SAVINGS (GOVERNMENT CONTRIBUTIONS) BILL

EXPLANATORY NOTES

What these notes do

These Explanatory Notes relate to the Savings (Government Contributions) Bill as introduced in the House of Commons on 6 September 2016 (Bill 59).

- These Explanatory Notes have been prepared by HM Revenue & Customs (HMRC) and HM Treasury in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by Parliament.

- These Explanatory Notes explain what each part of the Bill will mean in practice; provide background information on the development of policy; and provide additional information on how the Bill will affect existing legislation in this area.

- These Explanatory Notes might best be read alongside the Bill. They are not, and are not intended to be, a comprehensive description of the Bill.

Table of Contents

These Explanatory Notes relate to the Savings (Government Contributions) Bill as introduced in the House of Commons on 6 September 2016 (Bill 59)

Overview of the Bill

1 The Bill makes provision for, and in connection with, government bonuses and other account features, for two new government-supported savings accounts:

- Lifetime Individual Savings Accounts ("Lifetime ISA") and
- Help-to-Save accounts.

Policy background

2 The government is committed to supporting people at all income levels and all stages of life to save, recognising the important role that savings can play in promoting aspiration and supporting households' standards of living. Over recent years the government has introduced a range of reforms to promote saving and ensure that the right incentives and products are in place to meet savers' needs. This includes reforms to the Individual Savings Account (ISA) system, changes to the pensions system to provide people with more freedom and choice over how to access their retirement savings and the introduction of the Personal Savings Allowance, which removes 17 million people from tax on their savings.

3 The government also recognises the need for targeted incentives to promote saving among particular groups. During the last Parliament, the government helped over a million pensioners save through National Savings & Investments' (NS&I's) market leading 65+ guaranteed growth bond.

Lifetime ISA

4 At Budget 2016 the government announced that it would introduce the Lifetime ISA from April 2017.

5 The Lifetime ISA will help young people save flexibly for the long-term throughout their lives. It will help them to simultaneously save for a first home and for their retirement, without having to choose one over the other. The Lifetime ISA is designed to work with the grain of existing ISA products and to be simple for savers to use. It will harness the ISA model, where contributions are made out of post-tax income but investment growth on savings and future withdrawals are tax-free.

6 From April 2017, UK residents and Crown Employees and their spouses or civil partners, aged between 18 and 40 will be able to open a Lifetime ISA with an approved account provider (plan manager) and pay in up to the annual Lifetime ISA limit (£4,000) each tax year. The government will then add a 25% bonus to the amount paid into the Lifetime ISA. This means that individuals who save the maximum will receive a £1,000 bonus each year from the government.

7 Savers will be able to make Lifetime ISA contributions and receive a bonus from the age of 18 up to the age of 50. The Lifetime ISA plan manager will claim the bonus from HMRC and pay this into the individual's Lifetime ISA.

8 Subject to certain conditions, Lifetime ISA savings, including the government bonus, can be used to buy a first home worth up to £450,000 at any time from 12 months after first saving into the account. The funds, including the government bonus, can also be withdrawn from the Lifetime ISA from age 60 tax-free for any other purpose. Lifetime ISA holders can also access their savings and government bonus if they become terminally ill.

9 Account holders will also be able to make withdrawals at any time for other purposes, but with a 25% government charge applied to the amount of withdrawal. This returns the government

bonus element (including any interest or growth on that bonus) to the government with a small additional charge applied. The government charge will usually be collected and paid to HMRC by the Lifetime ISA plan manager.

10 Account holders will be able to transfer their Lifetime ISA between plan managers. During the 2017-18 tax year only, savers who already have a Help to Buy: ISA will be able to transfer any funds (including interest) built up before 6 April 2017 into a Lifetime ISA without these amounts counting towards the Lifetime ISA contribution limit. They will receive a 25% government bonus on the full value of the transferred funds. From 2018-19 any transfers from a Help to Buy: ISA will count towards the Lifetime ISA contribution limit.

Help-to-Save

11 In his speech on life chances on 11 January 2016 the then Prime Minister set out the government's intention to bring forward a new Help-to-Save scheme to encourage people on low incomes to build up a rainy day fund. Further details of the scheme were announced by the Prime Minister on 14 March, including the government's intention to consult shortly after Budget 2016 on the framework for implementation and policy design of the scheme.

12 Help-to-Save will target working families on low incomes to help them build up their savings. The scheme will be open to around 3.5 million individuals who either receive universal credit and have minimum weekly household earnings equivalent to 16 hours at the national living wage, or receive working tax credit.

13 Help-to-Save will work by providing a 50% government bonus on up to £50 of monthly savings into a Help-to-Save account. The bonus will be paid after two years, with savers able to continue saving for a further two years, meaning people can save up to £2,400 and benefit from total government bonuses worth up to £1,200. Help-to-Save accounts will be available no later than April 2018.

14 Account providers will claim the Help-to-Save bonus from HMRC and pay this to the account holder. Account holders will be able to use the government bonus in any way they wish, and can withdraw their savings, including any bonus paid, at any time.

Legal background

15 ISA rules are set out in the Individual Savings Account Regulations (SI 1998/1870), which are made under powers set out in the Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005) and the Taxation of Chargeable Gains Act 1992 (TCGA 1992).

16 This Bill makes additional provision in relation to Lifetime ISAs – including in relation to payment of government bonuses and claims for bonus. It also sets out which withdrawals from a Lifetime ISA do not trigger a charge, and provides arrangements for the payment of the charge payable on other withdrawals. The Bill also contains provisions in relation to: HM Treasury and HMRC's responsibilities and powers in relation to the Lifetime ISA; arrangements for tax relief of government bonuses; information requirements; penalties and arrangements for appeals against various decisions taken by HMRC in relation to Lifetime ISA. Further detail on the requirements for plan managers, the government bonus, account withdrawals and the operation of accounts will be set out in regulations to be made by HM Treasury.

