STATUTORY INSTRUMENTS

2026 No. 1130

CAPITAL GAINS TAX
INCOME TAX

The Individual Savings Account (Amendment) (No. 3) Regulations 2026

Made - - - -	*27th October 2026*
Laid before the House of Commons - - - -	*28th October 2026*
Coming into force - -	*29th October 2026*

The Treasury make these Regulations in exercise of the powers conferred by section 4(6)(a) and (b) of, and paragraphs 7(2), 8(2) and (5) and 9(1)(a), (e) and (f) and (2) of Schedule 1 to, the Savings (Government Contributions) Act 2017(**1**), section 151(1) and (2) of the Taxation of Chargeable Gains Act 1992(**2**), and sections 694, 695 and 701 of the Income Tax (Trading and Other Income) Act 2005(**3**).

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Individual Savings Account (Amendment) (No. 3) Regulations 2026.

(2) These Regulations come into force on 29th October 2026.

(3) The amendments made by these Regulations have effect in relation to withdrawals made on or after 29th October 2026.

Amendment of the Individual Savings Account Regulations 1998

2. The Individual Savings Account Regulations 1998(**4**) are amended in accordance with these Regulations.

(**1**) 2017 c. 2. Paragraph 8(5) of Schedule 1 provides that "specified" means specified by Treasury regulations.
(**2**) 1992 c. 12. Section 151 was amended by section 85 of the Finance Act 1993 (c. 34), paragraph 436 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5), section 40(6)(b) of the Finance Act 2011 (c. 11), section 27(2) of the Finance Act 2016 (c. 24).
(**3**) 2005 c. 5. Section 694 was amended by section 40(2) of the Finance Act 2011. Section 695 was amended by paragraph 132 of Schedule 4 to the Commissioners for Revenue and Customs Act 2005 (c. 11). Section 701 was amended by section 40 of the Finance Act 2008 (c. 9) and section 40(5) of the Finance Act 2011.
(**4**) S.I. 1998/1870, relevantly amended by S.I. 2012/1871, 2017/466 and 2024/350.

Amendment of regulation 5D

3. In regulation 5D (subscriptions disregarded for the purposes of subscription limits in regulations 4ZA(1) and 4ZB), in paragraph (2), in sub-paragraph (a), after paragraph (ib) insert—

"(ic) a repayment of a withdrawal charge under paragraph 10A of the Schedule;".

Amendment of regulation 10A

4. In regulation 10A (Lifetime ISA qualifying individuals who may invest under a Lifetime ISA), in paragraph (4), after sub-paragraph (b) insert—

"(d) a repayment of a withdrawal charge under paragraph 10A of the Schedule.".

Amendment of the Schedule

5.—(1) The Schedule (Lifetime ISA further provision) is amended as follows.

(2) For paragraph 5 (specified percentage of withdrawal charge) substitute—

"**Specified percentage for withdrawal charge**

5.. For the purposes of paragraph 8(2) of Schedule 1 (charge when unlisted withdrawal made), the specified percentage is—

(a) 20% in relation to a withdrawal to which paragraph 6A applies;

(b) 25% in relation to any other withdrawal.".

(3) After paragraph 6 (first-time residential purchase) insert—

"**First-time residential purchase exceeding the property price cap**

6A.—.—(1) This paragraph applies to a withdrawal which would fall within paragraph 6 but for the fact that the requirement in paragraph 6(3) is not met.

(2) A withdrawal to which this paragraph applies is to be treated as if it were a first-time residential purchase falling under paragraph 6 for the purposes of—

(a) regulation 5D(2)(a)(ib),

(b) regulation 10A(4)(b), and

(c) paragraphs 7 to 10.".

(4) After paragraph 10 (purchase failure) insert—

"**Failed purchase of property exceeding the property price cap**

10A.—.—(1) This paragraph applies in respect of a withdrawal where—

(a) a withdrawal to which paragraph 6A applies has been made,

(b) the account manager has deducted a withdrawal charge in respect of that withdrawal,

(c) the purchase fails to complete in circumstances falling within paragraph 9(2)(b), and

(d) the withdrawal is returned to the account manager in accordance with paragraph 10(1).

(2) Where this paragraph applies—

(a) the withdrawal is to be treated as a withdrawal to which paragraph 8 of Schedule 1 does not apply, and

(b) the account manager must restore an amount equal to the withdrawal charge deducted in respect of the withdrawal to the account investor's Lifetime ISA.".

(5) In paragraph 13 (withdrawals: information returns), after sub-paragraph (3) insert—

"(3A) Where paragraph 10A applies, the account manager must—

(a) if no return relating to the withdrawal charge has been made under sub-paragraph (1), take account of the application of paragraph 10A in the return, or

(b) if such a return has been made, correct the return without delay.".

(6) In paragraph 14 (payment to the Board of withdrawal charges), after sub-paragraph (1) insert—

"(1A) The amount payable by the account manager under sub-paragraph (1) is reduced by an amount equal to the withdrawal charge deducted in respect of the withdrawal where—

(a) paragraph 10A applies, and

(b) the account manager has not paid the withdrawal charge to the Board.

(1B) The Board must repay the account manager an amount equal to the withdrawal charge deducted in respect of the withdrawal where—

(a) paragraph 10A applies, and

(b) the account manager has paid the withdrawal charge to the Board.".

Christian Wakeford
Shaun Davies
Two of the Lords Commissioners of His Majesty's Treasury

27th October 2026

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Individual Savings Account Regulations 1998 ("the ISA Regulations") in relation to Lifetime ISAs.

Regulation 5 amends the Schedule to the ISA Regulations to provide for a withdrawal charge of 20% rather than 25% where a withdrawal from a Lifetime ISA would qualify as a withdrawal for a first-time residential purchase but for the fact that the purchase price of the residential property exceeds the maximum amount specified in paragraph 6(3) of the Schedule. It also amends the Schedule to provide that a withdrawal for this purpose is not liable to the withdrawal charge if the purchase fails to complete and the withdrawal is returned to the Lifetime ISA.

Regulations 3 to 5 also make consequential amendments to the ISA Regulations relating to the new withdrawal charge.

A Tax Information and Impact Note will be published on the HM Government website at https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins.