

GUIDE TO

Flexible Individual Savings Accounts (ISAs)

What is an ISA?

A tax efficient account for your savings/investments.

What are the ISA Limits for 2024/25?

Each individual over the age of 18 may invest up to a total of £20,000 in the tax year which if you are aged over 40 can be split into any proportion between the three different ISA types: Stocks and Shares, Innovative Finance and Cash.

For those aged between 18 and 40 the £20,000 can be split between four different types of ISA: Stocks and Shares, Innovative Finance, Cash and the Lifetime (LISA) account.

However, please note the maximum investment into a LISA is £4,000. By way of an example for a qualifying LISA investor if you have invested £15,000 into a Stocks and Shares ISA, £4,000 into a LISA, you may subscribe up to a further £1,000 in total into one or a combination of the three remaining options.

What is the difference between the four types of ISA?

A Cash ISA can only hold cash. A Stocks and Shares ISA is designed to be invested in qualifying investments but may also hold cash. A LISA can hold cash and be invested in the same assets as a Stocks and Shares ISA. An Innovative Finance ISA is designed to invest in specific Peer to Peer (P2P) lending activities.

May I have all my eligible ISA types with the same Plan Manager in 2024/25?

Yes, provided the manager concerned offers all 3 options for those over the age of 40 and the 4th for those under 40.

Which ISAs do Brooks Macdonald offer?

Brooks Macdonald only offers a Stocks and Shares ISA and the LISA.

May I have more than one Plan Manager in the 2024/25 tax year?

Yes, if you are aged over 40 you may have a maximum of three (one for each type of ISA). If you are under 40 and, additionally invest in a LISA, this rises to four.

What happens if I inadvertently exceed the annual allowance of £20,000?

You will be advised by HMRC (the Government body tasked with the regulation of ISAs) if you have oversubscribed. One of your ISA Managers may be asked to return the oversubscription to you.

What tax benefits are there for an ISA?

Profits made on investments held within a Stocks & Shares ISA are free of capital gains tax and income tax deducted from certain types of investment can be reclaimed by your ISA manager. Interest arising on cash in a Cash and a Stocks and Shares ISA is free of income tax.

Do I have to declare any ISA dividends etc. on my tax return?

Investors do not have to report income from an ISA to HMRC.

Can an ISA be held in joint names?

No, an ISA is just for the individual named on the application form.

What is flexible about my Brooks Macdonald Stocks and Shares ISA?

You have the opportunity to 'replace' the value of any funds withdrawn from your Stocks and Shares ISA in a given tax year, subject to your payment not exceeding the amount of your available subscription and the sum withdrawn. Please note any withdrawal from a LISA is likely to be subject to a Government penalty and therefore ineligible for 'flexibility'.

Death of an ISA Investor

Brooks Macdonald, as ISA Plan Manager, will convert the Stocks and Shares ISA into a 'Continuing ISA' upon receipt of confirmation of death of the investor, unless otherwise instructed by the Executors of the deceased estate. The 'Continuing ISA' confers the same benefits as a Stocks and Shares ISA so all dividends, interest and capital gains arising will continue to be free of tax for a period of 3 years from the date of death. If the 'Continuing ISA' is still in existence at the end of this period, all ISA benefits will cease.

Additional Permitted Subscription (APS Allowance)

This is offered by Brooks Macdonald as an ISA Plan Manager. It is available where the ISA investor dies and is survived by a spouse or civil partner who meet certain conditions and irrespective of whether the assets are bequeathed to them under the terms of the deceased's will. The APS allowance is equivalent to the value of the deceased ISA holder's account at the date of their death, when instructions are received from the Executors authorising the distribution of the estate assets, whichever is higher. This has no impact on the annual ISA allowance of the beneficiary. Where the value of the assets at distribution is lower, the spouse/civil partner is able to 'top up' the APS subscription from their own resources to the value at the date of death. The assets may be taken in cash/in-specie or a combination of both. Where the assets are not inherited by the spouse/civil partner they may subscribe up to the higher of the two values from their own resources.

Please contact your Brooks Macdonald investment manager for further information on APS.

Important Information

Investors should be aware that the price of your investments and the income from them can go down as well as up and that neither is guaranteed.

Tax treatment depends on your individual circumstances and may be subject to change in the future. The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it.

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