17 The Bill also establishes Help-to-Save accounts, including by setting out HMRC and HM Treasury's responsibilities and powers in relation to the scheme and qualifying conditions for accounts. It also provides for arrangements in relation to: calculation and payment of the government bonus; the approval or appointment of account providers; Help-to-Save account features; the use of information; penalties and appeals. Further details of the operation of Help-

to-Save accounts, eligibility for an account and other matters will be set out in regulations made by HM Treasury or in arrangements made between HM Treasury or HMRC and an account provider.

Territorial extent and application

18 The provisions of the Bill extend to the whole of the United Kingdom.

19 See the table in Annex A for a summary of the position regarding territorial extent and application in the United Kingdom. The table also summarises the position regarding legislative consent motions and matters relevant to Standing Orders Nos. 83J to 83X of the Standing Orders of the House of Commons relating to Public Business.

Commentary on provisions of Bill

Clause 1: Government contributions to Lifetime ISAs

20 Clause 1 provides at subsection (1) that HMRC must pay a government bonus on a ‘qualifying addition’ made in a ‘relevant period’ to a ‘Lifetime ISA’. The meaning of qualifying addition, relevant period and Lifetime ISA will be set out in regulations made by HM Treasury under subsections (2) and (3). Subsection (4) provides that a Lifetime ISA must have some or all of its investment income exempt from income tax under ‘investment plan regulations’ as defined at subsection (7). Subsection (5) provides that the government bonus will be an amount determined in accordance with HM Treasury regulations. It is anticipated that regulations will specify a government bonus of 25% for all qualifying additions made to a Lifetime ISA. Subsection (6) introduces Schedule 1, which contains further provisions relating to government bonuses for Lifetime ISAs.

Clause 2: Government contributions to Help-to-Save accounts

21 Clause 2 provides at subsection (1) that the ‘paying authority’ must pay any government bonus amount due in respect of a Help-to-Save account. Subsection (2) sets out who the paying authority is and subsection (3) introduces Schedule 2, which makes further provision in relation to this clause and Help-to-Save accounts.

Clause 3: Income tax treatment of Government contributions under section 1 or 2

22 Subsection (1) of this clause amends Part 6 of ITTOIA 2005 to provide that no liability to income tax will arise on government bonuses, or amounts in respect of these bonuses, paid to Lifetime ISAs or Help-to-Save accounts.

23 Subsections (2) to (4) ensure that a Lifetime ISA or Help-to-Save account that would otherwise be treated for the purposes of Part 10A of the Income Tax Act 2007 as an ‘alternative finance arrangement’ but for the payment of a government bonus, will not be disqualified from this treatment because of the bonus.

Clause 4: Regulations

24 This clause makes provision in relation to HM Treasury regulations made under this Bill, including for the Parliamentary procedures that will apply and the permitted scope of regulations.

Clause 5: Interpretation and amendments

25 Subsection (1) defines 'Help-to-Save account', 'HMRC', 'Lifetime ISA' and 'Treasury regulations' for the purposes of this Bill. Subsection (2) amends Schedule 2 to the Northern Ireland Act 1998 to insert a reference to government bonuses paid under this Bill – making these bonuses excepted matters for the purposes of the devolution settlement in Northern Ireland. This means that these bonuses will be available in Northern Ireland in the same way as in the rest of the United Kingdom. Subsection (3) updates paragraph 19 of Schedule 36 to Finance Act (FA) 2008 (concerning information a person is not required to provide in response to an HMRC information notice) to take account of this Bill.

Clause 6: Short title and commencement

26 Subsection (1) provides the short title of the Bill, and subsections (2) to (4) concern commencement.

Schedule 1: Lifetime ISAs: further provision

Part 1: Introductory

27 Paragraph 1 of Schedule 1 to the Bill provides for the interpretation of 'bonus', 'plan manager' and 'document' for the purposes of this Schedule.

28 Paragraph 2 sets out (at sub-paragraph (1)) that responsibility for paying and managing Lifetime ISA bonuses, and for the collection and administration of charges on withdrawals from accounts, rests with HMRC. Sub-paragraph (2) provides that HM Treasury regulations may make provision in relation to the administration of these matters.

Part 2: Payment of government bonuses

29 Paragraph 3 concerns claims for government bonuses. It sets out at sub-paragraph (1) that HM Treasury regulations may provide that a bonus is payable only if a claim is made in accordance with regulations, and require Lifetime ISA plan managers to make claims for bonus amounts. Sub-paragraph (2) provides for HM Treasury regulations on various matters in relation to claims - including claim periods, the information to be included in claims, how and when claims are to be made, and in relation to the rejection of a claim (including for the amendment of a claim and review and appeal rights). Sub-paragraph (3) permits these regulations to authorise HMRC to specify certain of these matters.

30 Paragraph 4 sets out at sub-paragraph (1) that HM Treasury regulations may provide for the repayment of wrongly-paid bonus amounts. Sub-paragraph (2) enables these regulations to include provisions identifying the person liable to repay an amount and in relation to the collection of, and application of interest to, any such amounts. It is anticipated that these amounts will be recovered by HMRC assessment. Sub-paragraph (3) specifies that regulations in relation to collection of these amounts may apply or incorporate (with or without modification) enactments relating to the recovery of income tax or capital gains tax amounts.

