

# CTF

## Child Trust Fund

### Guidance Notes for Providers



These guidance notes were updated March 2010. All CTF Bulletins, issued up to this date, have been incorporated into this version.



## Amendments

Amendments to the guidance notes published September 2009.

1.1.6a	new paragraph re children entitled to Disability Living Allowance
1.1.6b	new paragraph re children entitled to Disability Living Allowance
2.1.2	reference to legislation updated
2.1.3	amended
2.9.1	information on insolvencies and credit unions added
5.6.2	two new bullets added
5.6.3a	new paragraph re Power of Attorney
7.1.1	UCITS changed to 'UK UCITS' or 'Recognised UCITS'
7.9.1	reference to legislation updated in bullet 4
7.10.1	UCITS changed to 'UK UCITS or a Recognised UCITS'
8.2.4	amended
8.2.5	amended
10.3.9a	new paragraph added
10.9	form amended
13.3.5	paragraph added re market value at death
14.1.3	new paragraph added
14.6.1	new codes added
14.7.5	new paragraph added
Chapter 17	contact details updated
Chapter 18	definitions amended and added

At the next update, these amendments will be deleted and replaced with the amendments to this version.



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## **1.1 Overview of the Child Trust Fund**

- 1.1.1 CTF stands for Child Trust Fund. The CTF scheme started on 6 April 2005.
- 1.1.2 A CTF is an investment account managed for a child in accordance with the CTF regulations under terms agreed between the CTF provider and the registered contact. The government will contribute to each CTF, and the child's parents and others can also subscribe to the CTF.
- 1.1.3 All eligible children will receive an initial government contribution of £250. Children in low income families will receive an additional contribution of £250. For children who are taken into care without a child benefit claim having been made the initial contribution is referred to as a special contribution.
- 1.1.4 All government contributions (including special contributions) will enter the account by way of a fortnightly schedule sent to each provider. The provider will not be involved in calculation of the government contributions.
- 1.1.5 Universal Age 7 payments of £250, and an additional £250 for children in lower income families will commence in September 2009 and providers will be notified of payments on fortnightly schedules. All children looked after by local authorities will get £500. The first payments should be notified on schedules in response to fortnightly returns to 15 September 2009 (see paragraph 14.6 for Schedule payment codes).
- 1.1.6 The universal Age 7 payments will be made shortly after the child's seventh birthday. The additional Age 7 payments for children in low income families will be made after the end of the tax year in which the child's seventh birthday falls, usually once the tax credit award for that year has been finalised. Payments in respect of looked after children will be made once HMRC has received notification from the relevant local authority.
- 1.1.6a From 6 April 2009, children entitled to Disability Living Allowance (DLA) at any point in a tax year will receive £100, with those entitled to the highest rate of the care component receiving £200.
- 1.1.6b Payments in respect of DLA entitlement will be phased in. In April 2010 payments will be made for children entitled to DLA on 28 February 2010. No payments will then be made until October 2010 at the earliest, when payments will begin in respect of children entitled to DLA in the 2010-11 tax year. At the same time the following payments will also be made

- the first annual renewal payments for children eligible for the 2009-10 tax year and who were still eligible to DLA on 6 April 2010
- any 2009-10 tax year payments that were not made in April 2010. For example,
  - to children who became entitled to DLA between 1 March and 5 April 2010, and
  - to children who were entitled at some point between 6 April 2009 and 27 February 2010, but not on 28 February 2010, and
- any 2009-10 £100 top-up payments where the child was entitled to the highest rate of the care component at any point in the 2009-10 tax year who was only paid £100 in April due to a lower DLA care component entitlement on the 28 February.

After October 2010, children who become entitled to DLA for the first time will be paid £100 or £200 as appropriate as soon as HMRC are notified of their DLA entitlement, as will a £100 top-up payment where HMRC are notified of entitlement to the highest rate of the care component of DLA for a child who has already had a £100 payment for that tax year.

Payments for children that remain entitled to DLA across the tax year end/start will be paid as soon as possible at the start of the new tax year, with payments for the tax year 2011-12 beginning in April 2011, and similarly for all future years.

- 1.1.7 Income and gains generated by CTF investments are exempt from income tax and capital gains tax. The income generated from parental subscriptions to the CTF also does not count toward the parent's income under the settlements legislation (section 629 ITTOIA 2005).
- 1.1.8 The provider holds investments on behalf of the child, and claims repayment of income tax deducted at source, by submitting claims to SSO Repayments. Claims in respect of insurance products are made by the insurance company or friendly society providing insurance cover (who may be different to the provider).
- 1.1.9 Any person can make subscriptions into a child's CTF, and the only amounts that can be withdrawn from the CTF prior to the child's 18th birthday are to meet certain provider management charges and other specific expenses. Should the child die before they reach 18 the investments in the CTF become part of the child's estate.

## **1.2 The Guidance Notes**

1.2.1 The Guidance Notes are for providers. They provide guidance on how to operate the CTF scheme.

1.2.2 Providers are reminded of their obligations to comply with the Financial Services Authority Handbook of Rules and Guidance, and anti-money laundering legislation.

## **1.3 The Legislation**

1.3.1 The main legislation is in The Child Trust Funds Act 2004.

1.3.2 The detailed rules are contained in the Child Trust Funds Regulations 2004 No.1450, and all subsequent Amendment Regulations and the Child Trust Funds (Insurance Companies) Regulations 2004 No.2680.

## **1.4 Manager queries**

1.4.1 HM Revenue & Customs administers the CTF scheme through its offices at Bootle and Washington.

1.4.2 Contact details are shown in Chapter 17.

## **1.5 Public queries**

1.5.1 Providers should direct members of the public who have questions about CTFs to the HM Revenue & Customs CTF website or CTF helpline on 0845 302 1470 (open between 8.00 a.m. and 8.00 p.m. every day)

## **1.6 Contact by Child Trust Fund Office**

1.6.1 Child Trust Fund Office (CTFO) may contact providers to ask them to make changes to details that HM Revenue and Customs have already supplied. Before making any changes you should verify that the caller is genuinely from CTFO. You can do this by taking the caller's name and ring CTFO on 0191 225 1608. The person you speak to when you ring back will either deal with the query or transfer the call. You may, of course, already be familiar with the person making the call and will not need to verify their identify.





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## **2.1 Who can provide CTFs?**

2.1.1 Only persons (including companies) approved by the Board of HM Revenue & Customs can be CTF providers. To obtain approval to become a CTF provider, a person must make an application to the Board.

2.1.2 A CTF provider must be

- an authorised person within the meaning of section 31(1)(a) or (c) of, or Schedule 5 to, FISMA 2000 who has permission to carry on one or more of the activities specified in Articles 14, 21, 25, 37, 40, 45, 51 and 53 and, insofar as it applies to any of those activities, Article 64 of FISMA 2000 (Regulated Activities) Order 2001,
- a European institution which carries on one or more of the activities above,
- a building society,
- a person falling within section 991 of ITA 2007 (including a Credit Union),
- a relevant European institution,
- an insurance company,
- an incorporated friendly society,
- a credit union which is an authorised person within the meaning of section 31(1)(a) of FISMA 2000 who has permission to carry on one or more of the activities specified in Article 5 of FISMA 2000 (Regulated Activities) Order 2001,
- a registered friendly society, or
- any other assurance undertaking

2.1.3 Providers must not be prevented from acting as such by any limitation or requirement imposed under section 42 or 43 of FISMA 2000, or by any prohibition or prohibition order in or made under that Act.

2.1.4 Prior to approval a person must undertake with the Board

- to offer stakeholder CTFs to the public, or to provide to any potential CTF applicant sufficient information and a detailed description of a stakeholder CTF offered by another provider to enable them to make an application to that provider for that CTF,
- to accept vouchers from any responsible person, or the child if aged 16 or more, or in the case of a credit union, to accept vouchers from any responsible person or the child if aged 16 or over, if the child to which the voucher relates is a member, or fulfils or is treated as fulfilling a qualification for admission to membership of the credit union,

- where the person agrees to accept Revenue allocated accounts, to allow instructions from the registered contact for management of the CTF to be made by post (whether or not other methods are used),
- to publicise (and update where appropriate) statements of the minimum amount which may be subscribed to the CTF on a single occasion and the permitted means of payment of subscriptions,
- to publicise (and update where appropriate) statements of the extent to which social, environmental or ethical decision are taken into account in selecting, retaining or realising investments,
- to inform persons proposing to make subscriptions to a CTF (other than the child) that the subscription is a gift to the child,
- that a child's unique reference number shall only be used for the purposes of that child's CTF and of fulfilling the requirements of the CTF regulations with regard to that CTF, and
- that the amount of the initial or special contribution to a CTF, whether there is a supplementary contribution to the CTF, and whether the CTF is a Revenue allocated account, is information held for the purpose of the child's CTF (and of fulfilling the requirements of the CTF regulations with regard to the CTF) only, and shall not be used for other purposes (including marketing other products).

2.1.5 Before approval can be given the provider must demonstrate that they are capable of receiving a schedule and sending back the appropriate return in response. Further details on the technical requirements are set out on the HM Revenue & Customs website at <http://www.hmrc.gov.uk/ebu/ctf-techpack.htm>. The provider must also provide details of the bank account into which the CTF government contribution must be paid.

## **2.2 Offering the stakeholder or making the stakeholder available**

2.2.1 All providers must either offer the stakeholder, or make it available.

2.2.2 If the stakeholder is offered, the CTF applicant must be able to enter into a contract with the provider to hold a CTF with that provider. The financial products held within the CTF need not be those of that provider.

2.2.3 A provider who makes the stakeholder available can offer a stakeholder with another provider. They are required to provide the potential applicant with the following before commencement of completion of the application:

- a statement that a stakeholder account is available from a named provider,
- a detailed description of that stakeholder account, and
- sufficient information (see paragraph 2.2.6) to enable the applicant to make an application to that provider for a stakeholder CTF.

2.2.4 All three requirements should be met in a suitable form according to the method of contact. For example, a telephone contact can be given the statement verbally, an internet applicant over the internet, and a branch or written application by written statement.

2.2.5 The detailed description of the stakeholder account should ensure that the customer has enough information so that they can make an informed decision as to whether the stakeholder or a non-stakeholder would be best for them. It is expected that the description would include the types of investments the stakeholder will be invested in and the charges that would apply.

2.2.6 Sufficient information should also be provided in a suitable form according to the method of contact – a telephone contact could be directed to the other provider’s phone number, or be sent an application pack, an internet applicant could be directed to the other provider’s website via a link, and a branch or written application should receive an application pack.

## **2.3 Tax representatives**

2.3.1 A provider who is approved as

- a European institution or a relevant authorised person and who does not have a branch or business establishment in the UK,
- a European institution or a relevant authorised person and who does have a branch or business establishment in the UK, but does not intend to carry out all his functions as a provider at that branch or business establishment, or
- is an assurance undertaking,

must either

- appoint a tax representative,
- make arrangements with the Board for some other person to ensure that his duties as a provider are met, or
- make other arrangements with the Board to ensure that his duties are met.

2.3.2 A tax representative must be

- an individual who is resident in the UK or a company that has a business establishment in the UK,
- entitled to act on behalf of the provider in relation to the duties prescribed under the regulations,
- responsible for ensuring that the provider meets the duties prescribed under the regulations, and
- personally liable where the provider fails to meet the prescribed duties, as if the duties imposed on the provider were jointly and severally imposed on him and the provider.

2.3.3 The appointment of a tax representative is treated as terminated where the Board has reason to believe that the tax representative has failed to ensure that the provider met his prescribed duties, or does not have adequate resources to ensure that the duties are met.

2.3.4 The Board will notify the provider of the termination, specifying the date on which the termination is effective.

## **2.4 Applications for approval as a provider**

2.4.1 A person who wishes to be a provider must apply to CAR Audit for approval. The form, on the HM Revenue & Customs website at <http://www.hmrc.gov.uk/ctf/ctf11app.pdf>, must be used. Only postal applications will be accepted and the form has the address to which the application should be submitted.

2.4.2 The applicant must provide

- their registered name or legal title,
- their full address including postcode and e-mail address.
- the tax district and reference number to which they submit tax returns or accounts,
- the capacity in which eligibility is claimed,
- the name and telephone number of one or more individuals appointed to act as liaison officers, to provide day-to-day contact with HM Revenue & Customs,
- bank details,
- the name under which the applicant trades and under which it intends to offer CTFs, and the address, telephone number and website which will be included in the list of providers made publicly available both on paper and on the HM Revenue & Customs website, and

- any other trading name under which the provider trades (this must not include any separate legal entities).

- 2.4.3 UK insurance firms should send a copy of their notice of authorisation from the FSA. Foreign insurers should send a copy of their authorisation under Article 6 of the First Long Term Insurance Directive.
- 2.4.4 Where any of the information provided on the application subsequently changes, providers should inform CAR Audit in writing as soon as possible. If the provider is incorporated, and changes his name, then a copy of the certificate of incorporation on change of name should be sent to CAR Audit. CAR Audit must also be informed of any change of liaison officer, either by the retiring liaison officer, or by an authorised signatory.
- 2.4.5 CAR Audit will normally respond to any application for approval within 28 calendar days and notify successful applicants in writing, allocate a unique reference number for use in all future communications and include the new provider in the list of approved providers.
- 2.4.6 The provider's details will be added to the list of approved providers, available from the HM Revenue and Customs website.
- 2.4.7 The electronic interface provides the only mechanism for providers to interact and receive payments for CTF accounts. Therefore, as part of the approval process, potential providers must prove their ability to use the electronic interface. After being formally approved but before being able to submit an electronic return providers must register with the Government Gateway.
- 2.4.8 The recognition testing that all potential providers must go through is based on three levels of testing. Before being approved providers must pass at least to level 1, which tests that a provider can receive a simple schedule, acknowledge the schedule and return a valid response. Level 2 tests that a provider can receive multiple schedules and send multiple returns. For a provider to be able to use the full functionality of the system they must pass level 3, which requires that a provider can handle large compressed schedules and produce a large compressed return to that schedule.
- 2.4.9 After successfully completing the electronic testing, which ensures compatibility for IT communication, two letters will be sent separately. The first will give the 'unique reference number', and the second will give an 'activation token' (a number). The

activation token is an 11 digit reference with both alpha and numeric characters.

- 2.4.10 The provider will need both of these numbers to enable them to register at the Government Gateway. When using the Government Gateway the provider will be asked to create a password, and will be given their 'USER ID'. The provider will not need the activation token again. The provider will need the USER ID & password each time they access the gateway.
- 2.4.11 The password the provider chooses must not be revealed to a third party. The user ID and password should not be revealed to a third party.
- 2.4.12 Full details of the electronic testing can be found at: <http://www.hmrc.gov.uk/ebu/ctf-techpack.htm>.
- 2.4.13 The terms of approval may include conditions designed to ensure that the provisions of the CTF regulations are satisfied. Approval is valid from the date stated in the notice issued by CAR Audit. Where they decide not to approve a person they will explain the reasons in writing.
- 2.4.14 CAR Audit will issue a notice of approval unless they believe that the person is not eligible to manage CTFs, in which case they will issue notice of the decision to the person explaining why approval cannot be given. The notice will explain how to make an appeal against the decision. The person may appeal within 30 calendar days of the date the notice is issued.
- 2.4.15 Providers must provide the information in section 12.3 before their first claim to repayment of tax.
- 2.4.16 HM Revenue & Customs maintain [a list of providers](#) which is updated quarterly. The list is also issued to the person claiming the child benefit award for eligible children shortly before issue of the CTF voucher.
- 2.4.17 Providers are responsible for ensuring that the information they provide for the list contained on the website is accurate and up-to date. If any of the details change they should inform CAR Audit immediately.
- 2.4.18 Inclusion of a name on this list means that HM Revenue & Customs are satisfied that the person, firm or company concerned is approved. Neither HM Revenue & Customs



nor any other Government department guarantee that any of those concerned is able to manage CTFs satisfactorily nor have HM Revenue & Customs approved any CTF which the provider may offer. Potential registered contacts should take independent advice if they are in any doubt about the suitability of the provider or of a particular CTF.

## **2.5 Accepting Revenue allocated accounts**

2.5.1 A provider can agree to accept Revenue allocated accounts (see section 4.15) at the time of application for approval, and the application form provides for this. The Revenue allocated accounts must be stakeholder accounts. Where a provider wishes to accept Revenue allocated accounts after application he can do so by applying in writing to CAR Audit.

2.5.2 A provider cannot agree to accept Revenue allocated accounts unless they are able to offer the account themselves. They cannot accept Revenue allocated accounts which are then set up with another provider.

2.5.3 A provider wishing to cease accepting Revenue allocated accounts can do by writing to CAR Audit, giving 30 calendar days notice of his intention to cease. The provider must continue to manage any existing CTFs that were opened as Revenue allocated accounts.

## **2.6 Ceasing to be a provider**

2.6.1 A person will cease as a provider where HM Revenue & Customs withdraws approval, where the provider voluntarily ceases, or where the person can no longer qualify as a provider.

## **2.7 Formal withdrawal of approval**

2.7.1 HM Revenue & Customs may withdraw approval from a provider if they have reason to believe that the provider is failing, or has failed to manage their CTFs in accordance with the regulations, or they are not qualified to act as a provider. CAR Audit will issue a notice of withdrawal of approval, which will specify the date from which the approval is withdrawn, and the reason for the withdrawal. The notice will explain how to make an appeal against the withdrawal. Providers may appeal within 30 calendar days of the date the notice is issued.

## **2.8 Voluntary cessation**

2.8.1 A provider who intends to stop managing CTFs must give notice in writing of his intention to CTF Support and to each registered contact (or the child if there is no registered contact for the CTF) not less than 30 calendar days before the intended date of cessation. CTF Support can then check that the provider has fulfilled all his obligations under the regulations. The notice to the registered contact or child must inform them of their right to transfer their CTF to another provider.

## **2.9 Involuntary cessation**

2.9.1 A person ceases to qualify as a provider when they are no longer eligible, or when

- there is an insolvency event in relation to the account provider, or
- an application has been made for a bank insolvency order or a bank administration order, or
- in the case of a European institution, a relevant authorised person or an assurance undertaking, action corresponding to that in the next bullet point has been taken by or in relation to the institution, person or undertaking under the law of an EEA State, or
- in the case of a building society, a person falling within section 991 ITA 2007 or a Credit Union,
  - it ceases to be a building society or to be a person falling within section 991 ITA 2007 or a Credit Union, as the case may be
  - 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
  - a receiver or manager of its property has been appointed.

2.9.2 A provider who has ceased to qualify must give notice in writing to CTF Support and to each registered contact (or to the child where there is no registered contact) within 30 calendar days of the date he ceased to qualify. The notice to the registered contact or child must inform them of their right to transfer their CTF to another provider.

## **2.10 Returns required on cessation as a provider**

2.10.1 A provider who has ceased to manage CTFs must submit an annual claim form (if they have made any interim claims), and a return of information to the date of cessation, and a fortnightly return for the return period in which they ceased to manage CTFs.

2.10.2 In the case of involuntary cessation or withdrawal of approval the person appointed to terminate the CTF scheme should perform these duties.

## **2.11 Delegation of the provider's functions or responsibilities**

2.11.1 A provider may, under the management agreement entered into with the registered contact delegate any of the functions or responsibility of the management of the CTF to another person. That person does not need to be an approved CTF provider. The provider remains responsible for the actions of the person to whom they have delegated any CTF function or responsibility.

## **2.12 CTF distributors**

2.12.1 A person or body that is not a CTF provider, but who distributes products of other CTF providers can apply to be included on the HM Revenue & Customs website, and on the list issued with the voucher (see paragraph 2.4.16).

2.12.2 An application form to apply to be included on the distributor list can be found on the HM Revenue & Customs website at <http://www.hmrc.gov.uk/ctf/ctf24.pdf>. The form has the address to which the application should be submitted. Distributors must ensure that they have the necessary permissions from the FSA to carry on this activity before applying.



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### **3.1 Stakeholder and non-stakeholder**

3.1.1 A CTF can only be a stakeholder or a non-stakeholder account. A child cannot have a mix of the two types. A change from one type to the other can be made by an internal transfer, or on external transfer to another provider.

3.1.2 All providers must either offer a stakeholder CTF, or must make a stakeholder available (see section 2.2). They can choose to offer non-stakeholder CTFs as well if they wish.

### **3.2 Stakeholder conditions**

3.2.1 The stakeholder CTF has seven conditions, all of which must be satisfied. The conditions concern:

- the types of investments allowed,
- exposure to equities,
- diversification and suitability,
- lifestyling,
- means of payment of subscriptions,
- the minimum subscription,
- charge capping.

3.2.2 The terms of “stakeholder” or “non-stakeholder” refer to the overall profile of the account, rather than the underlying investments in the account. Both types of accounts can hold a variety of qualifying investments (see section 7.1): however the stakeholder account has a more restricted set of qualifying investments, as shown by the first condition in paragraph 3.2.1.

