

ISA Guidance Notes for ISA Managers

30 June 2020

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How the ISA scheme works for ISA managers

Definitions

ISA stands for Individual Savings Account. ISAs first became available on 6th April 1999. This guidance also contains information on [Junior ISAs](#), which became available from 1 November 2011.

PEP stands for Personal Equity Plan. PEPs first became available in January 1987. The last date on which an investor could subscribe to a PEP was 5 April 1999, but PEPs in existence at that date were allowed to continue. PEPs in existence at 5 April 2008 were reclassified as stocks and shares ISAs.

ISA managers guidance

The ISA managers guidance is for ISA managers. It provides guidance on how to operate the ISA scheme and the rules to be applied from 6 April 2017.

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HMRC contact details

HMRC administers the ISA scheme. If you have any queries about the operation of the ISA scheme, you should e-mail: savings.audit@hmrc.gsi.gov.uk or telephone 0300 200 3300.

For guidance on the submission of annual returns of individual information (permitted returns media), email tpi.c@hmrc.gsi.gov.uk or telephone 03000 582 413.

For claims and returns for Lifetime ISAs, e-mail savings.audit@hmrc.gsi.gov.uk or telephone 0300 200 3300.

For Lifetime API developer support please visit the [developer service](#).

How the ISA scheme works

An ISA is a scheme of investment managed in accordance with the ISA regulations under terms agreed between the ISA manager and the investor. The ISA manager holds investments and claims repayment of income tax deducted at source, by submitting claims to HMRC. Claims in respect of insurance products are made by the insurer providing insurance cover (who may be different to the ISA manager).

From 6 April 2017 investors can subscribe in each tax year to:

- one cash ISA
- one stocks and shares ISA
- one innovative finance ISA
- one Lifetime ISA

Up to 5 April 2017, investors could subscribe in each tax year to:

- one cash ISA
- one stocks and shares ISA
- one innovative finance ISA

Investors do not pay any tax on any of the income they receive from ISA savings and investments. Nor do they pay any tax on capital gains arising on ISA investments. However, losses on ISA investments cannot be allowed for Capital Gains Tax purposes against capital gains outside an ISA.

The legislation

The main legislation is in:

- Sections 694, to 701 [Income Tax \(Trading and Other Income\) Act 2005](#)
- Section 151 [Taxation of Chargeable Gains Act 1992](#)
- [Savings \(Government Contributions\) Act 2017](#)

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The detailed rules are contained in the Individual Savings Account Regulations 1998 (SI 1998 No.1870) as amended (ISA Regs).

Investor enquiries

ISA managers should aim to deal with investor questions about ISAs. Where further guidance on a specific investor query is required the ISA manager may contact HMRC by emailing savings.audit@hmrc.gsi.gov.uk but should ensure the information contained within the email does not disclose information pertaining to the investor.

ISA managers may sign post investors who are seeking generic ISA information on to the GOV.UK website or to the personal tax helpline – 0300 200 3312.

The helpline is open from 8.00am to 8.00pm Monday to Friday; and 8.00am to 4.00pm on Saturdays and Bank Holidays.

Apply to be an ISA manager

Who can manage an ISA?

Only persons (including companies) approved by HM Revenue and Customs (HMRC) can manage an Individual Savings Account (ISA).

To obtain approval to manage an ISA you must:

- be [eligible to manage an ISA](#)
- make an [application](#) to HMRC
- provide evidence to HMRC where necessary

Eligibility to manage an ISA

The following are eligible to manage an ISA:

- authorised person within the meaning of section 31(1)(a) or (c) of, or Schedule 5 to, the Financial Services and Markets Act 2000 who has permission to carry on one or more of the activities specified in Articles 14, 21, 25, 36H, 37, 39G, 40, 45, 51ZA, 51ZC, 51ZE and 53 and, insofar as it applies to any of those activities, Article 64 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, (other than interim permission under Chapter 4 of Part 8 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013) (with evidence demonstrating such permission)
- European institution that carries on one or more of those activities
- credit union that is an authorised person within the meaning of section 31(1)(a) of the Financial Services and Markets Act 2000 who has permission to carry on one or more of the activities specified in Article 5 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001

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- the Director of Savings
- building society
- person falling within section 991(2)(b) or (c) of Income Tax Act 2007 - bank
- insurance company within the meaning given by section 431(2) Income and Corporation Taxes Act 1988 -with evidence of either a notice of authorisation from the Treasury Insurance Directorate or the Friendly Societies Commission (UK insurers) - or a copy of HMRC authorisation under Article 6 of the First Long Term Insurance Directive (foreign insurers)
- incorporated friendly society
- registered friendly society
- an assurance undertaking that is not an insurance company within the meaning given by section 431(2) Income and Corporation Taxes Act 1988, an incorporated friendly society, or a registered friendly society

Definition of terms

Term	Definition
European institution	a European Economic Area (EEA) firm of the kind mentioned in paragraph 5(a) to (d) (f) and (h) of Schedule 3 to the Financial Services and Markets Act 2000 which is an authorised person for the purposes of that Act as a result of qualifying for authorisation under paragraph 12(1) to (4), (6) and (7) of that Schedule
Credit union	a society registered as a credit union under the Industrial and Provident Societies Act 1965 or the Credit Unions (Northern Ireland) Order 1985
The Director of Savings	has the same meaning as in the National Debt Act 1972
Building society	a building society within the meaning of the Building Societies Act 1986, or the Irish Building Societies Act 1989
Insurance company	within the meaning given by section 431(2) Income and Corporation Taxes Act 1988 includes an insurance company that is authorised by the Treasury insurance Directorate to carry out insurance business within the UK an insurance company that is incorporated in, or formed under the law of, an EEA member state other than the UK, whose head office is in a member state, which is authorised in accordance with Article 6 of the First Long Term Insurance Directive, and is carrying on an insurance business in the UK through a branch or agency in the UK
Incorporated friendly society	a society incorporated under the Friendly Societies Act 1992
Registered friendly society	a society within the meaning of the Friendly Societies Act 1992 - it includes a society treated as a registered friendly society by virtue of section 96(2) of that Act
assurance undertaking	an assurance undertaking within the meaning of Article 2 of the Council Directive of 5 Nov 2002 concerning life assurance (No. 2002/83)

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Exclusions

Managers must not be prevented from acting as such by any

- requirement imposed under section 43 of the Financial Services and Markets Act 2000
- prohibition imposed by, or under any rules made by the Financial Conduct Authority (FCA) under that Act

It is not possible for individuals to manage their own ISA, even if they would otherwise be eligible as an ISA manager.

Tax representatives

A manager who is approved as:

- a European institution or a relevant authorised person and who does not have a branch or business establishment in the UK
- a European institution or a relevant authorised person and who does have a branch or business establishment in the UK, but does not intend to carry out all his functions as a manager at that branch or business establishment
- an [assurance undertaking](#)

must do one of:

- appoint a tax representative
- make arrangements with HMRC for some other person to ensure that the duties as a manager are met
- make other arrangements with HMRC to ensure that the duties as a manager are met

A tax representative must be all of the following:

- an individual who is resident in the UK or a company that has a business establishment in the UK
- entitled to act on behalf of the manager in relation to the duties prescribed under the regulations
- responsible for ensuring that the manager meets the duties prescribed under the regulations
- personally liable where the manager fails to meet the prescribed duties, as if the duties imposed on the manager were jointly and severally imposed on them and the manager

The appointment of a tax representative is treated as terminated where HMRC has reason to believe that the tax representative:

- has failed to ensure that the manager met his prescribed duties
- does not have adequate resources to ensure that the duties are met

HMRC will notify the manager of the termination, specifying the date on which the termination is effective.

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Applications for approval as an ISA manager

Those eligible and who wish to be an ISA manager must apply to HMRC for approval. Use this form to [apply for approval as an ISA manager](#) and so offer cash, stocks and shares, innovative finance or Junior ISAs.

Note that the approval process to be a Lifetime ISA manager is different and applicants must follow the instructions set out in [Lifetime ISA](#) guidance.

The applicant must provide all the following:

- full registered name or legal title
- full address, including postcode, to which all communications should be sent
- nature of the business
- capacity in which [eligibility to manage an ISA](#) is claimed
- tax district and reference number to which they submit tax returns or accounts
- name telephone number and email address of one or more individuals appointed to act as liaison officers, to provide day-to-day contact with HMRC
- details of the form in which [returns of information](#) will be submitted
- details of the types of ISA to be offered
- bank account details
- FCA number
- confirmation that the FCA have granted the necessary authorisations

UK insurers should send a copy of their notice of authorisation from the Treasury Insurance Directorate or the Friendly Societies Commission. Foreign insurers should send a copy of their authorisation under Article 6 of the First Long Term Insurance Directive.

HMRC will normally respond to any application for approval within 14 calendar days, will issue a decision and if successful, allocate a reference number for use in all future communications and include the new ISA manager in the next edition of the [list of approved ISA managers](#).

The terms of approval may include conditions designed to ensure that the provisions of the ISA regulations are satisfied. Approval is valid from the date of the notice issued by HMRC. Where HMRC decide not to approve a person they will explain why in writing.

Managers must provide the information before their first claim to HMRC. Guidance on this is available at [information to be supplied before claims are made](#).

List of approved ISA managers

There is an [Individual Savings Account \(ISA\): list of authorised managers](#) that is updated monthly.

The components offered by authorised ISA managers are identified on the list using the following abbreviations

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Abbreviation	Component
C	cash ISA
SS	stocks and shares ISA
IF	innovative finance ISA
C JISA	cash junior ISA
SS JISA	stocks and shares junior ISA
L	lifetime ISA

Subsequent changes to information provided in the application

Where any of the information provided on the application changes:

- change of name
- request to be approved for a different type of ISA (except for [lifetime ISA manager authorisation](#))
- notification of ISA manager cessation

managers should inform HMRC as soon as possible using the [change of information form](#).

If the manager is incorporated, and changes their name, then a copy of the certificate of incorporation on change of name should be attached to the change of details form and sent to HMRC.

Where the ISA manager also offers lifetime ISAs, they must ensure that in notifying HMRC of the changes they make clear they also offer lifetime ISAs to ensure changes are captured to the lifetime ISA Application Programming Interface (API).

HMRC must also be informed of any change of liaison officer, either by the retiring liaison officer, or by an authorised signatory.

If you have any queries on the operation of this process you should contact savings.audit@hmrc.gsi.gov.uk providing the details.

An ISA manager approved for one type of ISA must first seek, in writing, authorisation from HMRC, in writing, before they can manage another type of ISA.

[Worked example of approval for a different type of ISA](#) (PDF, 83.3KB, 1 page)

Lifetime ISA manager authorisation

Until such time as notified by HMRC, the authorisation process described below will be only available via registration for Private Beta described in ISA Manager Bulletin 74.

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To be authorised to offer the lifetime ISA, those already authorised as an ISA manager must take the following steps.

If, as an ISA Manager, you don't already have an organisational Government Gateway account then you will need to create it. ISA managers must seek authorisation to offer lifetime ISAs using the Government Gateway lifetime ISA online service. Details including, but not limited to the following, will be required:

- name of the person making the application and position
- business name
- ISA manager Corporation Tax Unique Taxpayer Reference
- ISA manager Z reference
- FCA number
- address, including postcode
- email address
- telephone number

Once successfully submitted you will receive a message advising that the application is being considered. As part of the process an HMRC officer may contact the named person on the FCA website to confirm that the application has been received and is being processed.

Where authorisation is not granted confirmation will be issued to the ISA Manager.

Where authorisation is granted, an email confirmation will be issued with further instructions in order to complete the process. Further instructions will then be provided in order to obtain an OAuth token. Token activation will enable the lifetime ISA manager to connect to the lifetime ISA API.

The token needs to be updated every 18 months.

Note that a process for those who wish to offer the lifetime ISA but are not already an authorised ISA manager will be notified during 2017 to 2018. In the interim a prospective lifetime ISA manager, who is not already authorised as an ISA manager, should email savings.audit@hmrc.gsi.gov.uk to receive advice on how to proceed.

Ceasing to be a manager

A person will cease as a manager when:

- [HMRC withdraw approval](#)
- they [voluntarily cease](#)
- they [no longer qualify as a manager](#)

Withdrawal of approval by HMRC

HMRC may withdraw approval from an ISA manager if they have reason to believe that they are:

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- failing, or have failed to manage ISAs in accordance with the regulations
- not qualified to act as an ISA manager

HMRC will issue a notice of withdrawal of approval, which will specify the:

- type of ISA
- date from which the approval is withdrawn
- reason for the withdrawal

The notice will explain how to make an appeal against the withdrawal. Managers may appeal within 30 calendar days of the date the notice is issued.

Voluntary cessation

A manager who intends to stop managing ISAs must give notice of their intention to HMRC and to each investor not less than 30 calendar days before the intended date of cessation. The notice to investors must inform them of their right to [transfer their ISAs](#) to another manager.

Involuntary cessation

A person ceases to qualify as an ISA manager when they are [no longer eligible](#) - for:

- individuals, they become the subject of a bankruptcy restrictions order or an interim order
- individuals in Scotland, their estate is sequestrated or they make an arrangement or composition with their creditors
- companies, a resolution has been passed or a petition has been presented to wind it up
- European institutions, relevant authorised persons or [assurance undertaking](#), action corresponding to that in the next bullet point has been taken by or in relation to the institution, person or undertaking under the law of an EEA State
- building society, or person falling within section 991 Income Tax Act 2007
 - ceases to be a building society or to be a person falling within section 991 Income Tax Act 2007, as the case may be
 - the directors have made a proposal under Part 1 of the Insolvency Act 1986 for a composition in satisfaction of its debts or a scheme of arrangement of its affairs
 - an Administration Order is made in relation to it
 - a receiver or manager of its property has been appointed

A manager who has ceased to qualify must inform HMRC and each investor within 30 calendar days of the date he ceased to qualify. The notice to investors must inform them of their right to [transfer their ISAs](#) to another manager.

Returns required on cessation as a manager

A manager who has ceased to manage ISAs must submit:

- an [annual return and tax claim](#) form
- a [return of information](#) see guidance in respect of [lifetime ISAs](#)
- an [annual return of market value statistical information](#)

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- an [annual return of subscription statistical information](#)

for the period from the previous reporting date to the date of cessation.

In the case of involuntary cessation or withdrawal of approval the person appointed to terminate the scheme should perform these duties.

Who can invest in an ISA if you're an ISA manager

Who can subscribe to an ISA?

To be eligible to subscribe to an ISA an investor must be an individual, aged 16 or over (if subscribing to a cash ISA), or 18 or over (if subscribing to a stocks and shares, innovative finance ISA, or a Lifetime ISA).

For Lifetime ISAs other age rules apply to payments into the account; for example an individual may only open a Lifetime ISA under the age of 40 but they may make payments until they reach 50.

The subscriber should be resident in the UK or, if not so resident, be performing duties as a Crown employee serving overseas and paid out of the public revenue of the UK (typically a serving member of the armed forces, or a diplomat), or be married to, or in a civil partnership with, such a person (the [residence qualification](#)). Non-resident investors can, however, make [additional permitted subscriptions](#), [flexible ISA](#) replacement subscriptions, [defaulted cash subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#).

For Lifetime ISAs, only a [defaulted Lifetime ISA subscription](#) or a returned Lifetime ISA withdrawal after the [failure of a first time residential purchase](#) may be made by a non-resident investor.

The investor will not have subscribed to another ISA of the same type in that tax year otherwise than by way of [additional permitted subscriptions](#), [flexible ISA](#) replacement subscriptions, [defaulted cash account subscriptions to a cash ISA](#) and [Help to Buy ISA reinstatement subscriptions](#) (but see [what amounts can be transferred](#) where an ISA is transferred to an ISA of the other type, for example, cash to stocks and shares or stocks and shares to cash).

For a Lifetime ISA, an investor can only pay into more than one Lifetime ISA in a tax year to make a [defaulted Lifetime ISA payment](#) or to return a [Lifetime ISA withdrawal after the failure of a first time residential purchase](#).

The investor should not have exceeded the overall subscription limit or, in the case of a Lifetime ISA, the Lifetime ISA payment limit.

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The residence qualification

To subscribe to an ISA that is not a Lifetime ISA - other than by way of [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) - the investor must meet the residence qualification described in [who can subscribe to an ISA](#). Managers should note that husbands, wives and civil partners do not necessarily have the same residence status.

To make payments to a Lifetime ISA - other than a [defaulted Lifetime ISA subscription](#) or a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#) - the investor must meet the residence qualification described in [who can subscribe to an ISA](#).

The UK means England, Wales, Scotland and Northern Ireland. In particular, it does not include the Channel Islands or the Isle of Man.

Investors must [declare](#) in their applications to subscribe that they meet the residence qualification.

Investors are also under an obligation to notify the ISA manager if they cease to meet the residence qualification because they have become non-resident, have ceased to perform duties as a Crown employee serving overseas, or have ceased to be married to, or in a civil partnership with, such a person.

An existing ISA need not be closed, but no further subscriptions to the ISA can be made - (for accounts other than a Lifetime ISA) other than by way of [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) - unless and until the investor meets the residence qualification again.

For a Lifetime ISA, an existing account need not be closed but no further payments can be made - other than a [defaulted Lifetime ISA subscription](#) and a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#).

Further guidance is below for cases where the [residence position is not confirmed](#).

Under the new residence rules, from 6 April 2013 an individual is either UK resident (regardless of whether split year treatment applies) or not resident for the whole of a tax year. The individual can determine their status by using the [RDR3: Statutory Residence Test](#).

If they are resident they can apply for an ISA and they will be able to subscribe to that ISA for the whole of the tax year. If they are not resident in a later tax year, they can no longer subscribe to the ISA made - other than by way of [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) - until they are again UK resident.

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For a Lifetime ISA, an individual who is not resident cannot make payments to an account - other than a [defaulted Lifetime ISA subscription](#) and a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#).

If an investor has a continuous application in place and they have been non-resident, there will always be a gap year as the period of non-residence must last for a whole tax year and no subscriptions will be possible for that gap year. If the investor again becomes UK resident at a later date they will need to make a fresh ISA application. However, the requirement to make a fresh application does not apply to Lifetime ISAs as the declaration contained within the application form has effect for each year in which the individual makes a payment to the account.

When an ISA manager is notified of a new address overseas, but the investor has not made a declaration that he is non-resident, the ISA manager can continue to accept subscriptions on the basis of the existing (resident) declaration for the remainder of the tax year of leaving the UK. Subscriptions should not be accepted for the following tax year - (for accounts other than Lifetime ISAs) other than by way of [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) - until the investor has confirmed in writing that they expect to be resident in the UK, where appropriate by completing a fresh application (required except for a Lifetime ISA).

As managers will need to flag that subscriptions must not be accepted in the following tax year, they can adopt one of 2 possible approaches.

From the date that they receive notification of the non-UK address, they can tell the investor that any further subscriptions will be refused unless the investor confirms they expect to be resident in the UK for the tax year of departure.

Or they can tell the investor they will continue to accept subscriptions for the tax year of departure unless the investor tells them they expect to be not resident for the tax year.

For a Lifetime ISA, an individual who is not resident cannot make payments to an account - other than a [defaulted Lifetime ISA subscription] and a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#).

If the investor declares in-year that he is not resident, all subscriptions to an account - other than to a Lifetime ISA - other than [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) made in that year must be removed from the ISA. These cannot be reinstated after the year end if the investor later establishes they were, in fact, resident.

For Lifetime ISA, the above rule applies for all payments made to an account in that year - other than [defaulted Lifetime ISA subscription](#) and a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#). However, the ISA manager must first contact

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HMRC before taking voiding action. In addition, any Lifetime ISA bonus received for that year must be returned to HMRC.

If the investor informs the manager that they left the UK in an earlier tax year and became:

- not ordinarily resident (before 6 April 2013), any subscriptions - other than [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) - including any income and/or growth relating to those subscriptions, made after the date they left the UK should be removed from the ISA
- not resident (after 5 April 2013), all subscriptions to an account other than a Lifetime ISA - other than [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) - including any income and/or growth relating to those subscriptions, made in tax years in which they were non-resident must be removed from the ISA

For Lifetime ISAs, the above rule applies for all payments made to an account in those tax years - other than [defaulted Lifetime ISA subscription](#) and a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#). However, the ISA manager must first contact HMRC before taking voiding action. In addition, any Lifetime ISA bonus received for that year must be returned to HMRC.

If the investor declares in-year that he expects to be non-resident, as this is not a categorical declaration of non-residence no subscriptions should be removed (voided). Only if the investor subsequently confirms that they are non-resident should any subscriptions - other than [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) - made in that year be removed.

For Lifetime ISA the above rule applies for all payments made to an account in that year - other than [defaulted Lifetime ISA subscription](#) and a [returned Lifetime ISA withdrawal after the failure of a first time residential purchase](#). However, other than in tax year 2017 to 2018 (due to the [2017 to 2018 rule](#)) the ISA manager must first contact HMRC before taking voiding action; this is because the account may have received a government bonus payment.

Many ISA managers are large organisations with a number of different departments carrying out different functions. Provided ISA managers do not place unnecessary anything in the way of communication between departments, HMRC will not regard information that has not reached the department responsible for operating the scheme as information in the possession of the ISA manager.

Investors who are unsure of their residence status should refer to the [RDR3: Statutory Residence Test](#).

An [online residence indicator](#) is available.

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The ‘one ISA of each type per year’ rule

From 6 April 2017 investors can subscribe in each tax year to one cash ISA, one stocks and shares ISA, one innovative finance ISA and one Lifetime ISA.

Investors cannot subscribe to 2 (or more) cash ISAs, 2 (or more) stocks and shares ISAs, 2 (or more) innovative finance ISAs, or 2 or more Lifetime ISAs in the same tax year.

Where the investor transfers current year subscriptions from one type of ISA to another the subscriptions are treated as if they were made to the receiving ISA. For example, if current year stocks and shares subscriptions are transferred to a cash ISA, they are treated as if they made to the cash ISA so the investor is free to subscribe to a stocks and shares ISA following the transfer - subject to the overall [subscription limit](#).

Prior to 6 April 2017, in each tax year, ISA investors could subscribe to one cash ISA, one stocks and shares ISA, and one innovative finance ISA.

They could not subscribe to 2 (or more) cash ISAs, 2 (or more) stocks and shares ISAs, or 2 (or more) innovative finance ISAs in the same tax year.

The following do not count as subscriptions to accounts other than Lifetime ISA for the purpose of the ‘one ISA of each type per tax year’ rule:

- [additional permitted subscriptions](#)
- [flexible ISA replacement subscriptions](#)
- [Help to Buy ISA reinstatement subscriptions made to a cash ISA](#)
- [defaulted cash account subscriptions made to a cash ISA](#)

In the case of a [flexible ISA](#), withdrawals of current year subscriptions, can effectively be replaced in any current year ISA, but cannot breach the ‘one ISA of each type per tax year’ rule.

For Lifetime ISA, only a [defaulted Lifetime ISA](#) payment and a [returned Lifetime ISA withdrawal after the failure of a first time residential](#) purchase do not count for the purpose of the ‘one Lifetime ISA per tax year’ rule.

Investors’ tax returns

Investors do not have to declare income or gains in an ISA on their tax returns, unless the ISA subscription has been made [void](#).

Capital losses in respect of ISA investments are disregarded for the purposes of Capital Gains Tax.

Corresponding deficiency relief is not allowed on life insurance policies within an ISA.

Death of an investor on or before 5 April 2018

Interest, dividends or gains in respect of investments in an ISA that arise after the date of death of the investor are not exempt from tax (but see [death of an investor](#)). However, there is no loss of exemption on interest or dividends payable or gains which arise on disposals made before the date of [death of an investor](#).

A life insurance policy within an ISA will pay out on the death of the investor. The policy remains part of ISA business until a valid claim is made. Any interest paid by the insurer because of a delay in paying the claim is not exempt from tax and must, where appropriate, be paid or credited under deduction of tax at the basic rate.

Death of an investor on or after 6 April 2018

Any ISA held will be designated a 'continuing account of a deceased investor' and will remain so until the earlier of:

- completion of the administration of the deceased's estate
- closure of the account
- third anniversary of the death of the account investor

There is no requirement for an ISA manager to check with the executors of a deceased investor if/when the administration of the investor's estate has completed.

No subscriptions, including replacement flexible subscriptions, can be made into a 'continuing account of a deceased investor'. However, active management of the investments already held within the account may continue subject to the terms and conditions of the account.

Funds held within a continuing account of a deceased investor continue to benefit from ISA tax advantages. Any interest, dividends or gains in respect of investments in a continuing account of a deceased investor are exempt from tax.

A life insurance policy within an ISA will pay out on the death of the investor. The policy remains part of ISA business until a valid claim is made. If interest is paid into the ISA by the insurer because of a delay in paying the claim the interest will be exempt from tax and can be paid or credited without deduction of tax. If the death proceeds are held outside of the deceased's ISA pending settlement of the claim then any interest paid by the insurer should have tax deducted at the basic rate of tax.

Personal representatives cannot apply to change a stocks and shares ISA into a cash ISA or vice versa with the same ISA manager. They cannot request the transfer of a 'continuing account of a deceased investor' to an alternative ISA manager. However, these accounts can be included as part of a bulk transfer when an ISA manager ceases to qualify or otherwise transfers their ISA book.

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If, after a period of 3 years, the administration of the account is ongoing and the account has not been closed, the account will cease to be a continuing account of a deceased investor. In these circumstances, on the next working day following the third anniversary of the deceased's death, the ISA manager must remove the ISA wrapper from the account and all subsequent income or gains will then become taxable in the hands of the estate.

Information you need from investors when they apply for an ISA

Applications to subscribe to an ISA

Investors must apply to subscribe, or in the case of a lifetime Individual Savings Account (ISA) must apply to make payments, to an ISA. Applications are valid for subscriptions/payments made in:

- the year of application
- each successive year following the year of application, in which the applicant subscribes to the ISA - subject to eligibility rules for each ISA type

This allows, for example, a continuous subscription/payment by direct debit or standing order, provided at least one payment is made in each tax year (but guidance on [applications for a single tax year only](#)).

The frequency, amount, and method of payment are matters for the ISA manager and the investor.

A continuous application made before 6 April 2008 will continue to be valid after that date. Other than for a lifetime ISA, applications cease to be valid at the end of a tax year in which the investor fails to make a subscription. Where this happens, the investor must make a fresh application before subscriptions can re-commence. [Additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted cash subscriptions](#), [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) do not 'frank' a gap year for continuous applications.

Investors must also complete a modified application - a transfer application - where:

- an [ISA is transferred to a new ISA manager](#)
- the [transfer is in respect of a bulk transfer](#)
- a [lifetime ISA is transferred to a new lifetime ISA manager](#)

Applications can be made in writing, electronically or by telephone. No application is necessary to make flexible ISA replacement subscriptions.

Where an investor has made an application to subscribe to an account, other than to a lifetime ISA, but no subscription is made in the tax year to which the application relates, the

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application will remain valid for a subscription in the next tax year (unless the [application is for a single tax year only](#)).

For a lifetime ISA, the application will remain valid for payments in any tax year in which the investor is eligible to subscribe.

