HM Revenue
& Customs

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

Who is likely to be affected?

Spouses or civil partners of Individual Savings Accounts (ISA) savers who die on or after 3 December 2014.

Banks, building societies and other financial institutions that offer ISAs (also known as 'New 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 ISA, up to the value of their spouse or civil partner's ISA savings at the time 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.

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 account rules for ISA 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 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. The Regulations also set out circumstances in which a subscription is disregarded for the purposes of the annual ISA 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

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

- eligibility for the additional allowance
- which ISA provider can receive the additional allowance subscriptions; and
- the option, in certain circumstances, for an individual who is eligible for the additional allowance to transfer to their own ISA certain non-cash assets previously held by their spouse or civil partner

In most cases, it is anticipated that the additional allowance should be used to subscribe to an ISA offered by the same financial institution that provided the deceased saver's ISA. An eligible individual may use this additional allowance by subscribing to an ISA they already hold, or by opening a new ISA.

HMRC's reporting requirements for ISA providers will also be updated to reflect 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
	0	neg	neg	-5	-5	-10
	These figures are set out in Table 2.1 of Autumn Statement 2014 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.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	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. 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. Any additional administrative costs for individuals will depend upon their circumstances and whether they choose to, or are in a position to, take advantage of the additional allowance. The measure is not expected to affect family formation, stability or breakdown.					
Equalities impacts	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 with protected characteristics.					
Impact on business including civil society organisations	Additional ISA allowances, and changes that permit certain ISA subscriptions to be made other than in cash, could present new commercial opportunities for ISA providers. However, subscriptions made under this additional allowance will require administration, verification and reporting by ISA providers. This will create ongoing administrative burdens and costs – including those associated with processing and reporting on subscriptions, opening accounts and checking eligibility for the additional allowance. However, the overall impact is anticipated to be negligible given the number of subscriptions that are expected under the additional allowance, and the fact that some of the information that providers will need to verify eligibility and process these subscriptions should already be available to them. This assessment will be kept under review alongside responses to the consultation on draft legislation.					

Operational impact (£m) (HMRC or other)	The overall additional costs/savings for HMRC in implementing this change are anticipated to be negligible.
Other impacts	Small and micro business assessment: 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).

Declaration

David Gauke, 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.