3.2.3 The conditions in paragraph 3.2.1 apply to the entire stakeholder account. That is, the provider must ensure the overall account has an exposure to equities, is well diversified and subject to lifestyling. The required means of payment, minimum subscription and charge cap apply to the overall stakeholder account, which encompasses all investments held within the account.

### **3.3 Investments in a stakeholder CTF**

3.3.1 A variety of investments may be held in the stakeholder CTF, however investments held directly in a stakeholder CTF cannot be:

- shares or securities in investment trusts,
- with-profits endowments or insurance policies,
- units or shares in dual-priced collective investment schemes,
- rights in dual-priced contracts of insurance,
- shares in companies,
- securities in companies unless the value of the securities is guaranteed not to fall below 80% of the original price paid
- cash in deposit accounts or share accounts with building societies where the interest rate is more than 1% below the Bank of England base rate, or
- depositary interests representing any of the above.

3.3.2 Full details of the restrictions on the type of investments not allowed within the stakeholder are at section 7.10.

3.3.3 However, the investments excluded above may be held indirectly in the stakeholder CTF – for example, where a single priced collective investment scheme invests in shares of an investment trust, this is permissible.

### **3.4 Exposure to equities**

3.4.1 The units, shares or rights held in a stakeholder CTF must have an exposure to equities, No minimum level of exposure to equities has been specified, giving providers the flexibility to modify the level to take account of market conditions. It is expected that the level of exposure to equities will be reduced on the commencement of lifestyling.

### **3.5 Diversification and suitability**

3.5.1 The provider must have regard to the need for diversification of investments in the stakeholder CTF, whilst bearing in mind the circumstances of the account.

3.5.2 In practice diversification would require a spread of investments across a range of different markets, sectors and securities. The following types of investment strategy would not be regarded as suitable for a stakeholder CTF:

- a high proportion of high-risk bonds, whether long-dated or sub-investment grade,
- high exposure to high-risk equities,
- investment in derivatives (except for efficient portfolio management),
- a high level of currency risk, and



- high exposure to highly-gearred firms or funds.

3.5.3 Funds that are index trackers would meet these diversification requirements, as long as the index itself is adequately diversified. For example, a tracker fund for the FTSE-All Share or FTSE-100 would meet the diversification requirement. Any other tracker that invested in a balanced portfolio of UK and overseas shares, fixed-interest securities, index linked stock and cash deposits would also be suitable.

3.5.4 The provider must also have regard to the purposes of the CTF in considering the suitability of investments, or any investment strategy or option proposed. This puts a general duty of care on the provider. A self-select stakeholder CTF must be monitored by the provider to ensure that the account satisfies the conditions set out at paragraph 3.2.1.

## **3.6 Lifestyling**

3.6.1 Except where instructed by the registered contact, all stakeholder CTFs must be subject to lifestyling.

Lifestyling commences at the latest when the child reaches 13, or from when the CTF is opened if the child is older. Lifestyling continues until the child reaches 18.

3.6.2 Lifestyling means that the provider must adopt an investment strategy for the stakeholder CTF which aims to progressively reduce the volatility, or potential volatility, in the value of the investments held in the CTF as the CTF approaches maturity.

3.6.3 A prescriptive lifestyling investment strategy has not been specified. For example, proportions on particular asset classes have not been given to measure the reduction in volatility. Providers have the flexibility to adjust their strategy according to market conditions. In addition, they can commence the strategy before the age of 13 if they wish (although they will have to bear in mind the diversification requirement in section 3.5).

3.6.4 The types of assets that the stakeholder CTF could be held in at the end of lifestyling at age 18 might include cash, cash funds or gilts.

3.6.5 The registered contact may decide to opt out of lifestyling, for example, in order to roll the CTF over at age 18 into another equities-based product. As long as the account continues to meet the other conditions specified for the stakeholder CTF, it will remain a

stakeholder account.

3.6.6 Providers may wish to notify the registered contact prior to the commencement of lifestyling, to ascertain whether they wish the stakeholder CTF to be rolled over at 18. However, such a notification is not compulsory.

### **3.7 Means of payment subscriptions**

3.7.1 Providers must accept subscriptions to the stakeholder CTF by cheque, direct debit, standing order, and direct credit. They are not required to accept other forms of payment, such as cash, credit card, debit card or any combination of these, but can if they so wish. There are no restrictions or requirements on payment methods for non-stakeholder CTFs.

### **3.8 Minimum subscription**

3.8.1 Providers must accept a minimum one-off subscription of £10 to the stakeholder CTF (provided that the payment is an acceptable form of payment to the provider, which will include the required means of payments mentioned in paragraph 3.7.1). Providers can offer to accept smaller amounts if they wish.

### **3.9 Charge capping**

3.9.1 Providers can make charges for management and other expenses up to a maximum of 1.5/365 per cent of the value of the stakeholder CTF for each day in which the CTF is held.

3.9.2 The value of each stakeholder CTF is the sum of the value of the investments (including cash) held in the CTF, for example, the number of units multiplied by unit value.

#### **3.9.3 Costs included in the charge cap are:**

- All distributing and marketing costs, including:
  - product development,
  - advertising and promotion,
  - acquisition,
  - capture of client data,
  - completion, and
  - submission of application.

- New business processing, including:
  - processing of application,
  - compliance activity, and
  - issue of contract documentation
- Ongoing administration, including:
  - collection and investment of contributions,
  - contract accounting,
  - investment management (excluding taxation and dealing costs), and
  - account servicing (statements, updates, quotes etc).
- Claims administration, including:
  - processing of instructions,
  - realisation of funds (excluding any costs associated with selling assets),
  - payment, and
  - update of records.
- Fund Management (excluding taxation or dealing costs),
- Custodian Charges, and
- Legal and audit costs

3.9.4 Where the investments in the CTF are directly or indirectly held in a collective investment or life insurance vehicle, any management or administration fees charged in respect of investments held by the collective investment or life insurance vehicle must be included in the charge cap calculation if they fall into any of the categories in paragraph 3.9.3.

3.9.5 Certain expenses and charges can be deducted from a CTF before the investments in the CTF are valued and the charge cap calculated. These are

- stamp duty, stamp duty reserve tax and dealing charges (including either direct or indirect, and any dilution levy) associated with the sale and purchase of investments in the CTF (including where these costs are incurred for lifestyling),
- any expenses incurred in complying with an order of the court or other requirements imposed by law which could include costs associated with:
  - HM Revenue & Customs refunds,
  - criminal/ fraudulent action,
  - suspension and forfeiture costs,
  - divorce costs,
  - recovery of excessive costs of bankruptcy, and
  - recovery of the proceeds of crime.

➤ all forms of taxation,

- charges for provision of an annual report or accounts, where the registered contact has elected to receive a copy of the report and accounts for any concern whose shares and units are held in the CTF, and
- associated charges where the registered contact has elected to attend meetings of investors for any concern whose shares and units are held in the CTF, to vote, or to receive any other investor information.

3.9.6 Any costs of an internal or external transfer of a CTF must be met from within the charge cap – no separate charge can be made to any individual CTF.

3.9.7 The provider must value each stakeholder CTF daily, weekly or monthly, and they must specify in writing which method they will use to the registered contact. That method cannot be changed within 12 months of the previous written specification.

3.9.8 Where the valuation is carried out weekly or monthly the same specified day in the week or month must be used (or the day after if that day is not a working day). Also, the value on the day of valuation is assumed to be the value for each day, until the next time of valuation.

<b>Chapter 4</b>	<b>CTF Applications</b>
4.1	Applications to open a CTF
4.2	CTF applications in writing
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## 4.1 Applications to open a CTF

- 4.1.1 A CTF application can only be made by a person aged 16 or over. Where the child is 16 or over, only the child can apply to open their CTF. Where the child is under 16 only a person with parental responsibility for the child can apply to open the child's CTF.
- 4.1.2 The person opening the CTF for the child (if not the child themselves aged 16 or more) must be aged 16 or more, and could be
- the child's natural parent,
  - a person who has legally adopted the child, or
  - a person who has been granted legal authority by the Courts.
- 4.1.3 The provider should ensure that the applicant understands that only a person aged 16 or more with parental responsibility for the child, or the child themselves if aged 16 or more, can open the CTF. If the applicant claims to have parental responsibility the provider should accept this unless they hold evidence to the contrary, in which case they should ask for proof of parental responsibility. Proof would include the name of the applicant on the child's birth certificate, or a court order awarding parental responsibility. A person married to the child's mother at the date of birth of the child also has parental responsibility, so sight of the marriage certificate would establish this.
- 4.1.4 There are certain conditions that must be satisfied before the CTF can be opened, and the CTF can only be opened when all the conditions are met (in any order).
- 4.1.5 The conditions are:
- if the provider does not offer voucherless account opening (see section 4.14) the applicant gives a voucher to the provider (either by post or in person) not later than seven days after the expiry date on the voucher,
  - if the provider does offer voucherless account opening the applicant can either give the voucher to the provider (either by post or in person) not later than seven days after the expiry date on the voucher, or give the provider the following information
    - the expiry date of the voucher
    - the amount of the initial contribution as specified on the voucher
  - the applicant enters into an agreement with the provider for the management of the CTF which includes the declaration and application referred to below on or before the expiry date on the voucher
  - where there is any right to cancel that agreement, the period for cancellation has expired, and

- where the application is not in writing, the applicant has agreed, or is treated as having agreed a copy of the declaration.

4.1.6 The application can be made in writing, over the internet, by fax or by telephone, but if the provider does not offer voucherless account opening, the provider must physically receive and retain the voucher before the CTF can be opened. A copy of the voucher is not acceptable. If the provider does offer voucherless account opening there is no requirement for the provider to receive and retain the voucher.

4.1.7 Should the provider be given a voucher and the CTF is not opened (for example because the applicant does not wish to proceed with the application, or is not a responsible person), the voucher should be returned to the applicant. Once the CTF is opened the voucher should not be returned to the applicant under any circumstances.

4.1.8 The date the CTF is opened must be recorded in the provider's records.

## **4.2 CTF applications in writing**

4.2.1 Applications in writing must be made on an application form. Providers should produce their own application forms, which must contain the information, declaration and authority set out below. Providers may use the wording in the specimen application form at section 4.16.

4.2.2 Applications in writing must be signed by the applicant.

## **4.3 Personal information**

4.3.1 Applications with a voucher must contain

- the applicant's title (if any) forenames and surname – forenames after the first can be represented by initials,
- the applicant's address, including postcode,
- the child's title (if any), forenames and surname – forenames after the first can be represented by initials,
- the child's address, including postcode,
- the child's date of birth **as shown on the voucher**, and
- the child's unique reference number **as shown on the voucher**.



Applications without a voucher must contain all of the details above but it is important that the child's title (if any), forenames and surname are as shown on the voucher.

Providers may use the wording in the specimen form at section 4.16

If a provider requests other information on the application form the application cannot be refused if the 'extra' information is not provided – the application form should make it clear this information is not compulsory.

Providers may use the wording in the specimen form at section 4.16

- 4.3.2 The child's date of birth and the unique reference number on the application form should exactly match the information on the voucher. Providers may however receive written applications where the information on the application form does not match that on the voucher, or the unique reference number, date of birth or amount is missing from the application form. In cases where a provider is satisfied that the application is for the child named on the voucher they should open the CTF using the information on the voucher.
- 4.3.3 If the name of the child has changed since issue of the voucher, providers should record the child's current name.
- 4.3.4 If the applicant believes the date of birth on the voucher is incorrect, the CTF must be opened with the date of birth shown on the voucher. Providers should advise the applicant to contact the CTF Office to have the date of birth changed. CTF Office will then advise the provider of any change in the date of birth on the schedule. Providers must only do this if they are able to change the details held on their system when notified by CTF Office.
- 4.3.5 Alternatively if the applicant or the provider is unwilling to open the account with the wrong date of birth, or is unable to change details on their system, the provider should not open the CTF, but return the voucher to the applicant and advise them to contact the CTF Office for a revised voucher.
- 4.3.6 An application that does not contain the applicant's name and address, and/or the child's name and address is incomplete. The provider can either:
- return the application form to the applicant for full completion; or
  - retain the incomplete application and obtain the missing information by letter, fax, e-mail or telephone.

4.3.7 If the provider only accepts applications with the voucher and a fully completed application or the missing information is not received within a reasonable period (for example within 30 calendar days after receipt of the original application), the voucher should be returned to the applicant. It should be accompanied by a letter explaining that the CTF cannot be opened due to the non-receipt of that fully completed application or the missing information. If the provider accepts applications without a voucher, any missing information must still be obtained before the account can be opened.

#### **4.4 Declaration**

4.4.1 Applicants must make a declaration on the application. The following declaration will satisfy the requirements of the regulations.

4.4.2 "I declare that

- I am 16 years of age or over
- I am the child named on the voucher / I have parental responsibility for that child (delete which does not apply)
- I will be the registered contact for the CTF
- (where the application is not in writing) I authorise the CTF provider to record the terms of this declaration in a written declaration made on my behalf"

4.4.3 The first time that a child will be able to open their own CTF will be from 1 September 2018, and so providers can, if they wish, include only the second option for the second bullet point above on the application form until that date – i.e. the second bullet can read "I have parental responsibility for that child".

4.4.4 Declarations must also contain an agreement by the applicant to the CTF terms and conditions, and where the application is in writing, the applicant's signature.

#### **4.5 Authority**

4.5.1 Applications must include an authority. The following authority will satisfy the requirements of the regulations.

4.5.2 "I authorise [provider's name] to hold the child's HM Revenue & Customs contributions, subscriptions, CTF investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and to make on the child's behalf any claims to

relief from tax in respect of CTF investments”

4.5.3 The authority continues until it is replaced following a change in registered contact, or transfer to another provider. If the existing registered contact ceases to be the registered contact, the previously given authority continues until replaced.

#### **4.6 The management agreement**

4.6.1 All CTFs must be managed in accordance with the CTF rules, and under terms agreed between the registered contact (on behalf of the child) and the provider.

4.6.2 The management agreement must include instructions to the provider as to the way in which government contributions and any subscriptions are to be invested.

#### **4.7 CTF applications not in writing**

4.7.1 Where an application and declaration is made other than in writing, for example, by telephone, e-mail or fax, or orally, the applicant is required to provide the same information, make the same declaration and provide the same authority and other information as for a written application. The applicant's signature is not required. A telephone check list is contained at section 4.17.

4.7.2 On receipt of the application, the provider must make a written declaration on behalf of the applicant and notify the applicant of its contents. Notification can be done in one of several ways -

- the declaration can be read back to the applicant over the phone, or in face to face contact,
- a copy of the declaration can be sent back via e-mail or the internet, or
- a copy of the declaration can be faxed or sent by post.

4.7.3 The declaration takes effect from when the applicant agrees that the contents are accurate, and this agreement can be given verbally, (in person or over the phone), or by e-mail, fax or over the internet, or by letter. The declaration must take effect on or before the expiry date of the voucher, otherwise it is invalid.

4.7.4 On giving the notification the provider should advise any applicant who is unable or unwilling to agree immediately

- that they have 30 calendar days to notify any corrections to the provider, and
- that if they neither agree nor disagree with the contents of the written application within 30 calendar days, providers can assume that agreement has been given.

The CTF cannot however be opened until agreement has been given or assumed to have been given.

4.7.5 Notifications of corrections need not be in writing, but where corrections are notified within the 30 days the provider must make a revised declaration. The revised declaration will take effect from the date of the original declaration by the provider for the purposes of the second bullet point of paragraph 4.7.4. Where corrections are made after the 30 calendar day period, the provider is not required to make a revised declaration, but may do so in the interests of good customer service.

4.7.6 Where the corrections notified by the applicant invalidate the CTF application and the CTF has not been opened, the voucher, if held, must be returned to the person who submitted it. If the CTF has already been opened the provider should contact CTF Support for advice.

## **4.8 Applications made through third parties**

4.8.1 An application can be made by the registered contact through a third party such as an Independent Financial Adviser (IFA).

4.8.2 Where the application is made in writing it must be signed by the applicant and passed on to the provider. In the case of applications other than in writing, providers can act on a telephone call, electronic message, fax etc from a third party only if they have no reason to believe that the third party is doing something other than passing on the application from the registered contact.

4.8.3 For example, where an IFA has an electronic link to a provider, that provider may accept applications through the electronic link if the IFA confirms that he will make applications through that link only where the applicant has provided the information, declaration and authority required, and the provider has no reason to believe this is incorrect by reference to information in his possession.

4.8.4 Where applications other than in writing are passed on, providers must make a written declaration on behalf of the applicant in the same way as in section 4.7. Notification can

be done in one of several ways -

- the declaration can be read back to the applicant (not the IFA) over the phone, or in face to face contact,
- a copy of the declaration can be sent back via e-mail or the internet, or
- a copy of the declaration can be faxed or sent by post.

4.8.5 If the provider only accepts applications with a voucher the voucher must be passed over to the provider before the CTF can be opened.

## **4.9 CTF terms and conditions**

4.9.1 A CTF is a scheme of investment managed in accordance with the CTF regulations by the provider under terms agreed between the provider and the registered contact. The CTF must be held in the name of the child.

4.9.2 Providers' CTF terms and conditions must specify in writing that

- the CTF investments shall be in the beneficial ownership of the child
- except for cash deposits, National Savings products and certain insurance policies (see below), the title to the CTF investments will be registered in
  - the name of the provider, or
  - the name of the provider's nominee.
- where a share certificate or other document evidencing title to a CTF investment is issued, it will be held by the provider or as the provider may direct.
- where insurance policies are with an insurer who is also a provider, the title to the policies shall be vested in the registered contact, and the policy document or other document showing title to the insurance policy shall be held by the registered contact.
- the provider will arrange, if the registered contact elects, for them to receive a copy of the annual report and accounts issued by every company or other concern in respect of shares, securities or units which are held directly in the CTF. (A separate charge may be levied for this service).
- the provider will arrange, if the registered contact elects, for them
  - to attend shareholders', securities holders' or unit holders' meetings
  - to vote, and
  - to receive, in addition to the annual report and accounts, any other information issued to shareholders, securities holders or unit holders. (A separate charge may be levied for these services).
- the provider will satisfy himself that any person to whom he delegates any of his

functions or responsibilities under the terms agreed with the registered contact is competent to carry out those functions and responsibilities.

- on the instructions of the registered contact and within the time stipulated by them, the CTF with all rights and obligations shall be transferred free of charge (except charges such as stamp duty and other dealing costs connected with disposal or acquisition of investments) to another provider.
- where an account is transferred to the provider it will be accepted free of charge (except charges such as stamp duty and other dealing costs associated with disposal or acquisition of investments)
- (where the provider offers both types of CTF) on the instructions of the registered contact and within the time stipulated by them, the CTF shall become a CTF of the other description (any necessary changes in the investments being made) free of expense (except expenses such as stamp duty and other dealing costs connected with disposal or acquisition of investments).

In addition, the provider

- may place a minimum period on the time stipulated by the registered contact for transfer. This period must not exceed 30 days, and should represent a reasonable period required for practical implementation of the transfer.
- the provider must notify the registered contact if, by reason of any failure to satisfy the provisions of the CTF regulations, a CTF has, or will, become void.

#### **4.10 Enquiries and further advice**

- 4.10.1 Providers may use the wording in the specimen application forms at section 4.16. CTF Support will be pleased to help on points of difficulty and advise in cases of doubt on whether application forms and/or CTF terms and conditions meet the statutory requirements.

#### **4.11 Completion of applications**

- 4.11.1 Providers should ensure that applications are fully completed (but see paragraphs 4.3.2 and 4.3.4. for exceptions to this).
- 4.11.2 Applications must be accepted unless the provider has reason to believe that the voucher is or might not be genuine, or the applicant has given false information in the application. An application is invalid if completed after the expiry date on the voucher.

- 4.11.3 Applications should contain the applicant's address, including postcode. However where the applicant prefers to use a BFPO, 'PO Box' or 'care of' address for correspondence this is acceptable for CTF purposes.

A CTF cannot be opened on a provisional basis – if some of the information required to complete the application form is not available the voucher, if held, must be returned to the applicant who should be told to return it with all the information required to complete the application (but see paragraph 4.3.2 for exception to this, and paragraph 4.3.6).

- 4.11.4 Applications made in writing must contain the signature of the applicant and must be dated.

## **4.12 Imaging vouchers, application forms and written declarations**

- 4.12.1 CTF vouchers, declarations and application forms, transfer forms and registered contact applications can be stored in an imaged form (which need not be in colour), and the originals destroyed. The image of the voucher need not capture the background pattern but must clearly show the child's name, date of birth, URN, amount and expiry date. CTF vouchers should not be destroyed until after the initial government contribution is paid into the CTF. The optical images will be regarded as applications for the purposes of the CTF rules provided:

- the imaged document (and any hard copy printouts) is legible, and
- on being required to do so by CAR Audit, the provider will, within a reasonable time, provide a hard copy of the imaged documents.

