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Planning ahead is key for ISA overhaul

The scope of the Individual Savings Account has changed beyond recognition in recent years, as the government has sought to add various tax benefit ‘bells and whistles’ as well as relaxing previous restrictions; this has resulted in the biggest overhaul to ISAs since they were first launched back in 1999.

The Chancellor’s autumn statement in 2014 introduced the concept of the **Additional Permitted Subscription** (APS), commonly known as the Inheritance ISA. This enables surviving spouses and civil partners to inherit their partner’s ISA tax advantages when they die. The introduction of the Inheritance ISA was warmly welcomed, but getting the service up and ready for 6 April 2015 was a race against time for ISA managers, involving amendments to terms and conditions, new application forms, literature updates and, of course, fresh administrative procedures. Perhaps most importantly of all, the ‘allowance rather than actual assets’ concept of the Inheritance ISA has necessitated detailed staff training as it is quite complex to explain to eligible, recently bereaved applicants.

Hot on the heels of the Inheritance ISA comes the new **Flexible ISA** facility. This was announced in the March 2015 Budget and is due to become law before the end of 2015, after consultation with ISA managers and other interested parties. Flexible ISAs will be in place from 6 April 2016. In simple terms, this flexibility will mean that investors will be able to withdraw and replace money from a cash ISA during an ISA year. It will apply to both current and previous tax years’ holdings. This is a big change, as it has always been the case that once money is withdrawn from an ISA, it cannot be replaced without counting again towards the annual allowance. While the idea sounds simple, the administration will be much more complex.

As if that weren’t enough, the March 2015 Budget also signalled that savers will be able to put away up to £200 a month towards buying their first property – and the government will boost this by 25%. The **Help to Buy ISA** is available from 1 December 2015. It will be similar to a Cash ISA, as banks and building societies can set their own interest rates. However, you won’t be able to have a Cash ISA and a Help to Buy ISA in the same tax year, so if you already have a Cash ISA this year, you will have to wait until next April to open a Help to Buy ISA.

Help to Buy ISAs will be available until December 2019 and once you have opened an account, you can keep it (and pay into it) for as long as you wish. The maximum bonus will be £3,000 so, if you save £12,000, the government will boost this to £15,000. There are various terms and restrictions within the finer details and ISA managers will need to understand these even if they don’t plan to offer Help to Buy ISAs.

Other developments include the **Innovative Finance** (or Peer-to-Peer) **ISA** from April 2016, which will bring a raft of new providers within the scope of ISA managers, but that could be the subject of a whole article on its own.

TFM offers expert guidance on ISA product literature. If you would like to find out more about any of our services please contact us on 020 7337 2280 or email us at info@technicalfm.co.uk.