

Junior ISAs

TAX FREE SAVINGS
FOR CHILDREN



This leaflet explains the main features of Junior ISAs.

Valid from 1 November 2011 to 5 April 2013.

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Questions

- 1 What are Junior ISAs?
- 2 What types of Junior ISA are there?
- 3 How many Junior ISAs can a child have?
- 4 What tax relief is available?
- 5 Which children can have a Junior ISA?
- 6 What if my child already has a Child Trust Fund (CTF)?
- 7 Who can open and operate a Junior ISA for a child?
- 8 Who can make subscriptions to a Junior ISA?
- 9 What are the Junior ISA subscription limits?
- 10 Can money be withdrawn from a Junior ISA?
- 11 Who can be a Junior ISA manager?
- 12 Can I transfer a Junior ISA from one manager to another?
- 13 Can I transfer funds between my cash Junior ISA and my stocks and shares Junior ISA, or vice versa?
- 14 Are there any charges for Junior ISAs?
- 15 What happens when my child turns 18?
- 16 Once a child turns 16, can they open their own adult ISA as well as their Junior ISA?
- 17 What other terms and conditions apply to Junior ISAs?
- 18 Where can I find out more?
- 19 What is The Building Societies Association?

1 What are Junior ISAs?

Junior Individual Savings Accounts (Junior ISAs) are Government designed tax-free savings accounts for children. They were launched on 1 November 2011.

They are similar in design to adult ISAs, which have been available since 1999, but there are some important differences. These are described in answer to the questions below.

2 What types of Junior ISA are there?

There are two types of Junior ISA.

- **A cash Junior ISA.** This can contain the following qualifying investments:
 - building society accounts
 - bank deposit accounts
 - authorised money market schemes ("cash funds")
 - certain National Savings products
 - stakeholder cash products
 - collective investment products that provide a cash-like return.

- **A stocks and shares Junior ISA.** This can contain the following qualifying investments:
 - equity shares listed on a recognised stock exchange
 - many authorised unit trusts, investment trusts, open ended investment companies and other collective investment schemes
 - building society permanent interest bearing shares (PIBS)
 - corporate bonds, UK Government securities (gilts) and other European Government securities (with more than five years to run to maturity when purchased for the ISA)
 - life assurance
 - cash may also be held on deposit temporarily, but only for the purpose of investing in qualifying shares and securities
 - stakeholder medium term products.

3 How many Junior ISAs can a child have?

A child can have up to one cash Junior ISA and one stocks and shares Junior ISA at any one time.

Unlike adult ISAs, a new Junior ISA of the same type cannot be

opened for a child in each tax year. For example, if the child already has a cash Junior ISA from a previous tax year, they cannot have a new cash Junior ISA opened for them in a subsequent tax year. However, the Junior ISA can be transferred to a different account or to a different provider (see question 12). Also, if the child did not already have a stocks and shares Junior ISA, one of these could be opened.

4 What tax relief is available?

Income and gains from savings and investments in Junior ISAs are exempt from income and capital gains tax. In addition, the income generated from subscriptions made by a parent into Junior ISAs does not count toward the parent's income under settlements legislation.

Gifts made by a parent to a Junior ISA are treated for inheritance tax purposes in the same way as any other gifts they make.

5 Which children can have a Junior ISA?

Children under the age of 18 living in the UK who do not have a Child Trust Fund (CTF) account are able to have a Junior ISA.

This means the following can have a Junior ISA:

- Children born on or after 3 January 2011
- Under 18s born before September 2002
- Any child born between 1 September 2002 and 3 January 2011 that didn't qualify for a CTF.

6 What if my child already has a Child Trust Fund (CTF)?

If your child already has a CTF, they cannot have a Junior ISA of any type, nor can they transfer money from their CTF to a Junior ISA.

However, subscriptions can still be made to existing CTFs, and the subscription limit on CTFs was increased to match that of Junior ISAs from 1 November 2011.

7 Who can open and operate a Junior ISA for a child?

Anybody with parental responsibility for a child under the age of 18 can open a Junior ISA on their behalf. This person will then become the "registered contact" for the Junior ISA until the child reaches 16, from which age the child can assume control of the

Junior ISA if they so wish. If the child is aged 16 to 18 they can open a Junior ISA themselves.

Unlike the CTF, a voucher is not needed to open a Junior ISA and there are no Government payments to a Junior ISA.

8 Who can make subscriptions to a Junior ISA?

Any person (including the child) or organisation can make subscriptions to a Junior ISA, up to the subscription limit. Once a subscription is made to a Junior ISA it becomes the property of the child and cannot be repaid at a later date to whoever made the subscription.

