

Investor died before 5 April 2018 example

Mr Green dies on 5th August 2016. He held a cash ISA with Betterhomes Building society. The manager is notified of Mr Green's death on 5th October 2016. The ISA wrapper is removed.

Interest is payable yearly on 31 December. The interest paid on 31 December 2016 of £120 is apportioned into:

- interest accrued up to and including the date of death (£70), which is treated as arising in the ISA, is not liable to tax and is paid without deduction of tax) and
- interest accrued from the date of death to 31 December 2016 (£50) which is not exempt from income tax under the ISA rules but is paid without deduction of tax (following the ending of the Tax Deduction Scheme for Interest from 6 April 2016).

In due course (once the manager has received the documentation specified in his terms and conditions) the former ISA is closed and the funds are paid to the personal representatives.

The funds paid to the personal representatives include the interest of £120 paid on 31 December 2016 and closing interest of £30 which has accrued from 1 January 2017 to the date of closure.

If the events had happened 12 months earlier i.e. before 6 April 2016, the £80 (£50 + £30) interest accrued and paid after the date of death would have been paid under deduction of tax, and the manager would have given the personal representatives a section 975 ITA 2007 certificate (a sample certificate is included at Appendix C) for 2015-16 in respect of the interest accrued and paid after the date of death. It shows gross interest £80 (£50 + £30), tax deducted £16 and net interest £64.

Investor died after 5 April 2018 example

Mrs Brown dies on 25 April 2018. She held a cash ISA with Trust Us Bank. The manager is notified of Mrs Brown's death on 5 October 2018. The ISA wrapper is not removed.

Interest is payable yearly on 31 December. The interest due on 31 December 2018 of £120 is paid within the ISA and is payable without deduction of tax.