

# **TAXREP 8/02**

## **DELIVERING SAVING AND ASSETS.**

*Text of a memorandum submitted in February 2002 to the Treasury in response to  
a Discussion paper issued in November 2001*

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## **DELIVERING SAVING AND ASSETS.**

### **Comments on the Discussion Paper issued by HM Treasury in November 2001**

#### **Introduction**

1. Set out below are the comments of the Tax Faculty of the Institute of Chartered Accountants in England and Wales on the paper issued by the Treasury in November 2001.

#### **General comment**

2. We have confined our comments on the points raised by the discussion paper to the tax consequences of the suggestions as outlined. We note that further informal consultation on technical issues is planned and would welcome an opportunity to remain involved.

#### **Specific comments – Child Trust Fund**

##### *Tax Relief*

3. We welcome the proposal that growth of assets in the Child Trust Fund account should be exempted from tax.

##### *Contributions*

4. The suggested maximum limit for additional contributions has been set at £1,000. We understand the need to prevent the Child Trust Fund being used as a tax shelter. However, this limit seems unnecessarily low when considered in the context of the 18 year life of each Fund.
5. Income accruing to capital contributed by parents would need to be exempt from the current parental settlement income tax limit. In order to avoid complexity, it is important to ensure that parents' money does not taint the trust's tax free status

##### *Financial education*

6. We support the plan for financial education to be integrated into the Child Trust Fund Account. However, we believe that this would need to extend beyond savings products. The complexity of the current tax and benefits system makes even a basic level of financial awareness difficult to achieve. A general programme of simplification, particularly in relation to the low income sector, will also be needed.

## **Specific comments – Saving Gateway**

### *Targeting*

7. We agree that it is desirable to avoid designing a separate means test for eligibility for the Savings Gateway. We are concerned that the existing tax credits system places a considerable burden on employers and it will be important to ensure that the new proposals do not increase this further.

AM

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