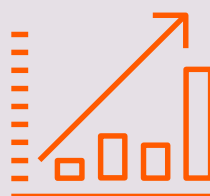


Inheriting your spouse's ISA



One-off additional allowance

An additional allowance that can be used on top of the usual annual ISA limit.



Once an APS is made, it is then treated as a normal ISA

Transfers can then be made as per the usual ISA transfer rules - potentially resulting in even higher returns.



Amount based on the value of the spouse's ISA

For example, if they had £30,000 in a cash ISA, the surviving spouse can put that amount **plus** their own ISA allowance for that tax year (£20,000 for 2018-19) - so up to £50,000 in the current tax year.



Accepting an APS is down to each provider

ISA providers can choose to not accept Additional Permitted Subscriptions.

Additional Permitted Subscription (APS)

Introduced in 2015, this is a one-off additional ISA allowance equivalent to the value of a deceased spouse or civil partner's ISA.

- Additional permitted subscriptions (APS) are available for deaths on or after 3 December 2014.
- An APS is limited to the market value of the deceased spouse's ISA(s) at the time it is transferred to a beneficiary of the estate.
- The APS is a one-off additional allowance, which can be used on top of the standard ISA allowance.
- The deceased and the surviving spouse must have been living together at the date of death and not separated or the relationship broken down.
- The time limit for making cash subscriptions is three years after the date of death or, if later, 180 days after the administration of the estate is complete.
- An APS can be made with the provider that held the deceased person's ISA or another provider that agrees to accept the subscriptions.
- ISA providers can choose to not accept Additional Permitted Subscriptions.
- Providers can disclose the value of a deceased account holder's ISA to their surviving spouse on request. The provider must be satisfied that the person making the request is the surviving spouse.
- An APS is still available even if the surviving spouse did not inherit the ISA funds from the estate of the deceased.
- The subscription can be made to a cash or a stocks and shares ISA or a combination of ISA types.
- Once an APS has been made, a surviving spouse can transfer their savings under the normal ISA rules, with the Additional Permitted Subscriptions then being treated as previous years' subscriptions.

A change to how ISAs are treated on the death of an individual

From 2015, the Additional Permitted Subscription (APS) was introduced, fundamentally changing how an ISA is treated after the death of a loved one.

Previously when someone died, the tax-free ISA savings that they accrued over their lifetime would be removed from the ISA wrapper and their spouse would effectively have to start again, restricted to the ISA allowance each tax year.

A rule change that came into force in April 2018 meant that an ISA would maintain its tax-free status following the death of the account holder until the estate is complete, which can take a significant amount of time. Prior to this change, the interest would be taxable immediately.

This change, combined with the APS, means that a surviving spouse now has a much fairer set of rules in place.

These changes are positive, but once the APS is received, the complicated area for many is working out the best place to put the money.

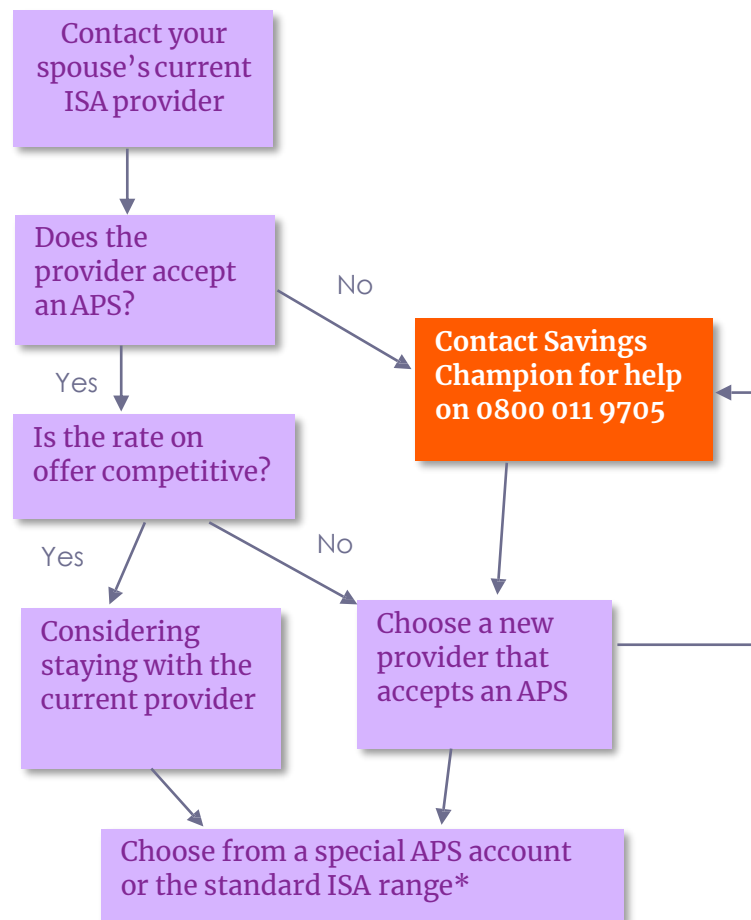
As with any savings account, it is important to get the best rate you possibly can, but be aware that not all providers will allow an APS to be placed with them and so your options may be more limited.

Make sure that the provider you are interested in will accept the funds and then go for the most suitable type of ISA and the highest possible return to make the most of the APS.

A good first step would be to see if your spouse's current ISA provider will accept the APS and, if not, to look for an alternative. The flow chart to the right gives some clear first steps to use as a starting point.

If you need any assistance, do not hesitate to get in touch.

What are the first steps?



*choice varies between providers

For further assistance, get in touch

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