

Withdrawal charge example

Mr Jones decides to withdraw £5,000 from his Lifetime ISA.
The withdrawal charge is 25% of £5,000 = £1,250.
Mr Jones receives £3,750 after deduction of the withdrawal charge.
The Lifetime ISA manager retains the sum of £1,250 to be paid to HMRC.

Investor requests specific withdrawal amount example

Miss McDonald needs to receive £3,000 from her Lifetime ISA on 5 May 2019 to buy a car.
The gross amount that needs to be deducted from her account is £4,000.
The withdrawal charge is 25% of £4,000 = £1,000.
Miss McDonald receives £3,000 after deduction of the withdrawal charge.
The Lifetime ISA manager retains the sum of £1,000 to be paid to HMRC.

Exempt withdrawal charge not returned to Lifetime ISA example

Mr Smith withdraws £4,000 from his Lifetime ISA on 10 April 2019 without charge to put towards the costs of purchasing his first residential property.

The withdrawn amount was sent direct to Mr Smith's conveyancer by the Lifetime ISA manager.

His house purchase subsequently falls through but Mr Smith's conveyancer does not return the funds into his Lifetime ISA. The balance remaining in his account is £2,000.

Because the funds are not returned a withdrawal charge is payable and HMRC notify the Lifetime ISA manager of their intention to deduct the charge from the balance in the account.

In order for Mr Smith to receive £4,000 net, a total of £5,333.33 should have been withdrawn from the account (25% of £5,333.33 = £1,333.33, leaving £4,000 net).