31 Paragraph 5 sets out the penalty that will apply for material inaccuracies in bonus claims that are either careless or deliberate, or where the claimant knew about an inaccuracy but did not inform HMRC (or take reasonable steps to inform HMRC) at the appropriate time. Sub-paragraph (6) specifies that the penalty for each inaccuracy must not exceed the penalty amount set out in paragraph 40A(5) of Schedule 36 to FA 2008 (currently £3,000). Sub-paragraph (8) applies various provisions of Schedule 36 – concerning the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal procedures – to penalties charged under this paragraph.

32 Paragraph 6 provides an officer of HMRC with powers (at sub-paragraph (2)) to require, by

notice, that a relevant plan manager (as defined at sub-paragraph (7)), or a person who has made a qualifying addition to an account, must provide information or produce documents that are reasonably required by the officer in connection with a claim for a government bonus. Sub-paragraph (4) concerns cases where a notice is given to a person other than a relevant plan manager, and requires a copy of the notice to also be given to each relevant plan manager.

33 Various provisions of Schedule 36 to FA 2008, in relation to HMRC's information and inspection powers, are applied by sub-paragraph (3) of paragraph 6. Sub-paragraphs (5) and (6) provide for appeals against the issue of a notice under this paragraph, or against any requirement in such a notice, with reference to paragraph 32 of Schedule 36 to FA 2008.

Part 3: Charges on some withdrawals from Lifetime ISAs

34 Paragraph 7 sets out, at sub-paragraph (1), the circumstances in which funds can be withdrawn from a Lifetime ISA without triggering a charge. These are:

- once an account holder (the investor) has reached an age specified in HM Treasury regulations (the government intends that regulations will specify this age at 60);
- for the purposes of certain first-time residential purchases;
- if an investor is suffering from a terminal illness;
- after an investor's death; and
- on transfer to another Lifetime ISA.

35 Sub-paragraphs (2) and (5) of paragraph 7 provide powers for HM Treasury regulations to add other types of withdrawals to this list, and to make supplementary provisions setting out conditions in relation to a first-time residential purchase, terminal illness and transfers. Sub-paragraph (3) allows regulations to provide for an exception to the availability of charge-free withdrawals after the investor has reached the age specified under sub-paragraph 7(1) (which the government intends to set at 60). Regulations may provide, for example, that additions made to an account after an investor has reached a particular age may not be withdrawn without triggering a charge after the investor reaches 60, unless these additions have been held in the account for a specified period.

36 Sub-paragraph (4) provides powers for HM Treasury regulations to permit withdrawals to be subject to a charge, not at the time of withdrawal, but at a later date if there has been a failure to meet specified conditions. This permits regulations, for example, to address cases in which funds are withdrawn without charge for a first-time residential purchase that does not proceed.

37 Paragraph 8 provides at sub-paragraph (2) that where there is a withdrawal from a Lifetime ISA other than in circumstances that do not trigger a charge ('unlisted withdrawals'), an amount must be paid to HMRC (a 'withdrawal charge'). This amount will be equal to the percentage of the value of the withdrawal specified in HM Treasury regulations. It is intended that regulations will set this withdrawal charge at 25% of the withdrawn value. Sub-paragraph (7) permits alternative ways of calculating the amount payable on a withdrawal to be set out in regulations. Sub-paragraph (8) provides that the specified percentage, or any alternative way of calculating the amount due on a withdrawal, may be such that the amount payable is greater than the value of the withdrawal attributable to any government bonus paid.

38 Sub-paragraphs (3), (4) and (6) of paragraph 8 set out who is liable for an amount payable in various circumstances. Where there is a plan manager at the time of a withdrawal, that plan manager and the investor will be jointly and severally liable. Sub-paragraph (3) requires the plan manager to deduct the amount payable from the withdrawal, and to pay this deducted amount

to HMRC.

39 For withdrawals covered by regulations made under paragraph 7(4) of this Schedule, sub-paragraph (6) provides that a plan manager's liability is limited to the amount or value of the investments held under the relevant Lifetime ISA, and may be met by deducting an amount from that account and paying the deducted amount to HMRC.

40 Paragraph 9 concerns the payment of withdrawal charges and sets out at sub-paragraph (1) to (3) that HM Treasury regulations may make certain provisions in relation to withdrawals. These regulations may require Lifetime ISA plan managers to submit returns to HMRC relating to withdrawals, and may also specify various matters in relation to these returns – including the period to which they relate, the information to be included, when and how returns are to be submitted and enquiries into, and amendment of, a return. Sub-paragraph (5) permits regulations to authorise HMRC to specify certain of these matters.

41 Sub-paragraph (1) of paragraph 9 also provides for these regulations to cover other matters in relation to withdrawals and withdrawal charges. These include the steps to be taken by a plan manager before a withdrawal not triggering a charge can be made, the collection and payment of withdrawal charges and the interest due when amounts are paid late. These regulations may apply or incorporate enactments relating to the payment, collection or management of tax as a result of sub-paragraph (3). Regulations may also make provision for the refund of a withdrawal charge and any interest paid.

42 Paragraph 10 provides an officer of HMRC with powers (at sub-paragraph (2)) to require, by notice, that a relevant person (as defined at sub-paragraph (3)) must provide information or produce documents that are reasonably required by the officer in relation to withdrawals. Sub-paragraph (1) sets out that these powers only apply where a Lifetime ISA has included investments attributable to a government bonus. Sub-paragraph (5) concerns cases where a notice is given to a person other than the current plan manager, and requires a copy of the notice to also be given to that plan manager.

43 Sub-paragraph (4) of paragraph 10 applies various provisions of Schedule 36 to FA 2008, in relation to HMRC's information and inspection powers, for the purposes of this paragraph. Sub-paragraphs (6) and (7) provide for appeals against the issue of a notice under this paragraph, or against any requirement in such a notice, with reference to paragraph 32 of Schedule 36 to FA 2008.