## **4.13 The voucher**

- 4.13.1 The voucher contains the name and date of birth of the child, the child's unique reference number, the amount of the government contribution and the expiry date of the voucher. In some cases where the child's name is long, the name will be truncated on the voucher to enable it to fit. The child's full name can be used by providers if they wish. On the reverse is a space where the person who sent in the voucher can write their name, address, telephone number and e-mail address - completion of the reverse of the voucher is optional.
- 4.13.2 The date of birth, amount, unique reference number and expiry date are also included in a codeline that providers can use to directly populate their records and the application

form if they wish.

- 4.13.3 If a provider suspects that the voucher is not genuine, or if any of the information on the voucher has been altered in any way the voucher should be forwarded to CTF Support with a covering letter explaining why the voucher has not been accepted. The applicant should be informed that this has taken place, and advised to contact the CTF Office for a replacement voucher.
- 4.13.4 A voucher that has been damaged or written on can be accepted provided the key details such as the amount, date of birth, expiry date and unique reference number are clear. Where the name of the child has been overwritten or changed, the provider may accept the voucher in the new name (see paragraph 4.3.3). If the provider offers account opening without the voucher the application must be made using the child's full name and date of birth as specified on the voucher.
- 4.13.5 If a voucher is received by the provider later than 7 days after the date of expiry a CTF cannot be opened, even if the voucher was posted prior to the date of expiry. The provider must return the voucher to the applicant, and advise the applicant that HM Revenue & Customs will shortly open a Revenue allocated account for the child. The person who claims child benefit for the child will be informed directly by HM Revenue & Customs when this happens.
- 4.13.6 Where the voucher has been received by the provider no later than seven days after the date of expiry, and the cancellation period ends after date of receipt, the CTF can still be opened using the voucher.
- 4.13.7 Providers may receive vouchers through the post with the reverse unfilled, and without sufficient information to match the voucher with any application, and with no return address. In such circumstances, and after allowing sufficient time for the person who sent the voucher to contact the provider, the provider should return the voucher to CTF Support with a covering letter. HM Revenue & Customs will then reissue the voucher to the child benefit claimant.
- 4.13.8 The amount on the voucher will differ according to the personal circumstance of the child. Providers should not challenge the amount shown on the voucher unless they suspect that the voucher is fake, or has been tampered with, in which case see paragraph 4.13.3.

#### **4.14 Voucherless account opening**



- 4.14.1 From 6 April 2009 it is up to providers to decide if they wish to require the voucher in order to open an account. Before this date a voucher was always required before an account could be opened.
- 4.14.2 If an application is made to open an account, and the voucher is not required by the provider, the applicant must give the further following information to the provider in order to complete the application
- the expiry date of the voucher
  - the amount of the initial contribution as specified on the voucher
- 4.14.3 If an application is made to open an account, and the voucher is not required by the provider, the application must be made not later than the expiry date of the voucher.

#### **4.15 Revenue allocated accounts**

- 4.15.1 Where a voucher has been issued, and a CTF has not been opened for the child a reminder letter is sent eight months after the voucher has been issued. If an account is not opened within seven days of the expiry date on the voucher, a provider who has agreed to accept Revenue allocated accounts will be instructed to open a stakeholder CTF for the child. When HM Revenue & Customs has received confirmation from the provider that the CTF has been opened they will issue a letter to the person who claims child benefit for the child, informing them that the CTF has now been opened, and providing details of the provider with whom the CTF is held.
- 4.15.2 Where the child has no person who can act as a registered contact (typically because both parents are under 16 years old), the child benefit claimant should contact CTF Office, who will then open a Revenue allocated account for the child.
- 4.15.3 In a small number of cases a child is taken into care with a local authority soon after birth and before a child benefit claim is made. In these cases a provider who has agreed to accept Revenue allocated accounts will be instructed to open a CTF for the child.
- 4.15.4 The terms and conditions applying to a Revenue allocated account are those that would apply had a responsible person or child aged 16 or more applied to open a CTF of the same type as the Revenue allocated account.
- 4.15.5 In most cases the provider will be notified of a correspondence name and address for

each Revenue allocated account – there will be a few cases where a name and address cannot be provided. The correspondence name and address can be used for the annual statement (see section 9.2), or to encourage someone with parental responsibility for the child to become the registered contact.

- 4.15.6 In a few cases the child's parent has made it clear that they do not wish to be contacted by providers. In such cases HM Revenue and Customs will give the name of the correspondent as Mrs CTF Liaison Officer, with the address of the CTFO office.

#### 4.16 Example of written application form

Applicant's title .....  
(if any)

Forenames and surname .....  
(forenames after the first can be represented by initials)

Applicant's address .....  
..... Post Code.....

I apply to open a CTF for

Child's title (if any), .....

Forenames and surname .....  
(forenames after the first can  
be represented by initials)

Child's address .....  
..... Post Code.....

Child's date of birth .....  
(as on voucher)

Child's unique reference number .....  
(as on voucher)

Type of CTF (stakeholder or non-stakeholder) .....

I declare that

- I am 16 years of age or over
- I am the child named on the voucher /I have parental responsibility for that child (delete which does not apply)
- I will be the registered contact for the CTF

I authorise [provider's name]

- to hold the child's HM Revenue & Customs contributions, subscriptions, CTF investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and
- to make on the child's behalf any claims to relief from tax in respect of CTF investments.

I agree to the CTF terms and conditions.

Signed .....Date .....

#### 4.17 Phone applications

What is your name?  
(Forename, middle initials and surname)

What is your address?  
(including postcode)

What is the child's full name ?  
(Forename, middle initials, and surname)

What is the child's address?  
(including postcode)

What is the child's date of birth (as stated on the voucher)?  
(Day/Month/Year)

What is the child's unique reference number (as stated on the voucher)?

What type of CTF do you want to open, stakeholder or non-stakeholder?

Do you declare that

You are aged 16 years or older?

You have parental responsibility for the child/are the child?

You will be the registered contact for the CTF?

If the provider offers account opening without the voucher:

What is the expiry date shown on the voucher?

What is the amount of the contribution shown on the voucher?

By applying to open a CTF you authorise us to carry out certain functions on your and the child's behalf, and to make a written copy of your application. Details of this will be sent to you, with the terms and conditions of this CTF.

I will now read back the application and declaration to you – if you agree that they are correct I can open the CTF as soon as I receive the voucher from you (and after any cancellation period).

## **Chapter 5**

### **The registered contact**

- 5.1 The registered contact
- 5.2 Applying to be the registered contact
- 5.3 Written application to be the registered contact
- 5.4 Non-written applications to be the registered contact
- 5.5 Imaging registered contact applications
- 5.6 Change of registered contact – existing registered contact
- 5.7 The role of the Official Solicitor and Accountant of Court
- 5.8 Application to be a registered contact
- 5.9 Phone application to be a registered contact



## **5.1 The registered contact**

- 5.1.1 There can only be one registered contact at any time. The registered contact is the only person who can give instructions to the provider on management of the investments in the CTF.
- 5.1.2 The registered contact must be a person aged 16 or more. If the child is 16 or more, only the child can be the registered contact. If the child is under 16 only a person who has parental responsibility for the child can be the registered contact.
- 5.1.3 The Official Solicitor or Accountant of Court will, in a few cases, be appointed to act as registered contact for the child.
- 5.1.4 The person who opens the CTF will be the first registered contact, and the required declaration and authorisation are contained in the application form. The registered contact should not be asked to complete a separate form to be the registered contact. A Revenue allocated account initially does not have a registered contact.

## **5.2 Applying to be the registered contact**

- 5.2.1 Where there is no registered contact, then a person who satisfies the condition in paragraph 5.1.2 can apply to become the registered contact. If a child is 16 years of age or over, then only they can be the registered contact.

## **5.3 Written application to be the registered contact**

- 5.3.1 The application must contain
- the applicant's title (if any) first name, surname, and middle initials
  - the applicant's address, including postcode
  - the child's title (if any), first name, surname, and middle initials
  - the child's address, including postcode
  - the child's date of birth
  - the child's unique reference number

Providers may use the wording in the specimen form at section 5.8.

- 5.3.2 Applicants must make a declaration that the information given in the application is correct. The following declaration will satisfy the requirements of the regulations. (See paragraph 5.3.3).

- 5.3.3 “I declare that
- I am 16 years of age or over
  - I am the child / I have parental responsibility for the child (delete which does not apply)
  - I will be the registered contact for the CTF
  - (where the application is not in writing) I authorise the CTF provider to record the terms of this declaration in a written declaration made on my behalf”

5.3.4 The first time that a child will be able to be the registered contact for their CTF will be from 1 September 2018, and so providers can, if they wish, include only the second option for the second bullet point above on the application form until that date – i.e. the second bullet can read “I have parental responsibility for that child”.

5.3.5 Declarations must also contain an agreement by the applicant to the CTF terms and conditions, and the applicant’s signature.

5.3.6 Applications must include certain authorities. The following authorities will satisfy the requirements of the regulations.

5.3.7 “I authorise [provider’s name] to hold the child’s HM Revenue & Customs contributions, subscriptions, CTF investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and to make on the child’s behalf any claims to relief from tax in respect of CTF investments” (see paragraph 4.5.3).

5.3.8 This authority continues until it is replaced following a change in registered contact, or transfer to another provider. If the existing registered contact ceases to be the registered contact, the previously given authority continues until replaced.

5.3.9 Where the Official Solicitor or Accountant of Court becomes the registered contact they are deemed to have agreed the existing terms and conditions of the CTF. They should not be asked to complete an application form.

## **5.4 Non-written applications to be the registered contact**

5.4.1 Where an application and declaration is made other than in writing, for example, by telephone, e-mail or fax, or orally, the applicant is required to provide the same information, make the same declaration and provide the same authority and other



information as for a written application (see section 5.3). The applicant's signature is not required.

5.4.2 On receipt of the application, the provider must make a written declaration on behalf of the applicant and notify the applicant of its contents. Notification can be done in several ways -

- the declaration can be read back to the applicant over the phone, or in face to face contact,
- a copy of the declaration can be sent back via e-mail or the internet, or
- a copy of the declaration can be faxed or sent by post.

5.4.3 A telephone check list is contained at section 5.9

## **5.5 Imaging registered contact applications**

5.5.1 Registered contact applications can be imaged in exactly the same way as applications to open the CTF (see section 4.12).

## **5.6 Change of registered contact – existing registered contact**

5.6.1 If there is an existing registered contact then their confirmation that they agree to relinquish their position may be needed before another person can take over as the registered contact. Without that confirmation there cannot be a change in registered contact. The confirmation need not be in writing.

5.6.2 The agreement of the existing registered contact is not needed, and should not be requested, in the following cases:

- on the death or incapacity of the registered contact,
- where the registered contact cannot be contacted,
- where the existing contact is shown as Mrs CTF Liaison Officer (see 4.15.6) and the new registered contact is a person with parental responsibility,
- where a Court order which placed a person as a responsible person for the child has expired,
- where a Court has given a Special Guardianship Order
- where a Court orders that the person who is the registered contact cease to be so,
- where the new registered contact has been appointed to be a guardian or special guardian of the child

- where the new registered contact has adopted the child under an adoption order
- where the Official Solicitor or Accountant of Court becomes the registered contact, or
- where the child has reached the age of 16.

5.6.3 In the case of death, incapacity, or replacement by Court order of the current registered contact providers should satisfy themselves that this is so, either by sight of suitable documentation, or from other evidence they hold.

5.6.3a A CTF account cannot be operated under a Power of Attorney (PoA) for the registered contact.

The PoA is given by the donor (in this case the registered contact) and it allows the attorney to make decisions about the donor's own property. The CTF account is not the donor's property, so where the registered contact lacks the capacity to make decisions about the CTF account, the registered contact needs to be replaced. Agreement of the existing registered contact to the change is not required – see paragraph 5.6.2.

5.6.4 Where the registered contact cannot be contacted, for practical purposes a provider can assume that contact has been lost with a registered contact when they have not received any communication from the registered contact within the previous 12 months, and an item of post has been returned unread.

5.6.5 When the child reaches 16 only they can be the registered contact – any existing registered contact ceases. This means that if the child at age 16 does not become the registered contact then the CTF does not have a registered contact. In this case the instructions on management of the CTF given by the previous registered contact remain in place.

5.6.6 If a provider is contacted by a person wishing to become the registered contact for a CTF, and that person asks the provider for details of the existing registered contact, the provider is strongly advised not to release this information (but see paragraph 5.6.7).

5.6.7 Where the Official Solicitor or Accountant of Court is the registered contact for a CTF and another person asks to become the registered contact the provider should inform them that the Official Solicitor or Accountant of Court is the registered contact. They should advise the person to contact the Official Solicitor or Accountant of Court for permission to become the registered contact. The Registered Contact cannot be

changed without permission from the Official Solicitor or Accountant of Court.

5.6.8 The Official Solicitor or Accountant of Court will provide written agreement to a named person to their becoming the registered contact. Providers can accept this written permission as agreement by the Official Solicitor or Accountant of Court to the change in registered contact.

5.6.9 Where an adoptive parent tells the provider that they want to become the registered contact, the provider must not give any details about the existing registered contact or seek the agreement of the existing registered contact to the change. Once the provider has verified the adoptive parent, the provider must update the details held on their systems immediately to ensure that in these very sensitive cases any correspondence only goes to the correct contact.

## **5.7 The role of the Official Solicitor and Accountant of Court**

5.7.1 When a child becomes looked-after, the Local Authority informs HMRC. Most looked-after children will have someone with Parental Responsibility who can manage the account and be the Registered Contact. If the Local Authority indicate that there is no-one (or no-one appropriate) with Parental Responsibility, HMRC notify the Official Solicitor or Accountant of Court by a monthly schedule that they are to act as the Registered Contact for the looked-after child.

5.7.2 The Official Solicitor for England and Wales manages the accounts of children, who live in England or Wales, where there is no-one (or no-one appropriate) with Parental Responsibility.

5.7.3 The Official Solicitor for Northern Ireland manages the accounts of children, who live in Northern Ireland, where there is no-one (or no-one appropriate) with Parental Responsibility.

5.7.4 The Accountant of Court manages the accounts of children, who live in Scotland, where there is no-one (or no-one appropriate) with Parental Responsibility.

5.7.5 The Official Solicitor or Accountant of Court will assume management of the accounts, either until someone with parental responsibility becomes available or until the child reaches the age of 16, at which time the child will take over management of their own account.

5.7.6 When an individual contacts the provider to become the registered contact, the provider should tell them that the Registered Contact is the Official Solicitor or Accountant of Court and the person should contact them to arrange to take-over as the registered contact.

## 5.8 Application to be a registered contact

Applicant's title  
(if any), .....

Forenames and surname  
(forenames after the first can  
be represented by initials)

Applicant's address .....

.....Post Code.....

I apply to become the registered contact for the CTF of :

Child's title (if any), .....

forenames and surname  
(forenames after the first can be represented by initials)

Child's address .....

Child's date of birth .....

Child's unique  
reference number .....

Tick this box if you are applying because you have adopted the child named above

I declare that

- I am 16 years of age or over
- I am the child /I have parental responsibility for the child (delete which does not apply)
- I will be the registered contact for the CTF

I authorise [provider's name]

- to hold the HM Revenue & Customs contributions, subscriptions, CTF investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and
- to make on the child's behalf any claims to relief from tax in respect of CTF investments.

I agree to the CTF terms and conditions.

Signed .....Date .....

## 5.9 Phone application to be a registered contact

What is your name? (forenames and surname - forenames after the first can be represented by initials)

What is your address?  
(including postcode)

What is the child's name ?  
(Forename, middle initials, and surname)

What is the child's address?  
(including postcode)

What is the child's date of birth ?  
(Day/Month/Year)

What is the child's unique reference number ?

Do you declare that

You are aged 16 years or older?

You have parental responsibility for the child/are the child?

You will be the registered contact for the CTF?

By applying to be the registered contact for the CTF you authorise us to carry out certain functions on your and the child's behalf, and to make a written copy of your application.

I will now read back the application and declaration to you – if you agree that they are correct you will be the registered contact for the CTF.

## **Chapter 6**

### **Subscriptions to a CTF**

- 6.1 Who can subscribe to a CTF?
- 6.2 When can subscriptions to a CTF be accepted?
- 6.3 Subscription year
- 6.4 Feeder accounts
- 6.5 Direct debit indemnity scheme
- 6.6 Generation of a cash subscription by disposal of existing investments
- 6.7 Building Society bonus payment





## **6.1 Who can subscribe to a CTF?**

- 6.1.1 Any person can subscribe to a CTF by way of a cash payment. Transfers of shares or other investments into the CTF is not allowed. The person subscribing need not be resident in the UK, nor do they have to be related to the child in any way. Subscriptions to the CTF can be made even if the child is not present in the UK.
- 6.1.2 It must be made clear to the person subscribing that the amount subscribed is a gift to the child, and as such cannot be repaid to the subscriber if at a later date the subscriber changes their mind. This can be done by way of a written statement on any deposit slips, leaflets, or internet site, or verbally for a phone subscription - the CTF regulations do not require that the subscriber give a formal signed agreement. To avoid errors providers are advised to ensure that subscribers provide the child's unique reference number along with the child's name.
- 6.1.3 Providers may receive subscriptions where the person subscribing has not contacted the provider prior to subscription (by cheque through the post for example), and so the provider is unable to comply with paragraph 6.1.2. Such subscriptions can be accepted, and the provider need take no further action.

## **6.2 When can subscriptions to a CTF be accepted?**

- 6.2.1 A CTF is opened on the date that all the necessary conditions have been met.
- 6.2.2 Any subscriptions accepted prior to the opening of the CTF for example where a cancellation period has not expired, cannot be placed in the CTF until the date of opening.
- 6.2.3 Up to £1200 can be subscribed to a CTF in any subscription year. Any part of the limit which is not used is lost – it cannot be carried forward or back to other years. Providers must ensure that subscriptions in any subscription year do not exceed the limits. Government contributions do not count toward the subscription limit, nor does any interest, dividends or other income arising from the investments held in the CTF.
- 6.2.4 The child, the child's parents or other relatives, local authorities, charities or any other person can subscribe to the CTF. All subscriptions must be made in cash, which may include payment by cheque, direct debit, charge card, credit card, direct credit and standing order. CTF rules do not require providers to identify or record the identity of the third party contributor. The registered contact cannot prevent any subscription to

the CTF.

- 6.2.5 The Welsh Assembly Government has made a commitment through the CTF Cymru scheme which aims to provide an additional premium to the CTF of all children living in Wales in the early stages of their primary education. The proposal is to provide a £50 top-up to all eligible children, with an additional £50 for those children living in low income households. The Assembly Government top-up will be classed as a voluntary contribution to a child's CTF account and therefore count towards the £1,200 annual subscription limit.
- 6.2.6 Subscriptions by cheque are valid pending clearance of the cheque. If the cheque is not honoured then no subscription has been made – the amount of the failed subscription will not count toward the subscription limit. Any subscriptions returned to a subscriber under the direct debit indemnity scheme are treated in the same way.
- 6.2.7 The CTF regulations allow subscriptions by lump sum, or by regular or irregular periodic payment, provided the subscription limits are not exceeded. The provider may impose conditions, such as a minimum lump sum subscription, except for stakeholder CTFs, where the provider must accept single subscriptions of £10 or more.
- 6.2.8 The date of subscription may be important where two or more parties wish to subscribe to the CTF, and one of the subscriptions is greater than the amount of unused subscription limit. For the purpose of determining which is the earlier of the subscriptions the date of subscription is:
- by cheque – the date that the cheque is received and accepted by the provider (but see paragraph 6.2.6 for cheques that are not honoured),
  - by direct debit – either
    - the date that the provider *applies* to draw on the direct debit, provided that the cash transfer takes place in due course, or
    - the date that the provider is **authorised** to draw on the direct debit, provided that the cash transfer takes place in due course. If that date is earlier than the date the direct debit is received and accepted, then the date of subscription is the later date.(A provider can use either method but must do so consistently and apply it to all direct debits)
  - by debit card, charge card or credit card – the date authorisation is given by the subscriber, and
  - by direct credit and standing order – the date that the subscribed funds are

received by the provider.

6.2.9 Once a subscription is made to a CTF the cash, and any investments bought with the cash, are beneficially owned by the child. The subscriber cannot recover their subscription (but see section 6.5), nor can they (unless they are the registered contact) give any instruction as to how the cash is to be managed or used in the CTF. If a subscription is made into the wrong CTF by the provider in error, the provider can take the subscription out of the CTF and place it in the correct CTF.

6.2.10 The direct transfer of shares or other investments other than cash into a CTF is not allowed. Investments held by a person outside a CTF can be sold, and the proceeds subscribed to the CTF. The sale of the investments is a disposal for capital gains purposes.

