Your Annual ISA Allowance

Use it or Lose it!

Protect Your Money From The Taxman

ISAs are a very tax efficient investment and the last few tax years have seen significant increases in ISA limits and new rules introduced, providing more flexibility for savers.

It is very important that you fully utilise your annual ISA allowance where possible, as once the ISA deadline passes you lose any unused allowance forever.

Remember you have until April 5th each year to utilise your ISA allowance.

What is my annual ISA allowance?

For the 2017/18 tax year the maximum amount you can save into an ISA is £20,000 per individual or £40,000 for a couple.

ISA benefits

- Tax free investment of up to £20,000 per individual or £40,000 for a couple
- You can purchase a cash only or a stocks and shares ISA, or split your ISA allowance between both types of account
- You will have no capital gains tax to pay on the returns from your ISA investment
- You will have no further income tax to pay
- You don't have to mention ISAs on your tax return
- You don't need to hold an ISA for a fixed term (although a Stocks and Shares ISA should be regarded as a long-term investment)
- ISA limits usually increase annually in line with inflation (RPI)
- You can withdraw funds from your cash ISA and replace it within same tax year without effecting your ISA allowance for that year. ***Note***: *not all providers offer this facility so it's important to check first before you withdraw any funds.*

Who can open an ISA?

You must be:

- 16 or over for a cash ISA
- 18 or over for a stocks and shares ISA
- resident in the UK

Lifetime ISA

The new Lifetime ISA (LISA) was introduced on 6th April 2017 to help savers buy a first home or save for retirement. The maximum amount that can be contributed each year is £4,000 which is topped up by a 25% cash bonus from the Government. The £4,000 limit, if used, forms part of your overall annual ISA limit. LISAs are available as cash or stocks and shares ISAs to anyone who is UK resident aged at least 18 and under 40. Once you reach 40 you can continue to save into your LISA until you reach age 50. The maximum potential cash bonus for a saver contributing the maximum amount each year from age 18 through to age 50 is £32,000 (under current tax rules).

You can withdraw the funds held in your Lifetime ISA before you're 60, but you'll have to pay a withdrawal charge of 25% of the amount you withdraw. A withdrawal charge won't apply if you're using it towards a first home, terminally ill with less than 12 months to live, transferring to another Lifetime ISA with a different provider, or on death.

Help to Buy ISA

The Help to Buy ISA was introduced purely to assist first time buyers save for their first home and is open until 30 November 2019. The Government will boost Help to Buy savings by 25% for every £200 saved, up to a maximum of £3,000 per account. You can save up to £1,200 in the first month and up to £200 per month thereafter. The accounts are available per first time buyer rather than per household so you have the potential of receiving up to £6,000 Government bonus per couple. For this you will need to have saved £12,000 into each account.

The bonus is received when you buy your first home and your solicitor or conveyancer will apply for the bonus on your behalf. Once received the money will be put towards the cost of your new home.

To be eligible you must be a first time buyer and not own a property anywhere in the world.

In the tax year 2017/18, you can transfer the total balance of your Help to Buy ISA, as it stands on 5 April 2017, into your Lifetime ISA without affecting the £4,000 limit.

ISA transfers on death

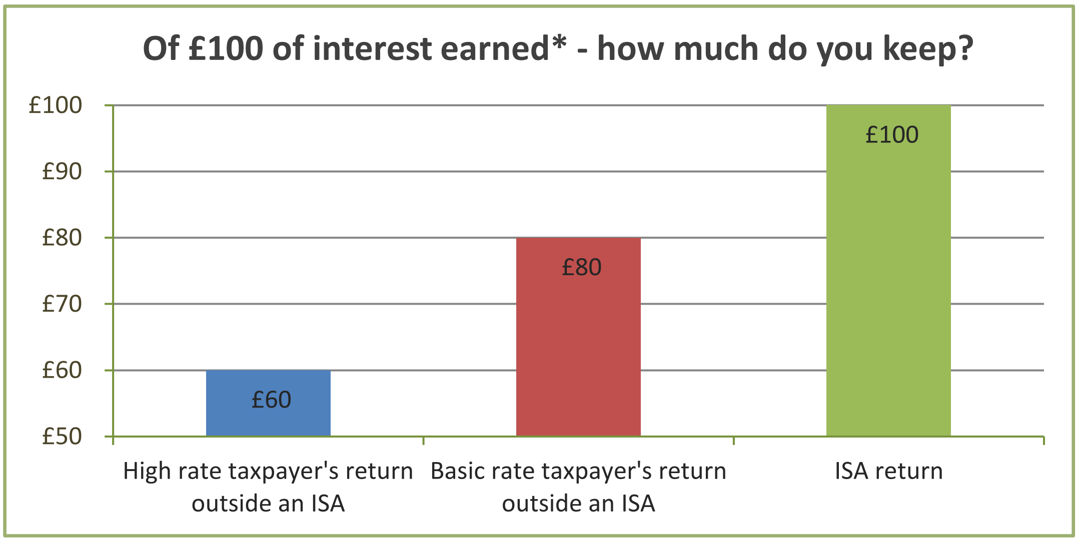
The value of an ISA can be transferred on death, free of tax, to the surviving spouse or civil partner by way of an increased ISA allowance. This allows the surviving spouse or civil partner to invest an amount equivalent to the deceased's ISA into their own ISA via a one off allowance in addition to their normal annual ISA limit for the tax year. This does not have to be the actual assets held within the deceased's ISA – the surviving spouse can make contributions up to their new allowance from any assets. Note this is only available to couples who are married or in a civil partnership.

