes Act, for the words after "total income" (where that expression first appears) substitute "that gain shall be chargeable to tax under Case VI of Schedule D".

(6) Relief under section 550 of the Taxes Act shall be computed as if paragraph (5) had not been enacted.

(7) In section 552 of the Taxes Act—

(a) in subsection (1)(b) for "policy holder" substitute "named child";

(b) in subsection (3)—

(i) omit "(or, where the appropriate policy holder is a company, the corresponding financial year)";

(ii) for "the name and address of the appropriate policy holder" substitute "the name and address of the named child";

(iii) omit "and the corresponding financial year,";

(c) in subsection (5)—

(i) for "the appropriate policy holder" substitute "the named child";

(ii) omit sub-paragraph (b)(ii);

(iii) omit paragraph (c);

(iv) in paragraph (d) omit "except where paragraph (c) above applies,";

(v) omit paragraph (f);

(d) in subsection (6)—

(i) omit paragraph (b);

(ii) for paragraph (c) substitute—

"(c) if the event is a death, the period of three months beginning with the receipt of written notification of the death;";

(iii) after paragraph (c) insert—

"(d) if the event is—

(i) a termination event, or

(ii) a chargeable event preceding a termination event (as mentioned in regulation 38(2) of the Child Trust Fund Regulations 2004),

the period of three months beginning with the date on which the insurer received notice under regulation 37(7) of those Regulations or, if earlier, actual notice of the termination event.";

(e) in subsection (7)—

(i) in paragraph (a) omit ", or, where the policy holder is a company, the financial year,";

(ii) omit paragraph (b);

(iii) for paragraph (c) substitute—

"(c) if the event is a death, the period of three months beginning with the receipt of written notification of the death;";

(iv) after paragraph (c) insert—

"(ca) if the event is—

(i) a termination event, or

(ii) a chargeable event preceding such a termination event (as mentioned in regulation 38(2) of the Child Trust Funds Regulations 2004,

the period of three months beginning with the date on which the insurer received notice under regulation 37(7) of those Regulations or, if earlier, actual notice of the termination event."; and

(v) in paragraph (d) after "paragraph (c)" insert "or (ca)";

(f) in subsection (8)—

(i) in paragraph (b) for "policy holder" substitute "named child in respect";

(ii) in paragraph (c) omit the words from "or" to the end;

(g) in subsection (9) omit "or financial year" in each place where they occur;

(h) in subsection (10)—

(i) before the definition of "amount" insert—

"named child has the same meaning as in the Child Trust Funds Regulations 2004;";

(ii) omit the definitions of "appropriate policy holder" and "financial year";

(iii) for the definition of "the relevant year of assessment" substitute—

""the relevant year of assessment", in the case of any gain, means the year of assessment to which the gain is attributable;"; and

(iv) after the definition of "section 546 excess" insert—

""termination event" has the same meaning as in the Child Trust Fund Regulations 2004;"; and

(v) omit subsection (11).

(8) In section 552ZA of the Taxes Act—

(a) in subsection (2)(b) omit the words "or an assignment"; and

(b) omit subsections (3) and (4).

(9) The account provider shall account for and pay income tax at the lower rate in force for the year in which the termination event, or the chargeable event mentioned in paragraph (2)(b) occurred, as the case may be, and any amount so payable—

(a) may be set off against any repayment in respect of tax due under regulation 26 or 27 and subject thereto,

(b) shall be treated as an amount of tax due not later than 6 months after the end of the year in which the event specified in regulation 12(11) came to the notice of the account provider, and

(c) shall be payable without the making of an assessment.

(10) Where tax is charged in accordance with paragraph (3)(a) or (b)—

(a) an assessment to income tax at the lower rate in force for the relevant year may be made on the account provider or on the registered contact (on behalf of the named child), and

(b) an assessment to income tax at the higher rate within the meaning of section 832(1) of the Taxes Act, for that year, may be made on the registered contact (on behalf of the named child) within five years after the 31st January next following that year, and regulation 29 shall not apply.

Name

2004 Two of the Lords Commissioners of Her Majesty's Treasury

SCHEDULE

Stakeholder accounts

Description of stakeholder account

1. An account is a stakeholder account where the account has the characteristics and complies with the conditions set out in paragraph 2.

Characteristics of stakeholder account etc

2.—(1) A stakeholder account must have the characteristics set out in sub-paragraph (2) and must comply with the conditions set out in sub-paragraphs (3) to (6).

(2) The characteristics of a stakeholder account are–

(a) the investments held in or under the account are predominantly equities;

(b) the account is invested on the assumption that the child is a reasonably cautious investor;

(c) the account provider, and any relevant person, must have regard to–

(i) the need for diversification of investments of the account, in so far as is appropriate to the circumstances of the account; and

(ii) the suitability for the purposes of the account of any investment or investment option proposed; and

(d) except where otherwise instructed by the registered contact, the account is subject to lifestyling.

