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INDIVIDUAL SAVINGS ACCOUNT (ISA)

HAVE YOU FULLY USED YOUR 2013/14 ISA ALLOWANCE?



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In times like these, every penny counts. Interest rates are at historic lows and rising inflation can erode our buying power. But one way to mitigate these effects is to shield savings from tax by investing through an Individual Savings Account (ISA).

A flexible 'wrapper'

An ISA is not itself an investment – it's a flexible 'wrapper' under which a wide range of investments can be made, and the proceeds free of capital gains or income tax. You can choose from two types of ISA – Stocks & Shares ISAs (shares, bonds or funds based on shares or bonds) and Cash ISAs. Stocks & Shares ISAs are also known as Equity ISAs.

Your questions answered

Here are answers to some of the most common questions we get asked about ISAs:

Q. What is an ISA?

A. ISAs began on 6 April 1999. With an ISA you are entitled to keep all that you receive from that investment and not pay any tax on it. You can save up to £11,520 in the current 2013/14 tax year. A tax year runs from 6 April to 5 April in the following year. The ISA scheme provides different ways of saving to meet people's different needs. You can plan for the short term or put your money away for much longer.

Q. What are the different types of ISA?

A. There are two types of ISA: Cash ISAs and Stocks & Shares ISAs. In each tax year you can put money, up to certain limits, into one of each. Cash ISAs may be suitable for short-term savings, so that you can get at your money easily. Stocks & Shares ISAs may be appropriate if you can afford to leave your money untouched for longer than, say, five years.

Q. Can I have an ISA?

A. You have to be aged 16 or over to open a Cash ISA, or 18 or over to open a Stocks & Shares ISA. You also have to be resident and ordinarily resident in the UK for tax purposes, or a Crown employee, such as a diplomat or a member of the armed forces, who is working overseas and paid by the government. The spouse, or civil partner, of one of these people can also open an ISA. You cannot hold an ISA jointly with, or on behalf of, anyone else.

Q. How many ISAs can I have?

A. There is a limit to the number of ISA accounts you can subscribe to each tax year. You can only put money into one Cash ISA and one Stocks & Shares ISA. But, in different years, you could choose to save with different managers. There are no limits on the number of different ISAs you can hold over time.

Q. How much can I put into ISAs?

A. In the tax year 2013/14, which ends on 5 April 2014, you can put in up to £11,520 into ISAs. Subject to this overall limit, you can put up to £5,760 into a Cash ISA and the remainder of the £11,520 into a Stocks & Shares ISA with either the same or another provider.

So, for example, you could put:

ISA option	Total ISA investment allowed in the tax year 2013/14
Cash ISA only	£5,760 maximum in a Cash ISA
Stocks & Shares ISA only	£11,520 maximum in a Stocks and Shares ISA
Cash ISA and Stocks & Shares ISA	No more than £5,760 in a Cash ISA and the balance in a Stocks and Shares ISA up to a combined total of £11,520



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This 2013/14 tax year you can shelter up to £11,520 from tax by investing in an ISA.



Q. What are the tax benefits of an ISA?

A. You pay no tax on any of the income you receive from your ISA savings and investments. This includes dividends, interest and bonuses. UK dividend income has been taxed at source at the rate of 10 per cent and this cannot be reclaimed by anyone. You pay no tax on capital gains arising on your ISA investments (losses on ISA investments cannot be allowed for Capital Gains Tax purposes against capital gains outside your ISA). You can take your money out at any time without losing tax relief. You do not have to declare income and capital gains from ISA savings and investments or even tell your tax office that you have an ISA.

Q. Can I put money into an ISA for my child?

A. Junior ISAs are a popular way for family and friends to build up tax-efficient savings and investments to help with the cost of university, provide a deposit for a house or simply give children a start in life. Any child resident in the UK qualifies who wasn't eligible for a Child Trust Fund (CTF):

- Children born on or after 3 January 2011
- Children (aged under 18) born on or before 31 August 2002
- Children born on or between 1 September 2002 and 2 January 2011 who didn't qualify for a Child Trust Fund. Most children born between these dates did qualify for a CTF

The current maximum allowance per child per tax year is £3,720. The account is held in the child's name and a parent or guardian can open and manage the child's account. Once a parent or guardian opens the account

for their child, anyone, friend or family, is able to make a contribution up to the annual limit. No withdrawals are permitted until the child reaches the age of 18, at which point their account is automatically converted into an 'adult' ISA giving them full access to their investments and savings.

Let us help you make the right ISA choice

This 2013/14 tax year you can shelter up to £11,520 from tax by investing in an ISA. To discuss how we could help you save tax and make more of your ISA investments, please contact us.

Tax benefits may vary as a result of statutory change and their value will depend on individual circumstances. This is for your general information and use only and is not intended to address your particular requirements. It should not be relied upon in its entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, Goldmine Media cannot guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.