### **6.3 Subscription year**

6.3.1 The subscription year normally runs from the child's previous birthday to the day before the next birthday. For the year in which a CTF opens the subscription year starts on the date of opening and ends on the day before the child's next birthday. For a child born on the 29<sup>th</sup> February, the subscription year runs to the 28<sup>th</sup> February for all years.

### **6.4 Feeder accounts**

6.4.1 Annual subscription limit is £1200 in any subscription year, and amounts in excess of that cannot go into the CTF until the start of the next subscription year. Providers may, if they wish, set up feeder accounts for excess subscriptions. They are not required to do so under the CTF rules.

6.4.2 The feeder account is not a CTF, and for tax purposes will be treated in the same way as any other children's savings account. Providers should ask the child's parents to consider whether a form R85 can be completed for the account to allow any interest into the account to be paid without deduction of tax. The registered contact, being a person with parental responsibility, is able to sign form R85.

### **6.5 Direct debit indemnity scheme**

6.5.1 Under this scheme, where money is taken out of an account by direct debit by mistake, the account holder can claim the return of the money. The account holder's bank

repays the money to the account holder, and claims back that amount from the recipient bank – in effect the transaction is unwound. Subscribers to a CTF might make a claim under the direct debt indemnity scheme.

6.5.2 In cases where the subscriptions are unwound under the direct debit indemnity scheme the subscription will be treated as not made (in the same way as for a failed cheque - see paragraph 6.2.6). If any tax relief on interest has been claimed from SSO Repayments in respect of the unwound subscription it must be repaid to HM Revenue and Customs, and any interest arising may be subject to deduction of tax. A subscription made by direct debit may not be unwound unless a successful claim is made under the indemnity scheme.

## **6.6 Generation of a cash subscription by disposal of existing investments**

6.6.1 Investments held by a individual outside a CTF can be sold, and the proceeds subscribed to a CTF. Subscribers and providers should note that the sale of investments is a disposal for capital gains purposes.

6.6.2 The CTF subscription can be used to buy back often the same investments (but not necessarily so) within the CTF provided certain conditions are met. This is a 'Share Exchange' (sometimes called 'Bed and CTFinng') which can apply to units as well as shares.

The conditions that must be met are that

- a) the investments must not be purchased from the investor's spouse, civil partner or from the investor
- b) the investments must be bought at the open market price
- c) any stamp duty or stamp duty reserve tax (SDRT) paid on the purchase of ISA investments must be paid out of cash held in the ISA, and
- d) the funds generated by the disposal of the investor's shares must be available to meet the purchase on settlement day.

The subscription date can be the date on which the investor's shares/units are sold, the settlement date for the purchase or any date in between that the investor chooses,

provided condition (d) is met.

- 6.6.3 An existing insurance policy cannot be directly transferred into a CTF. However an existing policy can be surrendered, and the proceeds used to subscribe to a CTF. The surrender would be a chargeable event and may give rise to a capital gain, unless it is a "time served" qualifying policy. A subscription could also be made from the proceeds of a part surrender. Part surrenders may also be chargeable events.

## **6.7 Building Society bonus payment**

- 6.7.1 Building societies can pay bonuses to their members in respect of the products they hold and this can include children who hold a CTF account. Bonuses paid in respect of Child Trust Fund accounts are exempt from tax and do not count towards the annual CTF subscription limit if they are paid directly into the CTF account.
- 6.7.2 The definition of 'building society bonus' for CTF purposes specifically excludes any bonus arising from demutualisation, merger or sale of a building society subsidiary.



<b>Chapter 7</b>	<b>Qualifying investments for the CTF</b>
7.1	Qualifying investments for the CTF
7.2	Qualifying shares
7.3	Qualifying securities
7.4	Shares in investment trusts
7.5	Depository interests
7.6	Cash
7.7	Non-UCITS retail schemes
7.8	Alternative Finance Arrangements
7.9	Policies of life insurance
7.10	Restrictions on qualifying investments held in a stakeholder CTF
7.11	Shares being brought to listing
7.12	Shares paid for in instalments
7.13	Changes to investments held in the CTF
7.14	Rights issues and other offers to shareholders
7.15	Bonus issues
7.16	Connected accounts
7.17	Qualifying security check for a CTF





## **7.1 Qualifying investments in the CTF**

7.1.1 The investments that providers may purchase, make or hold in a CTF are

- qualifying shares,
- qualifying securities,
- gilt edged securities,
- securities issued on or behalf of a government of an EEA state,
- strips of gilt edged securities or securities issued on or behalf of a government of any EEA state,
- shares in qualifying investment trusts,
- units or shares in a UK UCITS or a Recognised UCITS ,
- depositary interests,
- cash,
- units or shares in non-UCITS retail schemes
- alternative finance arrangements
- policies of life insurance, and
- securities, other than National Savings certificates, premium savings bonds, National Savings stamps and National gift tokens, issued under the National Loans Act 1968 or the National Savings Bank Act 1971, on terms which provide for them to be held in the CTF.

7.1.2 All other kinds of investments are not qualifying investments and may not be held in a CTF.

7.1.3 Certain qualifying investments may not be held in a stakeholder CTF – for further details of these see section 7.10.

## **7.2 Qualifying shares**

7.2.1 Qualifying shares are shares, not being shares in an investment trust, issued by a company which is incorporated anywhere in the world, and which are officially listed on a recognised stock exchange.

7.2.2 Qualifying shares do not include, for example,

- shares dealt in on the Alternative Investment Market (AIM),
- shares in unquoted companies,
- shares traded on Ofex,

- nil paid rights (purchased in the market by the provider), or
- warrants to subscribe for shares (but see paragraph 7.4.2)

### **7.3 Qualifying securities**

7.3.1 Qualifying securities are securities which have been issued by a company, which is incorporated anywhere in the world, and which satisfy at least one of the three conditions in paragraph 7.3.3.

7.3.2 Securities in an investment trust are qualifying investments provided the securities meet at least one of the three conditions in paragraph 7.3.3 and the trust has no eligible rental income (defined at S508A ICT88).

7.3.3 The three conditions of which at least one must be satisfied are that

- the securities,
- the shares in the company issuing the securities, or
- the company issuing the securities is a 75 per cent subsidiary of a company whose shares

are listed on the official list of a recognised stock exchange

### **7.4 Shares in investment trusts**

7.4.1 Shares in an investment trust listed on the Official List of the Stock Exchange are qualifying investments for the CTF. This includes shares with warrants attached purchased by the provider in the course of a public offer.

7.4.2 Where providers apply for shares in an investment trust using cash within a CTF they may retain in the CTF any warrants attached to the shares acquired in the course of the public offer. Any warrants received subsequently are not qualifying investments and must be sold. New issues of warrants offered to existing shareholders only cannot be taken up or held in the CTF.

### **7.5 Depository interests**

7.5.1 Depository interests are investments where one person holds relevant investments, or rights to those investments, on behalf of the investor. That person effectively acts as the investor's nominee. A depository interest will qualify for the CTF if the relevant

investments (other than cash, policies of life insurance or depositary interests) would be qualifying investments if held directly.

One common form of depositary interest is a CREST Depositary Interest or CDI, where an investor deposits his shares with a nominee company in exchange for a CDI. This allows the shares to be dealt on the CREST system. Another example of a depositary interest is an American Depositary Receipt.

A practical test that managers can apply to depositary interests is to look through the depositary interest to the investment that it represents. This might require looking through intermediary investments.

In some cases an investor cannot hold shares directly, such as when shares are issued in the form of a Global Note. The test should then be applied as if the investor were capable of holding the shares.

Note that depositary interests representing unlisted shares, and depositary interests representing a basket of investments where any of the investments would not qualify for a CTF, are not qualifying investments.

## **7.6 Cash**

7.6.1 Any cash subscribed to or held in a CTF must be in sterling (but see paragraph 7.6.3) and must be deposited in an account with a deposit-taker, a deposit account or a share account with a building society, which is designated as a CTF.

7.6.2 The account designated as a CTF account may also include other savings products, such as feeder funds and current account balances provided the account is designated as a CTF account and the monies relating to each product are recorded and can be accounted for separately. The same account may also be designated in other ways, for example if the account also holds ISA cash, the account may be named the CTF and ISA Client Money Account.

7.6.3 Where a provider is a European Institution or relevant authorised person cash may be held in the currency of the EEA state in which they have their principal place of business.

7.6.4 Where a person wishes to subscribe currency other than sterling to a CTF where the

cash is held in sterling, the amount subscribed must be converted to sterling before it can be subscribed to the CTF.

## **7.7 Units or shares in non-UCITS retail schemes**

7.7.1 Non-UCITS retail schemes are defined in COLL. In order for the shares or units in a non-UCITS retail scheme to qualify for the CTF the instrument constituting the scheme must provide for redemption of the units or shares no less frequently than bi-monthly.

## **7.8 Alternative Finance Arrangements**

7.8.1 Savings under alternative finance arrangements falling within section 47 or 49 of the Finance Act 2005, for example Shari'a accounts, qualify for the CTF.

## **7.9 Policies of life insurance**

7.9.1 A policy of life insurance (as determined under general law) is a qualifying investment for a CTF if

- the policy is on the life of the child only (Joint life, multiple life and life of another policies are not allowed)
- the terms and conditions of the policy provide that
  - the policy may only be owned or held as a qualifying investment for a CTF,
  - the policy shall terminate automatically if it comes to the notice of the provider that the event specified in paragraph 7.9.4 has occurred,
  - the proceeds from the termination of the policy, or the partial surrender of the rights conferred by the policy cannot be paid to the child whilst the policy is held in the CTF, and
  - the policy, the rights conferred by the policy and any share or interest in the policy or rights respectively, are not capable of assignment or assignation (other than that the policy may be transferred within the CTF from one provider to another (but see paragraph 10.2.6), and the rights may vest in the personal representatives of a deceased child.
- the policy evidences or secures a contract of insurance which either falls within section I or III of Part II of Schedule 1 to FISMA 2000 (Regulated Activities) Order 2001, or would fall within either of those sections if the insurer was a

company with permission under Part 4 of FISMA 2000 to effect or carry out contracts of insurance (for example, if the body is an EU insurer providing insurance on a services basis and subject to home state authorisation in accordance with Article 6 of the First Council Directive 79/267/EEC)

- the policy is not
  - a contract to pay an annuity on human life
  - a personal portfolio bond within the meaning of section 516 ITTOIA 2005, or
  - a contract, the effecting and carrying out of which constitutes “pension business” within the meaning of section 431B(1) of ICTA88, and
  - 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.
  - no sum may be lent to the child, or the registered contact, or at their direction, by arrangement with the insurer with whom the policy is held.

7.9.2 Where the account provider is an insurance company or a friendly society and the investments in the CTF include a life insurance policy the title to that policy, and the policy documentation evidencing the title, must be held by the registered contact (see chapter 5).

7.9.3 Where CTF subscriptions are applied as premiums under a CTF policy, and the subscriptions are payable in instalments, there must be no obligation to pay any instalment (or any premium) other than the first one. But this does not prevent subscriptions being made by direct debit or standing order arrangements. Regular premium policies including 'qualifying policies' (Schedule 15 ICTA88 defines a 'qualifying policy') are not permissible investments.

7.9.4 A policy may satisfy the requirement that it falls within section I or III of Part II of Schedule 1 to FISMA 2000 (Regulated Activities) Order 2001 if it includes subsidiary benefits such as a sickness, critical illness, accident or waiver of premium benefit.

7.9.5 If there has been a breach of any of the conditions in paragraph 7.9.1, and the breach cannot be repaired (see section 8.11), or has not been remedied in a reasonable time, then the policy shall automatically terminate.

## **7.10 Restrictions on qualifying investments held in a stakeholder CTF**

7.10.1 Certain types of investment may not be held directly in a stakeholder CTF, although they may be held indirectly through a qualifying relevant collective investment scheme, such as a UK UCITS or a Recognised UCITs.

7.10.2 The investments that cannot be held directly in a stakeholder CTF are:

- shares in an investment trust,
- securities of an investment trust,
- rights in with-profits endowment policies,
- rights under a contract of insurance in a with-profits fund,
- units or shares in a relevant collective investment scheme unless it is a requirement of that scheme that the purchase and sale price of those units shall, at any given time, not differ from each other and that the price must be made available to the public on a daily basis,
- rights under a contract of insurance which are expressed as 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 shares shall, at any given time, not differ from each other and that the price must be made available to the public on a daily basis,
- shares issued by a company wherever incorporated and officially listed on a recognised stock exchange,
- securities issued by a company and securities under the National Loans Act 1968, unless the contract entered into for purchase of the securities or gilt strips (or any other contract) has the effect that the value of the securities or gilt strips cannot at any time fall below 80% of the consideration paid for the securities or gilt strips whilst they are being held in the CTF,
- cash held in deposit accounts, or in a building society share account, unless the interest payable on a daily basis is paid at a rate not less than 1% below the Bank of England base rate (where the base rate increases the interest rate for the deposit account must satisfy this condition within one month of the date of increase), and
- depositary interests, where the investments concerned are investments of any of the kinds listed above.

## **7.11 Shares being brought to listing**

7.11.1 Providers may apply for shares being brought to listing on behalf of a child using cash from within a CTF provided

- they will be qualifying shares (see section 7.2) or shares in a qualifying investment trust (see section 7.4) within 30 calendar days of the date on which the shares are allotted or allocated, and
- they were not allocated in connection with the allocation of other shares, securities or units.

7.11.2 Providers can use cash held in a CTF to apply for public offer shares brought to the market by an offer for sale, or an offer for subscription. Providers cannot use cash held in a CTF to purchase shares brought to the market by an intermediaries offer, or a placing.

## **7.12 Shares paid for in instalments**

7.12.1 Providers must meet any instalment due in respect of the shares held in the CTF from funds within the CTF. The instalment payments may not be funded from cash held outside the CTF. If sufficient funds are not held in the CTF, investments held within the CTF may be sold to meet the instalment.

## **7.13 Changes to investments held in the CTF**

7.13.1 The most common examples of a change to an investment are

- takeovers,
- demergers,
- capital reorganisations (other than a rights issue or bonus issue),
- rights issues, and
- bonus issues.

7.13.2 Providers may take up any offer to shareholders in respect of investments held in the CTF. Whether the resulting shares can be held in the CTF will depend on whether they are qualifying investments. Where the new investments are qualifying investments, they can remain in the CTF. Where they are not qualifying investments, providers must sell them within 30 calendar days of the date they became non-qualifying investments – the proceeds must remain in the CTF. If the non-qualifying investments are not sold within the 30 days the CTF must be repaired (see section 8.11)

7.13.3 Complex reorganisations often involve more than just the issue of one set of new investments. There could, for example, be a bonus issue of shares, which are replaced in turn by other shares, which are then sold, or converted to other investments. If the

intermediate investments are not eligible for a CTF then, strictly, the final investments, or cash proceeds, cannot be held in the CTF even if the final investments themselves are eligible.

- 7.13.4 However, where ineligible investments are issued as an intermediate stage, and those investments are short-lived, or are automatically replaced by cash, CTF Support will consider whether it is possible to look through the intermediate stages and apply the guidance at paragraph 7.13.2 to the initial and final investments alone. If a reorganisation involves intermediate ineligible investments providers should submit full details to CTF Support and if possible well before the planned reorganisation date.

#### **7.14 Rights issues and other offers to shareholders**

- 7.14.1 Providers may use only cash within the CTF to take up rights issues and other offers for qualifying investments. Providers must reinvest in the CTF any proceeds received from lapsed rights. The proceeds do not count as a subscription.

#### **7.15 Bonus issues**

- 7.15.1 Providers must add to a CTF bonus issues of shares or units received in respect of an investment held in the CTF, provided the shares or units in the bonus issue are qualifying investments. Such bonus issues do not count towards the CTF subscription limit. Where they are non-qualifying investments, providers should follow the guidance at paragraph 7.13.2.

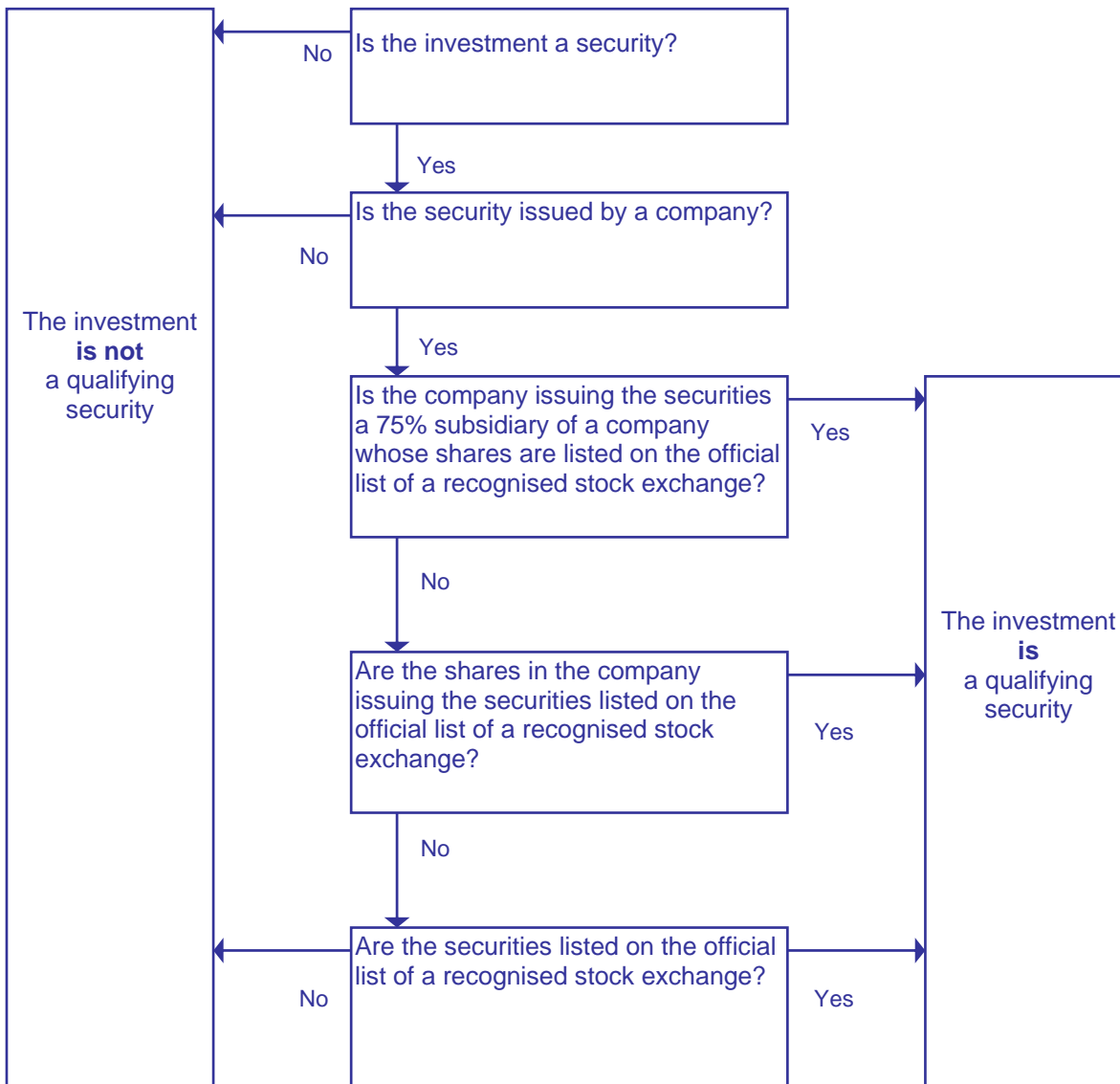
#### **7.16 Connected Accounts**

- 7.16.1 A deposit account, or share account with a building society, in a CTF must not be connected to any other investment held by the child or any other person.
- 7.16.2 A CTF is connected with another investment if either it was opened or acquired with reference to the other, or with a view to enabling the other to be opened on particular terms, or facilitating the opening of the other on particular terms, and the terms on which the CTF was opened would have been significantly less favourable if the other had not been opened or acquired.
- 7.16.3 HM Revenue & Customs will accept that a deposit or share account is not connected to a CTF if it is a “feeder” account opened to enable subscribers to fund future deposits



into the CTF, provided that the interest on the feeder account is in line with the interest paid on the provider's other savings accounts.

## 7.17 Qualifying security check for a CTF



<b>Chapter 8</b>	<b>Management of the CTF</b>
8.1	Delegation of the provider's functions
8.2	Purchasing investments
8.3	Selling investments
8.4	CTF account administration charges
8.5	Market value
8.6	Compensation for CTF errors
8.7	Pre-funding a CTF
8.8	Using a CCTF as security for a loan
8.9	Stock lending
8.10	Changes in the management agreement
8.11	Repairing CTFs
8.12	Repairs – removal of excess subscriptions
8.13	Repair – incomplete or incorrect application form
8.14	Repair – non-qualifying investments
8.15	Recovery of government contributions



## **8.1 Delegation of the provider's functions**

8.1.1 Providers may arrange for a third party to carry out some or all of their administrative functions. But where administrative functions are delegated, providers remain responsible for the operation of the CTF.

