

NEW CTF Q&As

Government Announcement on Child Trust Funds

On 24th May 2010 the Government announced that it intends to reduce and then stop all government contributions to Child Trust Funds. The following provides further details of the planned changes for customers.

Subject to legislation, the Government intends to reduce government contributions at birth, and to stop government contributions at age 7, from 1 August 2010. The Government also intends for HMRC to stop issuing new Child Trust Fund vouchers for children born from 1 January 2011.

Legislation is required to implement the Government's intentions and until that legislation is in place the procedure for new Child Trust Funds will continue as currently, except that the value of vouchers issued for children born from 1 August to 31 December 2010 will be £50.

For the present:

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- Vouchers will continue to be issued by HMRC to parents registering for Child Benefit, to be used to open a CTF account for their child;
- All vouchers that are issued by HMRC will continue to be valid up to their expiry date;
- HMRC will continue to open CTF accounts for children where the voucher has not been used by its expiry date;
- Initial government contributions into CTF accounts will be made at the rates announced (£250 for births to 31 July 2010, £50 for births from 1 August to 31 December 2010);
- Additional government contributions for children in low income families will still be made, at £250 for those who receive a £250 voucher and £50 for those who receive a £50 voucher; and
- no further government age 7 payments will be made for children whose 7th birthdays fall after 31 July 2010

Q. I have received my child's CTF voucher but not used it yet – can I still use it?

A. Yes. You will be able to use it up to the expiry date shown on the voucher, and if you do not use it HMRC will open an account for your child and tell you about this. Your child's CTF will then operate in the same way as existing CTFs, subject to the changes detailed above.

Q. Can my child's friends and family still contribute to his/her CTF account?

A. Yes. There are no plans to change anything here - family and friends will still be able to contribute up to a total of £1,200 into a CTF account each year between them.

Q. Will my child's CTF account still benefit from tax efficient investment?

A. Yes. There are no plans to change anything here – existing CTF accounts will continue to benefit from tax efficient investment growth and the payout at 18 will still be free from personal taxes.

Q. Will I (or my child) now be able to withdraw the money invested in my child's CTF account?

A. No. There are no plans to change anything here – no withdrawals will be permitted until the child turns 18, and then only by the child.

Q. Will the Government withdraw the money it has put into my child's CTF account?

A. No.

Q. How and when does the Government intend to reduce and then stop CTF payments?

A. The Government intends to reduce government contributions from 1 August 2010, and then stop them altogether from 1 January 2011. Subject to the relevant legislation being approved by Parliament, the Government intends:

- ~~to~~ reduce government contributions for children born from 1 August 2010:
 - from £250 to £50 for most children; and
 - from a total of £500 to £100 for children in lower income families.
- to stop all government contributions at age 7 for children who turn 7 after 1 August 2010; and
- HMRC to stop issuing new CTF vouchers for children born from 1 January 2011 (vouchers already issued will remain valid).

Q. I've lost my voucher. Does that mean I won't now get a CTF for my child?

A. No. You can apply for a replacement voucher at the CTF website at www.childtrustfund.gov.uk

Q. I am pregnant. Will I still get a CTF voucher when my child is born?

A. Yes, if your child is born before 1 January 2011 and you meet the other eligibility requirements (you make a valid Child Benefit claim for your child who lives in the UK and is not subject to immigration control).

Q. When government contributions stop, will I be able to open a CTF account for my child anyway (i.e. without a voucher)?

A. When the relevant legislation is in place, the Government intends that HMRC will no longer issue vouchers and it will not be possible to open a CTF account (other than for those who have already received a voucher before this date).