

Individual Savings Accounts, including Flexible ISAs

ISAs are tax-free savings accounts which means you do not have to declare income from them. You can use them to save cash, or invest in stocks and shares.

The BSA also produces a factsheet on Junior ISAs -

<http://www.bsa.org.uk/consumers/savings/savings-consumer-fact-sheets/junior-individual-savings-accounts>

What are the qualifying investments for ISAs?

The two groups of qualifying ISA investments are:

For a cash ISA:

- 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
- life assurance that provides a cash-like return
- peer to peer loans

For a stocks and shares ISA:

- 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
- peer to peer loans

What are the annual subscription limits?

ISAs have an overall annual subscription limit of £15,240 (tax year 2016/17). This full amount can be held in either cash, stocks and shares, or any combination of the two. Individuals can transfer any funds previously invested in stocks and shares ISAs into cash ISAs outside of annual subscription limits. Further details on ISAs can be found [here](#).

Can I make withdrawals and then pay that money back in to my ISA in the same year?

From 6 April 2016, the government allows ISA savers to withdraw and replace money from their cash ISA without counting towards their annual ISA subscription limit for that year, as long as the repayment is made in the same tax year as the withdrawal. This enables savers to access their ISA savings more flexibly without losing the benefits they have built up. Savers are permitted to withdraw from previous years ISA subscriptions and replace them as long as it is done so within the same tax year of the withdrawal. The policy will also cover cash held in stock and shares ISAs. These flexible ISAs are optional and not all building societies will offer them.

What tax relief is available?

In a cash ISA with a building society or bank all interest is paid free of tax.

In a stocks and shares ISA

- interest on bonds and stocks within the ISA is paid without deduction of tax
- from the 2016/17 tax year dividends paid within the ISA are subject to a £5,000 allowance, meaning the first £5,000 of dividend income will be tax-free. After this, dividends will be taxed at 7.5% for basic rate taxpayers.

ISAs held within a deceased person's estate may also result in a liability to inheritance tax.

Subject to the terms and conditions of an ISA, you may make withdrawals from or close an ISA at any time without loss of tax exemption.

Information about ISAs does not have to be declared on your tax return.

What is the tax relief worth?

Almost all interest from a building society or bank is now paid without any deduction for income tax. All interest over the personal savings allowance – currently £1,000 a year for basic rate taxpayers and £500 for higher rate taxpayers – is, however, subject to tax. But the interest from cash saved within an ISA is protected from tax year after year. This will be a consideration for those with larger savings or higher rate taxpayers, particularly if interest rates rise.

How can subscriptions be made?

Generally, all ISA subscriptions must be in cash – which includes (subject to the agreement of the ISA provider) transfers from other accounts such as by cheque, direct debit, standing order and debit card. The only exceptions are for shares issued to an investor under an approved all-employee savings-related share option scheme, a profit-sharing scheme, or a share incentive plan as these may be transferred into the stocks and shares ISA.

Who can be an ISA provider?

ISA providers (or managers) must be approved by HM Revenue & Customs. To be eligible to manage an ISA, a business must be appropriately authorised. Building societies are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. All building societies are eligible to manage cash ISAs. ISA providers must operate the scheme in accordance with the relevant legislation and other provisions.

Who may invest in an ISA?

To be eligible to subscribe to any type of ISA you must be:

- an individual aged 18 or over, or for cash ISAs aged 16 or over (see our factsheet on Junior ISAs for details of ISAs for children - <http://www.bsa.org.uk/consumers/savings/savings-consumer-fact-sheets/junior-individual-savings-accounts>)
- resident and ordinarily resident in the UK (subject to an exception for certain Crown employees, and their spouses/civil partners)

If you cease to meet the second condition, you may not make further subscriptions to an ISA, but may keep the continuing benefit of the tax reliefs on the accumulated funds.

Can my spouse/civil partner and I each have an ISA?

Yes.

Can an ISA be held in joint names?

No.

What about children?

Junior ISAs offer parents a long-term tax-free way to save for children who do not have a Child Trust Fund. Children may have a Junior ISA if they:

- are under 18
- live in the UK and
- do not already have a Child Trust Fund. See our factsheet on CTFs for details –

<http://www.bsa.org.uk/consumers/savings/savings-consumer-fact-sheets/child-trust-funds/>

Each child may have one cash and one stocks and shares Junior ISA at any one time. Anyone can put money into a Junior ISA. The money in a Junior ISA belongs to the child but s/he cannot take the money out until s/he is 18.

See our factsheet on Junior ISAs for details –

<http://www.bsa.org.uk/consumers/savings/savings-consumer-fact-sheets/junior-individual-savings-accounts>

How do I apply for an ISA?

Applications to subscribe to an ISA may be made in writing, electronically or by telephone. Some ISA providers will accept written applications only. You will need to give various details, including your full name, permanent residential address, date of birth and national insurance number. Where the application is made in writing, it must be signed. For applications made electronically or by telephone, a copy of the information given will be sent to you by the ISA provider for checking.

Normal account opening procedures – such as providing proof of identity and address – apply for ISAs opened by new customers. In certain circumstances, ISA applications may be signed by someone acting on behalf of someone else – such as cases of physical or mental incapacity.

Do I have to complete a new application every year?

No – an ISA application remains valid for subscriptions to that ISA made in the next and subsequent tax years. However, where a break between subscriptions to a particular ISA lasts for a whole tax year, you must make a fresh application before subscriptions to the same ISA may re-commence.

Can I transfer my ISA from one provider to another?

Yes – funds in an ISA may be transferred from one ISA provider to another. The transfer must be arranged by the new ISA provider directly with the current provider. If the transfer is to be of current year subscriptions, the whole of those subscriptions must be transferred. Funds in an ISA from previous year investments may be transferred from one provider to another in whole or in part. ISA providers are not obliged to accept transfers.

If you wish to make a transfer, you will need to complete a 'transfer application' with the new provider.

You cannot transfer your ISA by closing one ISA and opening another one. This has to be done by your ISA provider(s), otherwise you risk losing some of your ISA entitlement.

Can I make withdrawals from, or transfers, of my ISA whenever I want?

Yes – however, an ISA provider may require a reasonable period to allow for the practical implementation of any withdrawal from, or transfer of, an ISA. An ISA provider may also specify such matters as the minimum amount of a withdrawal. An ISA provider may make a charge for a withdrawal or transfer and, depending on the type of account, deduct some interest (which may be avoided in some cases if you give appropriate notice).

Can I transfer funds from a stocks and shares ISA to a cash ISA?

Yes, this is one of the new features of ISAs which were launched in July 2014. It was not possible to do these transfers with ISAs.

Can I transfer money I have saved in previous tax years from cash ISAs into stocks and shares ISAs?

Yes, you can transfer to a stocks and shares ISA some or all of the money you have saved in previous tax years in cash ISAs without affecting your annual ISA investment allowance.

Can I transfer money I save in a cash ISA in the current tax year into a stocks and shares ISA?

Yes, you can transfer money saved in the current tax year in a cash ISA into a stocks and shares ISA.

Do I pay tax on interest on temporary deposits in the stocks and shares component?

No, but the ISA provider must pay to the HM Revenue & Customs a flat rate charge of 20% on all interest paid or credited on deposits of cash held temporarily in the stocks and shares component.

What other terms and conditions apply to ISAs?

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

What if I subscribe to too many ISAs?

If, by mistake, you subscribe in the same tax year to more than one cash ISA or more than one stocks and shares ISA, you should contact the HM Revenue & Customs ISA helpline on 0845 604 1701 for advice as soon as possible.

Are there any charges for ISAs?

The answer depends on the type of ISA. Building societies and banks do not usually make charges for the operation of savings accounts, including cash ISAs, except in some cases, on early closure. There may be an initial charge and/or an annual charge made by the providers of stocks and shares ISAs.

Where can I find out more?

Further information is available on the HM Revenue & Customs website www.hmrc.gov.uk There is also a HMRC telephone helpline for general information about the tax rules for ISAs – 0845 604 1701.

The Money Advice Service publishes a wide range of booklets and factsheets for consumers. These are available from Helpline on 0300 500 5000 or from their website: www.moneyadviceservice.org.uk

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