



ISAs explained

Our Q&A aims to answer your questions about ISAs, to help you make the most of your tax efficient savings allowances



What is an ISA?

ISA stands for Individual Savings Account. An ISA is a way of holding savings or investments without paying personal tax on interest received, or on the growth of your investment.



What kinds of ISA are there?

- **Cash ISA**
A type of savings account, where any interest received is tax-free
- **Stocks & Shares ISA**
A 'wrapper' for investments, where any investment growth is tax-free
- **Innovative Finance ISA**
A 'wrapper' specifically for peer-to-peer investments, where any interest received is tax-free
- **Help to Buy ISA**
A regular savings Cash ISA, where the government will add up to £3,000 if you have contributed £12,000 yourself
- **Lifetime ISA**
A type of Cash or Stocks & Shares ISA available to the under 40s from 06 April 2017, designed to help people save for their first home, or for their retirement. Any interest received or investment growth is tax-free. Savings of up to £4,000 per year will be matched by a contribution of up to £1,000 from the government; any savings above that amount will not receive any additional bonus
- **Junior ISA**
A type of cash ISA where parents can save up to £4,368 per year tax-free for the child. The child gains access to the money at the age of 16, and the account becomes a standard cash ISA at the age of 18
- **Inheritance ISA**
A cash ISA specifically for widows, widowers or bereaved civil partners, where the deceased's ISA can be transferred across into the surviving partner's name, in addition to their own annual allowance.



How much can I save into a Cash or Stocks & Shares ISA?

There is a limit for how much new money you can place into these ISAs each year. For the 2019-2020 tax year, that amount is £20,000.



What are the tax year dates?

The tax year starts on 06 April each year, and runs to the following 05 April.



Do I have to use the same ISA provider each year?

No. Your options start afresh each tax year. If you contributed to an ISA with a company in any particular year, you're not committed to using them again in the future – you could choose a new company for each year's ISA contributions if you wanted to.



Can I save into more than one ISA during the same tax year?

You can contribute to one Cash ISA, one Stocks & Shares ISA, and/or one Innovative Finance ISA per tax year (so you could contribute to one, two or three types during the same tax year if you wanted to). Whilst you could choose a different company for each one of these ISAs, you can't contribute to the same type of ISA with two different companies during the same tax year – for example, if you make a contribution to your existing Cash ISA provider during a tax year, you can't then also make a contribution with a different Cash ISA provider in the same tax year. Your total contributions during the tax year can't exceed the annual ISA contribution allowance.



Can I transfer any existing ISA savings to a new ISA provider?

Subject to each ISA provider's terms, you can transfer existing ISA savings to a different ISA provider – and as the value being transferred relates to contributions made in a previous tax year, any transfer is in addition to your current annual contribution allowance. A transfer of contributions made in the current tax year must be made in full; ISAs built up in previous years can be transferred partially or in full, but this again may be subject to the terms of the provider that currently holds the ISA.

If you are considering transferring an existing ISA, you should contact the provider to whom you wish to make the transfer first; they will then arrange for the transfer value to be requested from your existing provider. If you withdraw the existing ISA value and send it to the new provider, this would make the existing value lose its ISA status, which would then mean it would be classed as a new contribution again – which might mean that you exceed the current year's annual contribution allowance.



Can I transfer one type of ISA into another type of ISA?

Yes. For example, you could transfer an existing Cash ISA into a Stocks & Shares ISA with a different provider.



Can I withdraw money from an ISA?

Subject to the ISA provider's terms allowing withdrawals to be made, you can make withdrawals from your ISA. An example of when you might not be able to make a withdrawal is if you put money into a fixed-term savings account, but not yet have reached the end of the term.

If a withdrawal is made, that money loses its ISA status; if it is then put into a new ISA, it will count towards the current year's annual contribution allowance. The exception to this is if you make a withdrawal from a Cash ISA that you are contributing to in the current tax year; if that's the case, you can replace the money you have withdrawn without it counting towards your annual ISA contribution allowance, providing that you do this during the current tax year.



What happens to my ISA if I die?

If you die, a surviving spouse or civil partner is eligible for a one-off additional ISA contribution allowance that is equivalent to the value of the deceased person's ISA at their time of death; this is referred to as an 'additional permitted subscription', or APS allowance. This additional allowance is available even if the actual ISA value is bequeathed to someone else in your will (the benefits themselves will lose their ISA status). To allow time for the administration of more complex estates to be completed, ISAs can retain their tax-free status for up to 3 years the date of death.

Want to find out more about Castle Trust's Fortress Bond ISAs?



Call us on (Freephone) 0808 164 5000



Visit www.castletrust.co.uk/investments

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