See [worked example of application to subscribe to an ISA](#) (PDF, 83.7KB, 1 page) .

Investors under 18

An investor can open a cash ISA in the tax year in which they become 16, but only on or after their 16th birthday.

In the tax year in which they become 18, an investor can apply for:

- a stocks and shares ISA
- an innovative finance ISA
- a lifetime ISA

An investor can only make their first subscription or payment into a Lifetime ISA, or transfer funds from a matured CTF into an ISA or Lifetime ISA on or after their 18th birthday.

Applications in writing

Applications in writing must be made on an application form. ISA managers should produce their own application forms. These must contain the information, declaration and authority set out below. We recommend that managers use the wording in the specimen application forms below.

There are separate application forms for [Cash ISA \(example application form\)](#) (PDF, 292KB, 2 pages) , [Innovative ISA \(example application form\)](#) (PDF, 292KB, 2 pages) , [Lifetime ISA \(example application form\)](#) (PDF, 306KB, 2 pages) and [Stocks and Shares ISA \(example application form\)](#) (PDF, 305KB, 2 pages) .

Applications in writing include faxes of signed application forms, scanned copies of signed application forms attached to emails and email applications with electronic signatures. Electronic signatures are defined in the Electronic Communications Act 2000.

Applications must specify the first tax year to which they relate. They must also include a declaration by the applicant that the application is to subscribe to a cash ISA, a stocks and shares ISA, an innovative finance ISA, or a Lifetime ISA as the case may be.

For example the application could read:

‘I apply to subscribe for a cash ISA for the tax year 20 / and each subsequent tax year until further notice.’

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Or in the case of a Lifetime ISA it could read:

‘I apply to open and make payments to a Lifetime ISA for the tax year 20 /20 and each subsequent tax year in which I make a payment to the account.’

Strictly, the regulations require that the declaration for all investors include the statement that the applicant is 16 years of age or over. However, investors must be 18 years of age or over before they can open a stocks and shares, an innovative finance or a Lifetime ISA. Managers may therefore amend the stocks and shares, innovative finance, or Lifetime ISA declaration by replacing ‘16 years of age or over’ with ‘18 years of age or over’. This convention has been used in the declarations in this guide.

Personal information

Applications must contain the investor’s:

- full name - which does not have to include a middle name or initial - so an application showing Mr John Joseph Bloggs, Mr John J Bloggs or Mr John Bloggs is acceptable but Mr J J Bloggs or Mr Bloggs is not
- permanent residential address, including postcode
- national insurance number, or, for a cash, a stocks and share, or an innovative finance ISA, the manager may accept confirmation from the investor that he or she does not have one (ISA managers should provide a 9 character box to accommodate the format of the [national Insurance number](#) - QQ123456C - this does not apply to Lifetime ISAs where a national insurance number must be provided)
- date of birth (ISA managers should provide an 8 character box so that the investor provides the date in the format DDMMYYYY)

Declaration

Applicants must make a declaration that the information given in the application is correct. The following declarations will satisfy the requirements of the regulations.

For a stocks and shares ISA

‘I declare that all subscriptions made, and to be made, belong to me. I am 18 years of age or over. I have not subscribed/made payments, and will not subscribe/make payments more than the overall subscription/payment limit in total to a cash ISA, a stocks and shares ISA, an innovative finance ISA, and a Lifetime ISA in the same tax year. I have not subscribed, and will not subscribe, to another stocks and shares ISA in the same tax year that I subscribe to this stocks and shares ISA. I am resident in the UK for tax purposes or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings and Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the UK, or I am married to, or in a civil partnership with, a person who performs such duties. I will inform (insert ISA manager’s name) if I cease to be so resident or to perform such duties or be married to, or in a civil partnership with, a person who performs such duties’

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For a cash ISA

'I declare that all subscriptions made, and to be made, belong to me. I am 16 years of age or over. I have not subscribed/made payments, and will not subscribe/make payments more than the overall subscription/payment limit in total to a cash ISA, a stocks and shares ISA, an innovative finance ISA, and a Lifetime ISA in the same tax year. I have not subscribed, and will not subscribe, to another cash ISA in the same tax year that I subscribe to this cash ISA. I am resident in the UK for tax purposes or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings and Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the UK, or I am married to, or in a civil partnership with, a person who performs such duties.

I will inform (ISA manager's name) if I cease to be so resident or to perform such duties or be married to, or in a civil partnership with, a person who performs such duties'

For a stocks and shares ISA

'I declare that all subscriptions made, and to be made, belong to me. I am 18 years of age or over. I have not subscribed/made payments, and will not subscribe/make payments more than the overall subscription/payment limit in total to a cash ISA, a stocks and shares ISA, an innovative finance ISA, and a Lifetime ISA in the same tax year. I am resident in the UK for tax purposes or, if not so resident, either perform duties which, by virtue of Section 28 of Income Tax (Earnings and Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the UK, or I am married to, or in a civil partnership with, a person who performs such duties. I will inform (insert ISA manager's name) if I cease to be so resident or to perform such duties or be married to, or in a civil partnership with, a person who performs such duties'

For a Lifetime ISA

'I declare that all payments made, and to be made, belong to me. Either:

- I am 18 years of age, or over, and under the age of 40
- the account is being opened to receive investments from another Lifetime ISA, a defaulted Lifetime ISA subscription or a returned withdrawal after a failed first time residential purchase.

I have not subscribed/made payments, and will not subscribe/make payments more than the overall subscription/payment limit in total to a cash ISA, a stocks and shares ISA, an innovative finance ISA, and a Lifetime ISA in the same tax year. I have not made current year payments, and will not make current year payments, that exceed the Lifetime ISA payment limit. I have not made current year payments, or transfers from a Help to Buy: ISA, and will not make current year payments, or transfers from a Help to Buy: ISA, to another Lifetime ISA in the same tax year that I subscribe to this Lifetime ISA,

The declaration shall have effect for each year in which I make a payment to the account, and (other than for accounts opened to receive investments from another Lifetime ISA, a defaulted Lifetime ISA subscription or a returned withdrawal after a failed first time residential purchase) I am resident in the UK for tax purposes or, if not so resident, either

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perform duties which, by virtue of Section 28 of Income Tax (Earnings and Pensions) Act 2003 (Crown employees serving overseas), are treated as being performed in the UK, or I am married to, or in a civil partnership with, a person who performs such duties. I will inform (insert ISA manager's name) if I cease to be so resident or to perform such duties or be married to, or in a civil partnership with, a person who performs such duties'.

If the investor is uncertain of their residence position they cannot make an ISA application until they can give an assurance that they are UK resident in the year in which the application is made (see [residence qualification](#)). The ISA must not be opened on a provisional basis.

In order to reduce the possibility of obsolescence of application forms caused by the introduction of further ISA types, the current suggested wording within the declaration - 'I have not subscribed/made a payment to, and will not subscribe/make a payment to, more than the overall subscription limit in total to a cash ISA, a stocks and shares ISA, an innovative finance ISA, and a Lifetime ISA in the same tax year' may be replaced with a generic statement such as - 'I have not subscribed/made a payment to and will not subscribe/make a payment more than the overall subscription limit in total to any combination of permitted ISA types in the same tax year.'

Declarations must also contain:

- a declaration that the information given is correct to the best of the investor's knowledge and belief
- an agreement by the investor to the ISA terms and conditions
- the investor's signature

Authority

Applications must include certain authorities. The following authorities will satisfy the requirements of the regulations:

'I authorise (insert ISA manager's name) to hold my cash subscription/payment, ISA investments, interest, dividends and any other rights or proceeds in respect of those investments and any other cash*. If the ISA is either a cash ISA or Lifetime ISA, invested in a deposit account, alternative wording could be used, such as 'to hold my cash subscriptions/payments and any interest earned on those subscriptions/payments', to make on my behalf any claims to relief from tax in respect of ISA investments.'

In addition to the foregoing, and in respect of Lifetime ISAs only, the authority must also specify that the manager has the authority to:

- hold the Lifetime ISA government bonus,
- submit Lifetime ISA bonus claims to HMRC on behalf of the applicant
- withhold and deduct from a balance in the account and to pay to HMRC any charges due on withdrawals
- make a record in writing in accordance with Regulation 12B paragraph 7(a) of the Individual Savings Account Regulations

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- Policies of life insurance should be held by the investor where the ISA manager is the insurer providing life insurance cover.

Applications for a single tax year only

Except in respect of Lifetime ISAs, managers may produce application forms that allow applicants to subscribe for a single tax year only. If they do, the wording should be changed to read as follows.

‘I apply to subscribe to a cash ISA for 20 / only’, or

‘I apply to subscribe to a stocks and shares ISA for 20 / only’, or

‘I apply to subscribe to an innovative finance ISA for 20 / only’

Where a single year application form is used for a fixed term ISA, the investor will need to complete a fresh application form if they wish to subscribe in the year of maturity or thereafter.

In the case of a Lifetime ISA the application must not be limited to a single tax year only.

Composite application forms

Managers must produce separate application forms for cash ISAs, stocks and shares ISAs, innovative finance ISAs and Lifetime ISAs. Composite application forms (that would permit investors to choose between a cash ISA, a stocks and shares ISA, an innovative finance ISA or a Lifetime ISA) are not acceptable.

Applications not in writing

Where an application is made other than in writing, by telephone, unsigned email or fax, or orally, the investor is required to provide the same information, make the same declaration and provide the same authority and other information as for a written application. The investor’s signature is not required. A [telephone checklist](#) (PDF, 141KB, 3 pages) is provided.

There are 2 stages to the not in writing process - the application and then the notification of the declaration. On receipt of the application, the ISA manager must create a ‘written record’ (which includes a record made by electronic means) and notify the applicant of its contents. Notification can be done in several ways.

If the application is made over the:

- phone, or in face-to-face contact, the declaration can be read back to the applicant as part of the application process
- internet, a copy of the declaration can be relayed back to the applicant as part of the notification process - the applicant should be given the option to print or save a copy

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In all cases, a copy of the declaration can be emailed, faxed or posted to the to the applicant. The declaration must confirm all the details provided by the investor in the application (this includes the name, address, date of birth and national insurance number of the investor). It will satisfy the requirements of the regulations if it takes the same format as a written ISA application form, prefaced by the statement, 'This declaration records the terms of the application made by the applicant named below'.

The ISA manager must keep a record of the date that the investor was notified of the declaration's contents. This may simply be a flag on the investor's record on the manager's computer system which indicates that the investor has successfully completed the ISA application process and 'confirmed' or 'accepted' the details in the declaration prepared following an internet application. Managers may want to offer a 'print' facility for internet declarations.

The application is valid from the date the ISA manager creates the declaration. On notifying the applicant of its contents (which should take place within 5 business days of the date on which the declaration is created), the ISA manager should advise the applicant that they should notify any corrections to the ISA manager.

Notifications of corrections need not be made in writing. Where corrections are notified the ISA manager must amend the declaration. The amended declaration will take effect from the date on which the original declaration was created. However if, in the original application, the investor declared that they did not have a national insurance number and the manager becomes aware that the investor did have a national insurance number at that time, the manager should [void](#) the ISA with effect from the date the original declaration was made. Make a revised declaration, which will re-validate the ISA from the date on which it is created (see [applications not in writing](#)), and notify the investor of its contents.

An example of an amendment could be where the investor notifies the manager that part of his national insurance number or date of birth has been transposed. The manager should change the information he holds but a revised declaration need not be issued. Please note that this does not affect Lifetime ISAs - where a national insurance number must be supplied.

Applications made through third parties

(See also [applying for an ISA on behalf of someone else](#))

Applications may be made through third parties such as an Independent Financial Adviser (IFA). Such applications must be authorised by the investor, but they can be passed to the ISA manager by the third party.

Where an application in writing is made through a third party, the application must be signed by the investor.

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Where an application not in writing is made through a third party, managers may accept the application if they have no reason to believe (by reference to information in their possession) that the application has not been authorised by the investor.

Where 'bulk' applications not in writing are passed on by a third party, ISA managers must ensure that:

- each investor's personal details are complete
- the type of ISA each investor is applying for is clear

Unless ISA managers have information to suggest the contrary, ISA managers may accept that authorities and declarations are satisfied by a statement from the IFA.

In all circumstances where applications not in writing are made through a third party, ISA managers must make a written declaration on behalf of the investor and notify the investor of its contents in accordance with the guidance on [applications not in writing](#). The declaration can be emailed, faxed or posted to the investor by the ISA manager.

ISA terms and conditions

An ISA is a scheme of investment managed in accordance with the ISA regulations by the ISA manager under terms agreed between the ISA manager and the investor (ISA terms and conditions) or their nominee. 'Nominee' has its everyday meaning - a person or entity who is named or appointed by another (the nominator) to act on its behalf in a limited capacity or in a specific matter in accordance with any legal or regulatory requirements.

ISA managers' ISA terms and conditions must specify in writing that:

- the ISA investments will be, and must remain in, the beneficial ownership of the investor and must not be [used as security for a loan](#)
- except for cash deposits/National Savings products in cash ISAs, insurance policies held with an insurer who is also the ISA manager, and innovative finance ISA investments, the title to the ISA investments will be registered:
 - in the name of the ISA manager
 - in the name of the ISA manager's nominee (see below)
 - jointly in the name of the ISA manager and the investor
 - jointly in the name of the ISA manager's nominee and the investor
- except for cash deposits/National Savings products in cash ISAs, and for insurance policies held with an insurer who is also an ISA manager, share certificates or other documents evidencing title to ISA investments will be held by the ISA manager or as the ISA manager may direct
- except for cash deposits/National Savings products in cash ISAs, and innovative finance ISA investments, the ISA manager will arrange, if the investor elects, for the investor to receive a copy of the annual report and accounts issued by every company or other concern in respect of shares, securities or units which are held directly in the ISA - if the investor receives these automatically this fact should be stated in the ISA terms and conditions
- except for cash deposits/National Savings products in cash ISAs, insurance policies, and innovative finance ISA investments, the ISA manager is under an obligation - subject to any

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provisions made by or under any other enactment, if the investor so elects, to arrange for the investor to be able to:

- attend shareholders', securities holders' or unit holders' meetings to vote
- receive, in addition to the annual report and accounts, any other information issued to shareholders, securities holders or unit holders
- the ISA manager will satisfy himself that any person to whom he delegates any of his functions or responsibilities under the terms agreed with the investor is competent to carry out those functions and responsibilities ([delegation of the manager's functions](#))
- the ISA manager must notify the investor if, by reason of any failure to satisfy the provisions of the ISA regulations, an ISA has, or will, become void

either (where the manager allows partial transfers)

- on the instructions of the investor and within the time stipulated by the investor, an ISA, or part of an ISA, shall be transferred to another ISA manager in accordance with the ISA regulations relating to transfers - transfer rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account

or (where the manager does not allow partial transfers)

- on the instructions of the investor and within the time stipulated by the investor, an ISA, with all rights and obligations, shall be transferred to another ISA manager in accordance with the ISA regulations relating to transfers - transfer rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account

Managers may place a minimum period on the time stipulated by the investor for transfer. This period, which should represent whatever reasonable period the manager requires for practical implementation of transfer requests, must not exceed 30 days and must be consistent with requirements relating to transfers between cash accounts – see [cash ISA transfers](#).

The timescale for cash ISA to cash ISA transfers is outlined in [cash ISA transfers](#). Cash ISA managers do not need to mention the investor's right to stipulate the transfer timescale as long as the 5-day transfer-out period is quoted. This will also apply to a cash ISA to stocks and shares, innovative finance ISA, or Lifetime ISA transfer if the cash ISA manager adopts the 5-day period for these transfers too.

either (where the manager allows partial withdrawals)

- on the instructions of the investor and within the time stipulated by the investor, all or part of the investments held in the ISA and proceeds arising from those investments shall be transferred or paid to the investor - withdrawal rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account

or (where a manager does not allow partial withdrawals)

- on the instructions of the investor and within the time stipulated by the investor, all the investments held in the ISA and proceeds arising from those investments shall be transferred

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or paid to the investor - withdrawal rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account.

Managers may place a minimum period on the time stipulated by the investor for transfer. This period, which should represent whatever reasonable period the manager requires for practical implementation of withdrawal requests, must not exceed 30 days.

Additional rules apply for Lifetime ISA withdrawals for first time residential purchases where the 30 days runs from receipt of information from an [eligible conveyancer](#).

Managers should note that where an investor requests a transfer or withdrawal and the ISA holds units or shares in a UK Undertakings for Collective Investment in Transferable Securities ([UCITS](#)), a [non-UCITS retail scheme](#) or a [recognised UCITS](#), dealings in which have been suspended in accordance with the Collective Investment Schemes sourcebook (COLL) 7.2 (or any direct foreign equivalent), the minimum period specified by the manager may be extended to 7 days after the suspension ends. It is not necessary to include a mention of possible suspension in the terms and conditions.

A failure to include any of the above in the ISA terms and conditions will invalidate all ISAs opened under those terms and conditions. HMRC Audit will seek a recovery where they find that an ISA manager has omitted any of the ISA conditions, even if they are applied in practice.

Enquiries and further advice

ISA managers may use the wording in the [specimen application forms](#). HMRC will be pleased to advise whether application forms and/or ISA terms and conditions meet the statutory requirements.

Imaging application forms and written declarations

ISA application forms, transfer forms and ISA written declarations can be stored in an imaged form, and the originals destroyed. The optical images will be regarded as applications for the purposes of the ISA rules provided:

- the imaged application form (and any hard copy printouts) is legible
- on being given notice in writing by HMRC, the manager will make available within such time as specified in the notice a hard copy of the imaged document
- on being required to do so by HMRC, the manager will, within a reasonable time, provide a hard copy of the imaged documents.

Retention of forms

Managers must retain the written application form or an imaged copy of it (see [imaging application forms and written declarations](#)). As an alternative to retaining the written form, the manager can apply the '[not in writing](#)' procedures when they receive a written application. The manager must make a written declaration using the information provided

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on the form and send this to the investor who then has 30 days to notify any corrections. The other requirements of the guidance on [applications not in writing](#) must be met. The original paper declaration can then be destroyed.

How to open an ISA as an ISA manager

When can an Individual Savings Account (ISA) be opened

An ISA can be opened when an investor agrees to the manager's terms and conditions and applies to subscribe.

Investors with a matured Child Trust Fund (CTF) can open an ISA if they agree to the manager's terms and conditions and apply to transfer by subscription the investments in their matured CTF account.

An ISA can be opened by a manager who manages a matured CTF but no instructions have been given by the account holder. All the investments in the matured CTF will be transferred by subscription to the ISA. The account holder does not have to be resident in the UK.

Investments that are not held in cash must be transferred in their actual form from the matured CTF to the ISA.

Subscriptions to an ISA transferred from a matured CTF must be disregarded for the overall ISA subscription limit. A subscription made to a Lifetime ISA from a matured CTF is subject to the overall Lifetime ISA payment limit.

Before a manager can open an ISA that an investor has applied for, they must hold all of the following:

- a valid application, which he has accepted (see [signature](#))
- a valid [ISA subscription](#)
- the date on which the ISA manager accepts the application form
- the date on which the subscription is made (see [date of subscription](#))

A manager may accept an application before a subscription is made, but the ISA does not begin until a subscription is made.

The manager should record the date he accepted the application (which may not be before the date of application) in his records.

An ISA application received near the end of the tax year will be regarded as opened in that tax year if both of the following apply:

- the ISA manager has accepted the application before the end of the tax year
- the subscription is made before the end of the tax year

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If the account is not physically set up until after the end of the tax year the ISA should be shown as opened on 5 April. We therefore recommend that ISA managers make arrangements to examine, before the end of the tax year, all applications received to ensure that they are complete (see [completion of application forms](#)), and that a valid subscription has been made.

See a [worked example of when an ISA can be opened](#) (PDF, 85.8KB, 1 page).

Cancellation

Subject to the guidance on [withdrawal](#), ISA managers may, in their terms and conditions, allow investors the right to cancel their cash subscription to an ISA, or packaged product within an ISA, within a set period after the receipt by the investor of the notice of the right to cancel. Provided that this period – the cancellation period - doesn't exceed 30 days (after the notice has been received), investors who cancel their subscription within the cancellation period are exempt from UK income and capital gains tax on any income or gains arising from the subscription in the period (but see the [2017 to 2018 rule](#) for Lifetime ISA).

Strictly investors who withdraw their subscriptions from an ISA by exercising their right to cancel have made a subscription to an ISA. But where the subscription is cancelled within the set period, investors will be treated as though they have not subscribed to an ISA.

Please see the guidance in respect of treatment of requests to cancel [Lifetime ISA](#) subscriptions.

Where a subscription is cancelled within the set period, ISA managers should both:

- notify investors that the cancelled subscription does not count as a subscription to an ISA
- exclude the cancelled subscription from their [annual return of information](#)

Where a subscription is cancelled after the set period, ISA managers should:

- notify investors that the cancelled subscription counts as a subscription to an ISA (and that they cannot subscribe to another ISA of the same type in that tax year)
- include the cancelled subscription on their [annual return of information](#)

Where a purchase of a packaged product in an existing ISA is cancelled, the ISA remains valid and the subscription may then be used to purchase other qualifying investment(s).

Please see the guidance in respect of treatment of requests to cancel [Lifetime ISA](#) subscriptions.

Withdrawal

Instead of providing cancellation rights, ISA managers may allow investors the right not to proceed with the ISA contract (a pre-contractual right to withdraw). The withdrawal period

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is 7 to 14 calendar days from the receipt by the ISA manager of the application to open an ISA.

Where withdrawal rights are offered:

- the ISA can only begin on the expiry of the withdrawal period, therefore the application must be received by the ISA manager by 22 to 29 March of the tax year for which the application is made (depending on whether the withdrawal period is 7 to 14 days)
- during the withdrawal period the client money rules of the ISA manager's regulatory body will apply to the cash subscription
- any interest which is paid at the end of the withdrawal period will not be exempt from tax and will count towards the subscription limit if it is paid into the ISA.

Investors who exercise their right to withdraw from the ISA contract are free to subscribe to another ISA in the same tax year.

Completion of applications

ISA managers should examine applications and ensure they are fully completed. Applications may be accepted provided the ISA manager has no reason to believe that the investor:

- is not, or might not be, entitled to [subscribe to an ISA](#)
- has given false information in the application

Name

Applications must contain the investor's full name (which does not have to include a middle name or initial). So an application showing Mr John Joseph Bloggs, Mr John J Bloggs or Mr John Bloggs is acceptable but Mr J J Bloggs or Mr Bloggs is not.

Address

Applications must contain the investor's permanent residential address. ISA managers may hold other addresses on their systems for correspondence purposes.

Applications with an incomplete address, or with a 'PO Box' or 'care of' address, are not acceptable. But where the address is a retirement home, nursing home, hospice or hospital, this address can be accepted. British Forces Post Office (BFPO) addresses can also be accepted.

In strictness, investors who don't have a permanent residential address (because, for example, they live on a houseboat that doesn't have a home mooring) cannot subscribe to an ISA. However, by concession we'll allow such investors to subscribe to an ISA. In place of the permanent residential address the investor should provide a correspondence address.

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And the manager should obtain confirmation that the investor doesn't have a permanent residential address and keep that confirmation with the application.

The permanent residential address should include the postcode (see [personal information](#)). Where, exceptionally, an investor doesn't have a postcode, for example where the investor lives on a new estate and a postcode hasn't been allocated, the application can be accepted. Confirmation that a postcode doesn't exist must be obtained and kept with the application. And the postcode must be obtained as soon as it's allocated.

Date of birth

Applications must contain the investor's date of birth (personal information)

Where, exceptionally, the investor doesn't know his or her date of birth, the year of birth must be given. This exception doesn't apply to Lifetime ISAs where the applicant must provide a full date of birth.

National Insurance number

Applications must contain the investor's National Insurance number, or confirmation that he or she does not have one (see [personal information](#)). This exception applies only in respect of applications for cash ISAs, stocks and shares ISAs, or innovative finance ISAs but doesn't apply to Lifetime ISAs where a national insurance number must be provided.

National Insurance numbers consist of nine characters (for example QQ123456C). Characters 1 and 2 must be alpha and must be one of the issued National Insurance number prefixes. Characters 3 to 8 must be numeric. Character 9 must be alpha in the range A to D or a space.

Manager's validation checks are limited to checking that the format is AB123456C and that the final character is an A to D or a space.

National Insurance numbers can usually be found on:

- pay slips (provided in respect of current employment and pensions received from former employers)
- forms P60 (provided at the end of each tax year in respect of current employment and pensions received from former employers)
- forms P45 (provided by employers when someone leaves a job)
- notices of coding, tax returns or other letters from the investor's tax office
- letters from the Department of Work and Pensions (DWP)
- unemployment benefit books
- pension books (on the front cover)
- medical cards issued in Scotland.

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An investor may only have a National Insurance number that is an old format and consequently not in the format above. Such investors should be treated as though they do not have a National Insurance number.

Where an investor does not have a National Insurance number, has one in an old format, or has a temporary National Insurance number and the ISA manager's system requires the capture of a National Insurance number, the manager should use the 'universal dummy National Insurance number' – QQ999999A. No other dummy or substitute National Insurance number should be used, but see specific guidance for [Junior ISAs](#) and [Lifetime ISAs](#)

Some individuals are given temporary National Insurance numbers - usually where they have recently commenced employment and have lost their National Insurance number, or where they have returned from a period abroad. A temporary National Insurance number consists of 'TN' plus date of birth plus gender (for example, TN110948M or TN161054F).

Temporary National Insurance numbers must not be used for Lifetime ISAs.

Some HMRC letters to taxpayers include a 'temporary reference' consisting of 2 numbers, 1 letter and 5 numbers (for example, 63T12345).

Investors who enter a temporary National Insurance number or a temporary reference on their application form should be treated as though they don't have a National Insurance number.

ISA managers may find it useful to include the following text on applications to ask applicants whether or not they have a National Insurance number :

'Do you have a National Insurance Number?

Yes or No - tick one box

If yes: you must enter it here

(If you don't know it, you should be able to find your NI number on a payslip, form P45 or P60, a letter from the HMRC, a letter from the DWP, or pension order book)'

Where an application is received without all the required personal information, ISA managers may, if they wish, open the ISA on a provisional basis.

Where an ISA manager opens an ISA on a provisional basis, the ISA will be valid from the date it was opened provided that, within 30 calendar days of that date the ISA manager obtains the missing personal information.

The missing information can be provided either by the investor, by the investor's agent, or from the manager's own records, and should be added to or retained with the application

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form. If the application form is amended the person making the entry should initial the amendment.

ISA managers should explain to the investor that:

- the application could not be accepted because the it didn't contain all the personal information required under the ISA rules
- before the application can be accepted, the investor must provide the missing personal information
- in the meantime, an ISA has been opened on a provisional basis
- if the missing personal information is not received within 30 calendar days of the date on which the ISA was opened, it will be cancelled and all tax exemptions lost, and [void](#) the ISA where the missing personal information is not received within 30 calendar days of the date on which it was opened

ISA managers must enter complete details of personal information on [returns of information](#).

Signature

Applications made in writing must contain the signature of the investor or the person holding the power of attorney for the investor.