8.1.2 Providers may offer CTFs where the registered contact makes investment decisions (self-select CTFs). In these circumstances, providers remain responsible for ensuring that investments purchased in the CTF are qualifying investments.

## **8.2 Purchasing investments**

8.2.1 Providers must make purchases out of cash held in the CTF at the time the investments are paid for and must not allow a CTF to go into a cash deficit.

8.2.2 Where a provider also acts as the manager of an authorised unit trust, subscriptions used to purchase units in that authorised unit trust may be deposited in an account which is not designated as a CTF.

8.2.3 Providers may not purchase investments into the CTF from the child, or the husband, wife or civil partner of the child.

8.2.4 Where an authorised fund is a dual priced unit trust, all purchases must be made at the maximum sale price of a unit of the relevant class at the relevant valuation point within the meaning of, and complying with the requirements of Chapter 6 of the Collective Investment Schemes Sourcebook (COLL).

8.2.5 Where an authorised fund is a single priced unit trust or an open-ended investment company, all purchases must be made at the price of a unit of the relevant class at the relevant valuation point within the meaning of, and complying with the requirements of Chapter 6 of the Collective Investment Schemes Sourcebook.

8.2.6 In all other cases all purchases must be made at the price for which those investments might reasonably be expected to be purchased in the open market.

8.2.7 Providers may purchase units and shares in tranches to meet the aggregate

requirements of registered contacts. Where the rules of the FSA require the provider to attribute a uniform price by calculating a weighted average of the prices paid for all transactions in the same allocation period, then that uniform price may be treated as the price for which those investments might reasonably be expected to be purchased in the open market.

8.2.8 In any other case, where providers make a series of purchases, each CTF involved must reflect its share of each purchase price. An “average” price may not be used.

### **8.3 Selling investments**

8.3.1 Providers must sell CTF investments at the price they might reasonably be expected to be sold in the open-market.

8.3.2 Policies of life insurance in the CTF cannot be sold.

### **8.4 CTF account administration charges**

8.4.1 Where the registered contact has elected to

- receive a copy of the annual report and accounts
- attend meetings of investors
- vote, or
- receive any other investor information

for any concern whose shares or units are held in the CTF, charges for the provision of any or all of these services (see paragraph 4.9.2) can be paid from funds held outside the CTF, and will not count as a subscription to the CTF.

8.4.2 Charges for stamp duty, stamp duty reserve tax or dealing charges associated with the sale or purchase of investments in the CTF, and charges agreed between the provider and registered contact for management of the CTF, must be met using cash within the CTF.

### **8.5 Market value**

8.5.1 For shares or qualifying securities listed in The Stock Exchange Daily Official List, providers should take the value computed by reference to section 272 Taxation of

Chargeable Gains Act 1992. That is, normally, either

(a) the lower of the two prices shown in the quotations for the shares in The Stock Exchange Daily Official List on the relevant date plus one-quarter of the difference between those two figures (commonly referred to as the “quarter up rule”), or

(b) halfway between the highest and the lowest prices (commonly referred to as the ‘middle market’ quotation) at which bargains, other than bargains done at special prices, were recorded in the shares for the relevant date.

8.5.2 Providers should take the amount at (a) if it is smaller than the amount at (b), or there were no such bargains as at (b). Otherwise they should take the amount at (b).

8.5.3 If the London trading floor was closed on the relevant date, providers should determine the market value by reference to the previous date or earliest subsequent date on which it is open, whichever affords the lower market value.

8.5.4 The market value of units is the price at which unit trust providers are prepared to buy units from unit holders, known as the “bid” price. Unit trust providers publish this price on a daily basis. Where the bid price was not published at the date for which the valuation is required, providers should use the bid price on the latest day before. Providers should note that the market value is not reduced by exit, redemption or withdrawal fees.

8.5.5 The market value of shares in open-ended investment companies is the price at which the company is prepared to buy shares from shareholders. Open-ended investment companies publish this price on a daily basis. Where the price was not published at the date for which the valuation is required, providers should use the price on the latest day before.

## **8.6 Compensation for CTF errors**

8.6.1 Where, in error, a provider fails to purchase or sell specific investments within a CTF as required under the customer agreement, and the value of those investments has subsequently increased or decreased respectively, the provider may be liable to, or agree to, pay compensation to the child. Sums paid as compensation for loss of income and capital growth must be paid by the provider into the CTF and will not count towards

the subscription limit, and should not be recorded as such. The provider should, in all cases, retain evidence of the circumstances in which compensation was paid.

8.6.2 Any compensation paid in respect of a delay in opening a CTF or paid in respect of a delay in accepting a subscription to a CTF can be paid outside the CTF, to the child, registered contact or subscriber as appropriate. The compensation can be subscribed to the CTF by the recipient, or can be paid by the provider directly into the CTF, without it going by way of the recipient, but in both cases it will count as a subscription for all purposes.

## **8.7 Pre-funding a CTF**

8.7.1 Providers may pre-fund amounts to a CTF up to amounts eligible to be claimed from SSO Repayments in respect of tax deducted from interest, or in respect of government contributions without counting towards the subscription limit.

## **8.8 Using a CTF as security for a loan**

8.8.1 A CTF cannot be used as security for a loan. Any assignment of, or agreement to assign investments in a CTF, and any charge on or agreement to charge the investments in a CTF has no standing in law – it is ineffective.

## **8.9 Stock lending**

8.9.1 Stock lending is a transaction where somebody “borrows” securities from another person by taking a transfer of the securities from that person in order to enable the ‘borrower’ to fulfil a contract to sell securities of that kind to a third person. In return the ‘borrower’ promises to transfer securities of the same kind to the person from whom they have “borrowed” the securities that have gone to the third person and to compensate the “lender” for any dividends which would have been received during the loan period when they do so.

8.9.2 “Lending” of this sort by a provider is not compatible with their duties as a provider. The title to investments must be vested in the provider or his or her nominee, or jointly in one of them and the registered contact, the share certificate must be held by the provider or as they may direct and, above all, the investments must be in the beneficial ownership of the child. None of this is compatible with an arrangement under which the



investments are sold to a third person and subsequently replaced by different investments of the same kind.

- 8.9.3 If the CTF holds units or shares in a collective investment scheme, the scheme manager may lend scheme investments, as the title to the investments held in the CTF (units or shares in the scheme) does not change.

## **8.10 Changes in the management agreement**

- 8.10.1 A change in the management agreement sufficient to trigger cancellation rights under the Distance Marketing Directive cannot take effect until after the expiry of cancellation rights. Until that time the existing management agreement remains effective.

## **8.11 Repairing CTFs**

- 8.11.1 A CTF may be found to be invalid. For example, it may be invalid because the investments held in the CTF are non-qualifying, or the registered contact does not have parental responsibility, or the subscription to the CTF is invalid. Invalid CTFs can, in nearly all circumstances, continue as CTFs after corrective action, or 'repair'.
- 8.11.2 A CTF must be repaired in all circumstances except where the child in question is not eligible for a CTF, or where the child already has another valid CTF. In all cases HM Revenue & Customs will instruct the provider where a CTF is to be voided. A provider should never void a CTF except in accordance with those instructions.
- 8.11.3 Providers should keep a detailed record of all CTFs repaired (to be made available at the next HM Revenue & Customs inspection). Repaired CTFs will be treated for all purposes as if they had been valid at all times, except for determining whether a penalty is chargeable (see section 15.6).
- 8.11.4 Where a provider finds that a CTF is invalid they should immediately take steps to repair the CTF. The examples below cover most of the errors that could give rise to an invalid CTF, but it is not an exhaustive list. If a provider finds other situations where they are unclear as to how to repair the CTF they should contact CTF Support.

## **8.12 Repairs – removal of excess subscriptions**

- 8.12.1 Excess subscriptions, investments purchased with those subscriptions and any income arising on those subscriptions or investments must be removed from the CTF and returned to the subscriber or to the child as circumstances require. Any tax claimed from SSO Repayments on income arising on the excess subscriptions, must be recovered by the provider, normally by deduction from the next claim under the heading 'Adjustments to previous claims'. If the provider is a building society or deposit-taker any tax on interest paid gross is to be adjusted for through the TDSI scheme – i.e. by adjustment through the next CT61 return form.
- 8.12.2 Any income arising on the excess subscriptions or investments purchased with the excess subscriptions is subject to tax, and the person to whom the excess subscription is returned should be informed.
- 8.12.3 In many cases identification of the investments acquired with excess subscriptions will be simple – there will have been one subscription to the CTF and purchase of one type of investment.
- 8.12.4 In some cases identification of the investments acquired with excess subscriptions will be more difficult. The provider can select the investments that represent the excess subscriptions, either by taking a fraction of the investments held in the CTF at the date of repair which represents the excess subscriptions, or by following the subscriptions through the CTF and identifying the relevant investments.
- 8.12.5 Where a CTF includes a life insurance policy and excess subscriptions have been applied as premium to the policy, the CTF may be repaired by making a part surrender of the policy of an amount equal to the over-subscription and withdrawing that amount from the CTF. No tax will be charged on any chargeable event gain arising from the part surrender and there will not be a requirement to terminate the policy in these circumstances but the provider may be liable to a penalty (see section 15.6).

### **8.13 Repair – incomplete or incorrect application form**

- 8.13.1 The registered contact should be asked to complete the form, or complete a new form with a reference to the original form. If the registered contact refuses to do so then they must be removed as registered contact. The CTF is then treated as repaired and no further action is needed. An application accepted under paragraph 4.3.2 is not incomplete for this purpose and need not be repaired.

## **8.14 Repair – non-qualifying investments**

8.14.1 If the provider finds that non-qualifying investments are held in a CTF the CTF must be repaired by selling the non-qualifying investment, except if it is a life insurance policy. In that case, the policy must be surrendered. Insurers should not provide the wrong sort of policy as a CTF investment. The proceeds of the sale or surrender of the investments must remain within the CTF and used to buy qualifying investments, which need not be of the same type as the investments sold or surrendered. Any income, capital gains or chargeable event gains arising on these non-qualifying investments is taxable in the same way as if the CTF was made void (see section 11.5), except of course the proceeds will not be returned to the child at this stage.

## **8.15 Recovery of government contributions**

8.15.1 Government contributions to a CTF must be repaid either when a CTF is found to be invalid, and is voided (see section 11.5), or where a partial overpayment of contributions has happened, for example where a further government contribution has been paid into a CTF (see paragraph 1.1.4) and the child is later found to be ineligible for that contribution.

8.15.2 In all cases where a recovery of government contribution from a CTF is required CTF Office will write to the person claiming child benefit for the child explaining why the recovery has been made. If the registered contact approaches the provider with queries on the recovery they should be asked to contact CTF Office.

8.15.3 Where a CTF is voided the provider will receive a letter from CTF Office requesting that the CTF be voided, and requesting repayment of all the government contributions made to the voided CTF, together with a payslip. Where a recovery is to be made without voiding the CTF, the provider will receive a letter from CTF Office requesting repayment of part of the government contribution (a partial recovery). The CTF will remain open following a partial recovery.

8.15.4 The amount to be returned to CTF Office will be the value of the investments purchased with the overpaid government contribution plus any interest or gains and less any losses arising on those investments. The amount returned will in most cases not equal the original amount of the government contribution, and could be less than the amount of the government contribution.

- 8.15.5 Where a CTF is voided and there have been no contributions to the CTF, all the funds arising from sale of the investments (or the balance of the account in the case of a cash CTF) should be returned to CTF Office. Where there have been contributions, or where there is a partial recovery, then the investments in the account must be apportioned, and only that part of the investments representing the government contributions, together with interest, gains and losses should be returned to CTF Office (see paragraph 11.5.1).
- 8.15.6 Providers can identify the investments representing the government contributions exactly, taking into account date and value of purchases and sales, changes of interest rate etc. Alternatively they can adopt any other method of apportionment that gives a fair result, provided the method is applied consistently.
- 8.15.7 Voiding the CTF does not mean that the account must close, it simply means that the CTF wrapper around the investments must be removed. So if there have been other contributions to the account it will be for the CTF provider to agree with the registered contact what is to happen to these. The Terms and Conditions of the account may require the account to close and the contributions to be sent to the child or they may allow the sums to be moved to a non-CTF account.

## **Chapter 9**

### **CTF Statements**

- 9.1 Date of issue of statements
- 9.2 To whom issued
- 9.3 Statement contents



**9.1 Date of issue of statements**

9.1.1 A provider must issue a statement for each CTF annually. The statement date for the annual statement may be any date not more than 61 days before or after the child's birthday, but must not be more than 12 months after the previous statement date.

9.1.2 A provider must also issue a statement when a CTF is transferred to another provider. The statement date for transfers is the date of transfer, not the date of issue of the statement

9.1.3 In both cases the statement must be issued within 30 calendar days of the statement date.

**9.2 To whom issued**

9.2.1 The statement must be issued to the child care of the registered contact where the child is under 16, or to the child where the child is the registered contact, or where there is no registered contact.

9.2.2 For Revenue allocated accounts where no person has applied to be the registered contact, and therefore where no child's address is held, the statement can be sent to the child care of the correspondent, whose name and address will be supplied to the provider when the Revenue allocated account is opened.

**9.3 Statement contents**

9.3.1 The statement must include:

- the statement date
- the child's name, address, date of birth and unique reference number,
- the type of account (stakeholder or non-stakeholder),
- the name of the registered contact (if any),
- where the provider held the CTF at the child's previous birthday, and a previous statement has been prepared, the total market value of the investments in the CTF at the previous statement date,
- if a government contribution has been made, the amount of any government contributions received by the provider between the previous statement date, or opening of the CTF (whichever is later) and this statement date.,
- the aggregate amount of any subscriptions made to the CTF between the

previous statement date, or opening of the CTF (whichever is later) and this statement date,

- the amount of any deductions (including management charges) made from the CTF between the previous statement date, or opening of the CTF (whichever is later) and this statement date (but see paragraph 9.3.4 below),
- the total market value of the investments in the CTF at the statement date,
- the number or amount, description and market value of each of the investments in the CTF at the statement date,
- the basis used in calculating the market value of each investment, and, if the basis of valuation has changed since the previous statement, an explanation of the change,
- where any of the investments are held in or denominated in a currency other than sterling, the exchange rate used in the valuation.

9.3.2 Where the statement is issued on the transfer of the CTF to another provider, the number or amount, description and market value of the investments in the CTF at the statement date must be of those investments that will be transferred. Any costs associated with sale of investments prior to transfer (including any costs of re-registration) must be included in the statement and deducted prior to detailing the investments in the CTF at the statement date.

9.3.3 Providers should bear in mind that the recipients of the statement may be adults with little experience of savings and investment, or, as the children grow, young children, and the statement should be designed to aid understanding of the key points

9.3.4 The management charges or other incidental expenses levied on the CTF can either be shown in the actual amount, or as an annual percentage rate at which the deductions were made. If the rate has changed during the year each rate must be shown separately together with the period for which the rate applied.



**Chapter 10****Transferring a CTF**

- 10.1 Internal transfer
- 10.2 External transfer
- 10.3 External transfer forms
- 10.4 Cancellation of a transfer
- 10.5 Refusal to accept an internal or external transfer
- 10.6 Unsuitable investments for a stakeholder CTF
- 10.7 Example of written external transfer application
- 10.8 External transfer phone applications
- 10.9 CTF external transfer history form



## **10.1 Internal transfer**

- 10.1.1 A registered contact can transfer a CTF internally by changing the type of CTF, from stakeholder to non-stakeholder, or vice versa. In this case the CTF remains with the same provider, although there may be changes to the investments held in the CTF. An internal transfer can only take place where the provider offers both the non-stakeholder and the stakeholder CTF.
- 10.1.2 The entire CTF must be transferred. A child cannot have more than one CTF at any time, nor can a CTF be a mix of stakeholder and non-stakeholder.
- 10.1.3 The transfer must be free of charge – the only deductions allowed from the CTF for transfer are for incidental charges arising from the movement of investments, such as stamp duty and dealing charges. No charge for transfer of any kind (including incidental charges) can be made outside the CTF.
- 10.1.4 To carry out an internal transfer the registered contact must contact the current provider. There is no requirement under the CTF rules for the registered contact to provide transfer instructions in writing – this is a matter for the terms and conditions applying to the CTF.
- 10.1.5 Subject to the CTF terms and conditions of the providers, a CTF may be transferred in a variety of ways
- by transferring investments,
  - in cash, or
  - in a combination of investments and cash.
- 10.1.6 If the internal transfer is from a non-stakeholder to a stakeholder CTF, and the investments transferred across do not qualify for the stakeholder, they can be transferred and sold inside the stakeholder. If the non-qualifying investments are not sold within 30 days of the transfer the CTF must be repaired (see section 8.11)
- 10.1.7 The transfer should be carried out as soon as requested by the registered contact, subject to:
- the reasonable business period required to carry out the transfer (not exceeding 30 days), and
  - expiry of any cancellation period.

## **10.2 External transfer**

- 10.2.1 A registered contact can transfer a CTF externally to another provider. The entire CTF must be transferred. A child cannot have more than one CTF at any time, nor can a CTF be a mix of stakeholder and non-stakeholder. The transfer must be free of charge – the only deductions allowed from the CTF for transfer are for incidental charges arising from the movement of investments, such as stamp duty and dealing charges. No charge for transfer of any kind (including incidental charges) can be made outside the CTF.
- 10.2.2 To effect the transfer the registered contact must complete a transfer application form with the new provider. The transfer application form is slightly different from that used to open the CTF. An example written external transfer application is at section 10.7, and a telephone external transfer application is at section 10.8. Providers are not obliged to accept transfers, but see section 10.5. If the request is by telephone a signature is not needed unless the old manager's terms & conditions say they will not transfer the CTF unless they have received a written request with a signature.
- 10.2.3 After completion of the form, and after expiry of any cancellation period with the new provider, the new provider must contact the old provider and request transfer of the CTF. The new provider must not request transfer until after expiration of any cancellation period applying to the application for transfer. The new provider must give the name of the person who requested the transfer, as well as details of the account, to the old provider. The old provider can then identify the account and check that this person is the registered contact.
- 10.2.4 Subject to the CTF terms and conditions of the providers, a CTF may be transferred in a variety of ways
- investments may be re-registered in the new provider's, or his nominee's name,
  - in cash, or
  - in a combination of investments and cash.
- 10.2.5 The old provider must transfer investments and/or cash direct to the new provider, and must keep a record of the transfer notice for three years after the date of transfer. The original application form should not be sent to the new provider, but must remain with the old provider. There are no circumstances in which the original application form should be transferred to the new provider.
- 10.2.6 Where the investment transferred to another provider is an insurance policy, and the new provider is an insurer, title to the policy and any policy documents should be

transferred to the registered contact as part of the transfer arrangements.

- 10.2.7 Where the old provider is the one with whom the current registered contact application was made, they must also keep the original or a certified copy of the application, or, in the case of applications not in writing, the declaration made by the registered contact, for three years after the date the application was made.
- 10.2.8 The transfer should be carried out by the old provider as soon as requested by the new provider, subject to the reasonable business period required to carry out the transfer (not exceeding 30 calendar days). The transfer should not be delayed due to waiting for re-registration of investments, or receipt of outstanding government contributions or dividends or other income from investments. Any sums received after transfer should be forwarded to the new provider together with details of the CTF in respect of which the sums have been received.
- 10.2.9 If an Age 7 payment or an Additional Payment is notified on a fortnightly schedule
- **before a transfer** out is effected, the old provider must make the claim and pass the funds on to the new provider when they are received
  - **after the transfer** out, the old provider should still claim the contribution on their next return and when it is received, forward it to the new provider.
- 10.2.10 If a provider receives a transfer request for a Revenue Allocated Account (RAA) that does not have a Registered Contact, they can proceed with the transfer if the new provider's Registered Contact details match the contact name given by HM Revenue and Customs. If the name doesn't match, further proof must be requested.

### 10.3 External transfer forms

- 10.3.1 Providers should produce their own external transfer forms. The form should be sent to the new provider as soon as the transfer takes place. A model for an external transfer form is at section 10.9. Note that all external transfer forms must contain the same details as the model, including the declaration. The form should be completed by the old provider as follows:
- 10.3.2 Full name of child  
Providers should enter the first name and initials, and the surname of the child, as held on the provider' records.

10.3.3 Date of birth

This should be reported in the format DDMMCCYY. For example: The date of birth of a child born on 3 June 2008 should be reported as 03062008.

10.3.4 Unique reference number

This is the number on the voucher used to open the CTF

10.3.5 Full name of registered contact

Providers should enter the forename(s) or the first name and initial, and the surname of the registered contact. If the CTF does not have a registered contact this should be noted.

10.3.6 Full address of registered contact

Providers should enter the full address of the registered contact. If the registered contact's current address is not known providers should report the last address held.