44 Paragraph 11 provides for HM Treasury to make regulations about who is the 'investor' and what counts as a 'withdrawal' for the purposes of this Schedule.

Part 4: Enforcement of information requirements

45 Paragraph 12 concerns penalties for inaccuracies in:

- a return relating to withdrawals that a plan manager is required to provide by regulations made under paragraph 9(1)(a) of this Schedule; and
- information or documents provided or produced in response to a notice issued by HMRC under paragraph 6(2) or 10(2) of this Schedule.

46 A person is liable to a penalty for a material inaccuracy that is careless or deliberate, or where they knew about an inaccuracy but did not inform HMRC (or take reasonable steps to inform HMRC) at the appropriate time. Sub-paragraph (6) specifies that the penalty for each inaccuracy must not exceed the penalty amount set out in paragraph 40A(5) of Schedule 36 to FA 2008 (currently £3,000). Sub-paragraph (8) applies various provisions of Schedule 36 – concerning the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal

procedures – to penalties charged under this paragraph.

47 Paragraph 13 allows an officer of HMRC to enter any business premises of a relevant plan manager (as defined at sub-paragraph (3)) and inspect documents on the premises in connection with a Lifetime ISA bonus claim, subject to certain conditions.

48 Paragraph 14 provides similar inspection powers for documents relating to withdrawals from a Lifetime ISA. An officer of HMRC can enter any business premises of a relevant person (as defined at sub-paragraph (3)) and inspect documents on the premises in connection with a withdrawal, subject to certain conditions.

49 Paragraph 15 makes supplementary provisions about HMRC inspections carried out under paragraphs 13 and 14 – including (at sub-paragraph (1)) by restricting HMRC's powers to enter premises used as a dwelling. Sub-paragraph (1) also specifies that HMRC may obtain and record information relating to documents that have been inspected. Sub-paragraph (2) provides a definition of 'business premises' for the purposes of paragraphs 13(2) and 14(2).

50 Sub-paragraphs (3) and (4) concern timing of inspections and restrictions on HMRC's powers. Sub-paragraphs (5) and (7) allow an officer of HMRC to ask the tribunal to approve an inspection and define 'the tribunal' for these purposes. Sub-paragraph (6) applies certain provisions of paragraph 13 of Schedule 36 to FA 2008 in relation to an application to the tribunal, the powers of the tribunal and the tribunal's decision being final.

51 Paragraph 16 provides that a penalty applies to:

- a plan manager who fails to make a bonus claim, or to submit a return relating to withdrawals, as required by regulations made under paragraph 3(1)(b) or 9(1)(a) of this Schedule; or
- a person who fails to comply with a notice given by HMRC under paragraph 6(2) or 10(2) of this Schedule, or who deliberately obstructs an officer of HMRC in the course of an inspection that has been approved by the tribunal.

52 Sub-paragraphs (2) and (3) link the penalty amounts to those specified at paragraph 39(2) and 40(2) of Schedule 36 to FA 2008 in relation to a failure or obstruction. These provisions of Schedule 36 currently specify a penalty of £300 and a further penalty not exceeding £60 for each subsequent day that the failure or obstruction continues. Sub-paragraph (4) ensures that certain matters relating to the concealment, destruction or disposal of a document are treated as failures to comply with a notice for the purposes of this paragraph.

53 Sub-paragraph (5) applies various provisions of Schedule 36 to FA 2008 – concerning the granting of additional time for a person to comply by HMRC, cases in which a person has a reasonable excuse for a failure or obstruction, the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal procedures – to penalties charged under this paragraph.

Part 5: Further provision about penalties

54 Paragraph 17 sets out that a person is liable for a penalty if they act dishonestly:

- for the purpose of obtaining (or assisting another person in obtaining) a government bonus to which they are not entitled; or
- to secure a withdrawal from a Lifetime ISA without a withdrawal charge that is due.

55 Sub-paragraphs (2) and (4) set out the amounts chargeable by way of penalty, and sub-paragraph (5) allows certain penalty amounts to be amended by HM Treasury regulations. Sub-paragraph

(6) applies various provisions of Schedule 36 to FA 2008 – concerning the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal procedures – to penalties charged under this paragraph.

Schedule 2: Help-to-Save accounts: further provision

Part 1: Introductory

56 Paragraph 1 of Schedule 2 to the Bill provides the meaning of "bonus" for the purposes of this Schedule.

57 Paragraph 2 sets out that responsibility for paying and managing Help-to-Save bonuses rests with HMRC, subject to clause 2 (concerning the identity of the paying authority for these bonuses).

58 Paragraph 3 concerns the meaning of a Help-to-Save account. Sub-paragraphs (1) and (5) set out various characteristics of an account, and specify when a Help-to-Save account has been opened. A Help-to-Save account is an account for money savings held by an individual (or as otherwise provided by regulations) who is an eligible person (as defined in paragraph 4 to this Schedule) on the eligibility reference dates (as defined in sub-paragraph (4)) and who is beneficially entitled to the money in the account. It is intended that Help-to-Save accounts will be cash accounts, held by a person who met the relevant eligibility conditions on the dates that the account application was made and accepted.

59 A Help-to-Save account must be opened in accordance with requirements imposed by or under paragraph 11 to this Schedule, and can only be provided by an authorised account provider as defined in paragraph 9. The requirements of a Help-to-Save account imposed by or under paragraph 10 must also be met.