The signature of a power of attorney will only be acceptable if:

- the investor is physically incapable of signing the return, in which case the signatory must be an attorney acting under a general or enduring power. If the person is unavailable to sign the return, for example because of absence abroad, the signature of the attorney is not acceptable
- a registered lasting power of attorney is in place

Whether or not a person acting in a capacity has the authority to sign the application should be established before the application is accepted.

A photocopy or fax of a signature is not acceptable and a name that is printed is not an acceptable signature.

Applying for an ISA on behalf of someone else

Strictly, all ISA applications must be made by the investor. But an ISA manager may accept an application from someone holding a LPA which has been registered with the Public Guardians Office and which gives the attorney the power to make the decision to open an ISA.

Once registered, an LPA is effective whether or not the donor of the power has mental capacity.

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The ISA manager must:

- see the LPA (or a certified copy of it) and retain a copy for their records in case the account is queried by HMRC auditors
- check any restrictions on the LPA to see that it is broad enough to cover the opening of an ISA

If the ISA manager has any queries about the registration of the LPA or the scope of it, these must be referred to the Court of Protection which is the ultimate arbiter of all matters relating to persons who lack mental capacity and on questions which arise in relations to an LPA.

Alternatives to a registered LPA that can be used to open an ISA

In England and Wales, an Enduring Power of Attorney made and signed before October 2007 that has been registered with the Public Guardians Office.

In Scotland, an equivalent registered authority can be used, for example an Intervention Order or a Guardianship Order.

In Northern Ireland, an Enduring Power of Attorney that has been registered with the High Court (Office of Care and Protection).

Managers may accept applications signed under a General Power of Attorney where the investor is unable to sign the application because he or she is a member of the armed forces on active service in a war zone (for example, Afghanistan).

An application may also be made by the parent, guardian, spouse, civil partner, son or daughter of an individual who lacks mental capacity. ISA managers should:

- ask the person making the application to confirm that the investor lacks mental capacity, and to state the nature of their relationship with the investor
- ask to see documentation to show that the investor lacks mental capacity - suitable documentation would include letters or payment books that show the applicant is entitled to disability living allowance, severe disablement allowance or incapacity benefit
- make a (brief) note with the application of the documentation seen, and retain the written statement with the application

If the investor is physically incapable of signing the return, the signatory must be an attorney acting under a general or enduring power. Whether or not a person acting in a capacity has the authority to sign should be established before the application is accepted.

These are the only circumstances in which a manager may accept an application from someone other than the investor. In particular, a manager may not accept an application where (for example) the investor is capable of completing the application form, but is merely too busy, or is on holiday abroad (unless that person has given a Lasting Power of Attorney which has been registered).

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In all cases ISA managers must report the full name (which does not have to include a middle name or initial as per [personal information](#)), permanent residential address (including postcode), date of birth and National Insurance number of the incapacitated person on [returns of information](#).

Once an ISA has been opened on behalf of an investor, there are no particular ISA rules about who can operate that (opened) account on behalf of the investor. If the manager receives a mandate from the investor they should treat it in the same way as they would if it related to a non-ISA account.

Manage ISA subscriptions for your investors

Subscription limits

The overall subscription limit for the tax years 2017-18 is £20,000.

The Lifetime ISA payment limit for 2017-18 is £4,000. Where a payment is made to a Lifetime ISA that is a new subscription (for example, it is not a transfer from another type of ISA) this will form part of the overall ISA subscription limit.

From 6 April 2017 the overall ISA limit of £20,000 can be split between a cash ISA, a stocks and shares ISA, an innovative finance ISA and a Lifetime ISA as the investor wishes but only to the extent that the £4,000 Lifetime ISA limit is not breached.

For 2016-17 the overall ISA limit of £15,240 could be split between a cash ISA, a stocks and shares ISA, and an innovative finance ISA as the investor wishes.

An investor aged under 18 can only subscribe to a cash ISA but can subscribe up to the overall subscription limit for the tax year.

Managers' systems must ensure that:

- no more than the overall limit can be invested to either a cash, a stocks and shares, an innovative finance ISA, or a Lifetime ISA
- no more than the Lifetime ISA limit can be invested into a Lifetime ISA
- investors do not subscribe to a disallowed combination of ISAs as per the [“one type of each ISA a year”](#) rule
- where the investor subscribes to any combination of cash ISA, stocks and shares ISA, innovative finance ISA, and Lifetime ISA with them, the amount subscribed does not exceed the overall subscription limit

Where, as a result of mergers, amalgamations or takeovers, an ISA manager finds himself operating two (or more) systems that do not communicate with each other, with the result that he cannot comply with the requirements above, we would expect that if the systems are updated, the new system will comply.

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In the meantime, managers may adopt one of the following procedures:

- carry out cross-checks between the two systems at regular intervals to identify oversubscriptions and subscriptions to a disallowed combination of ISAs. Where they find that:
 - the investor has subscribed to a disallowed combination of ISAs – including Lifetime ISAs - (and the cross-check takes place within 60 days of the first subscription in the tax year to the second ISA) they may treat the second ISA as being opened provisionally pending the cross-check and void it without contacting HMRC. However, with regard only to Lifetime ISAs the ISA manager must first contact HMRC before taking voiding action
 - the investor has exceeded the overall subscription limit, (and the cross-check takes place within 60 days of the over-subscription) they should remove the over-subscription from the ISA without contacting HMRC. However, with regard to Lifetime ISAs, where the overall ISA subscription limit has been exceeded but the Lifetime ISA payment limit has not been exceeded, the excess must be removed from accounts which are not Lifetime ISAs in date order. This is the rule despite the fact that the date of first payment into the Lifetime ISA was later in the tax year than the date of first subscription to any other ISA
- carry out cross-checks between the two systems as above and advise any investor found to have subscribed to a disallowed combination of ISAs, or exceeded the overall subscription limit, that HMRC will contact them in due course. This applies except with regard to a Lifetime ISA, where the ISA manager must contact HMRC
- do nothing, and let HMRC find the investors who have subscribed to a disallowed combination of ISAs, or exceeded the overall subscription limit on examination of managers' end of year information returns. This option may not be exercised in respect of Lifetime ISAs

Managers are not required to establish the amount subscribed to ISAs held with other managers. Investors who subscribe to ISAs held with different managers are responsible for ensuring that they do not subscribe to a disallowed combination of ISAs, and that they do not exceed the overall subscription limit.

Managers who become aware that an investor has subscribed to a disallowed combination of ISAs with different managers, or has exceeded the overall subscription limit, should advise the investor that HMRC will contact them in due course.

For non-flexible ISAs the subscription limits apply only to the amount subscribed, and the amount subscribed is not reduced if an investor makes a subsequent withdrawal. An investor who has not subscribed up to the limit in any year cannot carry forward the difference and add it to the subscription limit for the next year.

Investors who become 18 during a tax year may subscribe up to the subscription limit to a cash ISA before their 18th birthday. After their birthday they may also subscribe to a stocks and shares and/or an innovative finance ISA and/or a Lifetime ISA. The overall subscription limit available is reduced by the amount already subscribed to the cash ISA before the birthday.

See [worked examples of subscription limits](#) (PDF, 186KB, 1 page) .

Cash Subscriptions

Investors can subscribe cash to each type of ISA. They must subscribe with their own cash, and this includes payment by cheque, direct debit, charge card, credit card, telegraphic transfer and standing order. Cash subscriptions from third parties can be accepted without question unless the ISA manager holds information that shows that the cash does not belong to the investor.

Parents who give money to their children (aged under 18) to invest in their cash ISA need to be aware that if gifts from a parent produce more than £100 gross income in a tax year, the whole of the income from the gifts is normally taxed as that of the parent. The child's gross income includes income from cash ISAs, but excludes income from [Junior ISAs](#), which is specifically excluded.

Cash subscriptions from the investor's employer may be accepted where the employer confirms that the payment will be treated as a relevant payment to an employee for the purposes of the pay as you earn (PAYE) regulations and a payment of earnings for the purposes of Class 1 National insurance contributions (NIC).

The ISA regulations allow investors to subscribe by lump sum, or by regular or irregular periodic payment, provided the subscription limits are not exceeded. The ISA manager may impose conditions, such as a minimum lump sum subscription. Further information is available in relation to payments to [life insurance](#) policies.

Date of Subscription

Where the ISA manager has an instruction from the investor and is in control of the collection of the payment, the date of subscription is the date the manager is instructed to collect the payment provided:

- the instruction was accepted
- the payment is received in due course

This will cover:

- cheques – the date of subscription is the date on which the cheque is received and accepted by the ISA manager, provided the cheque clears in due course. If the cheque does not clear, the date of subscription depends on whether the original cheque can be re-presented, or whether it must be returned to the investor
 - if the manager can re-present the original cheque without having to return it to the investor, the date of subscription is the date on which the cheque was received and accepted by the ISA manager (it has just taken longer to clear)
 - If the manager has to return the cheque to the investor, the investor has not made a subscription and the amount of the failed subscription will not count towards the ISA subscription limit. If the investor submits an amended or replacement cheque the date of subscription will be the date on which the amended (or replacement) cheque is received and accepted by the ISA manager

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- direct debit – the date on which the ISA manager is authorised to draw on the direct debit, provided that the cash transfer takes place in due course. If that date is earlier than the date on which the direct debit mandate is received and accepted by the ISA manager the date of subscription is the later date (further information is available in circumstances where the investor makes a claim under the [direct debit indemnity scheme](#))
- debit card, charge card or credit card – the date on which authorisation is given by the investor
- transfers from a non-ISA account held with the same manager (as the manager is in control of the payment into the ISA)

In the 4 cases above, if, due to manager error, there is a delay between accepting the instruction/authorisation and the collection of the subscription, the date of the subscription should be treated as the original date intended for the subscription (even if this was in an earlier tax year) provided the manager had accepted the instruction by that date. Where the subscription is backdated to an earlier year and the annual information return for that year has been submitted, there is no need to make an additional report.

Where the collection of the payment depends upon another body so that the ISA manager is not in control (and may be unaware that a payment will be made), the date of subscription is the date the ISA manager receives the payment. This will cover standing orders and telegraphic transfers where the instruction to pay sits with someone other than the ISA manager.

If the payment instruction has been received and accepted by the ISA manager but due to manager error there is a delay before the sum is applied to the ISA, any [compensation paid to cover lost growth and/or income](#), can be added to the ISA without counting as a fresh subscription. This differs from the situation described in [Delay in opening an ISA, or in accepting a subscription](#) as in that case the instruction has not been accepted.

Direct debit indemnity scheme

Where money is taken out of an account by direct debit by mistake, the account holder can claim the return of the money. The account holder's bank repays the money to the account holder, and claims back that amount from the recipient bank. In effect the transaction is unwound.

This might happen where a subscription is made under direct debit to an ISA in year 1 and the ISA manager mistakenly continues to draw on the direct debit in year 2. In these circumstances the investor might make a claim under the direct debt indemnity scheme.

Where an investor makes a successful claim under the direct debit indemnity scheme the subscriptions unwound are treated as if they had never been made (in the same way as for a failed cheque - see [date of subscription](#)). If any income tax has been claimed from Savings Scheme Office (SSO) in respect of income earned by the unwound subscription it must be repaid.

A subscription may not be unwound unless a successful claim is made under the indemnity scheme – it is not sufficient for the investor to simply claim that they subscribed in error.

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Where the account is a Lifetime ISA, and the subscription to be unwound has resulted in a government bonus payment, the ISA manager must first notify SSO and seek instructions as to how to correct the account.

Generation of a cash subscription by the disposal of existing investments

The direct [transfer of shares](#) into an ISA is allowed only where the shares were issued to the investor under a schedule 3 Save As You Earn (SAYE) option scheme, approved profit sharing scheme or a schedule 2 Share Incentive Plan (SIP).

Investments held by an investor outside an ISA can be sold, and the proceeds subscribed to an ISA. Investors and ISA managers should note that the sale of the investments is a disposal for capital gains purposes.

The ISA subscription can be used to buy back the same investments within the ISA provided certain conditions are met. This is a 'Share Exchange' (sometimes called 'Bed and ISAing').

For any acquisition of investments in an ISA, the conditions that must be satisfied are as follows:

- the investments must not be purchased from the investor, or from the investor's spouse or civil partner
- the investments must be bought at the [open market price](#)
- any stamp duty or stamp duty reserve tax paid on the purchase of the ISA investments must be paid out of cash held in the ISA
- where sale and purchase instructions are given on the same day, the funds generated by the disposal of the investor's shares must be available to meet the purchase on settlement day

Where sale and purchase instructions are given on the same day, the settlement date for the sale transaction could be later than the settlement date for the purchase. For example, the sale could be carried out on a T+4 deal while the purchase will be made on a T+2 deal resulting in a 2 day deficit period on the manager's systems. Where instructions are given at the same time to match a purchase with a sale, any short period in which the account goes into deficit on the ISA manager's systems will not breach the ISA rules.

The subscription date can be the date on which the investor's units or shares are sold, the settlement date for the purchase or any date in between that the investor chooses, provided the funds generated by the disposal of the investor's shares are available to meet the purchase on settlement day.

A new ISA opened in this way can therefore be opened in the tax year in which the investor's shares/units are sold.

An investor cannot directly transfer an existing insurance policy into an ISA. However, an existing policy can be surrendered, and the proceeds used to subscribe to an ISA. The surrender would be a chargeable event and the investor may be liable to a taxable gain, unless it is a 'time served' qualifying policy. A subscription could also be made from the proceeds of a part-surrender. Part-surrenders may also be chargeable events.

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The proceeds from the surrender or part-surrender of an insurance policy can be subscribed directly to the investor's ISA if the investor agrees. This also applies where the ISA manager has delegated his ISA functions to an insurer. The insurer may, with the investor's agreement, retain the surrender proceeds and reinvest them in the ISA. The chargeable event rules will still apply where funds are retained for reinvestment.

Insurers can write a life insurance policy with an option to substitute an ISA policy. Exercise of the option would be a chargeable event, unless the policy was a 'time served' qualifying policy. The investor may be liable to a taxable gain.

[Peer-to-peer loans](#) and [crowdfunding debentures](#) held outside of the ISA wrapper cannot be sold, and repurchased inside an innovative finance ISA except where the loans are available for purchase, at the same price, by any lender in the open market.

See [worked examples of cash subscriptions](#) (PDF, 203KB, 2 pages) .

Subscription by transfer of shares

Shares can be directly transferred into an ISA (including a Lifetime ISA) if they have been acquired by the investor from a schedule 3 SAYE option scheme or a schedule 2 SIP. Shares cannot be directly transferred into an ISA in any other circumstances. Share Incentive Plans were previously known as Approved Employee Share Ownership Plans. Shares could formerly be transferred from an approved profit –sharing scheme but this is no longer the case.

Shares or depositary interests representing shares that have emerged from an schedule 3 SAYE option scheme or a schedule 2 SIP may be replaced by other investments prior to transfer to an ISA following a company reorganisation or reconstruction. The ISA rules only allow shares or depositary interests to be transferred into an ISA. Other investments, such as loan notes, cannot be transferred. So if the shares or depositary interests representing shares are replaced by investments other than shares or depositary interests the replacement investments cannot be transferred into an ISA. Further information is available on the action to be taken following [changes in investments held in stocks and shares ISA](#) after transfer has taken place.

The market value of the shares at the date of transfer counts as the amount subscribed to the ISA. The total of the share value and any other cash subscribed to the ISA must not exceed the subscription limit. 'Date of transfer' is the date the manager accepts the shares and will usually be when the manager receives the share certificate.

The investor may be able to transfer registered title to shares in a schedule 3 SAYE option or schedule 2 SIP directly from the registrar or trustees of the scheme to the ISA manager or the ISA manager's nominee.

Schedule 3 SAYE option scheme shall be construed in accordance with the SAYE code (see S516(3) [Income Tax \(Earnings and Pensions\) Act \(ITEPA\) 2003](#)).

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Approved profit-sharing schemes are defined in Chapter IV of Part V of the Income and Corporation Taxes Act 1988. Schedule 2 Share Incentive Plan shall be construed in accordance with the SIP code (see S488(3) of [ITEPA 2003](#)).

ISA managers can obtain further information from the [Share Schemes](#) web pages.

Documentary evidence of shares from schedule 3 SAYE option scheme, approved profit sharing schemes and schedule 2 SIPs

The trustees of the SAYE option scheme or SIP may provide ISA managers with evidence that the shares have been transferred from the schemes. If not, the investor must provide documentary evidence of this to the ISA manager.

Under the Share Incentive Plan the trustees give the employee notice of the award where they award free, partnership and or matching shares for the employee. The trustees give the employee notice of the acquisition where they acquire dividend shares for the employee. ISA managers may accept a copy of any of these notices as sufficient evidence that the shares have been transferred from this type of scheme.

ISA managers should not allow transfer of shares into an ISA prior to the receipt of those shares by the investor; even where the investor holds shares equivalent to those that will emerge.

See [worked examples of subscriptions by transfer of shares](#) (PDF, 86.2KB, 1 page) .

Time limit for transfer of shares from SAYE option schemes and Share Incentive Plans

Investors must transfer shares from a Schedule 3 SAYE option scheme into an ISA within 90 days of the exercise of option date.

Investors must transfer shares from a Schedule 2 Share Incentive Plan into an ISA within 90 days after the shares ceased to be subject to the plan.

Where a [withdrawal](#) period applies, the transfer of the shares to the ISA cannot take place until after the end of the withdrawal period.

Valuation of share transferred from SAYE options schemes or Share Incentive Plans

For market value of listed shares, see [purchasing investments](#). ISA managers must agree the value of unlisted shares with shares and assets valuation (SAV) before a transfer can be accepted.

Contact details for SAV are:

HMRC
Shares and Assets Valuation
BX9 1BJ

Fax number: 03000 564567

Email address: savexternal.mailbox@hmrc.gsi.gov.uk

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If you have any general valuation queries, advisers at the SAV enquiry line (0300 1231082) will try to assist where possible.

The enquiry line is open from 8.00am to 4.00pm Monday to Friday.

SAV will need the following information to provide a valuation:

- a copy of the company's accounts for the last three financial years before the proposed date of transfer, and any subsequent interim statement or declaration of interim dividend for the company's current financial year
- a copy of the rules of the SAYE option scheme, or Share Incentive Plan
- an estimate of the value of the shares, with a brief explanation of how that estimate was made
- details of any recent arms-length transactions in the shares, including the date of each transaction, the amount of shares sold, and the price paid for each share

If the documents and information have been supplied to SAV for a previous valuation, reference to that valuation may be sufficient. SAV will advise. For non-EU shares the value is, normally, the closing price in sterling for the day on which the investor applies to transfer the shares to his or her ISA. Shares may be transferred into an ISA pending agreement of their value. If the agreed value takes the shares (and any cash subscribed) over the subscription limit then excess shares, and a matching proportion of any dividends received, must be taken out of the ISA and returned to the investor to hold outside the ISA. The ISA manager must repay any tax credits claimed in respect of the excess shares to SSO, normally by deducting the amount over-claimed from the next claim.

Company reconstructions

Shares held on behalf of an investor in a schedule 3 SAYE option scheme or a schedule 2 SIP may be replaced by new shares because of a company reorganisation or reconstruction. If the new shares are equated with the old shares for the purposes of capital gains tax, then the new shares can be transferred into an ISA as if they were the original shares.

Where the reconstruction takes place after the shares have been transferred into an ISA, please refer to guidance on [changes in investments held in stocks and shares ISA](#).

Stock Dividends

Stock or 'scrip' dividends received by trustees of an approved profit sharing scheme must be passed directly to members of the scheme. The dividends cannot be transferred into an ISA and should be declared on the members' individual tax returns.

Subscriptions that do not count towards the annual subscription limits

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Funds transferred from a matured Child Trust Fund (CTF) account

When a CTF account holder becomes 18 they can instruct their CTF provider to transfer investments held in their CTF. They can do this by subscription to a Cash, Stocks and Shares, Innovative Finance or Lifetime ISA with their existing CTF provider or another ISA manager.

The account holder does not have to be resident in the UK. A subscription made from a matured CTF account to an ISA must be disregarded for the overall ISA subscription limit.

A subscription made to a Lifetime ISA is subject to the overall Lifetime ISA payment limit.

The holder of a CTF account can instruct their provider to transfer their CTF investments 'in-specie' into a Stocks and Shares ISA.

When the holder of a CTF account becomes 18 and does not instruct their CTF provider what is to be done with the investments in their matured account then if the CTF provider is an ISA manager they can make a transfer of cash in a CTF into a Cash ISA or investments in a CTF into stocks and shares ISA. The account holder does not have to be resident in the UK.

The ISA must be held in the name of the CTF account holder, not the Registered Contact for the account. No further subscriptions can be made to the ISA, although income (including interest and gains) on investments can be credited to the ISA.

An ISA subscribed to from a matured CTF account must be included in an ISA manager's annual return of account information that is made to HMRC within 60 days of the 5th. April, beginning with the tax year ending on 5 April 2021.

Defaulted cash account subscription (cash manager in default)

Where a cash ISA manager is declared in default by either the Financial Conduct Authority (FCA) or the Financial Services Compensation Scheme (FSCS), the investor may make a single defaulted cash account subscription outside of the annual subscription limits to:

- a cash ISA (which could be a new cash ISA opened for the purpose, or an existing cash ISA)
- a stocks and shares, innovative finance ISA, or Lifetime ISA (subject to [Lifetime ISA](#) eligibility rules) but the subscription must not breach the 'one of each type per tax year' rule or, in the case of a Lifetime ISA the annual Lifetime ISA payment limit

A defaulted cash account subscription can be made whether or not any compensation is paid to the investor, and (except for payments to a Lifetime ISA) whether or not the investor is resident in the UK (see also [the residence qualification](#)).

The maximum defaulted cash account subscription is the amount held in the cash account immediately before the default (including any accrued interest). If the defaulted cash account subscription made is less than the maximum allowed, the investor cannot make a later defaulted cash account subscription to make up any, or all, of the shortfall.

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Where the defaulted cash account is a [flexible ISA](#) the maximum defaulted cash account subscription is the amount held in the cash account immediately before the default (including any accrued interest) plus the amount of any withdrawals in the year of default that had not been replaced. If the defaulted cash account subscription made is less than the maximum allowed, the investor cannot make a later defaulted cash account subscription to make up any, or all, of the shortfall.

Any defaulted cash account subscription made to a Lifetime ISA will count towards the Lifetime ISA payment limit for the year, but not the overall annual ISA subscription limit.

The defaulted cash account subscription must be made in a single payment within 180 days of the default occurring.

Where a non-flexible cash ISA defaults, the investor must give evidence to the ISA manager accepting the defaulted cash account subscription of:

- the amount held in the defaulted cash account immediately before the default occurred, including accrued interest
- where subscriptions (other than [additional permitted subscriptions](#), [defaulted subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#) were made to the defaulted cash account in the tax year in which the defaulted cash account subscription is being made:
 - the amount of those subscriptions
 - the date of the first subscription

Where the defaulted cash account is a [flexible ISA](#) the investor must give evidence to the ISA manager accepting the defaulted cash account subscription of:

- the amount held in the defaulted cash account immediately before the default occurred (including accrued interest), plus the amount of any withdrawals in the year of default that had not been replaced
- where subscriptions counting towards the subscription limit were made to the defaulted cash account in the tax year in which the defaulted cash account subscription is being made, i.e. subscriptions other than [additional permitted subscriptions](#), [defaulted subscriptions](#), [Help to Buy ISA reinstatement subscriptions](#), and [flexible ISA replacement subscriptions](#):
 - the amount of those subscriptions
 - the date of the first of those subscriptions

The evidence the investor could show the manager might include:

- a letter from FSCS confirming the account balance at the date of default
- ISA statement accompanied by information showing the later payments, and withdrawals
- a copy of a passbook

Defaulted cash account subscriptions do not count towards the annual subscription limits and should not be included as subscriptions on [annual returns of information](#). Details of current year subscriptions, including the date of the first subscription, made to the defaulted cash account manager should be included, as they would be if the account was a transfer in.

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Defaulted cash account subscriptions made to a Lifetime ISA count towards the Lifetime ISA limit and must be returned as qualifying additions on the ISA managers return.

There is no requirement for ISA managers to accept defaulted cash account subscriptions.

[Defaulted investment subscription \(compensation paid in respect of a stocks and shares component\) and defaulted Lifetime ISA subscription](#)

Where an investor with either:

- a stocks and shares ISA or a Lifetime ISA (in respect of stocks and shares) receives a payment outside the ISA wrapper by way of compensation that is paid in respect of the poor performance, loss (in whole or in part), depreciation (or risk of depreciation) of a qualifying investment
- an innovative finance ISA receives a payment ‘compensation’ outside of the ISA wrapper for one of the following reasons:
 - in respect of the poor performance, loss (in whole or in part), depreciation (or risk of depreciation) of a qualifying investment
 - as a result of the assignment or novation of a qualifying investment where the borrower defaults
 - from a debt collector appointed by the ISA manager to recover debt in respect of a qualifying investment where the borrower defaults

the investor may make a single defaulted investment subscription (or a defaulted Lifetime ISA subscription, where appropriate) outside of the overall ISA subscription limit. This applies whether or not the qualifying investment continues to be held in the ISA at the time the payment is made.

However, defaulted investment subscriptions from a non-Lifetime ISA may only be made to a Lifetime ISA where:

- the investor is eligible to make payments to a [Lifetime ISA](#)
- the subscription does not cause the Lifetime ISA payment limit to be exceeded or the ‘one Lifetime ISA per tax year’ rule to be breached

Defaulted investment subscriptions must be made:

- before 1 July 2014 – to a stocks and shares ISA
- between 1 July 2014 and 5 April 2016 – to a cash, or stocks and shares ISA
- from 6 April 2016 – to a cash, stocks and shares or an innovative finance ISA
- from 6 April 2017 – to any type of ISA

A defaulted investment subscription relating to the default of a Lifetime ISA (a ‘defaulted Lifetime ISA subscription’) can be made only to a Lifetime ISA and will not count against:

- the overall annual ISA subscription limit
- the Lifetime ISA payment limit
- the rule that payments to a Lifetime ISA can only be made by investors who are under 50 years of age

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- the ‘one ISA of each type per tax year’ rule

Defaulted investment subscriptions or defaulted Lifetime ISA subscriptions do not include compensation paid for poor customer service. If compensation is not paid, or is paid inside the ISA wrapper, a defaulted investment subscription cannot be made. If the compensation is paid in respect of an investment held in a Junior ISA, the defaulted investment subscription can be made to the stocks and shares Junior ISA held by that investor or to a cash Junior ISA.

The maximum defaulted investment subscription or defaulted Lifetime ISA subscription is the amount of the compensation that was paid. If the defaulted investment subscription or defaulted Lifetime ISA subscription made is less than the maximum allowed, the investor cannot make a later defaulted investment subscription to make up any, or all, of the shortfall.

The defaulted investment subscription or defaulted Lifetime ISA subscription must be made in a single payment within 180 days of the compensation being paid.