Put your savings where the Taxman can't touch it

Investing in an ISA means you have the benefit of not having to pay tax on your investment returns, both capital growth and/or income. You could therefore build up a substantial sum over the years by investing in cash, equities or corporate bonds to provide growth or income, which you can withdraw whenever you wish.

Bonds and Cash

Interest from bonds and cash held within an ISA are not subject to income tax. Where interest is generated outside of an ISA, amounts above the new Personal Saving Allowance for a basic rate taxpayer would normally be subject to tax at 20% and higher rate taxpayers would normally be subject to 40% tax on the gross interest amount.

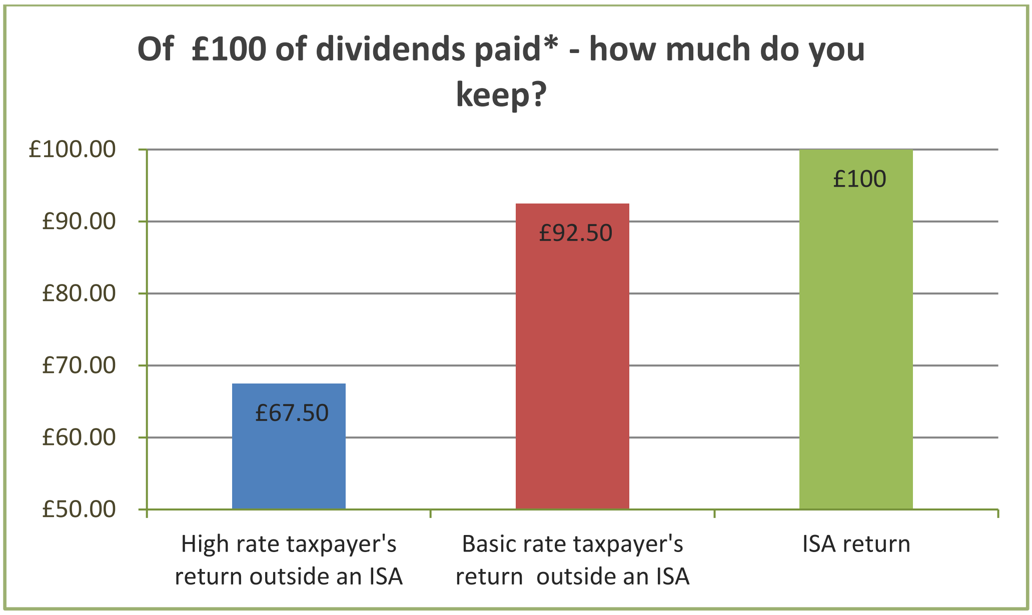


* above the Personal Savings Allowance

Income from Share Dividends

If you are a basic rate taxpayer, dividend income received that exceeds the new Dividend Allowance (£5,000 for 2017/18) will be taxed at 7.5%. You have no further personal income tax to pay on dividend income held inside or outside of an ISA.

However, if you are a higher rate taxpayer you would normally be subject to a 32.5% tax on dividend income that exceeds the new Dividend Allowance.



* above the Dividend Allowance

Capital Gains

All returns from your ISA are completely free from CGT. Any gains you make from investments that are outside an ISA, over and above the annual CGT allowance, are subject to 10% tax for Basic Rate payers and 20% for Higher Rate tax payers.

ISA Investment Conditions

Anyone aged 18 or over and who is a UK resident can invest in a Stocks and Shares ISA.
As 'individual' accounts, money that is to be invested in an ISA must belong to the person making the application.
A married couple can each have their own ISA and shelter up to £40,000 between them.
If utilised year on year, it's easy to see how you could build a substantial tax efficient portfolio over a relatively short period of time.

Tax

All figures reflect our understanding of current legislation and available data. The guidance contained is subject to the UK regulatory and taxation regime and is aimed at consumers who are based in the UK.

Notes

The value of investments can go down as well as up and you may get back less than you invested. The value of tax savings (and eligibility to invest in an ISA) will depend on individual circumstances.
Tax rules may change in the future. Before taking any decisions, we suggest you seek advice from a professional financial adviser. Jackson Jeffrey Independent Financial Services is a trading name of Jackson Jeffrey Financial Services Ltd. Jackson Jeffrey Financial Services Ltd is a limited company registered in England and Wales. Registered number: 6916339. Registered office: Leofric House, Binley Road, Coventry, CV3 1JN.