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**The UK ISA
slides into
view**



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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@aaltd.co.uk** if you have any questions.

The latest HMRC data show that just over 800,000 investors subscribed the maximum to a stocks and shares ISA in 2021/22.



The UK ISA slides into view

One of the many well-trailed announcements in the Spring Budget was the launch of a UK ISA. However, both its arrival and interest may be uncertain.

Alongside the Budget, the Treasury published a consultation paper on a possible fifth ISA variant, the UK ISA. To quote the paper, the rationale behind the UK ISA is “to give people the opportunity to invest and benefit from the UK’s vibrant capital markets and high-growth companies”.

What the new ISA will look like is unclear at present:

- The maximum contribution is set at £5,000 per tax year, in addition to the current £20,000 general ISA limit. By an odd coincidence, that general limit would now be a little over £25,000 had it been index-linked since its last increase in April 2017.
- Investments could include shares in UK-registered and -listed companies, corporate bonds issued by those companies, and UK government bonds and collective funds (e.g. unit trusts). Similar to the Personal Equity Plans (PEPs) launched in 1988, the government may require at least 75% of collective fund holdings to be in UK companies.
- Holdings of cash would be restricted, with possible disincentives such as tax levied on any interest received – again similarly to PEPs.
- To maintain the UK focus of the new plan, transfers out would be limited to other UK ISAs. The government is undecided on transfers in and is seeking views: they could be banned or unrestricted.
- Whereas the one-ISA-of-each-type-each-year has at last been abandoned for general ISAs, the consultation paper suggests that it could reappear for the UK ISA because it “could be simpler for

investors...[and] also lower the risks of investors subscribing over the UK ISA limit”.

The latest HMRC data show that just over 800,000 investors subscribed the maximum to a stocks and shares ISA in 2021/22. Investment Association data, which is less comprehensive, shows that in 2022/23 there was a net outflow from ISAs of £2,339 million, a trend that has grown since, with only April 2023 seeing a net inflow.

These figures suggest limited potential interest in the UK ISA, if and when it launches. Meanwhile, the existing ISA looks a superior offering as the new tax year gets underway: better tax benefits (no tax on cash interest), much greater investment flexibility and a £20,000 investment limit. ■

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

The Financial Conduct Authority does not regulate tax advice.

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.

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

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If you want to discuss your finances or business, please contact us on **01892 320 449** or email **info@aaltd.co.uk** for more information.

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We look forward to hearing from you.



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