(3) The account provider, and any relevant person, must not invest in or select–

(a) units or shares in a UCITS, unit trust scheme, open-ended investment company or investment trust unless it is a requirement of the UCITS, unit trust scheme, open-ended investment company or investment trust that the purchase and sale price of those units or shares shall, at any given time, not differ from each other;

(b) rights under a contract of insurance which are expressed as units or shares in funds held by the insurer unless it is a requirement of the contract of insurance that the purchase and sale price of those units or shares shall, at any given time, not differ from each other.

(4) The account provider must permit as a means of payment of subscriptions to the account payment by–

(a) cash;

(b) credit card;

(c) debit card;

(d) cheque;

(e) direct debit;

(f) standing order; or

(g) direct credit (other than standing order).

(5) The minimum amount which may be subscribed to the account on a single occasion is £10 except where the account provider permits a smaller amount.

(6) The value of the child's rights in the account may be reduced in the circumstances, and to the extent, set out in paragraph 3 of this Schedule.

(7) In this paragraph,

"contract of insurance" means a contract–

(a) which, or any part of which, is of one or more of the following kinds–

(i) life and annuity,

(ii) linked long term,

(iii) pension fund management, and

(b) which is carried out by an insurer who has permission, as the case may be, under–

(i) Part 4 of the Financial Services and Markets Act 2000, or

(ii) paragraph 15 of Schedule 3 to that Act,

to effect or carry out contracts of insurance of that kind;

"equities" means–

(a) shares, not being shares in an investment trust, issued by a company wherever incorporated and officially listed on a recognised stock exchange; and

(b) units in or shares of a UCITS, unit trust scheme, open-ended investment company or investment trust where the undertaking, scheme, company or trust invests substantially in shares, directly or indirectly, as set out in sub-paragraph (a);

"insurer" means–

(a) a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to effect or carry out contracts of insurance, or

(b) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12 of that Schedule) to effect or carry out contracts of insurance;

"lifestyling" means the process beginning from a date on or before the child is 13 years of age, or from when the account is opened, whichever is later, and continuing until the child is 18 years of age, by which the account provider, and any relevant person, progressively takes steps to reduce the risk that the cash value of the investments held in or under the account realisable at the eighteenth birthday of the child will decrease;

"relevant person" means any person to whom the account provider has delegated any of his functions or responsibilities under the management agreement.

(8) In this paragraph, the definitions of "contract of insurance" and "insurer" must be read with–

(a) section 22 of the Financial Services and Markets Act 2000,

(b) any relevant order made under that section, and

(c) Schedule 2 to that Act.

Stakeholder accounts – charges etc

3.—(1) The value of a child's rights in a stakeholder account may be reduced in the circumstances, and to the extent, set out in sub-paragraphs (2) to (4).

(2) The value of the child's rights in the account may be reduced by the making of deductions from the account no greater than 3/730 per cent of that value for each day on which it is held.

(3) The value of a child's rights may be reduced where any stamp duty, stamp duty reserve tax or other charges are incurred by the account provider directly or indirectly in the sale or purchase of investments held for the purposes of the account, by the amount of such of those charges as are attributable to the child's rights.

(4) The value of a child's rights may be reduced where expenses are incurred by the account provider in complying with its obligations under regulation 8(2)(d) and (e) by the amount of such of those expenses as are attributable to the child's rights.

(5) When calculating the value of a child's rights for the purposes of sub-paragraphs (2) to (4) above, where the account provider has specified under sub-paragraph (6) that such rights are to be valued weekly or monthly–

(a) where such rights are to be valued weekly, they are to be valued on such day of the week ("the specified day") as has been so specified by the account provider (except that, where that day is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified day is to be taken to be the value of the rights on the previous specified day; and

(b) where the rights are to be valued monthly, they are to be so valued on such date in each month ("the specified date") as has been so specified by the account provider (except that, where that date is not a working day, the rights are to be valued on the next working day), and the value of the rights on each subsequent day prior to the next specified date is to be taken to be the value of the rights on the previous specified date.

(6) For the purposes of sub-paragraph (5) above–

(a) the frequency, which must be daily, weekly or monthly, with which rights are to be valued; and

(b) where valuation is to take place weekly or monthly, the day of the week or, as the case may be, the date in the month on which it is to take place,

must be specified in writing by the account provider; and the specification may not be amended during the period of 12 months after the date on which it is made.

(7) Where the value of any child's rights is reduced by reference to an amount of charges or expenses referred to in sub-paragraphs (3) or (4) above, then, for the purposes of calculating any reduction under sub-paragraph (2), the value of the child's rights is to be calculated after the deduction of any such amount.