10.3.7 CTF account number

Providers should enter the account number they have given to the CTF.

10.3.8 Date of transfer

The date of transfer is the date the transfer takes place. This should be reported in the format DDMMCCYY. This is also the statement date (see paragraph 9.1.2).

10.3.9 Total subscriptions in subscription year to date of transfer

This box should be completed with the total subscriptions made to the CTF since the day before the child's last birthday (or the date of opening of the CTF if later) to the date of transfer. Do not include any government contributions in this total

10.3.9a Total subscriptions in the previous year

This box should be completed with the total subscriptions made to the CTF in the previous subscription year, where that year ended after 5 April in the current year and before the date of transfer.

For example, where a CTF is transferred on 28 June 2011 and the previous subscription year ended on 4 May, the new provider will need

- details of the current year subscriptions to monitor the £1200 subscription limit (paragraph 10.3.9), and
- details of the previous year subscriptions for inclusion on their information return for the tax year 2011-12.

Alternatively, if it is simpler, the old provider could complete this box in **all** transfer cases and leave the new provider to identify where the subscription year ended after 5 April in the current year and before the date of transfer.

#### 10.3.10 Total amount of government contributions outstanding

This box should be completed with the total government contributions to the CTF that have been claimed on the fortnightly return (see chapter 14) but have not yet been received.

10.3.11 For each box, where no amount is being transferred, providers should leave a blank.

#### 10.3.12 Investments

Enter details of the investments that are, or will be transferred. If cash forms part of the CTF, the cash should be shown separately from other investments.

### 10.4 **Cancellation of a transfer**

10.4.1 Internal and external transfers cannot be carried out until after the expiry of any cancellation period, so where a registered contact cancels the transfer the CTF remains as it was before the transfer request.

10.4.2 A cancellation made after the expiry of any cancellation period has no effect, and cannot prevent the transfer of the CTF.

### 10.5 **Refusal to accept an internal or external transfer**

10.5.1 Providers cannot refuse to accept a transfer based on the grounds of

- the value of the voucher used to open the CTF
- the value of any other government contributions to the CTF, or
- whether the CTF was opened as a Revenue allocated account.

10.5.2 Providers can refuse a transfer if for example, the CTF transferred is a non-stakeholder CTF, and they do not offer this type of CTF.

10.5.3 Providers who offer a stakeholder CTF cannot refuse to accept a valid internal or external transfer into that CTF, and cannot impose conditions on the transfer that prevents the transfer, for example by stipulating a minimum balance required for transfer. If a provider receives such a large number of requests for transfer that they are concerned that they may not be able to fulfil their duties as a provider they should contact CTF Support for advice.

10.5.4 Credit unions cannot accept an external transfer to them of a CTF where the child does not fulfil the membership requirement.

## **10.6 Unsuitable investments for a stakeholder CTF**

10.6.1 Providers accepting an external transfer of investments in specie into a stakeholder CTF should ensure that the investments received are suitable for the stakeholder. If they are not suitable the procedure in paragraph 7.13.2 should be followed



## 10.7 Example of written external transfer application

Applicant's title .....  
(if any)

Forenames and surname .....  
(forenames after the first can be represented by initials)

Applicant's address .....  
..... Post Code.....

I apply to transfer a CTF for

Child's title (if any), .....

Forenames and surname .....  
(forenames after the first can  
be represented by initials)

Child's address .....  
..... Post Code.....

Child's date of birth .....

Child's unique reference number .....

Current CTF provider .....

Type of CTF with the new provider .....  
(stakeholder or non-stakeholder)

I declare that

- I am 16 years of age or over
- I am the child named on the voucher /I have parental responsibility for that child (delete which does not apply)
- I am the registered contact for the CTF

I authorise [provider's name]

- to hold the child's HM Revenue & Customs contributions, subscriptions, CTF investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and
- to make on behalf of the child any claims to relief from tax in respect of CTF investments.

I agree to the CTF terms and conditions.

Signed .....Date .....

## 10.8 External transfer phone applications

What is your name?  
(Forename, middle initials, and surname)

What is your address?  
(including postcode)

What is the child's name ?  
(Forename, middle initials, and surname)

What is the child's address?  
(including postcode)

What is the child's date of birth ?  
(Day/Month/Year)

What is the child's unique reference number ?

What type of CTF do you want to transfer into, stakeholder or non-stakeholder?

Details of your current CTF provider?

Do you declare that

You are aged 16 years or older?

You have parental responsibility for the child/are the child?

You are the registered contact for the CTF?

By applying to open a CTF you authorise us to carry out certain functions on your and the child's behalf, and to make a written copy of your application. Details of this will be sent to you, with the terms and conditions of this CTF.

I will now read back the application and declaration to you – if you agree that they are correct I can transfer the CTF from your current provider (after any cancellation period).

## 10.9 CTF external transfer form

Name of new provider .....

### Personal details of the child

Child's title (if any), .....  
forenames and surname  
(forenames after the first can  
be represented by initials)

Date of birth: .....

Unique reference number: .....

### Personal details of registered contact

Applicant's title (if any) .....

Forenames and surname .....  
(forenames after the first can  
be represented by initials)

Address .....

..... Post Code.....

### CTF details

Account number (of old provider) .....

Date of transfer: .....

Total subscriptions in subscription year to date of transfer: £.....

Total subscriptions in the previous year:\* £.....

Total government contributions outstanding: £.....

Details of investments transferred

I declare that:

- I have fulfilled all my obligations to the child, the Board of HM Revenue & Customs or otherwise, which are imposed by the CTF regulations;
- I have transferred to you or your nominee any CTF investments, including cash, which are being transferred by virtue of the transfer of this CTF and, if appropriate, I have taken the necessary steps to ensure that the CTF investments can be registered in your name or the name of your nominee; and
- I will forward any further payment received in respect of these CTF investments, including cash, to you on receipt.

Date:

\* An entry **must** be made where the subscription year ended after 5 April in the current year and before the date of transfer or the box can be completed for all cases.



## **Chapter 11**

### **Withdrawals from a CTF**

- 11.1 When can investments be withdrawn from a CTF?
- 11.2 Closure of the CTF
- 11.3 Death of the child
- 11.4 Child's 18<sup>th</sup> birthday
- 11.5 Void CTFs
- 11.8 Void life insurance policies and chargeable events
- 11.9 Terminal illness



## **11.1 When can investments be withdrawn from a CTF?**

11.1.1 Investments (including cash) in a CTF may only be withdrawn in the following circumstances:

- where a terminal illness claim made on behalf of the child has been agreed, and
- on closure of the CTF.

## **11.2 Closure of the CTF**

11.2.1 A CTF can only be closed

- on the death of the child,
- on the child reaching their 18<sup>th</sup> birthday, or
- on direct instruction from HM Revenue & Customs (where the CTF is void).

11.2.2 A CTF cannot be closed merely because the child has become non-resident in the UK. The CTF remains open. Further subscriptions can be made to the CTF although the child may lose entitlement to further government contributions.

11.2.3 Where the registered contact is the Official Solicitor or Accountant of Court the provider must inform them when the CTF is closed following the death of the child, or because the CTF has been voided.

## **11.3 Death of the child**

11.3.1 Proof of the death of the child must be obtained before the CTF can be closed. In most cases sight of the original death certificate or the Coroner's interim document will be sufficient. Providers must note the date of death as they will be required to include this on the return made to the Revenue.

11.3.2 Where a child dies the interest, dividends or gains in respect of investments in their CTF which arise after the date of death to the date of closure are not exempt from tax. But there is no loss of exemption on interest, dividends or gains which arise before the date of death, including any gain treated as arising as a result of the death of the child under the rules for investments in policies of life insurance.

11.3.3 For the purposes of determining whether a claim can be made in relation to tax deducted from interest, the important date is the payment date. Where the payment

date is on or before the date of death any tax deducted can be reclaimed.

- 11.3.4 This may lead to some practical problems if providers do not receive notification of death promptly. – for example where the provider has made a claim to, and has received repayment of tax from SSO Repayments on an amount which is no longer exempt from tax, they must repay SSO Repayments, normally by deducting the amount from the next tax claim (see paragraph 12.7.6).
- 11.3.5 Rights conferred by a CTF insurance policy vest in the personal representatives on the death of the child. The CTF insurance policy must pay out on the death of child and personal representatives must not delay in claiming.
- 11.3.6 Subject to the CTF terms and conditions, providers should advise the personal representatives that they have the choice of having the CTF investments transferred to them (or a beneficiary) or of the provider selling the CTF investments and paying the proceeds to them.
- 11.3.7 Providers must pay any tax deducted to SSO Repayments, normally by deduction from the next claim made, under the heading “Adjustments to previous claims”.
- 11.3.8 Providers should provide personal representatives with a statement showing
- the market value of the investments held in the CTF at the date of death, or in the case of a cash CTF, the value of the CTF at the date of death and the gross interest payable to date of death
  - the original cost price and date of acquisition of any investments purchased after the date of death, and
  - the date of disposal and the amount of the net sale proceeds received for each disposal made after the date of death, together with
  - a tax certificate R189K showing any income with a payment date following the date of death if requested, and
  - a tax certificate (R185) or section 975 certificate showing the interest and tax deducted if requested.
- 11.3.9 If notification of a child's death reaches the provider before the return on which the opening of the CTF is reported then the CTF should be closed and not reported. The voucher should be retained by the provider, and the parents invited to contact CTF



Office to make a claim for the contributions due.

- 11.3.10 If notification of a child's death reaches the provider after a claim has been submitted, then the payment of the government contribution received in respect of that CTF should be forwarded to the child's estate.

#### **11.4 Child's 18<sup>th</sup> birthday**

- 11.4.1 On the child's 18<sup>th</sup> birthday the legal title of all investments in the CTF must be transferred to the child unless the child directs otherwise. The account ceases to be a CTF on that day. Providers must advise the child of the market value of each of the investments transferred to him on the date of the 18<sup>th</sup> birthday.

- 11.4.2 If a payment of a government contribution is received in respect of a CTF that has now been closed following the child's 18<sup>th</sup> birthday, the contribution should be forwarded to the child.

#### **11.5 Void CTFs**

- 11.5.1 Where HM Revenue & Customs instructs that a CTF must be voided -
- all government contributions and income arising on those contributions or investment purchased with the contributions must be returned to HM Revenue & Customs (see section 8.14), but if the account has been transferred to a new provider it is very unlikely that the new provider will have details of the previous investment history so they will not know what growth (or loss) is associated with a particular Government payment. If this is the case, the provider should return the Government contribution only. If the registered contact claims that, because of losses, the amount being returned is excessive, they should contact CTFO,
  - tax on interest paid gross on income arising on the invalid subscriptions must be recovered by the provider, normally by deduction from the next claim under the heading 'Adjustments to previous claims',
  - all life insurance policies held in the CTF must terminate. There is more information on void policies and the termination mechanism in section 11.6, and
  - the balance of investments and income on those investments are the child's.
- 11.5.2 Providers should inform the registered contact
- the date and amount of each income payment received in respect of the

investments in the CTF, and the amount of tax deducted from those income payments. And, if the investments have since been sold, the date and amount of each income payment received in respect of the replacement investments and the amount of tax deducted from those income payments,

- the date and amount of any interest paid or credited on cash held in the CTF and the amount of tax deducted from that interest,
- the original cost price, any incidental costs of acquisition and date of acquisition of investments in the CTF and, if they have since been sold, the original cost price, any incidental costs of acquisition and date of acquisition of the replacement investments,
- the date of disposal, the amount of the sale proceeds and any incidental costs of disposal of investments in the CTF and, if they have since been sold, the date of disposal, amount of the sale proceeds and any incidental costs of disposal of the replacement investments, and
- for insurance component products, the provider will need to ascertain the amounts of any gains treated as arising in order to calculate how much tax to deduct, and must inform them of
  - the amount of premiums paid and the date on which they were paid
  - the amount of part withdrawals and the date on which each was made and also, for each part withdrawal, the date of the last day of the 'year' as defined in section 546(4) ICTA88 in which the part withdrawal was made
  - the amount of tax deducted in respect of each part withdrawal
  - the benefits payable on death, maturity or surrender and the date of the event
  - the amount of tax deducted in respect of the benefits payable on death, maturity or surrender
  - the amount of benefits actually paid to the child, after all deductions of tax.

11.5.3 Providers should advise the registered contact to report details to the child's tax office of the interest, dividends, chargeable gains and allowable losses and chargeable gains and corresponding deficiencies arising in respect of the void subscriptions for the tax year in which they arose.

11.5.4 Providers should supply tax certificates R189K, R185 or section 975 certificates (or their own tax vouchers) on request to the registered contact showing, respectively, the dividends and the gross interest credited and tax deducted.

11.5.5 Voiding the CTF does not mean that the account must close, it simply means that the CTF wrapper around the investments must be removed. So if there have been other contributions to the account it will be for the CTF provider to agree with the registered contact what is to happen to these. The Terms and Conditions of the account may require the account to close and the contributions to be sent to the child or they may allow the sums to be moved to a non-CTF account.

## **11.6 Void life insurance policies and chargeable events**

11.6.1 Where HM Revenue & Customs instructs that a CTF must be voided, any policies held within the CTF must terminate, unless they have already been surrendered, matured or paid out on death before the provider discovered that the CTF must be voided.

11.6.2 The policy will terminate in accordance with the contractual terms when it comes to the notice of the account provider that the CTF must be voided. It does not terminate when the CTF first failed the conditions (which may have been at inception or some time subsequently) or when notice of the failure reaches the insurer (unless the insurer is also the CTF provider).

11.6.3 Where the provider is not the insurer, it should notify the insurer of the failure within 30 days of it coming to the provider's notice that the CTF must be voided. Notice may be given in writing or in some other way.

11.6.4 A void policy remains part of the CTF business of the insurer throughout its existence, notwithstanding the fact that the conditions to be a qualifying investment in a valid CTF will have been breached at some point during the policy's life.

11.6.5 The special rules that tax gains on life insurance policies, often known as the chargeable event rules, are used to recover tax relief that is not due on a policy which is held within a CTF which is voided. The exemption from tax on chargeable event gains held within a CTF does not apply. Tax liability may arise on the forced termination of the void policy and on any previous chargeable events which took place before the provider learns that the CTF must be voided.

11.6.6 If a policy terminates as described in 11.6.3 then this 'termination event' is deemed to be a surrender chargeable event occurring at the date that it came to the notice of the CTF provider that the CTF must be voided.

- 11.6.7 Other chargeable events which may be relevant for CTFs are the surrender, maturity or ending of the policy on death if any of these events occur before the provider discovers the CTF must be voided, and “excesses” as a result of part surrenders of rights conferred by the policy.
- 11.6.8 Providers must normally account for tax at the basic rate in force for the year of assessment in which the chargeable event occurred. Where appropriate, the CTF provider should account for tax by deducting the amount due from their next claim to SSO Repayments (see Chapter 12). The amount of tax deducted by the provider must be reported to the child.
- 11.6.9 But SSO Repayments have the power to assess the child, via the registered contact, to recover tax if the funds remaining in the CTF are insufficient or the CTF has been closed before the provider is aware that a recovery may be necessary.
- 11.6.10 The following details of chargeable event gains must be reported to the policyholder within 3 months of the event coming to the notice of the insurer
- the nature of the chargeable event
  - the date of the chargeable event
  - the amount of the gain
  - the number of years for top-slicing relief
- 11.6.11 Where the insurer is also the provider, this information should already be included in the details to be provided by the provider (see final bullet of 11.5.2). If so, there is no need to duplicate this information in a separate chargeable event certificate.
- 11.6.12 Where the amount of the gain exceeds half the basic rate limit for the year of assessment in which the gain arises then the insurer must also report the information listed in 11.6.10 to HM Revenue & Customs at the Centre for Revenue Intelligence (previously called TIDO) within 3 months of the insurer receiving notice that the CTF must be voided.

## **11.7 Terminal illness**

- 11.7.1 The parents of a child who is terminally ill may make a claim to HM Revenue & Customs to be allowed to access the funds in the child’s CTF. If the claim is agreed CTF Office will issue a letter to the child’s parents letting them know that the funds in the CTF can

be withdrawn. At the same time the provider will be notified by means of the fortnightly schedule that the CTF in question is that of a terminally ill child.

- 11.7.2 To allow for the possibility that the parents may ask for the funds before the relevant instruction to the provider from HM Revenue & Customs has been acted upon, the letter to the parent will contain a contact phone number, which the provider can use to contact CTF Office.
- 11.7.3 The only person who can withdraw money from the CTF on behalf of the child is the registered contact. In most cases the withdrawal will be in cash, but if the provider allows, the investments in the account can be transferred to the registered contact directly. This would be most useful where sale of the investments would attract an early redemption penalty. Any cheque drawn on the CTF must be made payable to the registered contact.
- 11.7.4 After withdrawal (which can take place on one or several occasions) the CTF must retain a sufficient balance to remain open. If the provider's systems allow this, the CTF balance can be zero. Further subscriptions to the CTF (within the annual subscription limit) must be accepted, and barring death of the child the CTF will continue until the child reaches 18 years old.
- 11.7.5 Any funds withdrawn from the CTF will count towards the subscription limit if they are re-subscribed.



<b>Chapter 12</b>	<b>Annual and Interim Tax Claims</b>
12.1	What providers can claim
12.2	How to claim
12.3	Information to be supplied before claims are made
12.4	Basis of claim
12.5	Interim claim form CTF10
12.6	Completion of form CTF10
12.7	Annual claim form CTF14
12.8	Completion of form CTF14
12.9	Assessments and recovery of tax and charges
12.10	Change in rate of tax credit and basic rate of tax
12.11	Repayment of foreign tax





## **12.1 What providers can claim**

- 12.1.1 Providers (other than providers who are insurer providers) can claim UK income tax deducted from income in respect of CTF investments by making claims to SSO Repayments.
- 12.1.2 Providers who are insurer providers (and insurers that provide CTF policies to other CTF providers) can claim UK tax deducted and foreign withholding tax from income referable to CTF business from their tax office. [Guidance for insurers will be included on the claim form R19 and in the notes sent out with a CT61 return form].

## **12.2 How to claim**

- 12.2.1 All interim claims must be made on form CTF10 and annual claims on form CTF14 and signed by an authorised officer of the provider. Employees of an administration company used by the provider must not sign a claim on behalf of the provider.
- 12.2.2 Where SSO Repayments is satisfied with the claim they will pay the sum claimed, through the Bankers Automated Clearing Services Ltd (BACS) system, direct to the provider's bank account.
- 12.2.3 Claims received by SSO Repayments on or before the last working day of a calendar month will be paid on the 19<sup>th</sup> of the following month. Where the 19<sup>th</sup> falls on a weekend or public holiday SSO Repayments will make payment on the next working day.

## **12.3 Information to be supplied before claims are made**

- 12.3.1 Before providers make their first claim they should provide SSO Repayments with

### Details of signatories to claims

- the full name and status of up to five individuals appointed by a resolution of the provider's board or equivalent managing body to sign claims on behalf of the provider (only one signature is required on each claim),
- a copy of the resolution of the board or equivalent managing body appointing each signatory, and
- an original specimen signature of each signatory.

Where a signatory is to be removed from the current list of authorised signatories, an authorised signatory of the manager should inform SSO.

Where a signatory is to be added to the current list of authorised signatories, or is replacing an current authorised signatory who is not described in terms of the post held, an authorised signatory of the manager should send

- a copy of the resolution of the board or equivalent managing body appointing the new signatory, and
- a sample of the individual(s) signature.

Both are required, and photocopies will not be accepted.

The signatory being replaced could be described in terms of the post held, such as "the Finance Director for the time being", in the list of authorised signatories. When the post holder changes, an authorised signatory of the manager should provide details (name and specimen signature) of the new post holder, but this need not be supported by a resolution of the manager's board or equivalent managing body.

#### Bank account details

- the full name and address of the branch of the bank to which the payments are to be made,
- the sort code of the branch,
- the account number,
- any special form of identification given to the account (such as deposit, special deposit, number 2, etc.), and
- an account name for use by BACS. The name must not exceed 18 characters, including spaces.

12.3.2 Where any of the information provided subsequently changes, providers should inform SSO Repayments in writing well before the next claim is made. Failure to do so could lead to a delay in making a payment. Claims will not be paid if a person whose details have not been provided to SSO signs the claim form.

12.3.3 Where the nominated bank account is being changed, an authorised signatory of the manager should provide details of the new account to which payments are supported by either

- a paying in slip, or
- a bank statement.

## **12.4 Basis of claim**

- 12.4.1 Providers may make interim claims, for one or more tax months. Providers who have made one or more interim claims for a tax year must also make an annual claim. Providers who have not made an interim claim for a tax year do not need to make an annual claim if they have no claims or payments to make for that year.

