



ISA Bulletin

Number 57

19 March 2014

The ISA Bulletin keeps ISA managers informed of any new developments relating to the ISA scheme. Please ensure the appropriate people in your organisation read it.

We suggest that you keep Bulletins at the front of your copy of the Guidance Notes for ISA Managers.

This Bulletin contains articles on

- Budget 2014 ISA announcements
- Draft changes to the ISA Guidance Notes to reflect Budget announcements
- Investor FAQs on Budget changes
- ISA regulations - amendments

Enquiries on this bulletin should be addressed to

e-mail: savings.audit@hmrc.gsi.gov.uk

Budget 2014 ISA announcements

The New ISA

From 1 July 2014 ISAs will be reformed into a simpler product, the New ISA (NISA). All existing ISAs will become NISAs and account holders will benefit from new flexibility in relation to their accounts, as well as an increased overall subscription limit of £15,000. NISA savings can be held in cash or stocks and shares in any combination that the saver wishes. The Government is changing the name to reflect the significantly increased limits and flexibility associated with the NISA.

ISA managers may however continue to use existing branding and account materials if they wish.

NISA and Junior ISA Subscription Limits

From 1 July 2014 the overall NISA subscription limit for 2014-15 will be £15,000. New subscriptions can be split in any proportion between Cash and Stocks and Shares NISAs as the saver chooses. However, a saver will only be able to pay into a maximum of one Cash NISA and one Stocks and Shares NISA each year.

Any subscriptions made to an ISA since 6 April 2014 will count against the NISA subscription limit for 2014-15, and account holders who have paid into a Cash or Stocks and Shares ISA since 6 April 2014 will not be able to open a NISA of the same type before 6 April 2015. These account holders can make additional payments - up the NISA subscription limit - into their account(s) opened since 6 April 2014 or by transferring their account(s) to another provider that will allow additional amounts to be added.

From 1 July 2014, savers aged 16 to 18 will be able to subscribe up to the £15,000 limit to a Cash NISA, but will still be unable to open a Stocks and Shares account.

The amount that can be paid into a Junior ISA for 2014-15 will be increased to £4,000 from 1 July 2014.

NISA Transfers

From 1 July 2014, ISA rules will permit account holders to transfer savings between Stocks and Shares and Cash NISAs.

- Any previous year's savings (i.e. amounts paid in before 5 April 2014) can be transferred in whole or in part between Stocks and Shares and Cash NISAs as the account holder wishes, subject to the agreed terms and conditions of their account.
- Savings made in the current year (i.e. amounts subscribed after 6 April 2014) can only be transferred as a whole, and cannot be split.

Investments that qualify for a Stocks and Shares NISA

From 1 July 2014, the qualifying requirements for investments in a Stocks and Shares NISA, which provide that certain investments:

- are subject to the 5 per cent 'cash-like' test, or
- must have at least 5 years to run to maturity at the time they are first held in an ISA

will be removed (see ISA Guidance paragraphs 7.12 and 7.39). So, for example, short-dated securities (such as retail bonds) acquired after this date can be held in a Stocks and Shares NISA, provided the requirements in relation to listing are satisfied.

Any investments which did not satisfy the 5 per cent 'cash-like' test before 1 July 2014 and are held in a Cash ISA can continue to be held in a Cash NISA after 1 July 2014.

From 1 July 2014, investors will also be able to acquire Core Capital Deferred Shares issued by building societies in a Stocks and Shares NISA.

In addition, from that date, cash held in a Stocks and Shares NISA need not be held for the purpose of investing in qualifying investments. Any interest arising on this cash will not be subject to a flat rate charge of 20 per cent.

Peer-to-peer lending and securities offered via crowdfunding platforms

The Government intends to enable peer-to-peer loans to be held within a NISA and will consult on how to implement this later this year. The Government will also explore extending NISA eligibility to debt securities offered via crowdfunding platforms.

Draft changes to the ISA Guidance Notes to reflect Budget announcements

The changes announced in the Budget will be included in amendments to the ISA regulations which will be made before 1 July 2014 when the changes take effect. A draft version of the ISA Guidance Notes is attached to this bulletin and it reflects the changes that have been announced. The changes to the version of the [Guidance published in February 2014 are all highlighted](#).

If you have any comments of the draft changes can you please send them to the email address on page 1. An updated 'final' version of the Guidance will be published on the HMRC website once the regulations are laid.

Investor FAQs on Budget changes

[The Investor FAQs on budget changes](#).

ISA regulations – amendments

ISA amendment regulations have been laid – Statutory Instrument SI 2014/654 - and this is available at <http://www.legislation.gov.uk/ukxi/2014/654/contents/made>.

The amendments are:

- The overall ISA subscription limit is increased from 6 April 2014 to £11,880, up to £5,940 or which can be subscribed to a Cash ISA
- The Junior ISA subscription limit is increased from 6 April 2014 to £3,840
- The definition of a 'European Institution' which can act as an ISA manager, has been amended to reflect changes in FSMA 2000

- Terminology used in the ISA regulations has been updated to reflect the Mental Capacity Act 2005
- Updates now take account of the Welfare Reform Act 2012 (which affects early access to the Junior ISA of a terminally ill child)
- Definitions have been updated, for example bank and investment trust
- The new reporting requirement for shares admitted to trading on a recognised stock exchange in the EEA is included

The draft Guidance attached above reflects these changes.