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advice

A revamp for individual savings accounts



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Foreward

Abacus Advice helps you to look ahead, preparing and planning for a better future.

Most of you reading this will know me but hopefully this and subsequent articles will reach a wider audience if I can persuade you to pass this on to family, friends and colleagues.

Abacus Advice is a small firm of financial advisers directly authorised by the Financial Conduct Authority, providing quality financial advice to individuals, companies and trusts.

Financial advice can be complex, so I do my best to make it as digestible as possible.

Call me on **01892 320449** or email **mike@aalttd.co.uk** if you have any questions.

In April, ISAs will celebrate their 25th birthday. However, the ISA was hardly a new-born back in 1999, as it was effectively a reworking of two previous tax-favoured savings plans – the personal equity plan (PEP) and tax exempt special savings account (TESSA).



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From 6 April 2024, individual savings account (ISA) rules will be changing, mostly for the better.

In April, ISAs will celebrate their 25th birthday. However, the ISA was hardly a new-born back in 1999, as it was effectively a reworking of two previous tax-favoured savings plans – the personal equity plan (PEP) and tax exempt special savings account (TESSA).

Over the years, successive governments have tweaked the ISA rules and added new variants so now there are arguably five types of ISA:

- Cash ISA;
- Stocks and shares ISA;
- Innovative Finance ISA;
- Lifetime ISA; and
- Junior ISA.

In addition, there are Help to Buy ISAs that can no longer be opened, although contributions can be made to existing accounts until November 2029.

Ahead of last November's Autumn Statement, there were plenty of rumours about how the Chancellor would reform and revitalise ISAs, including an increase to the £20,000 overall subscription limit, frozen since April 2017. In the event, Mr Hunt left subscription limits untouched, but made some useful administrative changes, due to take effect from 6 April 2024:

- It will be possible to make multiple subscriptions to the same type of ISA in a tax year. Currently the rule is one ISA of each type, each tax year.
- Partial transfers of current tax year ISAs will be possible. At present, the entire subscription must be transferred.
- You will no longer need to complete a new ISA application for an existing ISA that received no subscription in the previous tax year.
- The range of investments for the Innovative Finance ISA will be extended.

There will also be discussions with ISA managers about allowing fractional shares within ISAs, a hot topic for some ISA investors who want to hold US technology company shares. Such companies often have a 'lumpy' share price – Apple shares cost over £150 each.

A downside change from 6 April is that 16- and 17-year-olds will no longer be able to invest up to £20,000 in a Cash ISA, as well as being eligible for a £9,000 Junior ISA.

The single and possibly most significant ISA incentive that the Chancellor did not mention is that from April both the dividend allowance and the capital gains tax (CGT) annual exemption will halve (to £500 and £3,000 respectively). ISAs remain free of UK income tax and CGT. ■



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How will my finances be affected?

If you want to discuss how this could affect your finances, please contact us for more information.

We look forward to hearing from you.



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The value of your investment and any income from it can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

Investors do not pay any personal tax on income or gains, but ISAs do pay unrecoverable tax on income from stocks and shares received by the ISA managers.

Stocks and Shares ISAs invest in corporate bonds; stocks and shares and other assets that fluctuate in value.

Tax treatment varies according to individual circumstances and is subject to change.

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