## **12.5 Interim claim form CTF10**

- 12.5.1 Providers should make interim claims on form CTF10. The form on the HM Revenue & Customs website at <http://www.hmrc.gov.uk/forms/ctf10.pdf> must be used.
- 12.5.2 For guidance on the completion of form CTF10 see section 12.6.
- 12.5.3 Interim claims are made in respect of income with a payment date falling in one or more tax months. They may cover a maximum of six tax months provided all those months fall in the same tax year. A tax month begins on the sixth of one calendar month and ends on the fifth of the following calendar month.
- 12.5.4 Providers must hold tax vouchers for all amounts included in the claim.
- 12.5.5 Interim claim forms include provision for providers to pay back amounts claimed and received from SSO Repayments that are found not to be due.
- 12.5.6 The CTF10 interim claim form includes provision for providers to account for basic rate tax on chargeable events in a CTF insurance product.
- 12.5.7 Where providers are required to make an annual claim, SSO Repayments will not pay a CTF10 interim claim for the tax month ending 5th October or later unless they have received a fully completed annual claim on form CTF14 for the previous tax year to 5th April. This is an automated process. As a result, once a 'stop' has been placed on repayment claims it can be removed only when all outstanding returns have been received by SSO Repayments.

- 12.5.8 SSO Repayments will not pay an interim or annual claim after 4th June unless they have received a return of information (see Chapter 13) for the previous tax year to 5th April.
- 12.5.9 Where SSO Repayments is not satisfied with a claim they will pay any basic amount which they estimate is due. There is no right of appeal against a decision on an interim claim.
- 12.5.10 Where, as a result of making an interim claim, there is a net amount due to the HM Revenue & Customs, SSO Repayments will request repayment of the amount due.
- 12.5.11 Where a provider receives a tax voucher late, they should still make a claim for the period in which the payment date fell. However, a claim for tax in respect of such a payment may be included in the provider's next interim claim provided
- the period of the claim, that is, from the sixth of the month in which the payment was made to the fifth of the month of the next claim, does not exceed six months,
  - the date of the payment does not fall in the previous tax year, and
  - the provider keeps a record of such cases for reconciliation purposes which should be made available on request to the HM Revenue and Customs auditors.
- 12.5.12 Where a provider receives a tax voucher late and the claim cannot be included in the provider's next interim claim the provider may claim the tax by either
- making a supplementary interim claim for the tax month in question,
  - including the payment in the annual claim for the tax year in which the payment fell, or
  - making a supplementary annual claim for the tax year in which the payment date fell.

## **12.6 Completion of form CTF10**

- 12.6.1 The following information needs to be provided on the CTF 10.

### Provider reference

Providers should enter their CTF reference number allocated to them by SSO Repayments. This will always be 4 numeric characters.

### Name of CTF provider

Providers should enter the legal name under which they have received provider approval. The provider's trading name(s) must not be entered.

### Period of Claim

This will normally be a tax month beginning on the sixth of one calendar month and ending on the fifth of the following calendar month. However the period of claim can be longer (see paragraph 12.5.3).

### Part 1 - Amount claimed

In Box A, providers should enter the amount of tax deducted from interest arising on investments held in CTF accounts.

### Part 2 - Amounts payable

In Box B, providers should enter the total of any amounts previously claimed and subsequently found not to be due. For example tax overclaimed in error, and claims in respect of payments made after a child's death.

In Box C, providers should enter details of tax deducted at basic rate from chargeable events. Full details are set out at paragraph 11.6.8.

### Part 3 - Reconciliation

Providers should enter the final amount claimed in Box E (this is the tax claimed in Box A less any tax adjustments in Box D). Where the net result is that the provider still owes monies to SSO Repayments, a cheque made payable to "HMRC" should be attached to the claim.

### Certificate - Authorised signatory

The form CTF10 must be signed by an authorised signatory. This must be one of the persons already notified to SSO Repayments (see paragraph 12.3.1).

## **12.7 Annual claim form CTF14**

12.7.1 Providers should make annual claims on form CTF14. The form CTF14 should be downloaded from the HM Revenue & Customs website. HM Revenue and Customs do not issue a reminder.

12.7.2 For guidance on the completion of form CTF14 see Section 12.8.

- 12.7.3 Where appropriate, providers must return fully completed forms to SSO Repayments by the following 5th October. Providers must make an annual claim where they have made one or more interim claims for a tax year or have not made an interim claim but have claims or payments to make for that year.
- 12.7.4 The provider's external auditor must certify the annual claim. If the provider's accounting records have been audited at any time during that year by external auditors for a body such as the FSA then a statement from those auditors to the effect that they were satisfied with the adequacy of the accounting records will satisfy this requirement.
- 12.7.5 The annual claim relates to income with a payment date falling in the previous tax year ending on 5th April. It is therefore a consolidated claim covering any interim claims made for that tax year. Providers must hold tax vouchers for all amounts included in the claim.
- 12.7.6 Annual claim forms include provision for providers to pay back amounts claimed and received from SSO Repayments that are found not to be due.
- 12.7.7 The CTF14 claims form includes provision for providers to account for basic rate tax on chargeable events in a CTF insurance component.
- 12.7.8 Where an annual claim exceeds the amounts paid on interim claims for that tax year and SSO Repayments is satisfied with the claim, they will pay the balance on the 19th of the month following the month in which the annual claim form is received.
- 12.7.9 If, on the other hand, the amounts already paid on interim claims exceed the amount shown on an annual claim, the provider should send a cheque for the amount due, with the form CTF 14 to SSO Repayments. Cheques should be made payable to 'HM Revenue and Customs' and crossed "A/C Payee".
- 12.7.10 If the annual claim on form CTF14 is due and has not been received by 5th October following its issue
- no further interim claims will be paid after 5th October until the CTF14 is fully completed and received,
  - SSO Repayments will review the payments made for the tax year for which the form CTF14 is outstanding and will issue a notice showing the payments made and any lower amount which they consider ought to have been made, and

- if the form CTF14 is not received within 14 days after the issue of that notice, the amount shown in the notice will become immediately recoverable by Debt Management & Banking.

12.7.11 HM Revenue & Customs may withdraw approval from the provider where an annual claim CTF14 is due and not made.

12.7.12 Providers do not have to make an annual claim where they have not made any interim claims for that year and have no claims or payments to make for that year.

12.7.13 Providers may make supplementary returns or annual claims at any time within six years after the end of a tax year if it is discovered that the original annual claim contained an error or mistake.

## **12.8 Completion of form CTF14**

12.8.1 The following information needs to be provided on the CTF 14.

### Provider reference

Providers should enter their CTF reference number allocated to them by SSO Repayments. This will always be 4 numeric characters.

### Name of CTF provider

Providers should enter the legal name under which they have received provider approval. The provider's trading name(s) must not be entered.

### Period of Claim

This will be the tax year beginning on 6<sup>th</sup> April in one year and ending on 5<sup>th</sup> April of the following year. However, the period of claim may be shorter where the provider is only approved part way through a tax year. In that event the period of the first annual claim will be from the date of approval to the following 5<sup>th</sup> April.

### Part 1 - Amount claimed

Providers should enter the amount of tax deducted from interest arising on investments held in CTF accounts In Box A,

### Part 2 - Amounts payable

In Box B, providers should enter the total of any amounts previously claimed and

subsequently found not to be due. For example, tax overclaimed in error, and claims in respect of payments made after a child's death.

In Box C, providers should enter details of tax deducted at basic rate from chargeable events. Full details are set out at paragraph 11.6.8.

### Part 3 - Reconciliation

Providers should enter the final amount claimed for the tax year in Box E (this is the tax claimed in Box A less any tax adjustments in Box D). Where the net result is that the provider owes monies to SSO Repayments, the net amount owing should be entered in Box F.

### Part 4 - Net amount from interim claims made

Providers should enter the amount of monies previously claimed on all interim claims made for the tax year. If no interim claims have been previously submitted, providers should enter "NIL" in Box G. Where the provider has already paid previously overclaimed amounts to SSO Repayments in interim claim(s) made during the tax year, the total amount paid should be entered in Box H.

### Part 5 - Total amount for year

Providers should enter in Box J the total amount of monies which they are claiming for the tax year. Where monies are due to SSO Repayments, the amount should be entered at Box K

### Certificate - Authorised signatory

The form CTF14 must be signed by an authorised signatory. This must be one of the persons already notified to SSO Repayments (see paragraph 12.3.1).

## **12.9 Assessments and recovery of tax and charges**

12.9.1 Where amounts due cannot be recovered from the next claim, SSO Repayments will normally issue an informal notice advising the provider of the amount payable and telling the provider how to pay the amount due.

12.9.2 Where amounts due cannot be recovered informally, SSO Repayments will make assessments on the provider.

## **12.10 Change in rate of tax credit and basic rate of tax**



12.10.1 If there is a change in the rate of tax, the amount shown on the tax voucher may be incorrect. A change in the rate of tax during a tax year may affect claims already made for that year. In these circumstances SSO Repayments will advise all providers of what action to take.

## **12.11 Repayment of foreign tax**

12.11.1 Providers may only claim United Kingdom income tax from SSO Repayments. They must make their own arrangements to make claims from foreign fiscal agencies under Double Taxation Agreements.

12.11.2 Claim forms are available from:

Centre for Non-residents 1  
Fitzroy House  
P.O. Box 46  
Castle Meadow Road  
Nottingham  
NG2 1BD.

Telephone number 0115 974 2000.

Fax number 0115 974 1916.

12.11.3 Providers should bear in mind that if it is a requirement of the double taxation agreement that the income is subject to tax in the UK, no repayment may be claimed.



<b>Chapter 13</b>	<b>Returns of information</b>
13.1	The annual return
13.2	How to make returns of information
13.3	How to complete returns
13.4	Submission of returns
13.5	Penalties



## **13.1 The annual return**

- 13.1.1 Providers are required to make a return of information to HM Revenue & Customs within 60 days of 5th April of each year (i.e. by 4th June), or within 60 days of the date of ceasing to qualify, or act, as a provider.
- 13.1.2 At the end of February each year HM Revenue & Customs will send providers a reminder to make their return.
- 13.1.3 The information required is for the period from the date the provider began to manage CTFs, or the last reporting date, whichever is the later.
- 13.1.4 Providers must report details for all CTFs they managed during the return period, including CTFs transferred in, and CTFs where the child has died.
- 13.1.5 Providers must not report details of CTFs transferred out, or that have been voided in the return period.

## **13.2 How to make returns of information**

- 13.2.1 The technical specifications for making a return are available from HM Revenue & Customs website at [http://www.hmrc.gov.uk/ebu/softw\\_index.htm](http://www.hmrc.gov.uk/ebu/softw_index.htm)
- 13.2.2 Technical assistance and testing of a provider's ability to send returns in the correct format is available from [SDSTeam@hmrc.gsi.gov.uk](mailto:SDSTeam@hmrc.gsi.gov.uk)

## **13.3 How to complete returns**

- 13.3.1 All monetary amounts should be returned exactly. For example, £999.99 should be reported as £999.99.
- 13.3.2 The provider reference is the number provided to providers by HM Revenue & Customs for the purposes of submitting returns of information. The provider reference number is made up using the characters 'CTF' followed by four digits - this will be the reference allocated by CAR Audit.
- 13.3.3 The tax year is the one in which the subscription year end falls. The entry should always be the year in which the tax year ends. For example, for a return to 5th April 2006 the entry should be 2006, and if a provider ceases to manage CTFs on 1st

September 2005, the entry should still be 2006.

13.3.4 The unique reference number for the child is in the format AB123456C. Note that in some cases the last character is a space, not a letter.

13.3.5 When reporting Market Value providers should report the aggregate market value at 5th April in the year of return, (or at any other date in that year, not falling earlier than 5 October in the year of return), of all assets held in each CTF, separately for cash and other assets. For insurance policies held the surrender value of the policies should be reported.

Where a child dies or reaches age 18 during the return period, the market value at that date (or at any other date in that year, not falling earlier than 5 October in the year of the return) should be reported.

13.3.6 For 'type of CTF' providers must enter "1" for a stakeholder CTF or "2" for a non-stakeholder CTF.

13.3.7 For amount subscribed, where there have been no subscriptions in the subscription year providers should enter "0". Providers should include the amount subscribed in the subscription year to any previous provider(s). This will be notified to the new provider by the old provider on the transfer form. This total should not include government contributions.

13.3.8 For the registered contact providers must enter "Y" if there was a registered contact at any time during the return period or "N" if there was not a registered contact during the return period. As an alternative providers may record the presence of the registered contact at the last day of the return period (usually 5<sup>th</sup> April), using 'Y' if there was a registered contact and "N" if not.

## **13.4 Submission of returns**

13.4.1 Providers who fail to submit their returns of information by 4th June will be sent a reminder. No claims for payment of income tax will be processed until the return is submitted.

## **13.5 Penalties**

13.5.1 Penalties may be charged on providers under section 20 Child Trust Funds Act 2004 for failure to make a return or for making an incorrect return.





<b>Chapter 14</b>	<b>The fortnightly return and schedule</b>
14.1	Fortnightly return
14.2	Late returns
14.3	Problems with the return
14.4	Return information
14.5	The Schedule
14.6	Schedule payment codes
14.7	Schedule error codes
14.8	Return error codes
14.9	Technical specifications for the return and schedule



## 14.1 Fortnightly return

14.1.1 The fortnightly return made by providers serves three purposes:

- it enables HM Revenue & Customs to maintain an accurate and up-to-date database of all CTFs,
- it allows HM Revenue & Customs to detect invalid CTF applications, and
- it serves as a claim by the provider for government contributions.

14.1.2 All providers are required to make a fortnightly return, even if there are no entries on the return.

14.1.3 Returns are required to the 15<sup>th</sup> and the last day of each calendar month.

14.1.3a Providers must not file their returns too early – i.e. on the 15<sup>th</sup> or the last day of the month. This can result in HMRC sending provider schedules back without RAA and Endowment instructions being included.

The return for the period 1<sup>st</sup> to 15<sup>th</sup> of the month should be filed between 16<sup>th</sup> and 20<sup>th</sup> of that month (unless advised to do differently by HMRC which may, for example, happen over an Easter period).

The return for the period 16<sup>th</sup> to the last day of the month should be filed between 1<sup>st</sup> and 5<sup>th</sup> of that month (unless advised to do differently by HMRC).

14.1.4 The return must be submitted electronically within 5 days of the end of the return period. The final date for the return submission periods are 20<sup>th</sup> and 5<sup>th</sup> of each month.

14.1.5 Reports and claims for CTFs opened, closed and transferred in must be included in the return for the relevant period. They must not be delayed until the following period.

14.1.6 If an Age 7 payment or an Additional Payment is notified on a fortnightly schedule

- **before a transfer** out is effected, the old provider must make the claim and pass the funds on to the new provider when they are received
- **after the transfer** out, the old provider should still claim the contribution on their next return and when it is received, forward it to the new provider.

## 14.2 Late returns

14.2.1 Should a return be made outside the return submission period it will be processed by

HM Revenue & Customs immediately, but the provider should be aware that they may be liable to an initial penalty of up to £300 for each occasion that this happens. If a provider does not submit a return after the initial penalty is made, a further penalty of up to £60 per day thereafter that the return is not submitted may be imposed.

### **14.3 Problems with the return**

14.3.1 The electronic gateway will reject any return which has flaws, together with a reason for the rejection. Where a return is rejected the provider is regarded as not having made a return. A rejected return should be corrected and resubmitted as soon as possible. If a provider is unsure why the return has failed or how to correct the error they should contact Customer Contact Online Services – contact details available in Chapter 17.

14.3.2 Once the return has been accepted any further return for the same return period will be rejected. If the original return contains errors and omissions the provider must correct the errors and omissions in the next fortnightly return.

### **14.4 Return information**

14.4.1 The return must include an entry for each CTF

- where a CTF has been opened (by voucher or on instruction by HM Revenue & Customs),
- where a CTF has been closed due to the death of the child,
- where a CTF has been transferred in,
- where a government contribution was advised in the preceding schedule, and
- where an instruction by HM Revenue & Customs on a previous schedule cannot be followed.

14.4.2 In each case the date of birth and unique reference number for the child must be quoted.

### **14.5 The Schedule**

14.5.1 Payment by CTF Office will be made shortly after receipt of the return. The schedule will also be available on the CTF website shortly after the return has been received.

The schedule will contain instructions for the provider in respect of individual CTF accounts as follows:

Claim a government contribution

If the CTF is held and has not been closed or transferred at the time the schedule is drawn down, the claim for payment should be included on the next return.

Open a Revenue allocated account

The provider should open a CTF and claim the amount due on the next return. If exceptionally the provider cannot do this they should contact CTF Support.

Close (void) a CTF

This instruction will only be issued where a CTF has been found to be invalid and must be voided (see section 11.5).

The CTF of a terminally ill child

The provider should note that the CTF is that of a terminally ill child (see paragraph 11.7.1).

Change in date of birth

The provider should note the change of birth.

Report of a child's death

The provider should write to the parents to inform them how to claim the money in the child's CTF. The provider should not close the CTF until proof of the child's death is obtained (see paragraph 11.3.1).

## **14.6 Schedule payment codes**

- 14.6.1 Government contributions notified on fortnightly schedules show an endowment type (as set out in the CTF Online: Internet Service Technical Pack for Software Developers). The endowment types currently in use and the types of government contributions they represent are

0 = initial contribution

1 = additional contribution for children in low income families

2 = age 7 contribution

3 = special contribution for looked after children

- 4 = age 7 additional contribution for children in low income families
- 5 = age 7 special contribution for looked after children
- 6 = Disability Living Allowance contribution
- 7 = Disability Living Allowance higher rate contribution
- 8 = Disability Living Allowance top up

## **14.7 Schedule error codes**

14.7.1 Where the schedule shows that a claim on the previous return has not been verified the following error codes will be included on the schedule in respect of that CTF showing why the claim was rejected:

- 1 - the information provided on the return does not match that held on the CTF database - the unique reference number is not held on the database, or the reference number and date of birth do not match. This error could be reported after a claim for payment, or after advising of a transfer in.
- 2 - A CTF with that URN and date of birth is held on the CTF system, but our records show the CTF record as closed. This error could be reported after a claim for payment, or after advising of a transfer in.
- 3 - A CTF with that URN and date of birth is held on the CTF system, but no claim is outstanding for this CTF. This error could be reported after a claim for payment.
- 4 - A CTF with that URN and date of birth is held on the CTF system, and a claim is outstanding, but the amount claimed on the return does not match the amount to be claimed for this CTF. This error could be reported after a claim for payment.
- 5 - A CTF with that URN and date of birth is held on the CTF system, but the information you have sent does not match an instruction sent to you. This could happen after any type of report.

14.7.2 In all rejection cases providers should check the unique reference number, date of birth, expiry date and amount claimed, by revisiting the voucher, transfer form or original HM Revenue & Customs instruction (on a schedule) for each claim rejected.

14.7.3 If the information has been taken from a transfer form, and appears to be correct, the provider should contact the provider who issued the transfer form, and ask them to check that the information provided is correct.

14.7.4 Where the error can be identified the corrected claim should be submitted on the next return. Where the error cannot be identified providers should contact CTF Support.

14.7.5 These same error codes are used where a rejection results from account opening using the voucherless procedures (see paragraph 4.14).

Most of the errors we see are due to mis-matched information which may be a result of the voucherless account opening procedures. Where the rejection code is shown as 1, the provider must refer back to the investor and check the details that have been reported. It could be that the investor has given the wrong details or they could have been mis-keyed by the provider. If, after checking with the investor the matter cannot be resolved, the provider will need to contact CTFO.

Where the rejection code is shown as 2 – 5, providers should check the details they have submitted. Where they are unable to resolve the matter they should contact CTFO who will give guidance on a case by case basis.

## **14.8 Return error codes**

14.8.1 Providers may receive an instruction on the schedule that they are unable to comply with. This might happen for example where the CTF is no longer with the provider because it has been transferred to a new provider, and the new provider has failed to inform HM Revenue & Customs of the transfer (see paragraph 14.4.1).

14.8.2 In such cases the provider should make a return for that CTF with an error code as follows:

- 1 - A CTF with that URN is not held.
- 2 - A CTF with that URN is held, but the date of birth did not match.
- 3 – We cannot comply with the instruction for other reasons.

## **14.9 Technical specifications for the return and schedule**

14.9.1 The technical specifications for making a return are available from the HM Revenue & Customs website at <http://www.hmrc.gov.uk/ebu/ctf-techpack.htm>





**Chapter 15      The HM Revenue and Customs inspection**

- 15.1      Introduction
- 15.2      Before the inspection
- 15.3      The inspection
- 15.4      Retention of records
- 15.5      After the inspection
- 15.6      Recovery and penalties



## **15.1 Introduction**

- 15.1.1 CAR AUDIT may undertake inspections to ensure that providers have met their obligations under the CTF regulations.
- 15.1.2 Auditors will review providers' procedures, check the calculation of claims, interim, annual and fortnightly, the accuracy of annual information returns and carry out sample checks on individual CTFs.
- 15.1.3 HM Revenue & Customs have made available a Code of Practice (COP4) detailing how inspections will be carried out. The code of Practice is available via the HMRC website.
- 15.1.4 New providers (or existing providers implementing major systems or procedure changes) can seek advice from CAR Audit, who will give advice and, in certain circumstances, arrange a help visit.
- 15.1.5 The Code of Practice explains that most inspections are routine, and that the timing and frequency generally depends on the amount of tax involved. The frequency at which providers are inspected depends partly on the results of any previous inspection and on the size of claims. However, factors such as significant fluctuations in claim size, a merger of providers, or the transfer in bulk of CTFs to another provider may also affect the timing of an inspection.