60 Sub-paragraph (2) of paragraph 3 sets out that an account ceases to be a Help-to-Save account at the end of its maturity period (as defined at sub-paragraph (6)). An account's maturity period will usually be 48 calendar months starting with the month in which it is was opened, but will be shorter where an account holder becomes terminally ill or dies before the end of that 48 month period. Sub-paragraph (7) allows HM Treasury to make regulations concerning when an individual is considered to be terminally ill for this purpose. An account also ceases to be a Help-to-Save account where requirements imposed by or under paragraph 10 cease to be met before the end of the 48 month period.

61 Sub-paragraph (3) permits HM Treasury to provide by regulations for an account to be treated as a Help-to-Save account. This is intended to cover cases in which there has been a minor breach of the regulations, which it is possible to repair without removing Help-to-Save status from the account.

Part 2: Eligibility

62 Paragraph 4 sets out conditions that must be satisfied in order for an individual to be eligible for a Help-to-Save account, with reference, at sub-paragraph (1), to the benefit entitlement conditions and the UK connection condition set out in paragraphs 5 to 8 of this Schedule.

63 It is proposed that an individual will only be required to meet the benefit entitlement and UK connection conditions on the 'eligibility reference dates' specified in paragraph 3(4) to this Schedule (the dates on which an account application is made and accepted). Any change to an account holder's circumstances in relation to these conditions during the maturity period of their Help-to-Save account will not affect their entitlement to continue to hold the account, or to any government bonus in respect of the account.

64 Sub-paragraph (2) of paragraph 4 enables HM Treasury to provide by regulations that, in specified circumstances, an individual may be treated as an eligible person. This is intended to address situations in which, for example, there is a delay in the receipt by HMRC of information about a person's eligibility, which leads HMRC to consider that person did not satisfy one of the benefit entitlement conditions when they applied for an account. In such cases, it is intended that regulations will provide that a person can be treated as an eligible person on a subsequent date, even after they have ceased to meet the benefit entitlement conditions, in order that they do not miss out on the chance to open a Help-to-Save account.

65 Paragraphs 5 and 6 concern benefit entitlement conditions in relation to working tax credit and universal credit, which will be specified in HM Treasury regulations. For example, it is proposed that individuals receiving universal credit will be required to have household earnings that equate to 16 hours worked at the national living wage in order to be eligible for a Help-to-Save account.

66 Paragraph 7 provides that in order to satisfy the 'UK connection condition' for an account, a person must be in the United Kingdom. Further details of when an individual is treated as satisfying this condition will be set out in HM Treasury regulations made under sub-paragraph (2).

67 Paragraph 8 enables HM Treasury regulations to specify further benefit entitlement conditions and make provision about deciding whether an individual is eligible for a Help-to-Save account. Sub-paragraph (2) is designed to address an option for administration of the scheme under which individuals who meet the benefit entitlement conditions are advised of this by an HMRC notice of eligibility, which may provide, for example, that they are eligible to open an account during a period specified on the notice.

Part 3: Account providers and features of accounts

68 Paragraph 9 sets out rules about who can offer Help-to-Save accounts (authorised account providers). As specified at sub-paragraph (2), this paragraph permits three different kinds of account provider:

- a person approved by HMRC to offer accounts (subject to conditions set out in regulations made under sub-paragraph (3));
- a person or body with whom HMRC or HM Treasury have made arrangements for the provision of accounts; or
- the Director of Savings (NS&I), which is an executive agency of HM Treasury.

69 This paragraph allows one or more public or private sector entities to offer Help-to-Save accounts, subject to the appropriate authorisation or agreements. Sub-paragraphs (4) and (5) allow regulations to provide that an account provider (a 'retiring provider') must supply certain information to HMRC and account holders where they have ceased (or expect to cease) offering Help-to-Save accounts. This may include, for example, information concerning an account holder's right to transfer their account to another provider.

70 Paragraph 10 sets out some of the required features of Help-to-Save accounts and permits HM Treasury to make regulations imposing requirements an account must comply with to be a Help-to-Save account. Sub-paragraphs (1) to (3) provide that no more than £50 per calendar month can be paid into a Help-to-Save account (excluding any interest and government bonus amounts), and allow HM Treasury regulations to specify whether this monthly limit should be calculated on a gross basis, or whether this should be a net amount after the deduction of sums withdrawn from the account during the month. Sub-paragraph (4) allows HM Treasury regulations to

include provision about deciding whether certain requirements imposed by regulations are met. Regulations may specify, for example, that HMRC has responsibility for deciding whether an account meets certain requirements of a Help-to-Save account.

71 Paragraph 11 concerns opening a Help-to-Save account. The requirements set out at sub-paragraph (1) include that, in order to open an account, a person must be an eligible person when they apply for the account and when this application is accepted. An individual can only open a Help-to-Save account if such an account has not previously been opened for them, subject to any exceptions provided in HM Treasury regulations made under sub-paragraph (3).

72 Sub-paragraph (2) permits HM Treasury regulations to make provision about who may apply for an account. This sub-paragraph also allows regulations to provide for the form and manner of an account application, and to specify (or allow HMRC to specify) the information to be provided in an application.

73 Sub-paragraph (3) allows HM Treasury regulations to specify when an account application must be refused by an account provider. Regulations may provide, for example, that an account must not be opened where an account provider has cause to doubt the truth of any information provided in an application. This sub-paragraph also allows regulations to set out who can carry out the functions of an account holder. In most cases, it is intended that these functions will be carried out by the account holder, but regulations may also make provision, for example, for cases in which that person lacks capacity to manage the account themselves.

74 Sub-paragraph (4) provides that where a contract in connection with a Help-to-Save account is entered into by an account holder who is aged 16 or 17, it will have the same effect as if that person were aged 18 or over. This is to ensure that these contracts are legally binding.