The investor must give the following information to the ISA manager accepting the defaulted investment subscription or defaulted Lifetime ISA subscription:

- evidence of the amount of the compensation payment and the date it was paid
- details of the investment in respect of which the compensation was paid
- the full name, address and postcode of the ISA manager who held the investment in respect of which the compensation was paid
- the full name, address and postcode of the person who paid the compensation

Defaulted investment subscriptions or defaulted Lifetime ISA subscriptions do not count towards the annual subscription limits and should not be included as subscriptions on [annual returns of information](#).

However, if a defaulted investment subscription from an account other than a Lifetime ISA will count towards the Lifetime ISA payment limit and must be returned as a qualifying addition on the Lifetime ISA return.

There is no requirement for ISA managers to accept defaulted investment subscriptions.

See [worked examples of defaulted cash account subscriptions \(cash manager in default\)](#) (PDF, 122KB, 2 pages) .

Flexible ISAs

A flexible ISA is an ISA whose terms and conditions allow the investor to replace, in whole or in part, cash they have withdrawn, without the replacement counting towards their annual subscription limit. No changes are needed to the model application forms in [applications and terms and conditions](#).

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Where a withdrawal is made, any subsequent subscriptions in the same tax year that would otherwise count towards the subscription limit will do so only to the extent that previously withdrawn amounts have been fully replaced.

Where a portfolio ISA includes a flexible product:

- the portfolio ISA should be reported as flexible
- the flexibility rules, in relation to the withdrawal and replacement of funds, should be applied in relation to the flexible product(s) only

The notification requirements for changing terms and conditions are set out in the [FCA's Handbook of rules and guidance](#).

Lifetime ISAs cannot be offered as flexible ISAs. Where a replacement subscription from a flexible ISA is made to a Lifetime ISA, this will count towards the Lifetime ISA payment limit (but not the annual overall ISA subscription limit).

Offering flexibility is optional for ISA managers. It is not available for Junior ISAs or Lifetime ISAs. Where a Help to Buy ISA is operated under flexible terms and conditions, replacement subscriptions cannot exceed the monthly [Help to Buy ISA subscription limits](#).

Flexibility can be offered in respect of cash only. It can be offered for cash ISAs and also in respect of any cash held in a stocks and shares or an innovative finance ISA (including from the sale of investments).

Where the terms and conditions of an ISA are changed to offer flexibility from a date other than 6 April, and managers' systems permit it, withdrawals made from the start of the tax year can be treated as having been made from a flexible ISA. In other words, any subsequent subscriptions in the same tax year that would otherwise count towards the subscription limit will do so only to the extent that previously withdrawn amounts have been fully replaced.

No applications or declarations are required in respect of replacement subscriptions, and subject to managers' terms and conditions replacement subscriptions can be made by non-residents.

Replacement subscription can be made in cash or by shares transferred from a schedule 3 SAYE option scheme or a schedule 2 SIP (see [subscription by transfer of shares](#)).

Flexible ISA withdrawals are deemed to be firstly of current year subscriptions, and secondly of previous year funds. Replacements are deemed to be firstly of previous year funds, and secondly of current year subscriptions. Where subscriptions and withdrawals are processed on the same day, a net end of day position may be used where the manager's system is unable to track the exact time of each transaction.

Managers do not need to establish or record whether a replacement subscription relates to current or previous year subscriptions (or any related income or growth).

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Withdrawals of current year subscriptions, can effectively be replaced in any current year ISA, but cannot breach the ‘one ISA of each type per tax year’ rule.

Where a flexible ISA has current year subscriptions only, any withdrawals over and above the amount subscribed – for example, income or capital growth - can only be replaced in that ISA.

Replacement of flexible ISA previous year funds must be made to the account from which the withdrawal was made, and in the same tax year.

Where a withdrawal, or internal transfer, closes a flexible ISA no replacement of any previous year funds withdrawn but not replaced in the current year will be possible unless the manager re-opens the ISA (see [when can an ISA be closed](#)).

Income paid away outside of a flexible ISA under the terms and conditions of the account, or under the instruction of the account investor, will count as withdrawals which can be replaced without counting towards the subscription limit.

But monies removed other than by the investor:

- by way of an ISA transfer to another provider
- by HMRC to cover a tax debt
- on the instruction of HMRC to remove invalid subscriptions
- on cancellation
- on the authority of a court order
- to cover fees and charges
- by the ISA manager to cover penalty charges – for example, when the investor makes a withdrawal which breaks the terms and conditions of a fixed term product

are not withdrawals of cash that can be replaced without counting towards the annual subscription limit.

Except for when made to a Lifetime ISA, flexible ISA replacement subscriptions do not count as subscriptions for the purpose of determining whether the investor has subscribed to more than one ISA of the same type, or whether there has been a ‘gap year’ in relation to a continuous ISA application.

Where a flexible ISA is transferred the old manager must provide the new manager with the ‘net’ subscriptions in the current year and the date of the first subscription counting towards the subscription limit. That is, the total subscriptions in the year (disregarding any [additional permitted subscriptions](#), [defaulted subscriptions](#), and [Help to Buy ISA reinstatement subscriptions](#)), less any amounts withdrawn. Subject to any subscriptions made to other ISAs in the year, the full balance of the annual subscription limit will be available with the new manager.

Where the ‘net’ subscription is £nil or a minus figure because the investor has withdrawn all the current year subscriptions, the old manager should report £nil current year

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subscriptions to the new manager and the date of the first subscription counting towards the subscription limit.

The BACS system has a default date of first subscription of 6 April where current year subscriptions are £nil. Where managers systems are unable to override the default date, transfers made in 2017-18 should proceed using the 6 April default date. Managers must make the necessary systems changes for later years.

Where a manager receives a BACS transfer in 2017-18 showing a date of first subscription of 6 April and current year subscriptions of £nil, the manager should not capture or report the 6 April date of first subscription. For later years, the date should be captured and reported.

For ISA managers not offering flexibility, where flexible ISAs are transferred in and their systems do not allow for the capture of a date of first subscription with £nil current year subscriptions, managers can continue to report as per current processes for 2017-18.

Where a flexible ISA is transferred and the 'net' subscription is £nil or a minus figure because there have been no subscriptions other than [additional permitted subscriptions](#), [defaulted subscriptions](#), [Help to Buy ISA reinstatement subscriptions](#), and flexible ISA replacement subscriptions (where the investor has withdrawn previous year funds), the old manager should enter X (current year subscriptions not being transferred) in the Type of ISA field on the [Transfer History Form](#). Where the Type of ISA field is reported as X, no entries are required for current year subscriptions or date of the first subscription.

Where a flexible ISA is transferred with 'net' current year subscriptions of £nil the ability to replace any current year income withdrawn prior to the transfer will be lost.

Where flexible ISAs are included in a bulk transfer any withdrawals in the year of the bulk transfer but before the date of the bulk transfer – from current year or previous year funds - to the extent they were not replaced before the transfer - can be replaced with the new manager in the year of the bulk transfer without counting towards the subscription limit. Where the new manager does not offer flexibility, he must nevertheless allow replacement without counting towards the subscription limit.

For flexible ISAs, the 'net' subscriptions – that is, the total subscriptions in the year (disregarding any [additional permitted subscriptions](#), [defaulted subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#)), less any amounts withdrawn should be reported on the [annual information returns](#).

Where the net subscriptions in the reporting year are a negative figure, for example because the investor has withdrawn previous year funds, the manager should report £nil current year subscriptions.

Where the terms and conditions of an ISA offer flexibility, the ISA should be 'flagged' on the [annual return of information](#) to indicate the terms and conditions permit flexibility. The flag should be used regardless of whether the investor has used the flexibility.

Where a Help to Buy ISA is operated under flexible terms and conditions:

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- replacement subscriptions cannot exceed the monthly Help to Buy ISA subscription limits
- withdrawals of current year subscriptions will create current year subscription ‘headroom’ that can be used in another ISA of a different type

See [worked examples of flexible ISAs](#) (PDF, 135KB, 5 pages) .

Help to Buy ISA reinstatement

Help to Buy ISA is a feature of a cash ISA available from 1 December 2015. Under the Help to Buy ISA rules, an investor can use a cash ISA to save towards their first home purchase and, subject to satisfying certain conditions, they will be eligible for a government bonus payment calculated with reference to how much they have saved. The scheme is administered on behalf of HM Treasury by UK Asset Resolution corporate services (UKARcs).

A Help to Buy ISA is merely a cash ISA and has no identity or special requirements within the ISA rules. While Help to Buy ISAs must follow all the normal cash ISAs requirements, they also need to satisfy additional qualifying conditions (set out by UKARcs in its scheme rules) if the account holder is to be entitled to a government bonus payment.

For an account holder to be eligible for the Help to Buy ISA bonus, funds must be withdrawn from the ISA and the account must have been closed. Where the Help to Buy ISA is a product within a portfolio ISA, it is sufficient that the funds have been withdrawn from, and that product closed.

Where, following the withdrawal and account closure, the house purchase fails, the investor can make a Help to Buy ISA reinstatement subscription up to or equal to the funds withdrawn from their closed account in:

- a cash ISA (which could be the re-opened Help to Buy ISA, a new cash ISA opened for the purpose, or an existing cash ISA)
- a current year stocks and shares, innovative finance ISA or Lifetime ISA that does not breach the ‘one of each type per tax year ‘rule

Other than when made to a Lifetime ISA, Help to Buy ISA reinstatement subscriptions can be made whether or not the investor is resident in the UK. They cannot be made to a Junior ISA.

Help to Buy ISA reinstatement subscriptions can be made to a Lifetime ISA if the investor is resident in the UK and otherwise eligible to subscribe to a Lifetime ISA, but will count towards the Lifetime ISA payment limit (but not the annual overall ISA subscription limit).

Only a single Help to Buy ISA reinstatement subscription can be made in respect of a failed house purchase. The investor cannot spread their reinstatement over a number of different accounts, or to make a number of different reinstatement subscriptions over time. The investor does not have to be resident to make a Help to Buy ISA reinstatement subscription (see [the residence qualification](#)) except where the payment is made to a Lifetime ISA.

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Help to Buy ISA reinstatement subscriptions must be made within 12 months from the closure date or date of final withdrawal from the Help to Buy ISA. The relevant date will be shown on the purchase failure notice provided by the conveyancer.

Before a Help to Buy ISA reinstatement subscription can be made the investor must provide the ISA manager with details of the amount held in their Help to Buy ISA at the time it was closed and a copy of the purchase failure notice provided by the conveyancer.

Managers can choose not to accept Help to Buy ISA reinstatement subscriptions.

Overview

From the 6 April 2015 additional permitted subscriptions on top of the [annual ISA subscription limit](#) are available to the surviving spouse or civil partner of an ISA investor who died on or after 3 December 2014.

The deceased and the surviving spouse or civil partner must have been living together at the date of death. They must not have been separated:

- under a court order
- under a deed of separation
- in circumstances where the marriage or civil partnership has broken down

Find out about additional permitted subscriptions

Subscriptions:

- can be made to you, the manager who holds the deceased's ISA or another manager who agrees to accept the subscriptions
- are limited to the value of the deceased's ISA at their date of death [if the investor died on or before 5 April 2018](#)
- can be either the value of the deceased's ISA at their date of death or the point the ISA ceased to be a [continuing account of a deceased investor if the investor died on or after 6 April 2018](#)
- must be made within specific [time limits](#)
- can be made to a cash, stocks and shares, or an innovative finance ISA
- can also be made to a Lifetime ISA if the investor is resident in the UK, but will count towards the [Lifetime ISA payment limit](#) but not the annual overall ISA additional permitted subscription limit
- have to be made to an 'adult' cash ISA, if the surviving spouse or civil partner is 16 or 17
- can be made in cash or inherited non-cash ISA assets
- are available whether or not the surviving spouse or civil partner inherited the deceased's ISA assets
- can be made by non-residents
- cannot be made to (or from) a Junior ISA
- count as previous year subscriptions for all other ISA purposes

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- can be shown on statements by any relevant description, including ‘transfer’

How to deal with requests to disclose an ISA value

ISA regulations give you authority, on request to disclose the value of a deceased account holder’s ISA to their surviving spouse or civil partner.

You must be satisfied that the person making the request is the surviving spouse or civil partner of the deceased ISA investor, and the request should include the deceased’s:

- name and address
- National Insurance number, if known
- date of birth
- date of death
- the date of marriage or civil partnership to the applicant

The request should also include a declaration that the:

- applicant is the surviving spouse or civil partner
- applicant and deceased were living together at the deceased’s date of death

You can decide whether to accept requests other than in writing.

Requests may be made by someone on behalf of the surviving spouse or civil partner using the guidance in [applying for an ISA on behalf of someone else](#).

How to value ISAs

Stocks and shares ISA

You should value these ISAs using the guidance in [withdrawals of investments from a stocks and shares ISA](#).

Lifetime ISA

Lifetime ISAs are valued at the point that the account ceases to be a continuing account of a deceased investor and includes:

- government bonuses due to be paid on subscriptions made on or before the date of death of the investor
- interest accrued or gains made up to the point that the ISA tax wrapper is removed

Innovative finance ISA non cash assets

The value is the outstanding principal balance, which is the capital amounts outstanding plus any interest due but unpaid on the loans at either the:

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- date of death
- point the account ceases to be a continuing account of a deceased investor

When the investor had more than one ISA

Investor died on or before 5 April 2018

Before the 6 April 2018, if the deceased investor had a number of ISAs with you, there is a single additional permitted subscription limit based on the combined values of those ISAs at the investor's date of death.

Investor dies on or after 6 April 2018

From the 6 April 2018 the single additional permitted subscription limit is based on the combined values of the ISAs at the date each ISA ceases to be a continuing account of a deceased investor.

The additional permitted subscription should not be worked out using a mix of account values at either the date of death or the value of other accounts at the point they cease to be continuing accounts.

If the deceased ISA investor held accounts with more than one ISA manager, the surviving spouse or civil partner can choose to use the additional permitted subscription value worked out at the date of death with one ISA manager and the value at the date of account closure with the other ISA manager.

The spouse or civil partner of a deceased ISA investor can have an additional permitted subscription that is the higher of the value of the ISA accounts at the:

- date of death of the investor
- point they cease to be a continuing account of a deceased investor

If the spouse or civil partner decides to use the additional permitted subscription worked out at the date of death of the investor, by subscribing some or all of the additional permitted subscription into their own ISA, they cannot then ask you for the additional permitted subscription worked out on the value of the accounts at the point they cease to be a continuing account of a deceased investor.

Examples of the [additional permitted subscription limit](#).

Where a financial institution's ISA business is conducted under a number of different HMRC ISA manager references for claims and reporting purposes, the additional permitted subscription limits can be worked out at either:

- financial institution level
- separately for the deceased investor's ISA holdings under each HMRC ISA manager reference

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You must have processes in place to make sure that the additional permitted subscriptions do not exceed the higher of these 2 valuations.

When to include interest on cash deposits

Interest accrued at the date of death should only be included in accordance with the guidance on [death of an investor](#).

Making additional permitted subscriptions

The surviving spouse or civil partner can make subscriptions with either:

- you, the manager who holds the deceased's ISA
- another manager who agrees to accept the subscriptions

Where an additional permitted subscription is made, any further payments up to the limit must be made with the same manager. Any unused balance cannot be used with another manager.

If you're unable to accept the additional permitted subscription you should contact HMRC. This could happen when:

- you close your ISA book to new business before the surviving spouse or civil partner has subscribed up to the additional permitted subscription limit
- you plan a bulk transfer of accounts and the surviving spouse or civil partner wants to move their ISA and any unused part of the additional permitted subscription limit to a manager of their choice (rather than the bulk transfer default option)

You can accept additional permitted subscriptions on a provisional basis pending receipt of the relevant [information and declarations](#). This subscription, or any amount over the limit, must be removed from the ISA, or will count towards the investor's annual subscription limit, where the:

- missing information or declarations are not received within 30 calendar days
- subscriptions accepted on a provisional basis exceed the value of the deceased's ISA, as notified by you

You must not accept an additional permitted subscription into a Lifetime ISA where either the:

- investor is not eligible to subscribe to a Lifetime ISA
- subscription, together with other current year payments, goes above the Lifetime ISA payment limit or the 'one Lifetime ISA only per tax year' rule

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How to deal with subscriptions

The surviving spouse or civil partner can make subscriptions to the following old, new or a combination of both ISAs:

- cash
- stocks and shares
- innovative finance
- Lifetime ISA

ISA managers who agree to accept additional permitted subscriptions can insist on opening a new ISA if this helps monitor the surviving spouses additional permitted subscription limit.

An ISA opened solely to receive the additional permitted subscription will not cause the saver to breach the 'one ISA of each type per tax year' rule. A surviving spouse or civil partner can only pay £4,000 into one Lifetime ISA each tax year.

Where the deceased held ISAs with a number of different managers the surviving spouse or civil partner will have additional permitted subscription limits with each manager.

The surviving spouse or civil partner must give the chosen ISA manager the information and declarations required and confirm they have not made any additional permitted subscriptions to you, the manager who held the deceased's ISA.

The chosen manager must send you a notice stating they are willing to take the additional permitted subscription from the spouse or civil partner. They should also include:

- the deceased's full name
- the permanent residential address of the deceased at the date of death
- the date of birth and date of death of the deceased
- the deceased's National Insurance number (if known)
- sufficient information to identify the deceased's ISA

There is no need to agree a 'transfer' date as the underlying ISA is not being transferred.

You must send the chosen manager a notice confirming the information above within 30 calendar days of receiving the notice. You must also include:

- the value of the ISA at the date of death or the value at the point the ISA ceased to be a continuing account of a deceased investor (whichever is the higher)
- that the surviving spouse or civil partner has not made any additional permitted subscriptions to you and that you will not accept any such subscriptions in the future, or provide details of the additional permitted subscription allowance to any other manager

If you do not receive a death certificate, the 30 calendar day time limit can be suspended until it's received.

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The new manager must keep records of the notices.

How bulk transfers are dealt with

When a bulk transfer includes a surviving spouse's or civil partner's ISA to which an additional permitted subscription has been made, details of any remaining balance of the additional permitted subscription should be passed to the new ISA manager.

The new manager could be either a:

- default bulk transfer ISA manager
- new ISA manager chosen by the surviving spouse or civil partner

If you can accept an 'in specie' transfer of a stocks and shares ISA, then 'in specie' subscriptions can be made to the ISA manager receiving the bulk transfer of accounts or the new ISA manager chosen by the surviving spouse or civil partner.

This means the surviving spouse or civil partner is not disadvantaged by the bulk transfer.

If you cease to offer ISAs and have not accepted any additional permitted subscriptions before the bulk transfer takes place, details of the additional permitted subscription limit should be passed to the new manager.

You should contact HMRC where, exceptionally, the surviving spouse or civil partner is unable to make:

- additional permitted subscriptions with you or another ISA manager
- an 'in specie' subscription following a bulk transfer

A surviving spouse or civil partner can make one or more additional permitted subscriptions, as long as the total does not exceed the permitted additional subscription limit.

If you accept one or more additional permitted subscriptions is a matter for the terms and conditions of the ISA products. Where only one additional permitted subscription is accepted you should make it clear to the surviving spouse or civil partner that any unused balance will be 'lost'.

When subscriptions can be made

Subscriptions can be made at any time from the date of death, subject to the time limits.

The time limit runs from the date the surviving spouse or civil partner becomes beneficially entitled to the non-cash assets. This would be the date you're formally notified that the assets are in the ownership of the surviving spouse or civil partner. HMRC takes a pragmatic view but will query cases where there is evidence of avoidance or manipulation.

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Additional permitted subscription cannot be paid into a Lifetime ISA by a surviving spouse or civil partner, if:

- the annual Lifetime ISA payment limit will be exceeded
- they have already paid into their Lifetime ISA and in that year
- they are aged 50 years or over
- they are non-resident in the UK

When an additional permitted subscription has been made, the surviving spouse or civil partner can transfer their savings under the normal ISA rules, with the additional permitted subscription being treated as previous years' subscriptions.

Further guidance can be found in [annual payment limit for Lifetime ISA](#) and [transferring an ISA](#).

Additional permitted subscriptions are treated as previous year subscriptions for all ISAs apart from Lifetime ISAs, where it counts towards the annual payment limit for the Lifetime ISA.

Information and declarations required

Before the first additional permitted subscription can be made the surviving spouse or civil partner must tell you the deceased's:

- full name
- permanent residential address at the date of death
- date of birth and date of death
- National Insurance number (if known)
- date the marriage or civil partnership took place
- identity of the account manager who managed the deceased's ISA

When making an additional permitted subscription the surviving spouse or civil partner must declare:

1. They're the surviving spouse or civil partner of the deceased.
2. They were living with the deceased within the meaning of section 1011 of the Income Tax Act 2007 at the date of the deceased's death.
3. The subscription is made under the provisions of regulation 5DDA of the ISA regulations.
4. The subscription is being made:
 - for 'in specie' transfers, within 180 days of beneficial ownership passing to the surviving spouse or civil partner
 - for cash subscriptions, within 3 years of the date of death
 - if later than 3 years, 180 days of the completion of the administration of the estate

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For deaths between 3 December 2014 to 5 April 2015, the 180 days runs from 6 April 2015 for distributions before 6 April 2015.

A declaration confirming 1 and 2 above is only needed when the first subscription is made by a surviving spouse or civil partner. A declaration confirming 3 and 4 above must be made every time an additional permitted subscription is made.

Exceptionally, an enduring declaration covering 1 to 4 above can cover the 3 year period from the deceased's date of death, but only where the:

- ISA accepts only additional permitted subscriptions
- your system prevents additional permitted subscriptions after the 3 year period unless supported by a declaration covering 3 and 4 above

You can, if you choose:

- use a 'generic' declaration covering 1 to 4 above for all additional permitted subscriptions
- accept an additional permitted subscription declaration in good faith unless you know it to be untrue

The information and declarations should be made in accordance with the ISA application and transfer processes. They can be given by someone [on behalf of the investor](#).

You must keep written documentation or scanned images. Alternatively, you can apply the 'applications not in writing' procedures by making a written declaration using the information provided on the form and send this to the investor.

The original paper declaration can then be destroyed.

You can use a combined additional permitted subscription transfer application instead of a separate transfer and application form if you choose.

Industry ['model' application forms](#) are available.

How non-cash assets are used

Non-cash assets are:

- any stocks and shares ISA
- Lifetime ISA
- qualifying investments other than cash deposits
- the following cash ISA, or Lifetime ISA, qualifying investments:
 - National Loans Act securities
 - depositary interests
 - short-term money market funds
 - money market funds

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- any [innovative finance ISA qualifying investments](#) other than cash investments

Where a surviving spouse or civil partner inherits non-cash ISA assets, these may be used to make an additional permitted subscription ‘in specie’ (without having to be sold and the subscription made in cash) provided these assets were the ones held at the date you were told of the death of the investor.

The option of an ‘in specie’ subscription is not available if the spouse or civil partner decides to make additional permitted subscriptions to a manager other than the one who held the ISA of the deceased.

Only inherited non-cash ISA assets can be used to make an additional permitted subscription ‘in specie’.

The title to non-innovative finance ISA assets must have remained with you or your nominee. If the title has moved the assets cannot be used to make an additional permitted subscription. The subscription must be made in cash instead.

For innovative finance assets, the peer-to-peer loan agreements and crowdfunding debentures must have remained under the management of the deceased’s ISA manager at all times.

For both stocks and shares ISAs and stocks and shares held in Lifetime ISAs, the value of the assets at the time the additional permitted subscription is made counts towards the additional permitted subscription limit (the value of the deceased’s ISA at their date of death). The assets should be valued using the guidance in [withdrawals of investments from a stocks and shares ISA or Lifetime ISA](#).

Where shares held by the deceased have gone x-dividend (‘XD’), the value of the dividend payments should be included in the value of the shares.

Innovative finance ISA non cash assets should be valued at their date of death value, that is, the capital amounts outstanding plus interest due on the loans(s) but unpaid at the date of death.

Where the deceased investor’s account was a Lifetime ISA, the additional permitted subscription limit includes any government bonus accrued, but not yet paid, on the account.

[Investor died on or before 5 April 2018](#)

The additional permitted subscription limit is not affected by any change in asset value during the estate’s administration. If the value of the assets increase during administration it’s not possible to subscribe them all to the ISA unless the:

- deceased held a combination of ISAs with the same manager and the surviving spouse’s or civil partner’s single combined additional permitted subscription limit with that manager is sufficient to frank the increase in value

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- surviving spouse or civil partner ‘transfers in’ an additional permitted subscription limit from another ISA manager of the deceased sufficient to frank the increase in the value

In these circumstances, the combined date of death values may be sufficient to allow non-cash inherited ISA assets that have increased in value to be subscribed.

If the value of the non-cash assets decrease they can all be subscribed ‘in specie’ and a cash additional permitted subscription made to ‘top up’ to the value at date of death of the investor.

Where the assets change after you’re notified of the death of the investor as a result of some corporate action, those ‘new’ assets will be eligible for in-specie transfer.

Investor dies on or after 6 April 2018

The additional permitted subscription limit is affected by any change in asset value during the administration period. If the value of the assets increase during the estate’s administration it will be possible to transfer them all to the ISA if the surviving spouse or civil partner has not chosen to use the additional permitted subscription limit based on the value of the ISA at the date of death of the investor.

You must not accept a subscription into a Lifetime ISA if:

- together with current year payments, it exceeds the Lifetime ISA payment limit
- the investor is not eligible to subscribe to a Lifetime ISA, for example because the investor is 50 years of age or more or is non-resident in the UK

You must make ‘in specie’ additional permitted subscriptions with non-cash assets within 180 days of the distribution of the assets to the surviving spouse or civil partner.

Where the estate of a deceased ISA investor makes an interim in specie distributions followed by a final distribution, each will have a 180 day window for subscriptions to be made.

The time limits run from the date the surviving spouse or civil partner becomes beneficially entitled to the non-cash assets. You should treat this as being from the date you’re formally told that the assets are in the ownership of the surviving spouse or civil partner.

HMRC will query cases where there is evidence of avoidance or manipulation.

For distributions before 6 April 2015, and deaths between 3 December 2014 to 5 April 2015, the 180 days will run from 6 April 2015.

If you’re not providing any suitability advice to the surviving spouse or civil partner where additional permitted subscriptions are made ‘in specie’, the Financial Conduct Authority have confirmed you do not need to check suitability.

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You should, however, make sure the surviving spouse or civil partner is provided with risk and investment information, in line with your standard process, about the investments, and suggest they consider taking investment advice.

Making cash additional permitted subscriptions

[Additional permitted subscriptions](#) can be made by a surviving spouse or civil partner using sums they have inherited or other cash they have. They can make their additional permitted subscriptions to any combination of existing or new ISAs that they have.

A series of subscriptions up to the value at the date of death can be made provided the total does not exceed the additional permitted subscription limit that the spouse or civil partner is entitled to use.

A new Lifetime ISA for additional permitted subscriptions cannot be opened if the:

- investor is not eligible to open a Lifetime ISA because they're 40 years of age or more or non-resident in the UK
- investor has already paid into another Lifetime ISA in that tax year
- subscription would breach the annual Lifetime ISA payment limit

The time limit for making cash subscriptions ends 3 years after the date of death, or if later, 180 days after the administration of the estate is complete.