## **15.2 Before the inspection**

- 15.2.1 CAR Audit will issue a formal notice of an inspection at least two weeks before the date of the visit. This formal notice may be preceded by a telephone call.

## **15.3 The inspection**

- 15.3.1 Auditors will visit the location at which the provider's records are maintained. This is normally the provider's own premises, but where the administration is carried out by a third party and the records are held by the third party, the inspection will be carried out at the third party's premises. Records must be available for inspection in the UK.
- 15.3.2 There are penalties under section 17(3)(b) of the Child Trust Funds Act 2004 for failing to make records available for inspection or for failing to provide information.

15.3.3 Providers must show auditors certain records to demonstrate that the provider has operated the CTF scheme correctly. The records will include all documents, books, and other records which providers have or control containing information relating to any CTF.

15.3.4 The Code of Practice explains HM Revenue & Customs' general approach to the examination of records. In relation to CTFs, auditors will want to see, or have available on request, the following documents or records

- applications to open a CTF, including the voucher (if appropriate),
- CTF annual statements, and
- all computer records, printouts, reconciliations, update statements, microfiche ledgers, etc. relating to the production of fortnightly returns, interim claims and annual tax claims and annual information returns for the current and preceding tax year. Auditors may need to ask providers to reproduce this data for each interim claim making up the last annual claim.

15.3.5 Auditors may need to see other records and check to providers' systems and procedures.

## 15.4 Retention of records

15.4.1 Although auditors will wish to inspect recent records, providers should retain all records for three years from when they were made, given or issued. The records to be retained include:

- applications to open a CTF,
- vouchers,
- correspondence,
- CTF history and valuation records,
- records of repaired CTFs,
- annual and interim tax claims,
- annual statements
- fortnightly returns, and
- annual information returns.

Where a CTF has been transferred to another provider, a record of the transfer must be

retained for three years from the date of transfer.

15.4.2 Providers may hold the records (including applications) on computer or microfilm. Records held in this way must be retrievable, and easily accessible by auditors.

15.4.3 Providers are not required to retain recordings of telephone applications, where registered contacts have made applications other than in writing.

## **15.5 After the inspection**

15.5.1 Auditors will normally report their findings to providers within 28 days of an inspection visit. This is in the form of a written inspection report. An electronic version of the report can be sent.

15.5.2 Where auditors are satisfied that tax relief has been obtained only where due and that any claims by the provider have been made correctly, they will advise the provider that no further action is needed.

## **15.6 Recovery and penalties**

15.6.1 Where auditors believe that government contributions or tax relief has been incorrectly claimed by a provider, where the provider has submitted incorrect claims or fortnightly returns, or where any CTF procedure has not been followed correctly they may require the provider to pay a penalty not exceeding £1 per CTF affected by the error.

15.6.2 Incorrect claims may also attract penalties under section 95 Taxes Management Act 1970 where the claims were made fraudulently or negligently. Penalties may be charged on amounts recovered both under the strict basis, and under simplified voiding. We will not charge penalties on the first audit of a provider's system except in the most serious circumstance.

15.6.3 Where the sample contains CTFs where a breach of the CTF rules has taken place, but the number of invalid CTFs found is not statistically valid, auditors will conclude that similar errors are unlikely to exist throughout the rest of the CTFs held. They will therefore ask providers to correct the individual errors identified, and charge a penalty only on the cases found.

15.6.4 Where auditors have used a statistically valid sample, and the number of errors are also

statistically significant, then the results of the sample will be extrapolated across the total number of CTFs held. The auditors will ask the provider to carry out a 100% review of all unexamined CTFs which might have the same error. If not carried out as part of the audit, this review should take place as soon as practicable after the audit is completed. In these circumstances auditors will seek to determine, by agreement with the provider, the potential number of errors, and if appropriate, ask the provider to make a payment on account of the final penalty, while the correct figure is calculated.

- 15.6.5 The provider must inform each registered contact whose CTF is voided of details of the interest, dividends and capital gains and losses arising on the investments. These will be taxable on the child in the normal way.

<b>Chapter 16</b>	<b>Audit objectives</b>
16.1	Applications
16.2	Fortnightly return
16.3	Fortnightly schedule
16.4	Subscriptions to CTFs
16.5	Stakeholder CTFs
16.6	Non-stakeholder CTFs
16.7	Transferred CTFs
16.8	Interim and annual claims
16.9	Annual information returns
16.10	Annual statements
16.11	Qualifying investments
16.12	Withdrawals





## **16.1 Applications**

- 16.1.1 The auditor will select a sample of CTFs opened by voucher with the provider and view documentation relating to each account selected to verify if the account meets all CTF requirements. For the CTFs selected for examination auditors will check:
- that a valid voucher is held (if appropriate),
  - where the application is in writing that the application is fully completed and contains a signature (see paragraph 4.2.2),
  - where the application is not in writing that a written declaration has been made on behalf of the applicant (see paragraph 4.7.2),
  - that the CTF was not opened prior to receipt of the voucher and completion of the application form (see paragraph 4.1.5),
  - that the application contains the required declaration and authority (see sections 4.4 and 4.5), and
  - that the terms and conditions applying to the CTF contain the required statements (see section 4.9).
- 16.1.2 Where a provider has elected to accept Revenue allocated accounts, the auditor will select a sample of Revenue allocated accounts opened by the provider and check that the CTF has been opened in accordance with the schedule.

## **16.2 Fortnightly return**

- 16.2.1 The auditor will select a sample of CTFs included on the fortnightly returns and check that the correct procedures were followed when completing the return. For the CTFs selected for examination auditors will check:
- that claims for Revenue allocated accounts and CTFs opened by voucher were included in the next following return,
  - that notifications of CTFs closed due to the death of a child were included in the next following return,
  - that claims for further contributions were included in the next following return,
  - that notifications of CTFs transferred in were included in the next following return, and
  - that notifications of any inability to carry out a schedule instruction were included in the next following return.

## **16.3 Fortnightly schedule**

- 16.3.1 The auditor will select a sample of CTFs included on the fortnightly schedule and check that the correct procedures were followed on receipt of the schedule instructions. For the CTFs selected for examination auditors will check
- that an instruction to void a CTF was actioned correctly (see section 11.5),
  - that a schedule rejection was actioned correctly (see paragraph 14.5.1), and
  - that, where the schedule notified a government contribution had been paid, the payment was credited to the relevant CTF.

#### **16.4 Subscriptions to CTFs**

- 16.4.1 The auditor will examine the provider's system for preventing oversubscription to the CTF, and will select a sample of CTFs held by the provider. For the CTFs selected for examination auditors will check
- that the subscription limits have not been breached (see paragraph 6.2.3), and
  - that withdrawals from the CTF have only taken place in allowed circumstances (see section 11.1).

#### **16.5 Stakeholder CTFs**

- 16.5.1 Where the provider offers stakeholder CTFs auditors will examine the conditions applying to the stakeholder to ensure that they comply with section 3.2.

#### **16.6 Non-stakeholder CTFs**

- 16.6.1 Auditors will review the investment policy of the CTF provider and look for further documentary evidence that only qualifying investments have been made within the CTF. They will check that the ongoing responsibility for managing the investment strategy within CTF continues and that the investment qualification for CTF is continually monitored.
- 16.6.2 Auditors will ask for a stock listing (or equivalent) to review the types of investment held in the CTF, and where the auditor is unsure of the qualification of some investments for CTF may ask the provider for evidence that the particular investment qualifies for CTF.

## **16.7 Transferred CTFs**

16.7.1 Auditors will check the procedures in place to facilitate the transfer of CTFs out to a new provider and for internal transfers by examining the paperwork for transferred accounts, which will include the request by the registered contact to transfer the CTF. They will check that the transfer was carried out within the time allowed (see paragraphs 10.1.7 and 10.2.8.).

## **16.8 Interim and annual claims**

16.8.1 Auditors will look in detail at the most recent claims submitted, both CTF10 and CTF14, to verify the claims being made are accurate and reflect the amount of tax deducted from investments.

16.8.2 They will require sight of any original vouchers to which claims relate, verify only the amount stated as tax has been claimed for and ensure that claims are made only for investments relating to CTF accounts. A walk through of the system will take place to look at fail-safes of claims procedures and ensure claims relate only to UK income tax deducted.

16.8.3 The CTF 14 annual claim form will be examined to verify that it accurately reflects the details of the interim claims for the period and that any balancing charge or claim is accurate and verifiable.

## **16.9 Annual information returns**

16.9.1 Auditors will select a sample of CTFs, to verify the information returned on the annual information return is accurate and reflects the information held by the manager.

16.9.2 Auditors will also check that all CTF accounts under management of the provider at 5 April each year appear on the annual return. The auditor will select a sample of accounts from the provider's database and compare the details with the submitted return to ensure they have been reported correctly.

## **16.10 Annual statements**

16.10.1 Auditors will view a sample of the annual statements issued (see chapter 9), to verify that the details sent to each child are accurate and reflected in the records of the provider. They will also view the statement contents to verify that the details contained are as required by CTF regulations and ensure the statement has been issued to the appropriate person at the correct time (see sections 9.2 and 9.3).

## **16.11 Qualifying investments**

16.11.1 The auditor will check a sample from a listing of all CTF investments (other than cash on deposit) held by the provider, to verify that only qualifying investments are held within the CTF (see section 7.1). They will view a stock listing (or equivalent) to review the types of investment held and review systems controlling the investments made within the CTF.

## **16.12 Withdrawals**

16.12.1 The auditor will review all accounts where investments have been withdrawn from the CTF, to ensure that withdrawals are allowed only in the circumstances at paragraph 11.1.1, to verify the procedures and processes for allowing withdrawals are adequately controlled to prevent unauthorised withdrawals.

## Chapter 17      Contact details

The contact details below **must not** be given to the public. If a member of the public wishes to contact HM Revenue and Customs please ask them to ring 0845 302 1470

### Customer Contact Online Services

Sean Duffey

e-mail                    [sean.duffey@hmrc.gsi.gov.uk](mailto:sean.duffey@hmrc.gsi.gov.uk)

phone                    01274 646198

Neil Holland

e-mail                    [neil.holland@hmrc.gsi.gov.uk](mailto:neil.holland@hmrc.gsi.gov.uk)

phone                    01274 646194

### CAR Audit

Elaine McClune

Room 320

St John's House

Merton Road

Liverpool

L75 1BB

E-mail                    [Elaine.mcclune@hmrc.gis.gov.uk](mailto:Elaine.mcclune@hmrc.gis.gov.uk)

Phone                    0151 472 6114

Fax                        0151 472 6124

### Annual returns of information & CTF provider applications

Gordon Little

Room 320

St John's House

Merton Road

Liverpool

L75 1BB

E-mail                    [gordon.g.little@hmrc.gsi.gov.uk](mailto:gordon.g.little@hmrc.gsi.gov.uk)

Phone                    0151 472 6361

Fax                        0151 472 6124

CAR Technical

Dave Johnson  
Room 320  
St John's House  
Merton Road  
Liverpool  
L75 1BB

E-mail [Dave.j.johnson@hmrc.gis.gov.uk](mailto:Dave.j.johnson@hmrc.gis.gov.uk)

Phone 01925 726625 or 0151 472 6166

Fax 0151 472 6124

CTF Support for providers

Child Trust Fund Office  
Waterview Park  
Mandarin Way  
Washington  
NE38 8QG

Phone 0191 225 1608

Fax 0191 225 1895

SSO Repayments

The CTF section for enquiries on CTF repayment claims

Mark Hewitt  
Room 320  
St John's House  
Merton Road  
Liverpool  
L75 1BB

E-mail [mark.c.hewitt@hmrc.gsi.gov.uk](mailto:mark.c.hewitt@hmrc.gsi.gov.uk)

Phone 0151 472 6162

Fax 0151 472 6003

**51 per cent subsidiary**

51 per cent subsidiary has the meaning given by section 838 ICTA88.

**75 per cent subsidiary**

75 per cent subsidiary has the meaning given by section 838 ICTA88.

**Adoption order**

Has the meaning in section 46(1) of the Adoption and Children Act 2002(1) or section 28 of the Adoption and Children (Scotland) Act 2007 or of “Adoption Order” in Article 2(2) of the Adoption (Northern Ireland) Order 1987, as the case may be, and includes any corresponding order under the Adoption (Scotland) Act 1978, and any order of a court in the Isle of Man or any of the Channel Islands which, under section 108 of the Adoption and Children Act 2002, is declared to correspond to an adoption order made under that Act.

**Alternative finance arrangements**

Arrangements falling within section 47 or 49 of the Finance Act 2005.

**Assurance undertaking**

This has the meaning in Article 8 of the First Council Directive 79/267 as extended by the EEA Agreement.

**Bank of England base rate**

The rate announced from time to time by the Monetary Policy Committee of the Bank of England as the official dealing rate, being the rate at which the Bank is willing to enter into transactions for providing short-term liquidity in the money markets.

**Building society**

A building society within the meaning of the Building Societies Act 1986, or the Irish Building Societies Act 1989.

**Collective Investment Schemes Sourcebook (COLL)**

This is the sourcebook issued by the FSA under section 243 of FISMA2000.

**Company**

A company is any body corporate having a share capital other than

- an open-ended investment company within the meaning of section 236 of FISMA 2000
- a UCITS
- an industrial and provident society registered under the Industrial and Provident Societies Act 1965, and
- a body corporate which is a 51 per cent subsidiary of an industrial and provident society.

### **Contract of insurance (for stakeholder CTF)**

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

- life and annuity
- linked long term
- pension fund management, and

(b) which is carried out by an insurer who has permission to effect or carry out contracts of insurance of that kind under

- part 4 of FISMA 2000
- section 15 of schedule 3 of FISMA 2000

### **Credit Union**

A society registered as a credit union under the Industrial Provident Societies Act 1965 or the Credit Unions (Northern Ireland) Order 1985.

### **EEA State**

A list of EEA states can be found at <http://www.hmrc.gov.uk/cnr/seafaq3-vessels-flagged-in-other-european-economic-area-state.htm>

### **Equities**

Shares in a company incorporated anywhere in the world and officially listed on a recognised stock exchange.

### **European Institution**

an EEA firm of the kind mentioned in section 5(a), (b) or (c) of Schedule 3 to FISMA 2000 which is an authorised person for the purposes of that Act as a result of qualifying for authorisation under section 12 of that Schedule.



**FSA**

The Financial Services Authority

**FISMA 2000**

Financial Services and Markets Act 2000.

**Gilt edged security**

Securities which are gilt edged securities are listed in part 1 of Schedule 9 Taxation of Chargeable Gains Act 1992.

**Guardian**

A guardian of a child within the meaning in section 5 of the Children Act 1989, section 7 of the Children (Scotland) Act 1995 or Article 2(2) of the Children (Northern Ireland) Order 1995, as the case may be.

**ICTA88**

Income and Corporation Taxes Acts 1988.

**ITA 2007**

Income Tax Act 2007

**ITTOIA 2005**

Income Tax (Trading and Other Income) Act 2005

**Incorporated friendly society**

A society incorporated under the Friendly Societies Act 1992.

**Insolvency event**

The procedures listed in the definition of “insolvency event” in regulation 19(15) of the Payment Services Regulations 2009

**Insurance company**

means:

- a person (other than a friendly society) who has permission under Part 4 of FISMA 2000 to effect or carry out contracts of insurance, or
- an EEA firm of the kind mentioned in section 5(d) of Schedule 3 to FISMA 2000 which
  - carries on business which consists of the effecting or carrying out contracts of insurance, and

- carries on that business through a branch or agency in the UK .

### **Insurer**

means:

- a person who has permission under Part 4 of FISMA 2000 to effect or carry out contracts of insurance, or
- an EEA firm of the kind mentioned in section 5(d) of Schedule 3 to FISMA 2000 which has permission under section 15 of that Schedule (as a result of qualifying for authorisation under section 12 of that Schedule) to effect or carry out contracts of insurance.

### **Investment trust**

An investment trust has the same meaning as in section 842 ICTA88.

### **ITTOIA 2005**

Income Tax (Trading and Other Income) Act 2005

### **Non-UCITS retail scheme**

A non-UCITS retail scheme is a scheme that satisfies the relevant requirements of COLL.

### **Parental responsibility**

Under general law parents who are married to each other will each have parental responsibility. Where parents are not married the mother will automatically have parental responsibility, as will the father if

- he is registered on the birth certificate; or
- parents agree by means of a parental responsibility agreement; or
- a court so orders.

Other individuals who will have parental responsibility will include adoptive parents, a step-parent under a parental responsibility agreement, testamentary or special guardians and a person with whom a child is living under a residence order.

### **Recognised stock exchange**

“Recognised stock exchange” means

- a) any market of a recognised investment exchange which is for the time being designated as a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007 by an order made by the Commissioners for HM Revenue and Customs, and
- b) any market outside the United Kingdom which for the time being so designated.

It includes the London Stock Exchange, the PLUS-listed market, and any such stock exchange outside the UK as is designated in an Order of HMRC.

A list of stock exchanges that have been designated as “recognised stock exchanges” can be viewed on the HMRC website at <http://www.hmrc.gov.uk/fid/rse.htm>.

The phrase "listed on a recognised stock exchange" in respect of shares and securities is now defined at section 1005(4) Income Tax Act (ITA) 2007 and means shares and securities which are admitted to trading on that exchange and included in the official UK list maintained by the Financial Services Authority as the UK Listing Authority or are officially listed in a qualifying country outside the UK in accordance with provisions corresponding to those generally applicable in EEA states.

### **Recognised UCITS**

- a) a collective investment scheme constituted in an EEA State, which is a “recognised scheme” under section 264 of FISMA 2000, and complies with the requirements to be a “UCITS scheme” for the purposes of the Collective Investment Schemes Sourcebook (see in particular COLL 1.2.2), or
- b) a part of a recognised UCITS mentioned in paragraph (a) of this definition, which would be a sub-fund of an umbrella scheme which is a recognised UCITS.

### **Registered contact**

The responsible person who may give instructions to the provider with respect to the management of the CTF, or the Official Solicitor or Accountant of the Court.

### **Registered friendly society**

A society within the meaning of the Friendly Societies Act 1992 and includes a society treated as a registered friendly society by virtue of section 96(2) of that Act.

### **Relevant authorised person**

A firm mentioned in S697(2)(b) ITTOIA 2005.

### **Relevant collective investment scheme**

An authorised unit trust, an authorised open-ended investment company, or a recognised scheme, as defined in s237(3) of FISMA 2000

### **Responsible person**

A person (not a local authority) who is aged 16 or over and who has parental responsibility for the child for whom the CTF is opened.

### **Security**

A security means any loan stock or similar security of a company whether secured or unsecured. Qualifying securities may therefore include loans, loan stocks (whether secured or not) debentures, and Eurobonds, either in registered or bearer form.

### **Special guardian**

Has the meaning in section 14A of the Children Act 1989.

### **Stakeholder CTF**

For full details see section 3.2. In brief the investments held in a stakeholder CTF must be selected according to the age of the child, the CTF must accept single subscriptions of £10 or more, and the maximum management charge that can be levied is 1.5%.

### **Strip**

Strips involve the separation of the interest 'coupons' from the underlying principal on which the interest is payable.

### **Subscription year**

The first subscription year starts the day the CTF is opened and ends on the day before the child's next birthday. The succeeding years start on the child's birthday and end on the day before the next birthday. In any year where the CTF closes (due to death of the child, or the child's 18th birthday the year of subscription ends when the CTF closes.

### **UK UCITS**

- a) a collective investment scheme authorised under section 31(1)(a) of FISMA 2000, which complies with the requirements to be a "UCITS scheme" for the purposes of the Collective Investment Schemes Sourcebook (see in particular COLL 1.2.2), or
- b) a part of a UK UCITS mentioned in paragraph (a) of this definition which would be a sub-fund of an umbrella scheme which is a UK UCITS.

**Units in, or shares of, a UK UCITS or recognised UCITS**

The rights (however described) of the holders of the units or shares in that UK UCITS or recognised UCITS.

**With-profits fund**

A fund maintained by an insurer in respect of a particular part of its long-term business for which –

- separate accounting records are maintained by the insurer in respect of all income and expenditure relating to that part of its business; and
- the benefits payable in respect of policies allocated to that fund are determined partly by reference to a discretion exercisable by any person.