

Individual Savings Account (ISA) Factsheet for Tax year 2023/2024

There are currently four types of ISA available:

1 Stocks and Shares ISA*

Investments permitted include: stocks, shares, bonds, unit trusts, OEICs and even cash (temporarily).

2 Cash ISA

A Cash ISA account holds only cash. It may offer a variable or fixed interest rate for an open or fixed period. There may also be a fixed duration during which withdrawals cannot be made.

a. Help to Buy Cash ISAs (HTB)

Designed to help first time buyers save up for a deposit for their home. In addition to normal interest payable, when you buy your first home the Government adds a bonus of up to 25% of your account value up to a maximum of £3,000. The home must cost no more than £250,000 (£450,000 in London). The contributions are included in your total ISA contribution limit for the tax year. You can establish a HTB ISA with a maximum deposit of £1,200 and you can pay monthly contributions of up to £200pm. New applications to a Help to Buy ISA were closed on 30th November 2019 but if you had already opened one prior to this date you will be able to continue saving into this account until November 2029.

3 Innovative Finance ISAs

Innovative Finance ISAs allow individuals to use all or part of their ISA allowance to lend funds through Peer-to-Peer lending, also called P2P or crowdlending. The ISA receives interest from lending your contributions to individuals or businesses who pay interest.

4 Lifetime ISAs (LISA)

Introduced for adults below 40 years old to invest up to £4,000 pa until age 50. Again, the contributions to LISAs are included in your total ISA contribution limit.

Contributions benefit from a 25% government bonus, however, funds can only be withdrawn from age 60 or on purchase of your first home if less than £450,000. If monies are withdrawn at any other point a 25% penalty will be levied on the withdrawal amount.

Transferring your existing ISA

You can transfer a Cash ISA to a Stocks and Shares ISA, a Stocks and Shares ISA to an alternative Stocks and Shares ISA and a Stocks and Shares ISA to a Cash ISA. With transfers of Stocks and Shares ISAs, your existing holdings are often sold, the proceeds of the sale being passed to a new provider to invest in the funds you choose. This is not counted as part of your annual ISA allowance limit of £20,000. Sometimes it is possible to simply move the underlying equity funds from one provider to another. There is no loss of tax benefits. Lifetime ISAs may also be transferred to an alternative Lifetime Cash or Lifetime Stocks and Shares ISA.

Risks

The full product particulars supplied by the insurer or investment house should be read for specific details as this is only a summary. Once you have made the investment, its value can go down as well as up. Past performance is no guarantee of future performance. You may not get back the amount originally invested.

Information is based on our current understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change.

*PEPs, or Personal Equity Plans, were the forerunners to ISAs and from 6th April 2008 were re-categorised as Stock and Shares ISAs.

ISA Key Facts

- Tax free method for saving which shelters the existing funds and any subsequent growth within the wrapper from personal income tax and capital gains tax when funds are withdrawn.
- You do not need to declare your ISA details on your tax return.
- For 2023/2024 you can contribute a maximum of £20,000 to your ISA. A small number of providers offer a Flexible ISA which allows any cash withdrawn to be replaced during the same tax year, without exceeding the allowable contribution amount.
- You can contribute to different **types** of ISAs in any one tax year with different providers if the total contributions to all ISAs does not exceed £20,000. However, you can only have one active cash and one stocks and shares ISA, etc. in a single tax year.