



ISA Bulletin

Number 41

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The ISA Bulletin keeps ISA managers informed of any new developments relating to the ISA scheme. Please ensure the appropriate people in your organisation read it.

We suggest that you keep Bulletins at the front of your copy of the Guidance Notes for ISA Managers.

This Bulletin contains articles on

- Annual Returns of Information
- Annual Returns of Statistical Information
- Applications for Approval as an ISA Manager
- Opening an ISA – members of the armed forces on active service in a war zone
- Recognised Stock Exchange – Aktie Torget market in Sweden
- Switching ISA investments – ISA going into cash deficit
- Junior ISAs – uninvested cash in stocks and shares JISAs
- Junior ISAs – full name of applicant/child
- Junior ISAs – death of child

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Annual Returns of Information

The webpage relating to Annual Returns of Information - http://www.hmrc.gov.uk/isa/annual_info.htm - has been updated.

The updated webpage includes a sample copy of the revised form ISACOM(100)OCR, which enables managers to report both Junior and 'adult' ISAs.

It also includes an HMRC spreadsheet, which can be used instead of forms ISACOM(100)OCR where a small number of accounts (fewer than 1,000) are being reported.

HMRC also publishes Returns Bulletins as and when needed. These bulletins, which are published on the bulletins section of the [S17/18 webpage](#), contain general advice on making returns, changes to the returns process and detailed, specific and up-to-date security measures for a range of returns, including ISA Annual Returns of Information. The webpage also contains a problem-solver document, which describes some of the common errors found on returns and how they can be resolved or solved.

Annual Returns of Statistical Information

The Junior ISA return forms – JISA14(stats), JISA14a(stats) and JISA25(stats) - can now be downloaded from http://www.hmrc.gov.uk/isa/annual_stats.htm.

Applications for Approval as an ISA Manager

The form to be used when applying for approval as an ISA Manager has been updated. The form - which can be downloaded at <http://www.hmrc.gov.uk/isa/isa-pep-approvals.htm> - now requires persons applying to manage Junior ISA accounts, to declare that they will

- (a) publicise (and update where appropriate) statements of the minimum amount that may be subscribed to a Junior ISA account on a single occasion, and the permitted means of payment of subscriptions; and
- (b) inform persons proposing to make a subscription to a Junior ISA account (other than the named child) that the subscription is a gift to the child

Existing ISA Managers do not have to apply to manage Junior ISAs; the application form is for use when applying for the first time to manage ISAs (including Junior ISAs).

Opening an ISA – members of the armed forces on active service in a war zone

Paragraph 5.24 of the Guidance Notes says that ISA managers may accept an applications (or transfer applications where the investor wishes to subscribe to the new manager – see *Guidance* 11.20) by someone legally appointed or authorised to act on behalf of the investor if the investor is not able to complete the application form by reason of mental disorder or incapacity, or physical disability, illness or old age.

We intend to amend the Guidance Notes to make it clear that managers may also accept applications signed under a Power of Attorney where the investor is unable to sign the application because he or she is a member of the armed forces on active service in a war zone (for example, Afghanistan)

If the correspondence accompanying the application form does not make it clear, the ISA manager must ask the applicant to confirm that the investor is incapable of making the application his or her self because he or she is a member of the armed forces on active service in a war zone (an oral confirmation is acceptable).

When the application is accepted a copy of the Power of Attorney and a note that the investor is a member of the armed forces on active service in a war zone should be kept with the application form.

Recognised Stock Exchange – Aktie Torget Market in Sweden

We have been asked whether the Aktie Torget market in Sweden meets the HMRC definition of a recognised stock exchange (RSE).

NASDAQ OMX Stockholm (the Stockholm Stock Exchange) is the only market in Sweden that has been designated as a RSE (see Table 1 of our published RSE pages at <http://www.hmrc.gov.uk/fid/rse-recognised-exchanges.htm>). Aktie Torget has not been designated as a RSE and it does not appear to be a market of NASDAQ OMX Stockholm.

On that basis, therefore, the Aktie Torget market is not a recognised stock exchange and securities listed solely on that market are not qualifying investments for ISAs.

Switching ISA investments – ISA going into cash deficit

Paragraph 10.3 of the *Guidance Notes* says that managers must make purchases out of cash held in the ISA at the time the investments are paid for and must not allow the ISA to go into a cash deficit.

This can cause problems where a manager is instructed to sell an ISA investment (or investments) and use the proceeds to purchase other ISA investment(s) and the settlement period for the sale is longer than the settlement period for the purchase. For example, if a sale is carried out on a T+4 deal while the purchase is carried out on a T+2 deal, the purchase should be made no earlier than two days after the sale otherwise the ISA will go into deficit when the purchase is settled.

We now intend to amend the *Guidance Notes* to make it clear that where 'matched' deals (sale and reinvestment) are carried out the ISA will not be regarded as going into deficit simply because the settlement date for the sale(s) is a couple of days later than the settlement date for the purchase(s).

Junior ISAs – uninvested cash in stocks and shares JISAs

We have been asked whether the guidance at paragraphs 7.49 and 10.32 of the *Guidance Notes*, which says that managers should remove uninvested cash from

stocks and shares ISAs where they become aware that the cash is not being held for the purpose of investment in qualifying investments, also applies to Junior ISAs

This guidance applies to 'adult' ISAs only. Uninvested cash held in a stocks and shares Junior ISA cannot be withdrawn: it will just sit there - and grow with interest if the manager pays interest on uninvested cash.

We will amend paragraph 7.49 to read as follows:

Cash may be held in an 'adult' stocks and shares ISA only for the purpose of investment in qualifying investments (paragraph 7.2). It may not be held for the sole purpose of sheltering interest arising on cash deposits from tax.

Where a manager believes that cash in an 'adult' stocks and shares ISA is not being held for the purpose of investment in qualifying investments he should follow the guidance at paragraph 10.32.

Junior ISAs – full name of applicant/child

Paragraph 20.3.1 of the *Guidance Notes* says that applications to open Junior ISAs should contain the child's title (if any) forenames and surname (however, forenames after the first can be represented by initials). In contrast, paragraph 4.13, which deals with applications to open 'adult' ISAs, says that applications should contain the applicant's full name - but this does not have to include a middle name or initial, so an application showing Mr John Joseph Bloggs, Mr John J Bloggs or Mr John Bloggs is acceptable but Mr J J Bloggs or Mr Bloggs is not.

We intend to bring the guidance for Junior ISA applications in line with that for 'adult' ISAs. We will also make consequential amendments at paragraphs 20.14, 20.15, 21.3.1, 21.7, 25.4.2, 25.7 and 25.9.

Junior ISAs – death of child

The Guidance at paragraph 26.3.8, which sets out the information that JISA managers should provide to the personal representatives following the death of the child, differs from that at paragraph 12.15, which sets out the information to be provided on the death of an 'adult' ISA investor. In particular the first bullet point of paragraph 26.3.8

- does not contain a cross-reference to the market value rules at paragraphs 10.20-10.22
- requires the Junior ISA manager to report the gross interest payable to date of death

We intend to amend paragraph 26.3.8 so that it mirrors paragraph 12.15.

We have also been asked whether the information must be provided in all cases or need be provided only on request. The personal representative needs this information so that he can discharge his duties; it should therefore be provided in all cases.