

Focusing on:

Using an Additional Permitted Subscription ISA allowance

What is an Additional Permitted Subscription?

Introduced in April 2015, additional permitted subscriptions allow a surviving spouse or civil partner to 'inherit' the tax benefits of their deceased partner's ISA. They are one-off ISA allowances available to the surviving spouse or civil partner that can be made in addition to their annual ISA allowance (£20,000 for the 2018/19 tax year). The additional permitted subscription is equal to the total value of the deceased's ISA accounts

Additional permitted subscriptions can be made to a new or existing Cash ISA, Stocks and Shares ISA, Innovative Finance ISA or Lifetime ISA (if eligible, £4,000 per annum limit applies to Lifetime ISAs) – or a combination.

Who is eligible for an additional permitted subscription?

Anyone whose spouse or civil partner died on or after 3 December 2014, provided the couple were living together at the date of death.

How does the process of using an additional permitted subscription start?

The surviving spouse should contact the ISA providers(s) who, following receipt of an original or certified copy of the death certificate, will confirm the value of any additional permitted subscription. It will then be possible to use an additional permitted subscription with this, or another, ISA provider.

What if the spouse or civil partner had ISAs with several providers?

The surviving spouse or civil partner will qualify for an additional permitted subscription with each provider with which their spouse/partner held an ISA. Each additional permitted subscription can either be used with the existing provider or transferred to another provider. Once part of the additional permitted subscription has been used with the existing provider, the remainder cannot be used with a different provider.

Can a deceased spouse's/civil partner's ISA assets be transferred directly into the new ISA?

Yes, for non-cash assets transferred to an ISA with the same ISA provider. The value of assets at the time the transfer is made counts towards the APS allowance limit.

The option of a subscription of shares and funds is not available if the surviving spouse or civil partner makes an additional permitted subscription to an ISA manager other than the one who held the deceased's ISA, it must be made in cash.

Payments in cash can be made to any type of ISA in the usual way, including by cheque or bank transfer, and do not have to be made using the money from the inherited ISA.

What if the assets in the ISA have risen/fallen in value?

If the death of the spouse or civil partner occurred before 6 April 2018 it is not possible to subscribe any increase in the value of the ISAs. The ISA and tax advantages cease meaning any returns generated by the underlying investments after death could be taxable.

If the death occurred on or after 6 April 2018 the APS will normally be the value of cash or investments passed on, or the value of the ISA on the date of death – whichever higher. The ISA becomes a 'continuing account of a deceased investor' or a 'continuing ISA' for short. No money can be paid into it from this point, but it will continue to benefit from the tax advantages of an ISA, so any growth, income or interest will remain tax-free.

If the value decreases, the assets can all be transferred and a cash subscription made to 'top up' to the value at the date of death.

What happens to the investments in the deceased's ISA?

For 'continuing ISAs' active management of the investments already held within the account may continue. However, it is not possible to request the transfer to an alternative ISA manager; nor is it possible to change a Stocks & Shares ISA into a Cash ISA or vice versa with the same ISA manager.

Is there a time limit to use an additional permitted subscription?

For cash subscriptions the additional permitted subscription is available for three years after the date of death, or for up to 180 days after the administration and distribution of estate assets is complete – whichever is the later. For deaths between 3 December 2014 and 5 April 2015, the time limit began on 6 April 2015.

Transfers of non-cash assets must be made within 180 days of ownership of the ISA's passing to the surviving spouse or civil partner.

How to use an additional permitted subscription with Charles Stanley Direct

To apply for an additional permitted subscription ISA with Charles Stanley Direct please contact our Helpdesk on 0131 550 1234 for the forms.

This document is not personal advice based on your circumstances. If you are unsure about the suitability of utilising an additional permitted subscription ISA allowance please seek professional advice.

Contact us to find out how we can help you:

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Important information

Investors should note that the value of investments, and the income from them, can go down as well as up and there is a risk to the capital invested. You may not recover what you invest.

This factsheet has been provided for information purposes only and does not constitute advice or a personal recommendation, nor does it constitute an invitation to purchase or sell units or shares. Investments or investment services referred to may not be suitable for all recipients as the appropriateness of a particular strategy will depend on an investor's individual circumstances or objectives.

This document is based on our understanding of UK tax provisions at the date of publishing, which may change in the future. It is always important to seek advice on the suitability of subscribing to an ISA, because this will depend on your individual circumstances. Current legislation suggests that an ISA would be less suitable for you if you are a nil or low-rate income tax payer. If you would like to take advice on whether an ISA is the right type of account for your circumstances, and you do not already have a Financial Adviser, we will be happy to introduce you to an adviser in our Financial Planning department.

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