Where the death of the ISA holder is between 3 December 2014 to 5 April 2015, the 3 year period starts on 6 April 2015, but the additional permitted subscription limit can only be the value of the deceased's ISA at their date of death.

What to report

You do not need to report, at account level, the amounts received for all additional permitted subscriptions to the following, as they are treated as previous year subscriptions:

- cash
- stocks and shares
- Innovative Finance ISA

However, if made into a Lifetime ISA (to the extent that it may not breach the Lifetime ISA annual payment limit) it must be returned as a qualifying addition on the Lifetime ISA return.

What to do if you receive a void or partial repair notice

You must recalculate the additional permitted subscription limit if you receive a void or partial repair notice after being notified of the account holder's death.

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If you've notified the additional permitted subscription limit to a provider chosen by the surviving spouse or civil partner, you must notify that provider of the revised amount.

If subscriptions have been made by the surviving spouse or civil partner in excess of the revised additional permitted subscription limit, the provider managing the account of the surviving spouse or civil partner should contact HMRC.

HMRC will then issue an appropriate void or repair notice.

Stocks and Shares investments for ISA managers

Qualifying investments for stocks and shares ISAs

The investments that managers may purchase, make or hold in a stocks and shares ISA ('qualifying investments') are:

- [personal equity plan \(PEP\) investments](#)
- [shares](#)
- [securities issued by companies](#)
- [government securities](#)
- [core capital deferred shares](#), known as 'CCDS'
- [securities issued by certain multilateral organisations](#)
- [units or shares in a UK undertakings for collective investments in transferable securities \(UCITS\)](#)
- [units or shares in a qualifying non-UCITS retail scheme](#)
- [shares and securities in qualifying investment trusts](#)
- [units or shares in a recognised UCITS](#)
- [shares emerging from a Schedule 3 Save As You Earn \(SAYE\) option scheme or a Schedule 2 Share Incentive Plan](#)
- [depository interests](#)
- [depository receipts, American depository receipts and American depository share](#)
- [cash](#)
- [units in a collective investment schemes specified as stakeholder products](#)
- [life insurance policies](#) that satisfy the ISA requirements
- policies of life insurance issued before 5 April 2004 that had previously qualified for the separate insurance component
- investments held in a PEP at 5 April 2008 that were qualifying investments under regulation 6(2)(m) of the Personal Equity Plan Regulations 1989 (but see PEP Investments)

PEP Investments

All PEP investments held at 5 April 2008 qualify as ISA investments on 6 April 2008. Where any of those investments subsequently change, for example where there's a change in the nature of the investments, or a change in the place of listing, the investments will continue to qualify as ISA investments only where one of the following applies:

- the investments satisfy the ISA qualifying investment rules
- for investments that have been held continuously since before 6 April 2001, the investments continue to satisfy the pre-6 April 2001 PEP qualifying investment rules

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Shares

Shares, other than [shares in an investment trust](#), are qualifying investments if:

- they're issued by a company (see below) that is incorporated anywhere in the world
- they're:
 - either officially listed on a [recognised stock exchange](#)
 - or are admitted to trading on a [recognised stock exchange in the EEA](#)

'Company' means any body corporate having a share capital other than:

- an open-ended investment company within the meaning of section 236 of the Financial and Services and Markets Act 2000
- a [UK UCITS](#) a [non-UCITS retail scheme](#), or a [recognised UCITS](#)

Qualifying shares do not include:

- nil paid rights (purchased in the market by the manager)
- warrants to subscribe for shares (but see [shares and securities in investment trusts](#))
- futures and/or share options

These investments aren't qualifying investments and may not be held in a stocks and shares ISA (but see [PEP investments](#) and [shares emerging from a Schedule 3 SAYE option scheme or a Schedule 2 Share Incentive Plan](#)).

Securities

'Security' means any loan stock or similar security of a company whether secured or unsecured. Qualifying securities may therefore include:

- loans
- loan stocks (whether secured or not)
- debentures
- Eurobonds

Managers may hold securities in registered or bearer form.

Securities (as defined above) other than [securities in an investment trust](#), are qualifying investments if:

- they have been issued by a [company](#) that is incorporated anywhere in the world
- they satisfy at least one of the following conditions:
 - the securities are listed on the official list of a [recognised stock exchange](#)
 - the shares in the company issuing the securities are so listed
 - the company issuing the securities is a [75% subsidiary](#) of a company whose shares are so listed, or from 1 July 2015
 - the securities are admitted to trading on a [recognised stock exchange in the EEA](#)
 - the shares in the company issuing the securities are so admitted to trading
 - the company issuing the securities is a 75% subsidiary of a company whose shares are so admitted to trading

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For securities acquired before 1 July 2014 they must satisfy the condition that, at the date on which the security is purchased by the ISA manager, the terms on which it was issued either:

- don't require the loan to be repaid or the security to be re-purchased or redeemed within the period of five years from that date
- don't allow the holder to require the loan to be repaid or the security to be re-purchased or redeemed within the period of five years from that date, except in circumstances that are neither certain nor likely to occur

'75% subsidiary' has the meaning given by section 838 of the Income and Corporation Taxes Act 1988.

For the purpose of the ISA legislation, the European Investment Bank (Banque Européenne d'Investissement) can be regarded as a company. The normal rules on qualifying securities therefore apply to securities issued by the bank.

Similarly, Permanent Interest Bearing Shares (PIBS) issued by UK Building Societies can be regarded as issued by a company. The normal rules on qualifying securities therefore apply to PIBS.

Core Capital Deferred Shares (as defined in the Building Societies (Core Capital Deferred Shares) Regulations SI 460/2013) issued by a UK Building Society can be purchased within an ISA on or after 1 July 2014.

Securities acquired before 1 July 2014 must have a minimum residual term of five years when purchased by an ISA manager. However, for these securities there is no objection to:

- terms that allow the company issuing the securities to redeem the loan, whether to re-finance advantageously or in response to changes to withholding or other taxes
- terms that allow the company issuing the securities, or an associate, to repurchase the securities in the market
- call options, typically exercisable, in the case of Euro-convertible bonds, at the five year point by the company issuing the securities, giving them the right to redeem, subject to the holder's prior right to convert the bond into the underlying ordinary equity
- other similar terms that allow the company issuing the securities to force conversion by serving a notice of intended redemption when a particular percentage of other holders have converted (to tidy up the issue) or the share price has reached a specified price for a specified interval (to cut the borrowing cost)
- terms that allow the holder to redeem where the borrower defaults, or appears close to insolvency, breaches covenants or other terms written into the bond, changes the nature of its business or exceeds pre-set borrowing limits

While [securities acquired before 1 July 2014](#) must have a minimum residual term of five years when purchased by an ISA manager, the manager is not required to hold the securities for five years.

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Managers may find the [qualifying security check flowchart](#) (PDF, 367KB, 1 page) useful in order to determine whether a security is a qualifying security. The flowchart relates solely to securities and not other investments that may or may not be qualifying investments.

Government securities

Government securities are qualifying investments if they're:

- gilt-edged securities (“gilts”)
- gilt strips
- securities issued by or on behalf of a government of any EEA State
- strips of securities issued by or on behalf of a government of any EEA State

If acquired before [1 July 2014](#), they must have at least 5 years to run to maturity when purchased by the manager. The 5 year test does not apply to government securities acquired on or after 1 July 2014. A [worked example of qualifying investments for stocks and shares](#) (PDF, 85.9KB, 1 page) of this is available.

Managers must apply the 5 year test to each purchase made before 1 July 2014, even where, for example, the gilt purchased is of the same type as gilts already held in a stocks and shares ISA.

Securities issued by multilateral organisations

‘Multilateral institution’ means an institution that is listed in Part I of Annex 2 to the DAC Statistical Reporting Directive (approved by the Development Assistance Committee of the Organisation for Economic Co-operation and Development).

Securities issued by a multilateral institution are qualifying investments if:

- the security is listed on the official list of a recognised stock exchange, and
- the security satisfies the conditions for securities acquired before [1 July 2014](#)

UK UCITS

‘UK UCITS’ means a collective investment scheme authorised under section 31(1)(a) of the Financial Services and Markets Act 2000 that complies with the requirements to be a ‘UCITS scheme’ for the purposes of the Collective Investment Schemes Sourcebook (see in particular COLL 1.2.2).

Units or shares in a UK UCITS, or a part of a UK UCITS, are qualifying investments.

An ‘authorised unit trust’ is a unit trust scheme where an order under section 243 of the Financial Services and Market Act 2000 is in force.

‘Open-ended investment company’, also known as ‘OEIC’, means a company incorporated in the UK to which S236 FSMA 2000 applies.

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‘Collective investment scheme’ has the meaning given by section 235 of the Financial Services and Markets Act 2000.

The Financial Conduct Authority (FCA) also authorises collective investment schemes as qualified investor schemes but these do not qualify for the ISA.

Qualifying Non-UCITS retail schemes

Units or shares in a non-UCITS retail scheme (NURS) are qualifying investments if the instrument constituting the scheme provides for redemption of the units or shares at least fortnightly.

NURS, for the purposes of stocks and shares ISAs only, means:

- a [collective investment scheme](#) to which, or to whose authorised fund manager and depositary, FCA Handbook [COLL 5.1, 5.4 and 5.6](#) apply
- a non-UK scheme that is recognised by the Financial Conduct Authority under section 270 or 272 of the Financial Services and Market Act 2000 that would be such a scheme if it were a UK scheme

In particular, a NURS operating as a fund of alternative investment funds, also known as a ‘FAIF’, as referred to in COLL, satisfies this definition.

Schemes that apply ‘limited redemption’ (as defined in the COLL section of the FCA Handbook) will not be eligible for an ISA. Nor will any scheme that has an FCA waiver to its normal redemption rules.

But this does not remove firms’ abilities to defer redemption, provided this is within the rules set out in the FCA Handbook.

Shares and securities in investment trusts

Shares in an investment trust are qualifying investments if the investment trust satisfies the [requirement for investments](#).

Securities in an investment trust are qualifying investments if they meet the same conditions as those detailed for [securities](#) and before 1 July 2015, the investment trust satisfied the requirement for investments.

A company is an ‘investment trust’ if it is such a trust for the purposes of section 1158 of the Corporation and Taxes Act 2010.

The requirement for investments before 1 July 2015 was satisfied if not more than 50% in value of the investments held by the investment trust are securities that aren’t [qualifying securities](#) or [government securities](#).

There is no requirement that any securities held be otherwise eligible for a stocks and shares ISA. For example, the 50% test would not prevent an investment trust from investing

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more than 50% of its funds in stocks and shares that are not listed on recognised stock exchanges, or long-dated government securities issued by non-EEA states.

Warrants in an investment trust are not qualifying investments unless, exceptionally, they are attached to shares purchased by an ISA manager in the course of a public offer.

Where managers apply for shares in an investment trust using cash within a stocks and shares ISA, they may retain in the ISA any warrants attached to the shares acquired in the course of the public offer.

Any warrants received subsequently (for example, new issues of warrants offered to existing shareholders only) cannot be held in a stocks and shares ISA. They must either be sold or re-registered into the investor's own name (see [changes to investments held in a stocks or shares ISA](#)).

Recognised UCITS

'Recognised UCITS' means a collective investment scheme. It is an undertaking established in the UK or an EEA State. This is within the meaning given by section 236A of the Financial Services and Markets Act 2000. And it is a recognised scheme for the purposes of Part 17 of that Act.

This includes an undertaking established in Gibraltar which is a UCITS under the law of Gibraltar. This implemented Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

The EEA consists of the 27 member states of the EU, plus Iceland, Liechtenstein and Norway. A list of the [member states of the EU is available](#).

Shares emerging from a Schedule 3 SAYE option scheme or a Schedule 2 Share Incentive Plans

Shares acquired by employees, which have emerged from a Schedule 3 SAYE option scheme or a Schedule 2 Share Incentive Plan are [qualifying investments](#) for stocks and shares ISAs and may be transferred directly into a stocks and shares ISA (see [subscription by transfer of shares](#)). This applies even where the shares would not otherwise be qualifying investments (for example, because they are not listed on a recognised stock exchange).

Depository interests

UK regulation requires securities to be electronically settled in CREST. For companies registered outside the UK, this is achieved through a depository interest mechanism. The depository interest is effectively an electronic 'wrapper' around the ordinary share, to facilitate securities to be held electronically rather than in paper form. A company applies for depository interests representing ordinary shares to be admitted to CREST with effect from its admission to the market.

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When checking the details of international shares officially listed on the London Stock Exchange (LSE) or admitted to trading on the Alternative Investment Market, known as 'AIM', the descriptor of each security will identify the listed/traded instrument e.g. ordinary shares. Reference to '(DI)' in the descriptor simply confirms that the shares are settled electronically through CREST, and therefore is not relevant in determining ISA eligibility (because it is the shares that are listed or admitted to trading, not the depository interest).

Depository receipts, American depository receipt and American depository share

Depository receipts are a type of security and should not be confused with depository interests.

A depository receipt can be held in an ISA providing the underlying shares represented by the depository receipt are in the beneficial ownership of the holder and are themselves ISA qualifying. It is irrelevant for ISA purposes whether the depository receipt is listed or traded on a recognised stock exchange.

Where the listed or traded instrument is a depository receipt, for example a global depository receipt, the descriptor will clearly state this. This can be checked on the UKLA Official List for listed investments.

An American depository share is a vehicle for foreign corporations to list their ordinary equity on an American stock exchange. Foreign corporations are not permitted to make direct secondary listings on American stock exchanges, so this form of indirect ownership has been devised. American depository shares enable US investors to buy the securities of a foreign company without the accompanying risks or inconveniences of cross-border and cross-currency transactions.

American depository shares are dollar denominated and each share represents one or more underlying shares in the foreign corporation. An American depository receipt is a physical certificate evidencing ownership in one or several American depository shares. The terms are often used interchangeably.

The decision of the First Tier Tribunal in the Stamp Duty Reserve Tax case of HSBC Holdings and Bank of New York Mellon v Commissioners for HMRC, UKFTT 163 (TC) has shown that in some cases where an American depository receipt is involved, beneficial ownership may not rest with the underlying investor.

Where a depository receipt is issued in the UK the HMRC view is that the holder of a depository receipt is the beneficial owner of the underlying investment(s), so the depository receipt can be a qualifying investment.

Where a depository receipt is issued outside the UK the question of whether the holder of the depository receipt is the beneficial owner of the underlying investment(s) will be determined by reference to the law of the territory in which the depository receipt is issued. Information on beneficial ownership may be provided to investors by the depository. Where the relevant law means that the holder of a depository receipt is not the beneficial owner of

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the underlying investment(s), the depository receipt cannot be a qualifying investment that can be held in a stocks and shares ISA.

Where beneficial ownership of the underlying investment(s) cannot conclusively be determined by reference to the law governing the arrangements relating to the issue of the depository receipts, for tax purposes HMRC will continue to determine beneficial ownership according to its understanding of the principles of UK law. This means that HMRC will continue to apply its longstanding practice of regarding the holder of a depository receipt as holding the beneficial interest in the underlying investment(s).

ISA managers should therefore check the terms & conditions and any other documentation related to the depository receipt for any reference to the beneficial ownership of the underlying investment(s). In the absence of any conclusive information to show that the holder of the depository receipt is not the beneficial owner of the underlying investment(s), the ISA manager can assume that the holder of a depository receipt is the beneficial owner, so the depository receipt can be a qualifying investment.

Where the holder of the depository receipt is the beneficial owner of the underlying investment(s), a practical test that managers can apply to determine whether the depository receipt is a qualifying investment is to look through the depository receipt to the underlying investment(s) represented by the depository receipt. This might require looking through intermediaries. If all the underlying investments (other than cash) would be qualifying investments for a stocks and shares ISA if held directly by the investor, the depository receipt will be a qualifying investment.

If the investor holds an American depository shares or American depository receipt that is traded on a US stock exchange the underlying investment is the shares represented by the American depository shares or American depository receipt. If these shares are officially listed on a [recognised stock exchange](#), the American depository shares or American depository receipt will be a qualifying investment for stocks and shares ISA.

In some cases the investor cannot hold shares directly, for example, when the shares are issued in the form of a Global Note. The test should then be applied as if the investor were capable of holding the shares.

Shares emerging from a Schedule 3 SAYE option scheme and a Schedule 2 Share Incentive Plan can be transferred to a stocks and shares ISA. Depository interests representing such shares can also be transferred into an ISA. This includes the case where the shares are converted to DIs before they emerge from the scheme. The 90-day transfer period applies to depository interests in the same way as to shares (see [Time limit for transfer of shares from Schedule 3 SAYE option scheme, approved profit sharing schemes and Schedule 2 Share Incentive Plans](#)).

The ISA regulations list investments that can be held in an ISA. They do not list those that cannot be held. In the same way, we cannot produce a complete list of depository interests that do not qualify. The following lists a few depository interests that would not qualify:

- depository interests representing short term loan notes

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- depository interests representing cash
- depository interests representing a basket of investments where any of the investments would not qualify for an ISA

Cash

An investor's cash subscription and any other cash held in a stocks and shares ISA may be held only in sterling (please see where manager is a European Institution) and must be deposited in one of the following that is designated as an ISA account:

- an account with a deposit-taker
- a deposit account or a share account with a building society

In practice, managers can operate a single account – which may also hold other savings products, such as cash ISA, feeder fund and current account balances – provided that both:

- the account is designated as an ISA account
- the monies relating to each investor's ISA are recorded and can be accounted for separately

Where a manager is a European Institution or [relevant authorised person](#), cash may be held in the currency of the EEA state in which he has his principal place of business.

Cash may be held in an 'adult' stocks and shares ISA, and before 1 July 2014, can only be held for the purpose of investment in [qualifying investments](#).

Where, before 1 July 2014, a manager believes that cash in an 'adult' stocks and shares ISA is not being held for the purpose of investment in qualifying investments he should follow the guidance on [uninvested cash held in stocks and shares ISA](#).

Investors are not liable to UK income tax on interest paid on cash on deposit held in a stocks and shares ISA.

Units in collective investment schemes specified as stakeholder products

Units in a [collective investment scheme](#) specified as a stakeholder product by regulation 5 of the Stakeholder Products Regulations are qualifying investments.

Stakeholder Products Regulations means the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 ([SI 2004/2738](#)).

Shares being brought to listing

Managers may apply for shares being brought to listing on an investor's behalf, using cash from within a stocks and shares ISA provided:

- the shares are being issued in a public offer
- the shares will be [qualifying shares](#) or shares in a [qualifying investment trust](#) within 30 calendar days of the date on which they are allotted or allocated

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- the shares are not allocated in connection with the allocation of other shares, securities or units

A public offer is an offer open to the public at large. It includes:

- an offer for sale
- an offer for subscription

It doesn't include:

- an intermediaries offer
- a placing

An 'offer for sale' is an invitation to the public by, or on behalf of, a third party to purchase securities of the issuer. It may be in the form of an invitation to tender at or above a stated minimum price.

An 'offer for subscription' is an invitation to the public by, or on behalf of, an issuer to subscribe for securities of the issuer. It may be in the form of an invitation to tender at or above a stated minimum price.

An 'intermediaries offer' is a marketing of securities by means of an offer by, or on behalf of, the issuer to intermediaries for them to allocate to their own clients.

Where shares are offered through a limited number of intermediaries but any member of the public is able to apply for shares using the named intermediaries, the offer is open to the public at large and will be treated as a public offer rather than an intermediaries offer.

A 'placing' is a marketing of securities to specified persons or clients of the sponsor or any securities house assisting in the placing, which does not involve an offer to the public or to existing holders of the issuer's securities generally.

Shares paid for in instalments

Managers must meet any instalment due after the shares are in a stocks and shares ISA from funds within that ISA, (possibly by making a cash subscription to that ISA). The instalment payments may not be funded from cash held in any other ISA, or from cash outside the ISA.

Where an investor has subscribed the maximum for the tax year in which a subsequent call is due, ISA managers will have to sell sufficient investments within the stocks and shares ISA to pay the call.

Changes to investments held in a stocks and shares ISA

The most common examples of a change to an investment are:

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- takeovers
- demergers
- capital reorganisations (other than a rights issue or bonus issue)
- rights issues
- bonus issues

Investors may take up any offer to shareholders in respect of investments held in a stocks and shares ISA. Whether the resulting investments can be held in the ISA will depend on whether they are [qualifying investments](#).

Where the new investments are qualifying investments, they can remain in a stocks and shares ISA.

Where the new investments are not qualifying investments, managers must, within 30 calendar days of the date on which they became non-qualifying investments, either:

- sell them (in which case the proceeds can remain in the stocks and shares ISA)
- transfer them to the investor to be held outside the ISA.

Complex reorganisations often involve more than just the issue of one set of new investments. There could, for example, be a bonus issue of shares, which are replaced in turn by other shares, which are then sold, or converted to other investments. If the intermediate investments are not qualifying investments for a stocks and shares ISA then, strictly, the final investments, or cash proceeds, cannot be held in a stocks and shares ISA even if the final investments themselves are eligible.

However, where ineligible investments are issued as an intermediate stage, and those investments are short-lived, or are automatically replaced by cash, HMRC will consider whether it is possible to look through the intermediate stages and apply the guidance on [qualifying investments](#) to the initial and final investments alone. If a reorganisation involves intermediate ineligible investments managers should submit full details to savings.audit@hmrc.gsi.gov.uk, and if possible well before the planned reorganisation date.

Where there are income and capital options available to an ISA investor, the ISA manager can select the income option (whether by choice or default) if any resulting (non-qualifying) deferred shares will be either cancelled or purchased for a negligible amount at some stage in the future (albeit not within the usual 30 days).

Rights issues and other offers to shareholders

ISA managers may use only one of the following to take up rights issues and other offers for qualifying investments within the ISA:

- cash within a stocks and shares ISA
- further cash subscribed within the subscription limits

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An investor may give an ISA manager sufficient cash to take up the offer outside the ISA, provided the ISA manager immediately transfers the investments to the investor to be held outside the ISA.

Any proceeds received from lapsed rights in respect of an investment held in an ISA (or a Junior ISA (JISA)) may be paid into the ISA (and must be paid into the JISA). The payment is not a subscription and does not count towards the annual subscription limit.

Bonus issues

Managers may add to a stocks and shares ISA, bonus issues of shares or units received in respect of an investment held in the ISA, provided they are qualifying investments. Such bonus issues do not count towards the ISA subscription limit.

Where they are non-qualifying investments, managers should follow the guidance within [changes to investments held in stocks and shares ISAs](#).

However, where the bonus issue is derived from, and the shares are of the same type as, those transferred from a Schedule 3 SAYE option scheme, approved profit-sharing scheme or a Schedule 2 Share Incentive Plan, these may be added to the ISA even though they are non-qualifying.

Recognised Stock Exchanges

‘Recognised stock exchange’ means:

- any market of a recognised investment exchange which is for the time being designated as a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007 by an order made by the Commissioners for HMRC
- any market outside the UK which for the time being so designated

It includes the LSE and any such stock exchange outside the UK as is designated in an Order of HMRC.

You can view a [list of stock exchanges](#) that have been designated as ‘recognised stock exchanges’.

The phrase ‘listed on a recognised stock exchange’ in respect of shares and securities is now defined at section 1005(4) Income Tax Act (ITA) 2007 and means shares and securities which are admitted to trading on that exchange and included in the official UK list maintained by the Financial Conduct Authority as the UK Listing Authority or are officially listed in a qualifying country outside the UK in accordance with provisions corresponding to those generally applicable in EEA states.

Shares admitted to trading on EEA markets included in [Tables 1 and 2](#) can qualify for the stocks and shares ISA if they satisfy the other requirements as laid out in the [shares](#) guidance.

Interaction with other tax reliefs

Company shares which became newly eligible for ISA inclusion as a result of this change will remain eligible for the Enterprise Investment Scheme (EIS), the Venture Capital Trust (VCT) scheme, and Inheritance Tax Business Property Relief (BPR).

However, if an investor already holds company shares which are traded on a newly qualifying market these cannot simply be moved into an ISA. If an investor sells an investment that currently qualifies for EIS, VCT or BPR, and their ISA manager uses the proceeds to purchase a replacement holding of the same shares for investment in an ISA, the effect would be that:

- for EIS, the sale of the original holding will be a disposal for the purpose of the provisions for withdrawal of EIS Income Tax reliefs - The new holding will qualify for EIS relief only if it is new shares in a qualifying company
- for VCT, the sale of the original holding will be a disposal for the purpose of the provisions for the recovery of VCT tax reliefs - The new holding will qualify only for dividend relief and Capital Gains Tax exemptions under the VCT rules
- for BPR, there would be two ownership periods, one for the original holding and one for the 'new' holding in the ISA wrapper - Provided the combined ownership period was more than two years, BPR would be available on the replacement holding

Cash ISAs and connected accounts for ISA managers

Qualifying investments for cash ISAs

Qualifying investments for the cash ISA are:

- cash deposited in one of the following that is designated as an ISA account:
 - a deposit account or share account with a building society
 - a deposit account with a credit union
 - a deposit account with a bank other than of a type at section 991(a), (d) or (e) [Income Tax Act 2007](#) (including for this purpose a [credit union](#))
- a deposit account specified as a stakeholder product by regulation 4 [FSMA 2000 \(Stakeholder Product\) Regulations 2004](#) (SI 2004/2738).
- alternative financial arrangements falling within S47 and 49 [Finance Act 2005](#)
- securities, other than National Savings certificates, premium savings bonds, National Savings stamps and National gift tokens, issued under the National Loans Act 1968 or the National Savings Bank Act 1971, on terms that provide for them to be held in the cash component of an ISA
- money market funds as defined in the [Collective Investment Scheme information guide](#) (COLL) 5.9.5
- short-term money market funds as defined in COLL 5.9.3
- If acquired before 1 July 2014:
 - units or shares in a [UK UCITS](#) scheme

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- units or shares in a [non-UCITS retail scheme](#)
- units or shares in a [recognised UCITS](#)
- units in a collective investment scheme specified as a stakeholder product by regulation 5 of the [Stakeholder Product Regulations](#)
- [shares](#) in a company
- [qualifying investments](#) in policies of life insurance made after 5 April 2004 that would otherwise have been eligible for the stocks and shares ISA but failed the 5% test that applied before that date

In practice, managers can operate a single account – which may also hold other savings products, such as stocks and shares ISA, feeder fund, and current account balances – provided both of the following apply:

- the account is designated as an ISA account
- the monies relating to each investor’s ISA are recorded and can be accounted for separately

A ‘Credit Union’ is a society registered as a credit union under the Industrial and Provident Societies Act 1965 or the Credit Unions (Northern Ireland) Order 1985.

A Credit Union regulated by the Financial Conduct Authority (FCA) and subject to the Financial Services Compensation Scheme can provide ISA cash component products.

An ‘alternative finance arrangement’ is an arrangement falling within S47 and 49 of Finance Act 2005 (savings products providing similar types of return to a deposit savings account). It covers products such as Sharia accounts that do not pay interest.

Connected accounts

Where at any time, a cash ISA is connected with another savings account that is not an ISA, a Junior ISA or a Child Trust Fund, it will cease to be a qualifying investment.

