



HM Revenue  
& Customs

## **Individual Savings Accounts: transfer of benefits to surviving spouse or civil partner upon death**

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### **Who is likely to be affected?**

Spouses or civil partners of deceased Individual Savings Accounts (ISA) savers.

Banks, building societies and other financial institutions that offer ISAs.

### **General description of the measure**

This measure will enable the spouse or civil partner of a deceased ISA saver to benefit from an additional ISA allowance, and therefore to have more of their savings tax advantaged. Individuals will be permitted to save an additional amount in an ISA (or ISAs), up to the value of their spouse or civil partner's ISA savings at the date of death, without this amount counting against the normal ISA subscription limit.

### **Policy objective**

The measure will recognise that many couples save from joint income, and will help bereaved individuals secure their financial future and enjoy the tax advantages they previously shared, following the death of their spouse or civil partner.

### **Background to the measure**

This measure was announced at Autumn Statement 2014.

This Tax Information and Impact Note (TIIN) updates the TIIN published on 20 January 2015.

### **Detailed proposal**

#### **Operative date**

The measure will have effect from 6 April 2015 in respect of deaths on or after 3 December 2014.

#### **Current law**

The rules which apply to ISA accounts are set out in the Individual Savings Account Regulations 1998 (SI 1870/1998) (ISA Regulations). These regulations limit the amount which can be subscribed to an ISA in a given tax year, require ISA subscriptions to be made in cash (subject to specified exceptions) and provide that an individual may subscribe to a maximum of one cash ISA and one stocks and shares ISA in each tax year. ISA Regulations also set out the circumstances in which a subscription must be disregarded for the purposes of the annual ISA subscription limit. Requirements in relation to the annual reporting of information by ISA providers to HM Revenue and Customs (HMRC) are also set out in these regulations.

The effect of the current rules is that when an ISA saver dies, their spouse or civil partner can only invest any inherited savings in their own ISA subject to the normal annual subscription limit. In addition, an individual cannot transfer to their own ISA any non-cash assets (such as stocks and shares) they inherit from a deceased spouse or civil partner.

### Proposed revisions

The ISA Regulations will be amended to provide an additional ISA allowance for the spouse or civil partner of an ISA saver who died on or after 3 December 2014. The amount of this allowance will be equal to the value of the deceased person's ISA savings at their date of death, and will be in addition to the surviving spouse or civil partner's normal ISA subscription limit. Regulations will set out the time period within which this additional allowance can be used, as well as other rules, including those concerning:

- the eligibility of the surviving spouse or civil partner to the additional allowance
- the process for making additional subscriptions; and
- the option, in certain circumstances, for an individual who is eligible for the additional allowance to transfer to their own ISA non-cash assets previously held by their deceased spouse or civil partner

HMRC's reporting requirements for ISA providers will also be updated to reflect the entitlement of the surviving spouse or civil partner to this additional allowance.

### Summary of impacts

Exchequer impact (£m)	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020
	nil	negligible	negligible	-5	-10	-10
	These figures are set out in Table 2.3 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.					
<b>Impact on individuals, households and families</b>	<p>Approximately 150,000 married ISA holders die each year (equivalent figures are not available for civil partners). The change will benefit spouses or civil partners of ISA holders who die on or after 3 December 2014, by increasing the amount that they can save with tax advantages in an ISA.</p> <p>No individual or estate will face additional tax costs as a result of this change, which is expected to provide most benefit to older people and people whose spouse or civil partner had significant ISA savings.</p> <p>Any additional administrative costs for individuals will depend upon their circumstances and whether they choose to take advantage of the additional allowance.</p> <p>The measure is not expected to affect family formation, stability or breakdown.</p>					

<b>Equalities impacts</b>	The measure is expected to provide a greater benefit to older women who were married or in a civil partnership. It will not apply to people in non-formalised relationships. No detailed evidence on ISA holdings by individuals with protected characteristics is available, although it is not anticipated that the measure will impact adversely on groups sharing protected characteristics.
<b>Impact on business including civil society organisations</b>	<p>The changes will affect banks, building societies and other financial institutions that offer ISAs. Many could benefit from additional ISA business as a result.</p> <p>Subscriptions made under the additional ISA allowance available to spouses and civil partners will require administration by ISA providers. HMRC recognises that the around 500 authorised ISA providers will face one-off costs as they make necessary changes to their systems and processes, however these are expected to be less than £3 million in total.</p> <p>This change creates some ongoing administrative burdens and costs for providers – including those associated with processing and reporting on subscriptions, supplying information to other ISA providers, opening accounts and checking eligibility. ISA providers will also be required to provide an eligible spouse or civil partner with information about a deceased saver’s ISA in certain circumstances. These ongoing burdens are not anticipated to be significant given the number of ISA providers and the low number of additional subscriptions that are expected each year. In addition, some of the information that providers will need to verify eligibility, process these subscriptions, and satisfy the relevant information requirements, will already be available to them.</p>
<b>Operational impact (£m) (HMRC or other)</b>	The overall additional costs/savings for HMRC in implementing this change are anticipated to be negligible.
<b>Other impacts</b>	<u>Small and micro business assessment:</u> the impact upon small businesses is not expected to differ significantly from the impact upon other businesses, as set out above. Other impacts have been considered and none have been identified.

### Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups.

### Further advice

If you have any questions about this change, please contact Simon Turner on Telephone: 03000 546588 (email: [simon.turner@hmrc.gsi.gov.uk](mailto:simon.turner@hmrc.gsi.gov.uk)).

**Declaration**

David Gauke MP, Financial Secretary to the Treasury, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.