75 Paragraph 12 allows HM Treasury to make regulations setting out further provisions in relation to Help-to-Save accounts – including (at sub-paragraph (1)) in relation to account transfers, so that a transferred account can be treated as a single Help-to-Save account before and after a transfer.

76 Sub-paragraph (2) of paragraph 12 sets out that if the Director of Savings (NS&I) provides Help-to-Save accounts, they can make arrangements with HM Treasury or HMRC on matters in relation to which this Schedule also permits regulations to be made. This sub-paragraph also makes provision in relation to the treatment of sums paid into, and payable from, Help-to-Save accounts provided by the Director of Savings.

77 Subsection (3) of paragraph 12 provides that arrangements made between HMRC and an account provider (including the Director of Savings where appropriate) may include payment by HMRC for the provision of Help-to-Save accounts.

78 Paragraph 13 allows HM Treasury regulations to provide that an account can be treated as never having been a Help-to-Save account where it is established that the account holder did not meet the relevant eligibility conditions on the dates they applied for the account and their application was accepted.

Part 4: Government bonuses

79 Paragraph 14 concerns the calculation and payment of government bonuses. It provides at sub-paragraph (1) that the individual for whom the account was opened is entitled to any bonus payable on that account. Sub-paragraph (5) makes this requirement subject to HM Treasury regulations, made under sub-paragraph (4), concerning the payment of a bonus following the death of an account holder.

80 Sub-paragraphs (2) to (4) permit HM Treasury regulations to make provision in relation to the

calculation and payment of bonuses – including (at sub-paragraph (3)) for bonuses to be calculated with reference to the whole of the maturity period for the account, or only part of that period. Sub-paragraph (3) also permits regulations to provide that no bonus is payable where an account is closed, or ceases to be a Help-to-Save account, before the end of its maturity period. Sub-paragraph (4) allows regulations to specify whether bonuses should be paid by single or multiple payments, and whether a bonus should be paid to the Help-to-Save account or elsewhere.

81 Paragraph 15 sets out at sub-paragraph (1) that HM Treasury regulations may provide for the repayment of wrongly-paid bonus amounts. Sub-paragraph (2) enables these regulations to include provisions identifying the person liable to repay an amount and in relation to the collection of, and application of interest to, any such amounts. It is anticipated that these amounts will be recovered by HMRC assessment. Sub-paragraph (3) specifies that regulations in relation to collection of these amounts may apply or incorporate (with or without modification) enactments relating to the recovery of income tax or capital gains tax amounts.

Part 5: Information

82 Paragraph 16 permits the sharing of information between HMRC and others for purposes relating to the payment and management of Help-to-Save bonuses. Sub-paragraphs (1) and (2) permit HMRC to disclose information that would otherwise be confidential under section 18(1) of the Commissioners for Revenue and Customs Act 2005 (CRCA 2005) to account providers, or to other persons to enable or assist the exercise of HMRC's functions in relation to Help-to-Save accounts. Sub-paragraph (3) provides that any such information disclosed by HMRC may be passed on further by the recipient only with the general or specific consent of HMRC. Sub-paragraphs (4) and (5) apply provisions of section 19 of CRCA 2005 in relation to this information (revenue and customs information relating to a person) - making wrongful onward disclosure an offence in certain circumstances.

83 Sub-paragraph (6) permits a person to disclose information to HMRC in connection with its functions under the Bill. Sub-paragraph (7) ensures this provision does not limit any existing power to disclose information to HMRC. Sub-paragraph (8) extends an existing gateway between the Department for Work and Pensions, the relevant Northern Ireland Department and HMRC in the Welfare Reform Act 2012. It is proposed that this gateway will be used to provide HMRC with information concerning universal credit, which will assist HMRC in determining an individual's eligibility for a Help-to-Save account.

84 Section 17 of CRCA 2005 permits any information acquired by HMRC in connection with a function to also be used by HMRC in connection with any other of its functions. This will enable HMRC to use the information it already holds about working tax credit for purposes relating to Help-to-Save accounts.

85 Paragraph 17 concerns claims for government bonuses, returns of information and record keeping by Help-to-Save account providers. It provides at sub-paragraph (1) that HM Treasury regulations may make various provisions in relation to claims for bonuses. These include provisions specifying that a bonus is payable only if a claim is made in accordance with regulations, and requiring Help-to-Save account providers to make a claim for bonus amounts. Sub-paragraph (2) provides for HM Treasury regulations on various matters in relation to claims for bonuses - including claim periods, the information to be included in claims, how and when claims are to be made, and in relation to the rejection of a claim (including for the amendment of a claim and review and appeal rights). Sub-paragraph (3) permits these regulations to authorise HMRC to specify certain of these matters.

86 Sub-paragraphs (4) and (5) of paragraph 17 provide that HM Treasury regulations may also require account providers to keep records and to submit returns of information about the

operation of Help-to-Save accounts. Sub-paragraph (5) provides that these regulations may include provisions concerning return periods, the information to be included in a return, when and how returns are to be submitted and enquiries into, and amendment of, a return. Sub-paragraph 6 permits regulations to authorise HMRC to specify certain of these matters.

87 Paragraph 18 provides an officer of HMRC with powers to require, by notice, specified persons to provide information or produce documents that are reasonably required by the officer in connection with HMRC's functions in relation to Help-to-Save accounts. Sub-paragraph (3) concerns cases where a notice is given to a person other than the current account provider, and requires a copy of the notice to also be given to that account provider.