A cash ISA is connected with another account if either was opened with reference to the other, or with a view to either:

- enable the other to be opened on particular terms
- facilitate the opening of the other on particular terms

and the terms on which the cash ISA was opened would have been significantly less favourable to the investor if the other had not been opened.

HMRC will accept that an account is not a connected account if it is a “feeder” account opened to enable investors to fund future deposits into an ISA, provided that the interest on the feeder account is in line with the interest paid on the ISA manager’s other savings accounts. Such feeder accounts should not be included on ISA managers’ returns of information.

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HMRC will not use the 'connected accounts' rule in cases where the terms of the connected accounts are the same. For example, where an ISA manager offers an instant access cash ISA paying interest at $x\%$ on condition that the investor invests £10,000 in an instant access deposit account paying interest at $x\%$, the 'connected accounts' rule would not be applied. But where an ISA manager offers a cash ISA paying interest at $(x + 5)\%$ on condition that the investor invests £10,000 in a deposit account paying interest at $(x - 5)\%$ the 'connected accounts' rule would be applied.

Check if a life insurance policy can be included in an investor's ISA

Qualifying investments

Insurance policies that satisfy the requirements in this guidance are a qualifying investment for a:

- stocks and shares ISA
- Lifetime ISA

Policies of life insurance

A policy of life insurance (as determined under general law) is eligible to be included in the ISA if the following conditions are satisfied:

- the policy is on the life of the ISA investor
- the policy's terms and conditions state that:
 - the policy may be owned or held only as a qualifying investment for an ISA
 - the policy shall terminate automatically if it ceases to be owned or held in the ISA
 - the policy, or the rights conferred by the policy or any share or interest in the policy or rights respectively, other than the cash proceeds from termination or part surrender of the rights conferred, can't be transferred to the investor
 - the policy, the rights conferred by the policy and any share or interest in the policy or rights respectively, are not capable of assignment or assignation (other than that the policy may be transferred from one ISA manager to another in accordance with the normal rules on [ISA transfers](#)), and the rights may vest in the personal representatives of a deceased investor (see [death of an investor](#))
- the policy evidences or secures a contract of insurance that either falls within paragraph I or III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, or would fall within either of those paragraphs if the insurer was a company with permission under Part 4 of the Financial Services and Markets Act 2000 to effect or carry out contracts of insurance

The policy isn't:

- a contract to pay an annuity on human life

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- a personal portfolio bond within the meaning of section 516 of Income Tax (Trading and Other Income) Act 2005
- a contract, the effecting and carrying out of which constitutes ‘pension business’ within the meaning of Section 58 to the Finance Act 2012

After the first payment in respect of a premium in relation to the policy has been made, there is no contractual obligation on any person to make any other such payment.

Rights under a linked long-term contract specified as a stakeholder product in Regulation 6 of the Stakeholder Product Regulations (FSMA 2000 (Stakeholder Product) Regulations 2004 (SI 2004/2738)) will qualify as an ISA insurance policy. Further information is available on the [legislation](#).

Where an ISA policy fails any of the [conditions](#) the policy must be removed from the ISA ([wrong sort of policy](#)).

A policy of life insurance for the ISA must be on the life of the ISA investor alone. Joint life, multiple life and life of another policies aren’t permissible as a qualifying investment for the ISA. No special policy documentation is needed for ISA purposes other than that normally required under general law to evidence a contract between the policyholder and the insurer.

The ISA is ‘[void](#)’ and the policy should automatically terminate (policy in a void ISA) where:

- the conditions relating to [policy loans](#) or [connected policies](#) have been fouled
- any of the qualifying conditions including those applicable to the investor or the ISA manager are not satisfied, for example where an investor wasn’t eligible to subscribe to the ISA ([who can subscribe to an ISA](#)).

ISA managers may set a minimum limit for subscriptions, which if not reached would allow the insurer to terminate the policy (for example, a minimum limit of £500 premiums to be paid within 3 years).

ISA policies may give higher returns where:

- a certain limit has been reached
- further or regular subscriptions (premiums) are paid

An ISA policy may satisfy the requirement that it falls within paragraph I or III of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 if it includes subsidiary benefits such as a sickness, critical illness, accident or waiver of premium benefit. Payment of subsidiary benefits wouldn’t require a policy to terminate.

Subject to the [connected policy](#) rules, an ISA policy may incorporate an option to take out another policy, whether an ISA policy or a non-ISA policy, without the need for further medical evidence.

Where ISA subscriptions are applied as premiums under an ISA policy, and the subscriptions are payable in instalments, there must be no obligation to pay any instalment (or any

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premium) other than the first one. But this doesn't prevent subscriptions being made by direct debit or standing order arrangements. Regular premium policies including 'qualifying policies' (Schedule 15 ICTA 1988 defines a 'qualifying policy') aren't permissible investments.

The ISA may comprise a number of policies of life insurance. A cluster of policies may be issued in respect of a single subscription. Separate policies may be issued each year. This may have advantages if any invalid subscriptions are made and policies have to be terminated or if an investor wants to transfer part of the investment to a new ISA manager. The policies should be genuinely independent and free-standing.

The rights conferred by an ISA policy must be in the beneficial ownership of the investor. They can't be put into trust.

Where a policy is surrendered or has paid benefits on maturity, ISA managers may use the proceeds to take out one or more new policies. Proceeds used in this way won't count towards the subscription limit.

Connected parties

An ISA policy mustn't be connected with any other policy or contract of insurance.

It's connected with another policy or contract of insurance if either was made with reference to the other, or with a view to:

- enabling the other to be made on particular terms
- facilitating the making of the other on particular terms

and the terms on which the ISA policy was issued would have been significantly less favourable to the investor if the other insurance hadn't been issued.

HM Revenue and Customs (HMRC) will accept that an ISA policy isn't connected with another policy if:

- a 'feeder' insurance is used to enable investors to fund future ISA policy premiums and the initial charges that would otherwise apply to the ISA policy are waived
- an existing insurance is surrendered and an ISA policy is substituted and the initial charges that would otherwise apply to the ISA policy are waived

There is no requirement to apply discontinuation penalties or a market value adjustment.

The connected policy rule is aimed at preventing the avoidance of tax by, for example, shifting value from a taxable insurance policy or contract to an ISA policy. HMRC won't use this provision in cases where the terms of the policies are the same.

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For example - a valid ISA policy

An insurer may offer an ISA policy, on condition that the investor takes out a taxable policy of life insurance with a minimum premium of £10,000:

- with an allocation rate of 100 plus x%
- paying a bonus rate of y%
- with an establishment charge of z%

Note - The rates and charges may vary depending, for example, on the total amount invested. For example, 'x' may be 1 for a total of £5,000, 2 for a total of £10,000, provided the same percentage applies to both policies. The rates or charges, where only the ISA policy is taken out, may be less (for example, an allocation rate of only 100%).

Loans

No sum may be lent at any time, at or after the making of the insurance, to or at the direction of the investor by or by arrangement with the body for the time being responsible for the obligations under the policy.

In practice, if a loan is made and it is formally secured upon a policy or contract that isn't the ISA policy there is no requirement to terminate the ISA policy. But note the [connected policy](#) rules and the [chargeable event](#) rule.

An insurer can't arrange a mortgage loan for an investor unless the loan is secured upon a policy or contract that is not the ISA policy. This wouldn't prevent another company in the same group as the insurer granting a mortgage loan to the investor provided this wasn't arranged by the insurer, but see the guidance about [using an ISA as security for a loan](#).

Voiding and removing policies of life insurance in ISAs

A policy of life insurance is a qualifying investment for the stocks and shares ISA, the cash ISA, or the Lifetime ISA provided it meets the conditions for [qualifying investments](#). The qualifying conditions must be written into the contractual terms of the policy.

Wrong sort of policy

A policy of life insurance which doesn't satisfy the conditions for a [qualifying investment](#) - the wrong sort of policy - doesn't qualify as an ISA investment and will automatically terminate. There is no provision under any circumstances for 'repairing' the policy and allowing it to continue.

Examples of the wrong sort of policy include, a policy:

- on a life or lives other than that of the account investor
- that doesn't include in its contractual terms the terms and conditions regarding ownership and termination

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- that doesn't constitute the right sort of insurance business or the right sort of policy

Insurers shouldn't provide the wrong sort of policy as an ISA investment.

Policy in a void ISA

Where the policy meets the conditions for a [qualifying investment](#) but it is found that:

- a subscription is invalid
- the application to subscribe is incorrect
- the policy is connected with another policy ([connected policies](#))
- the conditions relating to policy [loans](#) are fouled

the policy must terminate, unless it has already been surrendered, matured or paid out on death before the failure is discovered.

The policy will terminate in accordance with the contractual terms, on notice of the failure coming to the ISA manager.

The policy doesn't terminate:

- when the failure actually occurred, which may have been at inception or some time subsequently
- on notice of the failure coming to the insurer (unless the insurer is also the ISA manager)

Where there is a failure, the policy is in a void ISA and must terminate. A policy that ended on surrender, maturity or death was in a void ISA if the qualifying conditions were fouled at any time during its existence.

Where the ISA manager isn't the insurer, ISA managers must notify the insurer of the failure within 30 days of it coming to his notice. Notice may be given in writing or in some other way. Because the policy terminates when notice comes to the ISA manager, not when the insurer learns of the failure, which may be later, information should be passed on without delay. Otherwise the insurer may be exposed to an investment risk, for example, if the market were to crash between the date the policy terminates and the date the insurer is notified by the ISA manager.

Where an insurer is notified of, or identifies, a failure the information should be passed on to the ISA manager.

A policy in a void ISA remains part of the ISA business of the insurer throughout its existence. The condition that the policy must only be owned or held as a qualifying investment for an ISA is treated as being satisfied throughout the period from inception to either the notice of the failure coming to the ISA manager or the policy ending on surrender, maturity or death, as appropriate.

Chargeable events

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The special rules that tax gains on policies of life insurance, often known as the chargeable event rules, are used to recover tax reliefs that were not due on a policy in a void ISA. Tax liability may arise on the forced termination of the void policy and on any previous chargeable events that took place before the failure or before the ISA manager learns of the failure.

Where the ISA manager learns that a policy is held in a void ISA, the policy must terminate if it hasn't already come to an end on death, surrender or maturity. In either case, what is called a 'termination event' arises. This is the earliest of:

- the failure coming to the notice of the ISA manager
- the coming to an end of the policy

A termination event arising as a result of a failure is deemed to be a chargeable event, namely the surrender of all the rights under the policy. The gain on a termination event must be calculated as if the policy was fully surrendered on the date of the termination event, that is when the failure came to the notice of the ISA manager, or the date on which the policy ended if that occurred earlier.

The exemption from tax on chargeable event gains on ISA policies doesn't apply to gains on termination events or any excess events which have arisen as a result of part surrenders of the policy before the termination event. But the exemption remains for the actual full surrender (as opposed to the deemed full surrender on the termination event) or maturity of the policy, or the death of the investor.

An [example of gain calculations on a policy in a void ISA](#) is available.

Insurers must tell the investor about gains treated as arising by reason of a termination event and excess events that have occurred in connection with a policy in a void ISA. The insurer must send this information within 3 months of the insurer receiving notice of a failure, either in writing from the ISA manager or some other person, or in some other way. It may be necessary for the insurer to submit a number of certificates to a particular investor if there have been one or more excess events as well as a termination event.

The insurer must include the following information on each certificate which it sends to the investor:

- policy or contract number
- nature of event
- date of event (which for termination events will be the date on which it occurred and for excess events the last day of the insurance year in which the relevant part surrender or part surrenders were made)
- amount of the gain
- number of years for top-slicing relief

The insurer doesn't need to issue a certificate to the investor when no gain arises by reason of a [chargeable event](#). If a corresponding deficiency arises as a result of the event, the insurer may also report the amount of the deficiency to the investor, if it wishes.

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In order for the investor to complete his or her SA return, the investor will also need to know the amount of tax deducted (at the basic rate – 20% in 2014 to 2015) for each gain. The manager is required to report separately the amount of tax deducted – see [Annual return and tax claims](#).

However, there is no objection to the insurer including on the certificate it sends to the investor the amount of tax deducted in relation to the gain being reported. This would mean that all the information the investor would need to complete the SA return would be set out in one document. But insurers should note that tax deducted is completely separate from ‘tax treated as paid’ which insurers report on gains from UK policies not held in ISAs and which mustn’t be reported on certificates for gains on policies in ISAs. Gains on policies in ISAs don’t attract tax treated as paid.

Exceptionally an insurer may also have to report a gain on a void policy to HMRC. The insurer is only required to report the gain to HMRC when the amount of the gain exceeds half the basic rate limit for the year of assessment in which the event took place (for example, gain more than £15,983 in 2015 to 2016).

Should the insurer be required to send a certificate to HMRC, it must include the [required information](#) plus the name and address of the investor. The insurer should send the certificate to HMRC using the appropriate [contact details](#).

The time-limit for reporting a gain on a void policy to HMRC is the later of:

- 3 months after the end of the tax year in which the event happened
- 3 months from the date that the insurer first becomes aware of the termination event, either in writing or in some other way

No certificate is required where the gain is not more than half the basic rate limit for the tax year in which the event took place.

Insurers that aren’t also the ISA manager may wish to copy the information certificate to the ISA manager or provide the ISA manager with information about the gains in some other way. ISA managers should though be able to calculate gains from information in their own possession.

ISA managers must normally account for tax on any gains on a void policy at the basic rate in force for the year of assessment in which the chargeable event occurred. But HMRC will recover tax due directly from the investor where:

- there are insufficient funds left in the ISA
- an ISA has been closed before the ISA manager is aware that a recovery may be necessary

ISA managers must still provide details to investors – see the [required information](#) - within 30 days of it coming to the ISA manager’s notice.

ISA managers must keep a record of gains arising on void policies on a tax year basis.

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Where appropriate, ISA managers should account for the tax by deducting the amount due from their next [annual return and claim](#) to HMRC.

Deficiency relief will be due to an investor if there are gains on excess events as a result of earlier part surrenders that exceed the overall gain on a policy in a void ISA. It's a relief that may reduce an individual's liability to tax at the higher rate. It's not a relief from tax at the basic rate. Insurers are aware that large part surrenders may lead to this sort of result and may wish to bear it in mind in structuring their products and deciding what response they should make to a request for a large part surrender.

Example of gains calculations on a policy in a void ISA

Transactions

Policy taken out 10 September 2015 and held within an ISA.

Premiums of £1,000 paid into this policy on 10 September each year until 2018, that is, a total of £4,000.

Withdrawal of £500 through a part surrender on 3 March 2017.

It comes to notice of ISA manager (who is also the insurer) on 15 November 2018 that the ISA rules have been breached because investor has invested in a stocks and shares ISA with another provider earlier in the same tax year (say on 1 July 2008). The surrender value of the policy on 15 November 2018 is £6,000.

Under the terms of the policy, it is terminated soon after on 22 November 2018.

Consequences

The part surrender of £500 gives rise to an excess event on 9 September 2017 (the end of insurance year). The gain is £350 ($£500 - [5\% \times 1000 + 5\% \times 2000]$). As the ISA is valid at that time, the ISA tax exemption still applies to this gain, although the subsequent voiding of the ISA will bring it into charge later.

A 'termination event' arises on 15 November 2018 (the day that the ISA manager receives notice of the failure). This is deemed to be a surrender chargeable event on that day and a chargeable event gain must be calculated as if the policy had been fully surrendered on that day.

The taxable gain on termination event is:

Event	Amount
Surrender value on 15 Nov 2018	£6,000
plus earlier withdrawal of	£500

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Event	Amount
	£6,500
less total premiums paid of	£5,000
less gain on earlier excess event of £350	
	£1,150

This event and gain, and the earlier excess event and gain of £350, which is now taxable, must be reported to the investor on chargeable event certificates by 14 February 2019 (3 months from the termination event).

The ISA manager must deduct tax at the basic rate of 20% from the gains on the termination event (£1150) and the excess event (£350), a total of £300, pay it to HMRC and report the amount to the investor.

There are no taxable consequences of the actual termination of the policy on 22 November 2018. Together, the taxable gains on the termination event and the excess event account for the tax on the gains on the policy.

Innovative finance ISA investments for ISA managers

Innovative finance ISAs

Innovative finance ISAs may be offered if you're approved by HM Revenue and Customs (HMRC) as an [ISA manager](#).

HMRC will consider ISA manager applications if you've been granted equivalent permission under the law of a territory outside the UK that is within the European Economic Area.

Any transfer or withdrawal rights in relation to non-cash investments in an innovative finance ISA are available only as set out in the [terms and conditions](#) of the account.

Innovative finance ISAs are only available to investors who are 18 or over.

Qualifying investments

Investments that managers may purchase, make or hold in an innovative finance ISA ('qualifying investments') are:

- [peer-to-peer loans](#)
- [crowdfunding debentures](#)

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- [cash](#)

Peer-to-peer loans

Eligible peer-to-peer loans are facilitated by an operator authorised within the meaning of section 31(1)(a) or (c) of, or Schedule 5 to, the Financial Services and Markets Act 2000.

The operator must have permission, other than interim permission under Chapter 4 of Part 8 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013 to carry on one or more of the activities specified in Articles 36H (operating an electronic system in relation to lending) and 39G (debt administration).

Where a borrower defaults and the loan is assigned or novated in exchange for a payment(s) to the lender, the payment(s) won't be made under an Article 36H agreement but will be eligible to remain in the ISA wrapper provided the loan was an Article 36H agreement when the lender entered into it.

All loans must be made using cash held by the ISA manager and must be entered into for genuine commercial terms and not as part of a scheme or arrangement the main, or one of the main purposes of which is the avoidance of tax.

Peer-to-peer loans held outside of the ISA wrapper can't be sold, and repurchased inside an innovative finance ISA except where the loans are sold and are made available for purchase (using cash held by the ISA manager), at the same price, by any lender in the open market. That is, the loans must be available for purchase by more than one prospective purchaser.

It won't therefore usually be open to a platform to purchase a lender's portfolio of loans and for the proceeds to be used to reacquire the same loans inside the ISA wrapper. Any purchase would need to be of loans made openly available to any prospective lender.

Crowdfunding debentures

Crowdfunding debentures are provided for in the Individual Savings Account (Amendment No. 3) Regulations 2016 which extends the range of investments that can be held in an innovative finance ISA. These are:

- crowdfunded debt securities issued by companies
- bonds issued by registered charities

Eligible crowdfunding debentures must:

- be transferable securities in accordance with section 102A(3) of FISMA 2000
- create indebtedness
- be facilitated by a person with FCA permissions to arrange deals in investments
- be made through an electronic system operated by that person in the EEA

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The ISA investor must be treated as ‘the client’ of the person operating the crowdfunding platform (or a person acting on behalf of the platform). This arrangement offers the investor FCA regulatory protections and recourse to the Financial Ombudsman.

The platform (or the person acting on their behalf) must receive payments, make payments and exercise (or facilitate the exercise of) rights under or in respect of the debentures.

Qualifying debentures must be invested in within an innovative finance ISA and using cash subscriptions held by the ISA manager and must be entered into for genuine commercial terms and not as part of a scheme or arrangement, the main or one of the main purposes of which is the avoidance of tax.

Within the meaning given in section 170 of ITA 2007 the investor mustn’t be connected with the issuer of the debenture. The investment mustn’t be connected to any other investment held outside the ISA wrapper. Investments made available to an investor solely by reason of their employment or position within an issuing company or charity are excluded from eligibility as a qualifying debt security.

Cash

An investor’s cash subscription and any other cash held in an innovative finance ISA, for example, loan repayments and other payments when loans default, may be held only in sterling and must be deposited in:

- an account with a deposit-taker
- a deposit account or a share account with a building society that is designated as an ISA

In practice, managers can operate a single account, which may also hold other savings products, such as cash ISA, feeder fund and current account balances, provided:

- the account is designated as an ISA account
- the monies relating to each investor’s ISA are recorded and can be accounted for separately

Electronic money providers

Subscriptions from ISA investors cannot be held in e-money wallets while they are waiting to be invested, because e-money wallets do not meet the requirements in the ISA regulations. ISA managers must make sure that cash subscriptions and other investor funds comply with the ISA regulations.

ISA regulation 6(4) states that cash subscriptions and other cash held by an ISA manager must be deposited in an account with a deposit taker as defined in S.853 Income Tax Act 2007. The account with a deposit taker has to be designated as an ISA account for the purposes of the ISA regulations and should be in the name of the investor.

Transfers and withdrawals

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Transfer and withdrawal rights in relation to non-cash innovative finance ISA investments are available only as set out in the [terms and conditions](#) of the account.

Payments when loans default

When [peer-to-peer](#) loans default, some ISA managers allow access to a provisions fund to compensate lenders. Alternatively, the loan may be 'paid up' or purchased from the lender, with the loan being taken on by the ISA manager or a debt collection specialist.

Where 'compensation' in respect of the poor performance, loss (in whole or in part), depreciation or risk of depreciation of a qualifying innovative finance ISA investment is received:

- by the ISA manager, it can be used to purchase qualifying investments
- outside of the ISA wrapper, the investor will be able to make a [defaulted investment subscription](#)

This applies whether or not the [qualifying investment](#) continues to be held in the ISA at the time the payment is made.

Lifetime ISA guidance for ISA managers

Lifetime ISA withdrawal charge reduced to 20%

Find out about the temporary reduction in the Lifetime ISA (LISA) withdrawal charge from 6 March 2020 to 5 April 2021

Contents

1. [How this affects investors](#)
2. [Correcting a withdrawal charge made on or after 6 March 2020](#)
3. [What will happen after 5 April 2021](#)
4. [What LISA managers can do now](#)
5. [How to report superseded withdrawal charges to HMRC](#)

To help investors withdraw funds from their Lifetime ISA (LISA) during the coronavirus (COVID-19) the withdrawal charge has been temporarily reduced from 25% to 20%.

The reduced withdrawal charge applies to all unauthorised withdrawals which are withdrawals that will not be used for the purchase of their first home or where the investor has a terminal illness from a LISA made on Friday 6 March 2020 until midnight on Monday 5 April 2021.

This means that LISA investors will only lose the government bonus earned on the amount they withdraw.

Statutory Instrument 2020 No. 506 gave effect to the temporary reduction in the withdrawal charge between 6 March 2020 and 5 April 2021 was laid on 14 May 2020.

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How this affects investors

Investors who need £1,000 from their LISA will lose the £250 government bonus earned on their original subscription. The value of their LISA will be reduced by £1,250 and the LISA provider will repay the £250 government bonus back to HMRC.

There is no limit on how much an investor can withdraw from their LISA.

Correcting a withdrawal charge made on or after 6 March 2020

LISA managers who have deducted a 25% withdrawal charge will be able to correct this from 24 June 2020, when the LISA digital service will be updated.

They will do this by submitting a new withdrawal charge report to supersede the original one.

The refund should go back into the investor's LISA if it is open. If the investor closes their account or it has a nil balance the refund can be paid directly to them.

Example – An investor wants to withdraw £1,000 from their LISA on 16 March 2020. A withdrawal charge of £333.33 (25% of £1,333.33) was also deducted from the LISA and paid to HMRC.

The correct withdrawal charge is now reduced to £250 (20% of £1,250). The LISA provider will correct the original withdrawal charge and will receive £83.33 (£333.33 - £250) to be credited back to the investor's LISA.

What will happen after 5 April 2021

This temporary reduction of the LISA withdrawal charge to 20% will end on 5 April 2021.

On 6 April 2021, the LISA withdrawal charge will revert to 25% and will apply to all unauthorised withdrawals from a LISA made on or after 6 April 2021.

What LISA managers can do now

LISA managers could apply the 20% withdrawal charge right away, if their systems allow it.

HMRC's LISA digital service will be updated on 24 June 2020 for the reduced withdrawal charge.

After the service is updated it will not accept 25% withdrawal charges made between 6 March 2020 and 5 April 2021. LISA managers can:

- make their superseded withdrawal charge report to HMRC, amending the 25% withdrawal charges made since 6 March 2020
- report the 20% withdrawal charges when investors make an unauthorised withdrawal

LISA managers can make these reports separately to HMRC, or at the same time that they make their monthly bonus claim for the period 6 June to 5 July 2020.

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A single payment will be made to LISA managers that will include the corrected withdrawal charges and the monthly bonus payments that are due.

How to report superseded withdrawal charges to HMRC

From 24 June 2020, LISA managers will be able to make a superseded withdrawal charge report to HMRC.

Find out [how to report withdrawal charges](#).

The following example shows how to report an amended withdrawal charge.

Superseded data submission to HMRC corrected withdrawal charge at 20%	HMRC's record original withdrawal charge at 25%	Outcome
Account ID = XXYYZZ13579AABBZZ Original Transaction ID 0000000005	Account ID = XXYYZZ13579AABBZZ Original Transaction ID 0000000005	
Claim period start date = 6 April 2020 Claim period end date = 5 May 2020 Withdrawal Amount = 1000.00 Withdrawal Charge Amount = 200.00 Withdrawal Charge Amount YTD = 200.00 – Original YTD figure Funds deducted during Withdrawal = True Withdrawal reason = Superseded withdrawal Automatic Recovery Amount = 200.00	Claim period start date = 6 April 2020 Claim period end date = 5 May 2020 Withdrawal Amount = 1000.00 Withdrawal Charge Amount = 250.00 Withdrawal Charge Amount YTD = 250.00 – Original YTD figure Funds deducted during Withdrawal = True Withdrawal reason = Regular withdrawal Automatic Recovery Amount = 250.00	This example will result in one of 2 outcomes. 1. If the first withdrawal charge of £250 has already been collected by HMRC then a payment of £50 will be refunded to the LISA manager. 2. If the first withdrawal charge of £250 has not been collected then HMRC will only collect a debt £200 in a single financial transaction by direct debit.

Lifetime ISAs for ISA managers

Find out how you should manage Lifetime ISAs including payments, transfers and withdrawals.

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To help people who need access to their money during coronavirus (COVID-19), [the charge on unauthorised withdrawals from Lifetime ISA \(LISA\) has been temporarily reduced](#).

A Lifetime ISA is an individual savings account that can be used to save towards the purchase of a first home or to save for later life. Lifetime ISAs differ from other ISAs in that:

- individuals are eligible for a government bonus worth 25% of what they save
- there is a 25% withdrawal charge if individuals take money out of their Lifetime ISA and do not use it for its intended purpose
- there is an annual Lifetime ISA payment limit in each tax year of £4,000
- individuals must be aged 18 to 39 to open a Lifetime ISA
- there are additional information requirements when transferring Lifetime ISAs between Lifetime ISA managers
- there are additional [digital reporting requirements for Lifetime ISA managers](#)

Apply to be a Lifetime ISA manager

You can [apply to be a Lifetime ISA manager](#) online.

You'll need to be an approved Lifetime ISA manager to [create accounts for your investors](#) and [send information to HMRC](#) using the Lifetime ISA Application Programme Interface (API).

Once you are a Lifetime ISA manager

1. Read the guidance on [managing Lifetime ISA applications and accounts](#).
2. Find out about [transferring Lifetime ISAs](#) to a new Lifetime ISA manager or another type of ISA.
3. Check when [withdrawal charges](#) apply.
4. Read about [withdrawals for first time residential purchase](#).
5. Find out how to [close or cancel a Lifetime ISA](#).
6. Find out [what to do if an investor dies or is terminally ill](#).