9 What are the Junior ISA subscription limits?

For the tax year to 5 April 2012, and then also from 6 April 2012 – 5 April 2013, the overall subscription limit is £3,600 each year. In subsequent tax years the subscription limit will increase, based on the change in the Consumer Price Index.

This £3,600 limit can be split in any proportion across both the cash and stocks and shares Junior ISA.

Any part of the limit which is not used in a tax year is lost – it cannot be carried forward or back to other years.

■ Example 1

Your child has a cash Junior ISA that has received twelve direct debit payments of £250, totalling £3,000. You could therefore add up to £600 more to this Junior ISA before the end of the tax year, or you could open a stocks and shares account and put it into this.

■ Example 2

Your child has a cash Junior ISA that has received subscriptions of £1,600 so far this tax year and a stocks and shares Junior ISA which has received subscriptions of £1,000. In this case, a further £1,000 could be subscribed before the end of the tax year to either the cash Junior ISA or the stocks and shares Junior ISA, or split between the two.

10 Can money be withdrawn from a Junior ISA?

No. Money subscribed to a Junior ISA belongs to the child, and they cannot access this until they are 18 years old. This includes income (including interest) which cannot be paid away to any other account.

11 Who can be a Junior ISA manager?

ISA managers must be approved by HM Revenue & Customs. Existing ISA managers do not need to seek fresh approval to offer Junior ISAs. To be eligible to manage Junior ISAs, a business must be appropriately authorised and regulated by the Financial Services Authority. Junior ISA managers must operate the scheme in accordance with the relevant legislation and other provisions. All building societies are eligible to manage cash Junior ISAs. However, not all building societies and banks offer a Junior ISA, so check first with your provider.

12 Can I transfer a Junior ISA from one manager to another?

Yes. The transfer must be arranged by the new Junior ISA manager directly with the current Junior ISA manager. Note that Junior ISA managers are not obliged to accept transfers. To transfer your Junior ISA, you will need to complete a transfer application with the new ISA manager.

As a child can have only one cash Junior ISA and one stocks and shares Junior ISA at any time, if you are transferring to the same type of Junior ISA all the funds in the old Junior ISA will be transferred and the account will be closed. If you are transferring to a different type of account, all or part of the funds in the existing Junior ISA can be transferred (see question 13).

13 Can I transfer funds between a cash Junior ISA and a stocks and shares Junior ISA, or vice versa?

Yes. Investments in a Junior ISA may be transferred between one type of Junior ISA to another. You can transfer all or part of the subscriptions made in the prior tax years, but if you are transferring subscriptions made in the current tax year, you must transfer all of these funds. Also, note that Junior ISA managers do not have to accept partial transfers in or out. To transfer funds, speak to the provider you want to transfer money to, and they will ask you to complete a transfer application.

At all times a child cannot have more than one cash Junior ISA and one stocks and shares Junior ISA.

14 Are there any charges for Junior ISAs?

This depends on the type of Junior ISA. Building societies and banks do not usually make charges for the operation of savings

accounts, including cash Junior ISAs. There may be, however, an initial charge and/or an annual charge made by the managers of stocks and shares Junior ISAs.

15 What happens when my child turns 18?

On your child's 18th birthday, any funds in the Junior ISA will transfer into an adult ISA and the child will be able to access the money.

16 Once a child turns 16, can they open their own 'adult' cash ISA as well as their Junior ISA?

Yes. A child aged 16 or over can open an 'adult' cash ISA in addition to their cash and/or stocks and shares Junior ISA(s).

17 What other terms and conditions apply to Junior ISAs?

A building society or other Junior ISA manager is required to include various matters in its terms and conditions for Junior ISAs – some of which are described in this leaflet. However, matters such as the rate of interest payable, the frequency of paying or crediting interest, minimum balances and transaction size, penalties or charges for immediate transfers, etc, are all a matter for the individual building society or other manager.

18 Where can I find out more?

See the Directgov website: <http://www.direct.gov.uk> or the Money Advice Service: <http://www.moneyadviceservice.org.uk>

Many building societies and other financial institutions issue information on Junior ISAs generally and on their own Junior ISA products.

19 What is the Building Societies Association?

The Building Societies Association represents mutual lenders and deposit takers across the UK, including all building societies. Further information about the Association and our members is available at: www.bsa.org.uk

From this website you can also download the leaflets below:

- *Taxation of building society interest*
- *Individual Savings Accounts and you*
- *Transferring your cash ISA*
- *Lost track of your savings?*

The information in this leaflet is a summary of the full provisions and requirements and should not be relied upon as a guide to specific action, for which you should seek appropriate advice.

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