

## Explanatory Note

# Clause 21: Individual investment plans of deceased investors

## Summary

1. This clause will allow regulations made by HM Treasury to provide that Individual Savings Accounts (ISA) can retain their tax-advantaged status following the death of the account holder.

## Details of the clause

2. Subsection (1) adds new section 694A, concerning deceased investors, to Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA). This Chapter enables HM Treasury to make regulations for the establishment and operation of individual investment plans, such as ISAs, and for the exemption from income tax of income arising from such plans.

### *Section 694A Deceased Investors*

3. New section 694A(1) enables regulations to exempt from income tax the income of any person from 'administration-period investments' under a plan. It also allows regulations to exempt income from an estate that contains such investments. These provisions will allow regulations to exempt ISA income received by, for example, the personal representative of a deceased account holder or the beneficiary to whom that ISA income is distributed.
4. New sections 694A(2) and (3) modify the meanings of 'individual' and 'investor' for certain provisions within Chapter 3 of Part 6 of ITTOIA, when these apply to administration-period investments.
5. New sections 694A(4) and (5) define 'administration-period investments'.
6. New sections 694A(6) to (8) will allow regulations to set out when investments are administration-period investments, and allow these regulations to be framed with reference to the completion of the administration of an estate.
7. Subsection (2) of the clause amends section 151(2) of the Taxation of Chargeable Gains Act 1992 (TCGA), to allow regulations to be made which provide relief from capital gains tax in connection with individual investment plans (referred to in TCGA as 'personal equity plans'). The regulations correspond to those concerning income tax provided for by new section 694A of ITTOIA.
8. Subsection (3) amends section 62 of TCGA to allow regulations to be made which apply in place of section 62(4)(b) when an asset is acquired by a legatee in certain circumstances. Such regulations may, for example, make provision concerning the time that a legatee is treated as

having acquired a former ISA asset, or the consideration the legatee is treated as having given for the asset, or both.

9. Subsection (4) makes consequential amendment to the Finance Act 2011.

## Background note

10. ISA tax advantages currently cease when an account holder dies. Autumn Statement 2015 included an announcement that these tax advantages would be extended into the administration of the ISA saver's estate. The effect of regulations made under this clause will be that, subject to certain time limits, personal representatives and beneficiaries or legatees should not face tax on any income or gains from investments retained in an ISA during the administration of a deceased saver's estate.
11. Since 6 April 2015, the surviving spouses or civil partners of ISA savers have benefited from an additional ISA allowance, equal to the value held in ISA when the deceased saver died. These changes will complement this additional allowance for surviving spouses and civil partners.
12. The government intend to use the powers within this clause to amend the Individual Savings Account Regulations 1998 (S.I. 1998/1870) during 2016 to 2017, following consultation.
13. If you have any questions about this change, or comments on the legislation, please contact Helen Williams on 03000 585204, email: [savings.audit@hmrc.gsi.gov.uk](mailto:savings.audit@hmrc.gsi.gov.uk)