Digital reporting for Lifetime ISAs

Overview

Lifetime ISA (LISA) managers must report details for all LISAs you managed during the return period, including those that have been transferred in, and those that have been closed. You can exclude details of those transferred out in full, made void, or closed within the period described.

You should continue to report cash ISAs, stocks and shares ISAs and innovative finance ISAs to HMRC using the ISA [electronic flat text specification](#) or the [HMRC spreadsheet](#) even where they're held for the same investor. You must continue to report details of each ISA separately.

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A LISA return that does not conform with HMRC’s digital requirements will be rejected. In which case, a LISA manager may be regarded as either having failed to make a return or as having made an incorrect return.

The following ISA forms will include information on LISAs:

- annual return (ISA14) – the statements of income for both stocks and shares ISA and cash ISA must include LISAs
- annual return of statistical information (market value) ISA14(Stats) and ISA14a(Stats) – the valuations of both stocks and shares ISA and cash ISA must include LISAs
- annual return of statistical information (subscriptions) ISA25(Stats) and ISA14a(Stats) – the number of LISAs to which subscriptions have been made in the year and the total amounts subscribed in the year to LISAs must be reported

Every interaction with the LISA service occurs in real time and gives either a successful or unsuccessful response.

These interactions allow ISA managers to report to HMRC, from the opening of a LISA to its closure and every other reportable activity in between.

The management of LISA activities requires frequent and stringent digital reporting to HMRC. These requirements must be met to enable you to manage your LISA accounts correctly.

Linking your account management software to HMRC

You can send reports to HMRC by installing an API on your account management software which is linked to HMRC’s tax platform.

When HMRC approves your application to offer LISAs to investors, you will then be able to link your account management software with HMRC’s Tax platform.

The HMRC LISA service is made up of several API (Application Programme Interface) endpoints that allow ISA managers to directly interact with HMRC using their own software.

Your software will satisfy your own business processes, however it must also be able to interact with all of the endpoints in the way HMRC specifies.

A detailed breakdown of these endpoints is available in the HMRC API specification - which is found on the [HMRC developer hub](#).

The API specification explains how the interactions between HMRC and ISA managers must occur and in what format data must be sent to HMRC.

As part of the developer hub, you must be able to access HMRC’s test environment to be able to test their software’s compatibility with HMRC’s service.

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Once your software has been approved to interact with HMRC you can do this by calling a specific endpoint. Instructions on how to do this are on the [HMRC developer hub](#).

The HMRC service uses [OAuth 2.0 bearer tokens](#) as authentication.

Unauthorised software will not be able to interact with the LISA service.

[HMRC's Software Developer Support Team \(SDST\)](#) can help you with your software development queries.

API Endpoints

Each endpoint in our service has a specific name to identify what it is used for. The appropriate endpoint must be used for each specific function otherwise an unsuccessful response will be returned to the ISA manager.

The service endpoints and their functions are set out in the table below:

Function / Endpoint	Function carried out
LISA Software authorisation endpoint	Used by newly approved LISA managers to request authorisation credentials to authorise their software with HMRC
1. Create a LISA investor	Used to check the investors identity against HMRC records
2. Create or Transfer LISA account	Used to check investors eligibility and compliance when creating or transferring a LISA account
3. Modify the LISA Date of First Payment	Used to update the first payment date on a LISA account
4. Reinstate a LISA account	Used to change the LISA account status from closed back to open when deemed compliant
5. Close an existing LISA account	Used to report the LISA account as closed (after 30 days) or cancelled(closed within 30 days of opening)
6. Request a bonus payment	Used to claim a new or correct a previous LISA government bonus from HMRC
7. Report a withdrawal charge	Used to report a new or correct a previous LISA withdrawal charge to HMRC
8. Report death or terminal illness	Used to report the LISA investors terminal ill health or death to HMRC

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Function / Endpoint	Function carried out
9. Request the release of funds to buy a property	Used to request the release of LISA funds towards a property purchase
10. Request a property purchase extension	Used to report the extension of the property purchase process initially by 60 and then 30 days
11. Report the outcome of a property purchase	Used to report the outcome of the property purchase process (purchase success or failure)
12. Send an annual return of information	Used to submit the LISA annual return data to HMRC
13. Get Account details	Used to view the LISA account details HMRC hold at the time of the request
14. View a Life event	Used to view the specific LISA life event details HMRC hold
15. Get details of a bonus request	Used to view the specific LISA bonus claim details HMRC hold
16. Get details of a withdrawal charge	Used to view the specific LISA withdrawal charge details HMRC hold
17. Get the payment details for a bonus claim or withdrawal charge	Used to view the specific payment or debt details HMRC hold resulting from a bonus claim or withdrawal charge for a specific investor
18. Get a list of payment or debt details in a date range	Used to view the bulk payment or debt details HMRC hold resulting from all bonus claims or withdrawal charges for a time period

The sections below detail how you must interact with each endpoint and what data must be submitted to HMRC.

Creating a LISA investor record

When you create an investor record on the LISA service HMRC will check the investor's identity and confirm if a match is found. HMRC will check the investor's:

- first name
- last name
- date of birth
- National Insurance number

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If a match is found then the LISA service will return a response with an Investor ID number to your software for your records. The unique investor ID number must be retained.

An investor ID can only be created once by HMRC. The same investor ID could be used by several different LISA managers if the investor opens a different LISA each tax year.

If the Investor ID already exists then the LISA service will send a response back to the ISA manager. If an ISA manager loses an investor's ID, they can simply make this API call again and the service will respond.

How to resolve the unsuccessful creation of a LISA investor record

If the information provided does not match HMRC's records then we will not allow the creation of the LISA investor record to progress.

The LISA service will not explain why the investor's details do not match.

To help prevent delays caused by data mis-matching investors must ensure that the personal details they provide to their LISA provider match their details held by HMRC.

If the personal details that HMRC holds are incorrect then the investor must update them first with HMRC

Investors can check the data that HMRC holds by accessing their [personal tax account](#)

Investors can also access their Personal Tax Account using the HMRC app on any electronic device. You can advise Investors that guidance is available to check and update their [personal details with HMRC](#)

Investors can also use the link ['Tell HMRC your name has changed'](#) in their personal tax account.

To change their personal details online investors will need to have some information ready with their employer's details or self-employment details. Investors may be required to send proof of the changes made to HMRC at a later date.

Find out about the most common data mismatches in the creation of a LISA account

When an investor's details do not match the data held by HMRC, the reason could be:

- HMRC holds a completely different set of details – a different identity
- the National Insurance number being reported to the LISA service is not correct
- the investor may have provided an invalid temporary National Insurance number. A temporary National Insurance starts with TN
- the investor may have provided an invalid national insurance number from the Isle of Man that starts with MA
- the investor may have changed their surname name and has not told HMRC

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- the investor’s surname with HMRC is spelled differently from the name given to their LISA provider
- the investor may have made a mistake and has provided their LISA provider with incorrect details - these should be checked with investors first before the investor contact

Investors must provide correct personal details to their LISA provider and tell HMRC of any changes to the personal details.

LISA providers cannot correct details held by HMRC for an investor. If an investor does not check that HMRC holds their correct information then a LISA manager can refuse to open their LISA.

LISA providers should explain to investors that their account will only be opened after they have checked their personal data with HMRC.

HMRC cannot pay a government bonus for an investor until they pass the HMRC identity check.

The most common reasons for investor details not matching with HMRC’s data are:

- incorrectly spelt surnames
- double-barrelled surnames
- middle names and surnames are in the wrong order
- an investor has applied for a LISA using a name that is different from their ‘known as’ name that HMRC uses in correspondence to the investor

Examples of possible data mismatches

Investor’s data	HMRC record	Service outcome
NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/01/1980	NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/01/1980 Investor ID - N/A	Success + Investor ID created
NINO AA123457B First Name LISA Last Name STEVENS Date of Birth 13/01/1980	NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/01/1980 Investor ID - N/A	Failure + Investor not found
NINO AA123456B First Name LISA	NINO AA123457B First Name LISA Last Name SAVER	Failure + Investor not found

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Investor's data	HMRC record	Service outcome
Last Name SAVER Date of Birth 13/01/1980	Date of Birth 13/01/1980 Investor ID - N/A	
NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/04/1980	NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/01/1980 Investor ID - N/A	Failure + Investor not found
NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/01/1980	NINO AA123457B First Name LISA Last Name SAVER Date of Birth 13/01/1980 Investor ID - 0000000001	Failure + Investor ID already exists

How HMRC will check an investor's eligibility for a LISA

HMRC will check the date of an investor's first payment into their LISA against the investor's date of birth.

This check confirms if they are:

- aged 18 or over on the day that they made their first payment
- under the age of 40 on that day that they made their first payment
- not shown as 'deceased' on HMRC's records

If HMRC's checks show that the investor is not eligible for a LISA for any of these reasons then an unsuccessful response will be returned for the account creation request.

HMRC cannot disclose any information about the date of death of an investor to a LISA provider. ISA managers should try and contact the investor's executors for confirmation that the investor has died.

How HMRC will check an investor is compliant

When an investor's account data is submitted, HMRC will check if the investor already has a LISA.

If another LISA is found HMRC will check the date of first payment made into each account belonging to the investor. The LISA that the investor paid into first is the valid account. HMRC will automatically change the status of the investor's second LISA to 'VOID'.

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Creating a LISA account scenarios

Data	HMRC record	Outcome
Investor ID 0000000001	Investor ID 0000000001	
Account ID LISAAccount1	Account ID N/A Creation Reason N/A	
Creation Reason New	Date of first payment N/A	Success + Account created (customer is both eligible and compliant)
Date of first payment 06/04/2019	Date of birth 13/01/1980 Date of death N/A	
Investor ID 0000000001	Investor ID 0000000001	
Account ID LISAAccount1	Account ID N/A Creation Reason N/A	
Creation Reason New	Date of first payment N/A	Failure - Eligibility check failed Investor is over 40 years old
Date of first payment 06/04/2019	Date of birth 13/01/1979 Date of death N/A	
Investor ID 0000000001	Investor ID 0000000001	
Account ID LISAAccount1	Account ID N/A Creation Reason N/A	
Creation Reason New	Date of first payment N/A	Failure - Eligibility check failed Investor died before first payment
Date of first payment 06/04/2019	Date of birth 13/01/1980 Date of death 20/03/2019	
Investor ID 0000000001	Investor ID 0000000001	
Account ID LISAAccount1	Account ID LISAAccount2	
Creation Reason New	Creation Reason New	Compliance check failed -Account 2 was received a payment earlier than Account 1
Date of first payment 07/04/2019	Date of first payment 06/04/2019 Date of birth	

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Data	HMRC record	Outcome
	13/01/1980 Date of death N/A	
Investor ID 0000000001	Investor ID 0000000001	
Account ID LISAAccount1	Account ID LISAAccount2	
Creation Reason New	Creation Reason New	Success + Account created (customer is both eligible and compliant) Account 2 will be voided by HMRC.
Date of first payment 06/04/2019	Date of first payment 07/04/2019 Date of birth 13/01/1980 Date of death N/A	

When a LISA manager receives an unsuccessful response back from HMRC they should contact the investor and explain why their account has not been confirmed with HMRC.

If the response was that an investor is not eligible for a LISA, then their account will need to be closed.

When an investor has been identified as having 2 LISAs and they want to keep their account with you, they must close their LISA with their other LISA manager.

This may not be possible because their 30 day account cancellation period has expired, and their LISA with you will have to be closed.

When funds are transferred into a LISA from a different type of ISA, the date of first payment that should be reported to HMRC should be the date the funds were received by the LISA manager.

The account ID used for every new account or fully transferred account that LISA providers report to HMRC must be a new unique account ID that has not been previously used on any other account.

When a customer opens a LISA account following the transfer of funds from another LISA, then the LISA managers should wait until all the appropriate paperwork and funds have been received before reporting the account to HMRC.

A report to HMRC to create a new LISA will fail HMRC's compliance checks if the investor's previous LISA is still shown as open and has received payments from the investor in the same tax year.

Transferring a LISA account

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The process for transferring a LISA is different from the transfer of other types of ISAs. When a LISA is transferred the receiving LISA manager will report the transferred account to HMRC.

The exporting LISA manager does not report the transferred account to HMRC. When the receiving LISA manager reports the transfer to HMRC, then HMRC will update its records to show that the investor's LISA has been transferred.

Following the correct LISA transfer process will enable investors to withdraw funds from their new account for a property purchase 12 months after the date that they paid into their original LISA, before it was transferred.

A LISA transferred to a new LISA provider will have passed HMRC's eligibility and compliance checks and these will not be done again.

Bonus claims made and withdrawal charges reported to HMRC by the original LISA manager will remain linked to the investor's original manager. This enables them to make any bonus claim corrections to HMRC.

All bonus claims or withdrawal charges after the LISA is transferred must be reported to HMRC by the new LISA manager.

All types of LISA transfers that must be accurately reported to HMRC.

Transfer a LISA Account in full

The importing LISA manager must report to HMRC after accepting a LISA account that is transferred in full.

HMRC will then update the previous manager's Account ID to show its status is closed and a closure reason of 'transferred out'.

The exporting LISA manager should not report the account as closed and must leave it with a status of 'Open'.

If the exporting LISA manager reports that their account is closed before the transfer has been reported to HMRC then the original account will have to be reinstated before the transfer can take place.

HMRC cannot correct accounts reported as closed in error by a LISA provider.

When a LISA is correctly transferred, the date that an investor is eligible for withdrawing funds to purchase their first residential property transfers to their new LISA manager.

Reporting a full transfer of current year LISA payments

You can report a full transfer of current year LISA payments to HMRC in 2 different ways by the importing LISA manager:

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- if a LISA account ID does not already exist with HMRC then the new account will be created and updated with payment status of active in the current financial year
- if the LISA already exists then the account will be updated with payment status of active in the current financial year

In both cases the original Account ID will remain with a status of open but will be updated with a payment status of 'Locked' for the current financial year.

Reporting a partial transfer of previous year LISA funds

When this is reported to HMRC by the importing LISA manager the following will happen.

If an account ID for the new LISA does not already exist with HMRC, then the new account will be created and updated with the payment status depending on the account transferred from.

If the transferred account shows:

- 'no payment present' then the new account will also show 'no payment present'
- payment status is 'available' then the new account will also show payment status 'available'
- payment status is 'active' then the new account will be set to 'locked'

If the LISA being transferred to already exists then a response will be returned showing that a LISA already exists.

LISA Transfers and bonus claims

When transferring LISA funds the exporting ISA manager must clearly indicate on the transfer form, which payments:

- made by the investor still require a bonus claim to be submitted to HMRC
- have had a bonus claim submitted but the payment has not yet been received from HMRC

LISA Transfers and withdrawal charges

When transferring funds the exporting ISA manager must report and account for any withdrawal charges that have already been deducted from the investor's LISA to HMRC.

Withdrawal charges deducted can still be reported to HMRC after a LISA has been transferred to another ISA manager.

HMRC will collect the withdrawal charge from the exporting LISA manager because they managed the LISA when the investor made their withdrawal.

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The date of the first payment made into a LISA after a transfer has completed must not be changed. This can cause the original LISA to be voided by HMRC when it may still have some of the investor's funds that have not been transferred.

EXAMPLES

Full LISA to LISA transfer

LISA opened with manager A on 6 April 2018

Total 2018/19 payments made to manager A = £1,500

Bonus claim made on 10 April 2019, £375.00 paid by HMRC to manager A on 24 April 2019.

Customer transfers £1,875 + accrued interest to Manager B on 5 June 2019.

The LISA transferred must be reported to HMRC by ISA manager B who must not create a new account before accepting the full transfer from manager A.

Current Year LISA to LISA transfer

Cash LISA account opened with LISA manager A on 6 April 2017

Total payments during 2017/18 = £1,500

Bonus claim made on 10 April 2018, £375 paid by HMRC on 24 April 2018

Customer opens and subscribes to a new LISA on 6 July 2018 with ISA manager B.

2018/19 payments = £1,500

Bonus claim made on 10 August 2018 for £375 and paid by HMRC on 24 August 2018.

Customer decides to transfer all funds with ISA manager B to ISA manager A on 5 September 2018.

ISA manager A should report a Current Year Transfer to HMRC to move the current year payments from ISA manager B to ISA manager A.

Current year and part previous year LISA to LISA transfer

A Cash LISA account opened with ISA manager A on 06 April 2017

Payments made during 2017/18 = £1,500.

Bonus claim made on 10 April 2018 and £375 paid by HMRC on 24 April 2018.

Payments made during 2018/19 = £1,500.

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Bonus claim made on 10 August 2018 for £375 and paid by HMRC on 24 August 2018.

Customer transfers all current year payments and some (but not all) previous year payments from ISA manager A to ISA manager B on 5 September 2018.

ISA manager B should report this Current Year Transfer to HMRC to move the current year payment from ISA manager A to ISA manager B.

Current year only LISA to LISA transfer

LISA opened with ISA manager A on 6 April 2017

Payments made during = £1,500

Bonus claim made on 10 April 2018 and £375 paid by HMRC on 24 April 2018.

Payments made during 2018/19 = £1,500.

Bonus claim made on 10 August 2018 and £375 paid by HMRC on 24 August 2018.

Customer transfers current year funds only from ISA manager A to ISA manager B on 5 September 2018.

ISA manager B should report a Current Year Transfer to HMRC. This will create an account ID and move the current year payment from ISA manager A to ISA manager B.

LISA to LISA transfer

Cash LISA account opened with LISA manager A on 06/04/2017

2017/18 payments = £1500.00

Bonus claim made on 10/4/2018 for £375.00 and paid by HMRC on 24/4/2018

Customer opens and subscribes to a new LISA account on 6/7/2018 with LISA manager B

2018/19 payments = £1500.00

Bonus claim made on 10/8/2018 for £375.00 and paid by HMRC on 24/8/2018

Customer transfers all funds from LISA manager A to LISA manager B on 5/9/2018

In this example no report to HMRC is required because both accounts already exist and the current year payment is already present with LISA manager B.

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Transferring a LISA or funds held in a LISA between managers

A successful transfer of a LISA between managers is dependent on the data and the account or payment status all being correct.

If they are not then the report to HMRC of an account transfer will return an unsuccessful response.

The reasons for an unsuccessful transfer response include:

- an incorrect account ID has been provided by the original ISA manager instead of the account ID originally reported to HMRC
- an incorrect LISA manager reference has been provided by the original ISA manager
- an incorrect LISA Investor ID reference has been provided by the original ISA manager
- a full account transfer has already been reported to HMRC
- the account being transferred is shown as closed because it has been cancelled or voided
- a possible a transfer of Previous Year payments between 2 Open LISAs that does need to be reported to HMRC
- the payment status on the transferred LISA is shown as 'locked' which means that the account cannot accept or transfer current year payments
- one of the accounts has been incorrectly reported to HMRC as being closed with all funds withdrawn - if this is incorrect the exporting LISA manager will need to reinstate their account to allow the importing LISA manager to carry out the transfer - this can be done using the Create Transfer Account API

If the receiving LISA manager sees that the data supplied is incorrect then this should be checked with the previous LISA manager before the transfer is reported to HMRC.

The Transfer Account API can only be used to report the transfer of a LISA. It cannot be used to report the transfer of funds from another type of ISA into a LISA.

Closing or cancelling a LISA account

An investor can cancel their LISA within 30 days of the date of making their first payment. They can have their funds returned without incurring a withdrawal charge, but they are not entitled to receive a government bonus.

They can open another LISA account in the same financial year with the same or another ISA manager.

The cancellation of a LISA account can still result in the investor's account receiving a government bonus.

The government bonus may have been already claimed and paid by HMRC within 30 days of the account being opened.

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If an investor cancels their account within the 30 day time limit the bonus received will have to be repaid to HMRC as part of the cancellation process. The bonus can be repaid as part of a corrected bonus claim.

Investor incurring a withdrawal charge

When investors close their account within the first 30 days but the account is not reported to HMRC as closed a 25% withdrawal charge will apply to the amount withdrawn.

When the account is reported as closed to HMRC the incorrect withdrawal charge will need to be refunded to the investor.

ISA managers can do this as part of a corrected withdrawal charge report to HMRC via the API.

If a LISA is cancelled by an investor within 30 days any government bonus and withdrawal charges submitted to HMRC after the 20th of each month will need to be reversed in full so that the investor receives all of their original investment back.

Cancellation examples

Data	HMRC record	Outcome	
Closure date 06/03/2019	Account ID LISAAccount3 Creation Reason New Date of first payment 30/03/2019	Success – Account cancelled	
Closure reason Cancellation	Closure date N/A Closure reason N/A		
Closure date 06/03/2019	Account ID LISAAccount3 Creation Reason New Date of first payment 30/05/2019		Failure – Closure date outside cancellation timelines
Closure reason Cancellation	Closure date N/A Closure reason N/A		

When a LISA account has a pending government bonus or withdrawal charge that have been reported to HMRC, these will be automatically cancelled in the online service if the cancellation request to HMRC is successful.

‘Pending’ means a government bonus claim which has been successfully submitted by an ISA manager but has not been paid by HMRC. It also means a withdrawal charge reported to HMRC but the collection process has not started.

When an account is cancelled new bonus claims and withdrawal charges cannot be reported to HMRC for that account. Only corrections can be reported and will be processed by HMRC.

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The date of closure of a cancelled LISA cannot be corrected if it is incorrectly reported to HMRC. ISA managers must ensure that the date of closure is correctly reported to HMRC.

Closing a LISA account

If an investor closes a LISA account more than 30 days after the date of first payment a 25% withdrawal charge must be deducted from the amount withdrawn from the closed account.

Investors are entitled to any bonus claim due to them before they closed their LISA and HMRC will process and pay these government bonuses in the normal way.

When a LISA is closed, ISA managers can still make corrections to previous government claims or withdrawal charges relating to the closed account.

An investor who has closed a LISA that they have made payments to in the current financial year cannot open another LISA in the same financial year.

Updating an investor's personal details

An investor's personal details held by HMRC cannot be updated using the LISA digital service.

Investors must contact HMRC or use their Personal Tax Account to tell HMRC about any changes to their personal details.

How to update the date of first payment

ISA managers will need to report to HMRC a change to the date of first payment made by an investor.

This change could be because of an error, or a late first payment made into the LISA.

Changing the date of an investor's first payment could result in the voiding of the account if the investor has a LISA with another LISA manager.

ISA managers should only change the date of an investor's first LISA payment if this is to correct an error.

Data	HMRC's record	Outcome
Investor has one LISA - correct date of first payment is 6 May 2019	LISA manager - Z9999 Account ID LISAAccount5 Creation Reason New Date of first payment 30 April 2019 corrected to 6 May 2019	Success – Updated

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Data	HMRC's record	Outcome
	Closure date N/A Closure reason N/A	
Investor has 2 LISAs - correct date of first payment is 6 May 2019	LISA manager - Z9999 Account ID LISAAccount5 Creation Reason New Date of first payment 6 March 2019 corrected to 06 May 2019 LISA manager - Z8888 Account ID LISAAccount6 Creation Reason New Date of first payment 30 April 2019	Success – Updated but account 5 now Void
Investor has 2 LISAs - correct date of first payment is 6 April 2019	LISA manager - Z9999 Account ID LISAAccount5 Creation Reason New Date of first payment 30 March 2019 updated to 06 April 2019 LISA manager - Z8888 Account ID LISAAccount6 Creation Reason New Date of first payment 30 April 2019	Success – Updated but this update will result in HMRC voiding LISAAccount6

Reinstating a LISA

You may need to reinstate a LISA. An account can be closed and reinstated at any time.

The main reasons for reinstating a LISA are:

- the account was closed by accident
- a withdrawal of funds has left a LISA account with zero balance that under the LISA managers terms and conditions means that the account needs to be closed
- following a failed property purchase withdrawn funds need to be returned to the investor's closed LISA

A request to reinstate a LISA does not require any additional data to be sent to HMRC.

HMRC will check to see if the reinstatement request can be processed. HMRC records the current status of an account and does not keep a history of a LISA closing and subsequently being reinstated.

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Reinstatement examples

Data	HMRC's record	Outcome
Investor has one Account ID LISAAccount7	LISA manager - Z9999 Account ID LISAAccount7 Creation Reason New Date of first payment 30 April 2019 Closure date 20 August 2019 Closure reason All funds withdrawn	Success – Account reinstated. The account's creation reason will be changed to 'Reinstated' and both the closure date and closure reason will be removed
Investor has 2 Account IDs LISAAccount7 and LISAAccount8	LISA manager - Z9999 Account ID LISAAccount7 Creation Reason New Date of first payment 30 March 2019 Closure date 20 August 2019 Closure reason All funds withdrawn LISA manager - Z8888 Account ID LISAAccount8 Creation Reason New Date of first payment 30 April 2019	Success – LISAAccount7 is reinstated. LISAAccount8 is not affected because it was opened in a later tax year 2019/20
Investor has 2 Account IDs LISAAccount7 and LISAAccount8	LISA manager - Z9999 Account ID LISAAccount7	Failure – Compliance

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Data	HMRC's record	Outcome
	Creation Reason New	ce error
	Date of first payment 30 April 2019	LISA_Account 7
	Closure date 20 August 2019	cannot be
	Closure reason Void	reinstated because
	LISA manager - Z8888	LISA_Account 8
	Account ID LISAAccount8	has an earlier
	Creation Reason New	first
	Date of first payment 6 April 2019	payment date in the same tax year 2019/20.

Claims and charges on LISA accounts

LISA managers are able to submit monthly government bonus claims to HMRC.

ISA managers can claim government bonuses from HMRC after the normal reporting deadline when any investor identity or account errors have been resolved.

When an ISA manager needs to make a retrospective bonus claim for any reason they should claim the bonus in the normal way using the correct data for the original claim period.

LISA Bonus claims can be made to HMRC or corrected by an ISA manager within 6 years after the end of the original bonus claim period. This includes:

- anything which should have been included in the original bonus claim, but was not
- anything which should not have been included in the original bonus claim, but was
- any other error that occurred in the original claim

Claiming a LISA government bonus

LISA managers must be able to submit a bonus claim for each of their eligible investors to HMRC.

HMRC's online service will send a digital response back to your software.

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When a successful bonus claim is made HMRC will send a transaction ID to be stored in your software that can be used for reference purposes.

Bonus claims can be submitted to HMRC at any time, but the deadline for making a monthly bonus claim to HMRC is the 20th day of the month following the end of the claim period. A monthly bonus claim for the period ending 5 May 2019 should be submitted to HMRC by 20 May 2019.

A bonus claim submitted after 20 May will still be processed by HMRC but the response from HMRC will be marked as a late claim.