88 Various provisions of Schedule 36 to FA 2008, in relation to HMRC's information and inspection powers, are applied by sub-paragraph (2) of paragraph 18. Sub-paragraphs (4) and (5) provide for appeals against the issue of a notice under this paragraph, or against any requirement in such a notice, with reference to paragraph 32 of Schedule 36 to FA 2008.

89 Paragraph 19 concerns penalties for inaccuracies in:

- bonus claims or returns of information that an account provider is required to provide by regulations made under paragraph 17 of this Schedule; and
- information or documents provided or produced in response to a notice issued by HMRC under paragraph 18 of this Schedule.

90 A person is liable to a penalty for a material inaccuracy that is careless or deliberate, or where they knew about an inaccuracy but did not inform HMRC (or take reasonable steps to inform HMRC) at the appropriate time. Sub-paragraph (6) specifies that the penalty for each inaccuracy must not exceed the penalty amount set out in paragraph 40A(5) of Schedule 36 to FA 2008 (currently £3,000). Sub-paragraph (8) applies various provisions of Schedule 36 – concerning the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal procedures – to penalties charged under this paragraph.

91 Paragraph 20 allows an officer of HMRC to enter any business premises (as defined in sub-paragraph (4)) of an account provider and inspect documents on the premises in connection with a bonus claim, subject to certain conditions. Sub-paragraph (3) applies restrictions to HMRC's powers to enter premises used as a dwelling and specifies that HMRC may obtain and record information relating to documents that have been inspected. Sub-paragraphs (5) and (6) concern timing of inspections and restrictions on HMRC's powers. Sub-paragraphs (7) and (9) allow an officer of HMRC to ask the tribunal to approve an inspection and define 'the tribunal' for these purposes. Sub-paragraph (8) applies certain provisions of paragraph 13 of Schedule 36 to FA 2008 in relation to an application to the tribunal, the powers of the tribunal and the tribunal's decision being final.

92 Paragraph 21 provides that a penalty applies to:

- an account provider who fails to make a claim for a bonus, or to submit a return, which is required by regulations made under paragraph 17 of this Schedule; or
- a person who fails to comply with a notice given by HMRC under paragraph 18 of this Schedule, or who deliberately obstructs an officer of HMRC in the course of an inspection that has been approved by the tribunal.

93 Sub-paragraphs (2) and (3) link the penalty amounts to those specified at paragraph 39(2) and 40(2) of Schedule 36 to FA 2008 in relation to a failure or obstruction. These provisions of Schedule 36 currently specify a penalty of £300 and a further penalty not exceeding £60 for each

subsequent day that the failure or obstruction continues. Sub-paragraph (4) ensures that certain matters relating to the concealment, destruction or disposal of a document are treated as failures to comply with a notice for the purposes of this paragraph.

94 Sub-paragraph (5) applies various provisions of Schedule 36 to FA 2008 – concerning the granting of additional time for a person to comply by HMRC, cases in which a person has a reasonable excuse for a failure or obstruction, the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal procedures – to penalties charged under this paragraph.

95 Paragraph 22 applies a penalty where a person deliberately provides a material inaccuracy in an application for a Help-to-Save account. Sub-paragraph (2) links the penalty amount to that specified at paragraph 39(2) of Schedule 36 to FA 2008 (currently £300). Sub-paragraph (3) applies various provisions of Schedule 36 to FA 2008 – concerning the assessment and enforcement of penalties, double jeopardy, rights of appeal and appeal procedures – to penalties charged under this paragraph.

96 Paragraph 23 sets out the interpretation of 'document' for the purposes of Part 5 of this Schedule.

Commencement

97 The Bill will come into force on the day after it is passed, except for the duty at clause 2 to pay government bonuses in respect of Help-to-Save accounts, which will apply only in relation to accounts opened after a date specified in HM Treasury regulations. These regulations may specify different dates in relation to different descriptions of eligible person for a Help-to-Save account, or different areas.

Financial implications of the Bill

98 The Bill will entail additional public expenditure for both the Lifetime ISA and Help-to-Save, with the main costs being the government's contributions paid to customers' savings accounts.

99 The fiscal implications of these policies were scored at Budget 2016 and published within the Budget documents. As set out in the Bill impact assessment, the cost of the Lifetime ISA is estimated to reach £830m in 2020-21 and Help-to-Save is expected to cost £70m in 2020-21.

100 A full assessment of the costs and benefits of the Bill have been set out in the accompanying impact assessment.

Parliamentary approval for financial costs or for charges imposed

101 Additional government expenditure will arise from the Bill, which will require the approval by the House of Commons of the appropriate Money Resolution. The Bill also authorises charges on certain withdrawals from Lifetime ISAs. These charges will require the approval by the House of Commons of the appropriate Ways and Means resolution.

Compatibility with the European Convention on Human Rights

102 Section 19 of the Human Rights Act 1998 requires the Minister in charge of a Bill in either House

of Parliament to make a statement before Second Reading about the compatibility of the provisions of the Bill with the Convention rights (as defined by section 1 of that Act). The Chancellor of the Exchequer has made the following statement:

"In my view the provisions of the Savings (Government Contributions) Bill are compatible with the Convention rights."

103 The articles which are engaged or potentially interfered with by the Bill are Article 1 of Protocol 1 (peaceful enjoyment of possessions) and Article 14 (prohibition on discrimination) when taken with Article 1 of Protocol 1. Applying the charge of 25% when certain withdrawals are made from a Lifetime ISA engages Article 1 of Protocol 1 as it recoups sums from the individual's own contributions in addition to the government payments. The government considers the 25% charge to be necessary, proportionate and justified.

104 The result of the restriction on opening a Lifetime ISA to those between the age of 18 and 40 could lead to possible claims of age discrimination in the receipt of the "benefit" of government bonus payments. However, even if Article 14 is engaged in conjunction with Article 1 of Protocol 1 the departments consider that the differential treatment on grounds of age would be justified and proportionate. The Lifetime ISA is intended to be a long-term savings product, either for retirement or for first-time home purchase. The targeted group are those who are most able, if incentivised, to build up retirement savings. They are also more likely to be first-time buyers.

105 The government therefore considers that the Bill is compatible with the rights set out in these Articles.

Related documents

106 The government will publish online a number of related documents at :

- https://www.gov.uk/government/collections/the-savings-government-contributions-bill

Annex A - Territorial extent and application in the United Kingdom

The provisions of the Bill extend to the whole of the United Kingdom. Clause 5 of the Bill makes payment of bonuses an excepted matter in the Northern Ireland Act 1998. This provision will require legislative consent from the Northern Ireland Assembly. In the view of the UK Government, all the remaining provisions of the Bill are not within the legislative competence of the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly.[1]

[1] References in this Annex to a provision being within the legislative competence of the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly are to the provision being within the legislative competence of the

Provision	Extends to E & W and applies to England?	Extends to E & W and applies to Wales?	Extends and applies to Scotland?	Extends and applies to Northern Ireland?	Would corresponding provision be within the competence of the National Assembly for Wales?	Would corresponding provision be within the competence of the Scottish Parliament?	Would corresponding provision be within the competence of the Northern Ireland Assembly?	Legislative Consent Motion needed?
Clauses 1-4,6	Yes	Yes	Yes	Yes	No	No	No	No
Clause 5	Yes	Yes	Yes	Yes	No	No	No	Yes (NI)
Schedules 1 & 2	Yes	Yes	Yes	Yes	No	No	No	No

Annex B – Regulations

1 The Bill contains powers permitting HM Treasury to make regulations in relation to Lifetime ISA and Help-to-Save accounts. This Annex provides further detail on how the government intends to use these regulation-making powers.

Lifetime ISA

2 Regulations will provide that a Lifetime ISA can be opened by a UK resident, a Crown Employee or the spouse or civil partner of a Crown Employee, who is between the ages of 18 and 40. Investors will be able to contribute up to £4,000 (or an alternative figure specified in regulations) to a Lifetime ISA each year. During 2017-18, an investor will also be able to transfer certain funds held in a Help to Buy: ISA to a Lifetime ISA, outside this contribution limit. Regulations will provide that contributions to Lifetime ISAs can continue to be made, and to earn a government bonus, until the investor reaches the age of 50.

3 Regulations will specify which contributions to an account are eligible for a government bonus (qualifying additions). This will include most payments made into a Lifetime ISA – including new subscriptions and amounts transferred to a Lifetime ISA from another type of ISA.

4 It is intended that regulations will set the rate of government bonus payable on qualifying additions to a Lifetime ISA at 25%, and set the charge due on some account withdrawals at 25% of the value that has been withdrawn.

5 Bonus amounts will be claimed by plan managers on behalf of investors, and paid by HMRC – with details of the claim process and the associated information requirements to be set out in

relevant devolved legislature for the purposes of Standing Order No. 83J of the Standing Orders of the House of Commons relating to Public Business.

regulations.

6 Regulations will also make provision concerning what is a withdrawal from a Lifetime ISA. Circumstances in which a withdrawal will not trigger a charge are set out in the Bill, but further detail will be provided in regulations. It is intended that regulations will specify that no charges will apply where a withdrawal is made after an investor turns 60. Regulations will also set out further details of the conditions, processes and evidence required for a withdrawal not to trigger a charge in cases where an investor is terminally ill, or because funds are withdrawn for a first-time residential purchase or transferred between Lifetime ISAs.

7 Withdrawal charges will usually be deducted by the plan manager and paid to HMRC – with details concerning the collection and payment of amounts due, and the associated information requirements, to be set out in regulations.

8 Regulations will be made on other matters concerning the operation, management and account features of the Lifetime ISA. HMRC's powers to recover wrongly-paid bonus amounts, and arrangements for appeals against certain HMRC decisions in relation to Lifetime ISA, will also be set out in regulations.

Help-to-Save

9 Regulations will make detailed provision in relation to eligibility for a Help-to-Save account. It is intended that regulations will provide that individuals receiving universal credit with minimum weekly household earnings equivalent to 16 hours at the national living wage, and individuals receiving working tax credit, will be eligible for an account. Regulations will also set out eligibility conditions in relation to a person's connection with the UK – requiring that an individual must be in the UK to open a Help-to-Save account.

10 Regulations will provide that a 50% government bonus will be payable on up to £50 of monthly savings into a Help-to-Save account. Bonus amounts will be calculated and claimed by account providers on behalf of account holders, as set out in regulations.

11 Regulations may set out conditions that financial institutions must satisfy before being approved to offer Help-to-Save accounts, as well as information requirements for account providers.

12 Regulations will be made on other matters concerning the operation, management and features of Help-to-Save accounts. HMRC's powers to recover wrongly-paid bonus amounts, and arrangements for appeals against certain HMRC decisions in relation to Help-to-Save, will also be set out in regulations.

13 Depending upon who is approved to offer Help-to-Save accounts, it is anticipated that some matters in relation to the operation of accounts may be set out by agreement between HMRC or HM Treasury and an account provider, rather than in regulations.

SAVINGS (GOVERNMENT CONTRIBUTIONS) BILL

EXPLANATORY NOTES

These Explanatory Notes relate to the Savings (Government Contributions) Bill as introduced in the House of Commons on 6 September 2016 (Bill 59).

Ordered by the House of Commons to be printed, 6 September 2016

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