Government bonus claim examples

submission	Data	record	HMRC's	Outcome
	Period start date= 06-04-2019			Successful claim for 2 bonuses in the same claim period. This results in a single payment of £1,000 to the ISA manager. Both £500 bonus claims must be separately reconciled
	Period end date = 05-05-2019			
	New subs for period = 2000.00			
	New subs YTD = 2000.00			
	Total subs for period = 2000.00			
	Total subs YTD = 2000.00			
	Bonus paid YTD = 0.00			
	Bonus due for period = 500.00			
	Total bonus due YTD = 500.00			
	Claim reason=Regular Bonus + Period	N/A		
	start date = 06-04-2019 period end date = 05-05-2019			
	New subs for period = 2000.00			
	New subs YTD = 2000.00			
	Total subs for period = 4000.00			
	Total subs YTD = 4000.00			
	Bonus paid YTD = 500.00			
	Bonus due for period = 500.00			
	Total bonus due YTD = 1000.00			
	Claim reason = Regular Bonus			

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submission	Data	HMRC's record	Outcome
	Period start date=06-05-2019 Period end date=05-06-2019 New subs for period = 4400.00 New subs YTD = 4400.00 Total subs for period = 4400.00 Total subs YTD = 4400.00 Bonus paid YTD = 0.00 Bonus due for period = 1100.00 Total bonus due YTD = 1100.00 Claim reason=Regular Bonus	N/A	This bonus claim will be unsuccessful and an error response will be returned by HMRC because the 4400.00 new subs for the period exceed the 4000.00 annual LISA limit.
	Period start date = 06-03-2019 Period end date = 05-04-2019 New subs for period = 4000.00 New subs YTD = 4000.00 Total subs for period = 4000.00 Total subs YTD = 4000.00 Bonus paid YTD = 0.00 Bonus due for period = 1000.00 Total bonus due YTD = 1000.00 Claim reason=Regular Bonus	Period start date = 06-03-2019 Period end date = 05-04-2019 New subs for period = 4000.00 New subs YTD = 4000.00 Total subs for period = 4000.00 Total subs YTD = 4000.00 Bonus paid YTD = 0.00 Bonus due for period = 1000.00 Total bonus due YTD = 1000.00 Claim reason=Regular Bonus	This bonus claim will be unsuccessful and an error response will be returned by HMRC because the

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submission	Data	HMRC's record	Outcome
	<p>Original Transaction ID=0000000001 Original bonus amount = 300.00 Reason = Additional bonus Transaction result = 100.00 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period = 1600.00 New subs YTD = 1600.00 Total subs for period = 1600.00 Total subs YTD = 1600.00 Bonus paid YTD = 0.00 Bonus due for period = 400.00 Total bonus due YTD = 400.00 Claim reason = Superseded Bonus</p>	<p>Transaction ID = 0000000001 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period =1200.00 New subs YTD = 1200.00 Total subs for period = 1200.00 Total subs YTD = 1200.00 Bonus paid YTD = 0.00 Bonus due for period = 300.00 Total bonus due YTD = 300.00 Claim reason = Regular bonus</p>	<p>bonus claim data is identical to a previous claim and appears to be a duplicate claim.</p> <p>There are 2 possible outcomes:</p> <ol style="list-style-type: none"> 1. If the first bonus claim of £300 has been paid by HMRC then an additional payment of £100 will be paid. 2. If the first bonus £300 has not been paid

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submission	Data	record	HMRC's	Outcome
	<p>Original Transaction ID=0000000002 Original bonus amount = 400.00 Reason= Bonus recovery Automatic recovery amount = -100.00 Transaction result = -100.00 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period = 1200.00 New subs YTD = 1200.00 Total subs for period = 1200.00 Total subs YTD = 1200.00 Bonus paid YTD = 0.00 Bonus due for period = 300.00 Total bonus due YTD = 300.00 Claim reason = Superseded Bonus</p>		<p>Transaction ID=0000000002 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period = 1600.00 New subs YTD = 1600.00 Total subs for period = 1600.00 Total subs YTD = 1600.00 Bonus paid YTD = 0.00 Bonus due for period = 400.00 Total bonus due YTD = 400.00 Claim reason = Regular bonus</p>	<p>then a payment of £400 will be paid by HMRC.</p> <p>There are 2 possible outcomes:</p> <p>1.If the first bonus claim of £400 has been paid by HMRC then a debt of £100 will be raised and collected from the ISA manager by direct debit</p> <p>2.If the first bonus claim of £400 has not been paid</p>

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submission	Data	record	HMRC's	Outcome
	<p>Original Transaction ID=0000000004 Original bonus amount = 400.00 Reason= Bonus recovery Automatic recovery amount = 50.00 Transaction result= -100.00 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period = 1200.00 New subs YTD = 1200.00 Total subs for period =1200.00 Total subs YTD = 1200.00 Bonus paid YTD = 0.00 Bonus due for period = 300.00 Total bonus due YTD = 300.00 Claim reason = Superseded Bonus</p>		<p>Transaction ID = 0000000004 Period start date = 06-04-2019 Period end date = 05-05-2019 New subs for period =1600.00 New subs YTD =1600.00 Total subs for period =1600.00 Total subs YTD =1600.00 Bonus paid YTD = 0.00 Bonus due for period = 400.00 Total bonus due YTD = 400.00 Claim reason = Regular bonus</p>	<p>then a payment of £300 will be paid by HMRC</p> <p>There are 2 possible outcomes:</p> <p>1.If the first bonus claim of £400 has been paid by HMRC then £50 will be collected from the ISA manager by direct debit and £50 will be collected by HMRC from the LISA investor</p> <p>2. If the first bonus claim of</p>

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submission	Data	record	HMRC's	Outcome
				£400 has not been paid then a payment of £300 will be paid.
				There are 2 possible outcome :
				1.If the first bonus of £400 has been paid by HMRC then a debt of £300 will be raised and collected from the LISA manager by direct debit to reflect the bonus has been repaid in
	<p>Original Transaction ID =0000000005 Original bonus amount = 400.00 Reason= Bonus recovery Automatic recovery amount = 400.00 Transaction result = -400.00 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period = 0.00 New subs YTD = 0.00 Total subs for period = 0.00 Total subs YTD = 0.00 Bonus paid YTD = 0.00 Bonus due for period = 0.00 Total bonus due YTD = 0.00 Claim reason=Superseded Bonus</p>	<p>Transaction ID = 0000000005 period start date = 06-04-2019 period end date = 05-05-2019 New subs for period =1600.00 New subs YTD = 1600.00 Total subs for period = 1600.00 Total subs YTD = 1600.00 Bonus paid YTD = 0.00 Bonus due for period = 400.00 Total bonus due YTD =400.00 Claim reason = Regular bonus</p>		

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submission	Data	record	HMRC's	Outcome
				full
				2.If the
				first
				bonus
				claim of
				£400 has
				not
				been
				paid
				then no
				payment
				will be
				made by
				HMRC.

HMRC's rounding rules ensure that investors are not disadvantaged but this may cause anomalies. ISA manager should round up their bonus payment calculation to the nearest penny - see examples below:

Investor's Deposit Accurate Bonus Calculation Bonus that will be paid by HMRC

£1.11	0.2775	£0.28
£2.22	0.5550	£0.56
£3.33	0.8325	£0.84
£4.45	1.1125	£1.12
£5.55	1.3875	£1.39
£6.66	1.6650	£1.67
£7.77	1.9425	£1.95
£8.88	2.2200	£2.22
£9.99	2.4975	£2.50

An investor could receive bonus payments in any one year totalling £1,000.12.

The Bonus claim function API enables ISA managers to:

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- claim a new bonus payment
- correct a previous bonus claim during the reporting period when it was initially reported
- correct a bonus claim after the claim reporting period has ended
- repay any overpaid bonus amounts to HMRC - HMRC's priority order for reclaiming bonus payments is to reclaim money from the investor's LISA account and then any remaining debt from the investor directly
- receive additional bonus payments arising from corrected bonus claims

When retrospective bonus claims are submitted to HMRC the claim period must refer to when the payments were received from investors not the current claim period.

If an ISA manager needs to make a second correction to a bonus claim they should contact HMRC for advice before submitting a second correction.

Withdrawal charges

To help people who need access to their money during coronavirus (COVID-19), the [charge on unauthorised withdrawals from Lifetime ISA \(LISA\) has been temporarily reduced.](#)

A 25% withdrawal charge must be applied when an investor withdraws funds for a non-Life event.

A withdrawal charge is deducted from the amount withdrawn from a LISA account. The charge should always be deducted at the time when the investor withdraws funds from their LISA account.

There may be situations when the withdrawal charge can only be calculated after a withdrawal has been made for example when funds withdrawn for a failed house purchase are not subsequently returned to an investor's LISA.

When a withdrawal charge is incorrectly calculated and deducted, ISA managers can report a superseded withdrawal charge to HMRC to reduce the original withdrawal charge made or receive a full refund of an incorrect withdrawal charge.

Reporting withdrawal charges to HMRC

Withdrawal charges must be individually reported to HMRC for each of your investors, they can be done at any time.

Each withdrawal charge submission is processed separately and HMRC will send a transaction ID to be stored in your software to be used for reference purposes.

The monthly period for reporting withdrawal charges to HMRC ends the 20th day of the month following the end of the claim period for example a withdrawal charge report for the period ending 6 May 2019 should be submitted to HMRC by 20 May 2019.

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The monthly period for reporting withdrawal charges to HMRC and the deadline for submitting the report to HMRC is the same as the period for claiming government bonus payments from HMRC.

A withdrawal charge report submitted after 20 May will be processed by HMRC but will be marked as a late report in the response from HMRC.

Withdrawal charge examples

submission	Data	HMRC's record	Outcome
	Period start date = 06-03-2019 Period end date = 05-04-2019 Withdrawal amount = 4000.00 Withdrawal charge amount = 1000.00 Withdrawal charge amount YTD = 1000.00 Funds deducted during withdrawal = True Withdrawal reason = Regular Withdrawal Automatic recovery amount = 1000.00	N/A	This example results in a debt of £1,000 to be collected from the LISA manager by direct debit
	Period start date = 06-03-2019 Period end date = 05-04-2019 Withdrawal amount = 4000.00 Withdrawal charge amount = 1000.00 Withdrawal charge amount YTD = 1000.00 Funds deducted during withdrawal = False Withdrawal reason = Regular Withdrawal Automatic recovery amount = 0.00	N/A	In this example a debt of £1,000 needs to be collected from the LISA Investor
	Period start date = 06-03-2019 Period end date = 05-04-2019 Withdrawal amount = 4000.00 Withdrawal charge amount = 1000.00	N/A	This example results

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submission	Data	HMRC's record	Outcome
	<p>Withdrawal charge amount YTD = 1000.00 Funds deducted during withdrawal = False Withdrawal reason = Regular Withdrawal Automatic recovery amount = 500.00</p>		<p>in a debt of £500 to be collected from the LISA manager by direct debit and £500 to be collected from the LISA Investor</p>
	<p>Original Transaction ID = 0000000001 Original withdrawal charge amount = 500.00 Reason= Additional withdrawal Transaction result = 500.00 period start date = 06-03-2019 period end date = 05-04-2019 Withdrawal amount = 4000.00 Withdrawal charge amount = 1000.00 Withdrawal charge amount YTD = 1000.00 Funds deducted during withdrawal = True Withdrawal reason = Superseded Withdrawal Automatic recovery amount = 1000.00</p>	<p>Transaction ID = 0000000001 period start date = 06-03-2019 period end date = 05-04-2019 Withdrawal amount = 2000.00 Withdrawal charge amount = 500.00 Withdrawal charge amount YTD = 500.00 Funds deducted during withdrawal = True Withdrawal reason = Regular Withdrawal Automatic recovery amount = 500.00</p>	<p>This example will result in one of 2 outcomes. 1.If the first withdrawal charge of £500 has already been collected by HMRC</p>

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submission	Data	record	HMRC's	Outcome
<p>Original Transaction ID = 0000000002 Original withdrawal charge amount = 500.00 Reason= Withdrawal reduction Transaction result = -250.00</p>		<p>Transaction ID = 0000000002 period start date = 06-03-2019 period end date = 05-04-2019 Withdrawal amount = 2000.00 Withdrawal charge amount = 500.00</p>		<p>then an additional £500 will be collected from the LISA manager by direct debit 2.If the first withdrawal charge of £500 has not been collected then HMRC will collect a total debt of £1000 in a single transaction by direct debit. This example will result in one</p>

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submission	Data	HMRC's record	Outcome
	period start date = 06-03-2019	Withdrawal charge amount YTD =	of 2
	period end date = 05-04-2019	500.00	outcom
	Withdrawal amount = 1000.00	Funds deducted during withdrawal =	es.
	Withdrawal charge amount = 250.00	True	1.If the
	Withdrawal charge amount YTD = 250.00	Withdrawal reason = Regular	first
	Funds deducted during withdrawal = True	Withdrawal	withdra
	Withdrawal reason = Superseded	Automatic recovery amount = 500.00	wal
	Withdrawal		charge
	Automatic recovery amount = 250.00		of £500
			has
			already
			been
			collecte
			d by
			HMRC
			then a
			paymen
			t of
			£250
			will be
			refunde
			d to the
			LISA
			manage
			r.
			2. If the
			first
			withdra
			wal
			charge
			of £500
			has not
			been
			collecte
			d then
			HMRC
			will
			only
			collect
			a debt

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submission	Data	HMRC's record	Outcome
			£250 in a single financial transaction by direct debit.
			This example will result in one of 2 outcomes.
	Original Transaction ID = 0000000003 Original withdrawal charge amount = 500.00 Reason= Withdrawal refund Transaction result= -500.00 period start date = 06-03-2019 period end date = 05-04-2019 Withdrawal amount = 0.00 Withdrawal charge amount = 0.00 Withdrawal charge amount YTD = 0.00 Funds deducted during withdrawal = False Withdrawal reason = Superseded Withdrawal Automatic recovery amount = 0.00	Transaction ID = 0000000003 period start date = 06-03-2019 period end date = 05-04-2019 Withdrawal amount = 2000.00 Withdrawal charge amount = 500.00 Withdrawal charge amount YTD = 500.00 Funds deducted during withdrawal = True Withdrawal reason = Regular Withdrawal Automatic recovery amount = 500.00	1.If the first withdrawal charge of £500 has been collected by HMRC then a payment of £500 will be refunded to the LISA manager. HMRC may ask

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submission	Data	HMRC's record	Outcome
			the ISA manager why the refund is required.
			2.If the first withdrawal charge of £500 has not already been collected then HMRC will not collect any debt
	Original Transaction ID = 0000000004 Original withdrawal charge amount = 500.00 Reason= Additional withdrawal Transaction result = 500.00 Period start date = 06-03-2019 Period end date = 05-04-2019 Withdrawal amount = 6000.00 Withdrawal charge amount =1500.00 Withdrawal charge amount YTD =1500.00 Funds deducted during withdrawal = False Withdrawal reason = Superseded Withdrawal Automatic recovery amount = 1000.00	Transaction ID = 0000000004 period start date = 06-03-2019 period end date = 05-04-2019 Withdrawal amount = 2000.00 Withdrawal charge amount = 500.00 Withdrawal charge amount YTD = 500.00 Funds deducted during withdrawal = True Withdrawal reason = Regular Withdrawal Automatic recovery amount = 500.00	This example will result in one of 2 outcomes. 1.If the first withdrawal charge of £500 has

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submission	Data	record	HMRC's	Outcome
				<p>already been collected by HMRC then an additional £500 will also be collected from the LISA manager by direct debit and £500 will be collected from the investor</p> <p>2.If the first withdrawal charge of £500 has not been collected then HMRC will collect a total</p>

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submission	Data	record	HMRC's	Outcome
				debt of £1000 from the LISA manager by direct debit and the balance of £500 will be collected from the investor

HMRC's rounding rules ensure that investors are not disadvantaged but this may cause anomalies. ISA manager should round down their withdrawal charge calculation to the nearest penny - see examples below:

Withdrawal Charge amount Accurate Charge Calculation Charge due to HMRC

£1.11	0.2775	£0.27
£2.22	0.5550	£0.55
£3.33	0.8325	£0.83
£4.45	1.1125	£1.11
£5.55	1.3875	£1.38
£6.66	1.6650	£1.66
£7.77	1.9425	£1.94
£8.88	2.2200	£2.22
£9.99	2.4975	£2.49

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HMRC's processing of bonus claims and withdrawal charges

HMRC's financial processing is split into several sections:

Making payments to the LISA manager include:

- Government bonus payments paid by HMRC to an ISA manager
- repayment paid by HMRC to the LISA manager of reduced withdrawal charges that has previously been collected by HMRC
- refunding full withdrawal charge to an ISA manager which have already been collected by HMRC

Collecting debts from the LISA manager include:

- withdrawal charges from an ISA manager
- reduced bonus payments already paid by HMRC from the LISA manager
- a fully reversed bonus requests already paid by HMRC from the LISA manager

Collecting debts from the LISA investor directly include:

- withdrawal charges directly from the LISA investor due to insufficient funds in the LISA manager's account
- reduced bonus payments directly from the LISA investor due to insufficient funds in the LISA manager's account
- a fully reversed bonus request directly from the LISA investor due to insufficient funds in the LISA manager's account

Government bonus payments to ISA managers

Bonus payments are paid in a single payment by HMRC for each monthly claim period.

Payments include:

- new government bonus payment requests
- corrected government bonus payment requests when an additional bonus is due
- corrected withdrawal charges when part of an incorrect withdrawal charge needs to be refunded

Monthly payments made by HMRC is an automated process and a single payment will be made for successful bonus payments that are due.

Bonus claims reported to HMRC after the end of the monthly reporting period will be not be paid until the end of the next monthly reporting period.

HMRC's payment to ISA managers of government bonus claims

Following checking and any necessary correcting by HMRC, successful bonus claims will be paid within 14 days after the due date the claim was due.

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Payments will always be made by BACS to the bank account provide by LISA managers when they applied to HMRC for approval for offer LISAs to investors.

If HMRC receives a BACS rejection notification after issuing a bonus payment to an ISA manager, then HMRC will contact the ISA manager to confirm the bank details provided are still correct.

Any payment processing failure by HMRC's will be investigated and HMRC will attempt to make the payment 3 times before informing an ISA manager there is a problem preventing their bonus claim being paid.

Other payments that can be made to LISA managers

If an investor successfully appeals to HMRC against an incorrect withdrawal charge HMRC will make a separate BACS payment to a LISA manager's bank account.

The payment will not be included with an ISA manager's usual monthly bonus payment.

Collecting withdrawal charges from LISA managers

Withdrawal charges reported to HMRC by LISA managers will be collected as a single Direct Debit payment. The amount collected will include:

- new withdrawal charges reported to HMRC
- corrected withdrawal charges where a further charge needs to be paid to HMRC
- corrected bonus claims when an incorrectly claimed bonus needs to be repaid to HMRC

Collecting withdrawal charges from ISA managers

The collection of withdrawal charges by Direct Debit is an automated monthly process.

HMRC processes all withdrawal charge transactions and prepares the direct debit for collection after the 19th day of each month.

The direct debit is collected 14 days after the 20th of each month.

During this period, ISA managers can check the total amount that will be collected by Direct Debit.

HMRC will issue an advance notice to an ISA manager's liaison officer 3 business days before the Direct Debit that will be collected. The notice will confirm the amount that will be collected by Direct Debit.

Collecting withdrawal charges from LISA Investors

After the reporting period ends on the 19th day of the month HMRC will process all debt transactions.

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HMRC will split a withdrawal charge due between the ISA manager and the LISA investor, if there's insufficient funds in the investor's account to pay all of the withdrawal charge.

ISA managers are only liable for withdrawal charges that have been deducted when a withdrawal was made or can be deducted from funds held in an investor's account.

ISA managers are not responsible for paying a withdrawal charge to HMRC when the balance of an investor's account is zero or the account has been closed.

When a LISA investor is liable for paying a withdrawal charge, HMRC contact the investor about paying the withdrawal charge.

When an investor's account has been transferred to a new LISA manager and the original LISA manager makes a correction that will result in a payment due to HMRC then they should show the 'auto-recovery amount' to be collect from them as zero.

Corrected bonus or withdrawal charges

ISA managers should correct any bonus claims or withdrawal charges as soon as possible.

If a correction is made to a bonus claim by a LISA manager before it has been processed, HMRC will replace the original bonus claim with the corrected claim.

HMRC monitors the number of bonus claim corrections made by LISA managers and may ask a LISA managers to explain why frequent corrections are being made to their bonus claims.

Property purchases

The purchase of an investor's first residential property must be reported to HMRC. ISA managers must report to HMRC when:

- funds are withdrawn from a LISA for a first property purchase
- a conveyancer asks for an extension to the 90 day time limit for completing the purchase of an investor's first property
- an investor's property purchase has completed successfully or has failed

Releasing funds to an investor's conveyancer

When an ISA manager receives all the appropriate paperwork from an investor's conveyancer requesting funds to be withdrawn from the LISA they must report this to HMRC.

LISA managers must be able to report all property purchase using funds in a LISA to HMRC. Every submission will be processed by HMRC who will provide a response back to your software. Every successful submission to HMRC will result in a Life event ID being sent back to your software.

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Reporting withdrawals LISA funds

submission	Data	record	HMRC's	Outcome
	Account ID = 1 Event date = 06-05-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA	N/A		This submission to HMRC results in a success response being sent to the ISA manager confirming funds can be released to the investor's conveyancer
	Account ID = 1 Event date = 06-05-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA	N/A		This submission to HMRC results in a success response being sent to the ISA manager confirming funds can be released from
	Account ID = 2 Event date = 07-05-2019 Withdrawal amount = 8000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA	N/A		This submission to HMRC results in a success response being sent to the ISA manager confirming funds can be released from

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submission	Data	HMRC's record	Outcome
	<p>Account ID = 1 Event date = 07-05-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA</p>	<p>Life event ID = 1 Account ID = 2 Event date = 06-05-2019 Withdrawal amount = 8000.00 Conveyancer reference = CR12345-6789 Name or number = 11 Postal code = AA11 1AB</p>	<p>both accounts to the investor's conveyancer</p> <p>This submission to HMRC results in the release of funds being refused by HMRC because details of the property being purchased on both requests does not match.</p>
	<p>Account ID = 1 Event date = 09-04-2019 Withdrawal amount = 9000.00 Original life event ID = 1 Original life event date = 07-04-2019</p>	<p>Life event ID = 1 Account ID = 1 Event date = 07-04-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA</p>	<p>This submission results in the life event being</p>

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submission	Data	HMRC's	Outcome
		record	superse ded with more up to date informat ion A new life event ID will be sent to the ISA manager for this correcte d submissi on

ISA managers can tell HMRC about a change to the amount withdrawn from a LISA or the date of the withdrawal.

ISA managers cannot report a change to the property being purchased or an investor's conveyancer to HMRC.

When a LISA manager makes an incorrect report to HMRC of a release of LISA funds for a house purchase, then the outcome of the house purchase needs to be reported to HMRC as 'Failed'. Then a correct report should be made to HMRC as soon as possible.

[Reporting an extension to the property purchase time limit](#)

There is a 90 day time limit for completing a property purchase using funds withdrawn from a LISA.

When this deadline cannot be met the investor's conveyancer must contact the ISA account manager for an extension to the time limit to allow the purchase to continue.

There can be a maximum of a further 90 days extension to complete the property purchase.

No further extensions can be applied for and all funds must be returned to the investor's account if the property purchase cannot be completed within 180 days of the funds being withdrawn from the investor's LISA.

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LISA managers should use the same life event ID that was returned by HMRC when reporting extensions to the time limit that have been granted for completing the investor's house purchase.

Notifying HMRC of an extension to a property purchase time limit

submission	Data	HMRC's record	Outcome
	Fund release ID = 1 Event date = 06-07-2019 Event type = Extension one	Life event ID = 1 Account ID = 1 Event date = 07-04-2019 Withdrawal amount = 4000.00 Conveyancer reference= CR12345-6789 Name or number = 1 Postal code = AA11 1AA	This submission to HMRC results in a success response allowing the time limit for purchasing the investor's property to be extended. Your software will receive a second life event ID confirming the time limit

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submission	Data	record	HMRC's	Outcome
Fund release ID = 1 Event date = 06-09-2019 Event type = Extension two		Life event ID = 1 Account ID = 1 Event date = 07-04-2019 Withdrawal amount = 4000.00 Conveyancer reference= CR12345-6789 Name or number = 1 Postal code = AA11 1AA Life event ID = 2 Fund release ID = 1 Event date = 06-07-2018 Event type = Extension one		extension. This submission to HMRC results in a success response allowing the time limit for purchasing the investor's property to be further extended. Your software will receive a third life event ID confirming the time limit has been further

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submission	Data	HMRC's record	Outcome
<p>Fund release ID = 1 Event date = 06-10-2019 Event type = Extension one</p>		<p>Life event ID=1 Account ID=1 Event date = 07-04-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA Life event ID = 2 Fund release ID = 1 Event date = 06-07-2019 Event type = Extension one</p>	<p>extended. This submission will result in an error response from HMRC because a time limit has already been granted .</p>
<p>Fund release ID = 1 Event date = 06-11-2019 Event type = Extension two</p>		<p>Life event ID = 1 Account ID = 1 Event date = 07-04-2019 Withdrawal amount = 4000.00 Conveyancer reference= CR12345-6789 Name or number = 1 Postal code = AA11 1AA Life event ID = 2 Fund release ID =1 Event date = 06-07-2019 Event type = Extension one Life event = 3 Fund release ID = 1 Event date = 06-09-2019 Event type = Extension two</p>	<p>This submission will result in an error response from HMRC because a further time limit has already been</p>

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submission	Data	record	HMRC's	Outcome
Fund release ID = 1 Event date = 09-07-2018 Event type = Extension one Original life event date = 06-07-2019 Original life event ID = 2		Life event ID = 1 Account ID = 1 Event date = 07-04-2019 Withdrawal amount = 4000.00 Conveyancer reference= CR12345-6789 Name or number = 1 Postal code = AA11 1AA Life event ID=2 Fund release ID=1 Event date = 06-07-2019 Event type=Extension one		granted . This results in a success response to update the extension one data with a new event date of 09-07-2019 Your software will receive a third life event ID confirming the date that the time limit was extended has been

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submission	Data	record	HMRC's	Outcome
				corrected.

Notifying HMRC of the outcome of a property purchase

When the purchase of a property using funds withdrawn from a LISA is successful or unsuccessful then the investor's conveyancer must inform the LISA manager within 10 working days of the final outcome.

The life event ID that was returned by HMRC when the withdrawal of LISA funds was reported must also be used to report the outcome of a property purchase.

If HMRC is not notified that an investor's property purchase has failed then future withdrawals of LISA funds to purchase another property will not be permitted.

submission	Data	record	HMRC's	Outcome
	Fund release ID = 1 Event date = 06-09-2019 Property purchase result = purchase completed property purchase value = 250000		Life event ID = 1 Account ID = 1 Event date = 07-07-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number = 1 Postal code = AA11 1AA	This notification results in a successful response closing the property purchase process. Your software will receive a second

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submission	Data	record	HMRC's	Outcome
Fund release ID = 1 Event date = 06-09-2019 Property purchase result = purchase failed		Life event ID = 1 Account ID = 1 Event date = 07-07-2019 Withdrawal amount = 4000.00 Conveyancer reference = CR12345-6789 Name or number =1 Postal code= AA11 1AA		life event ID from HMRC to confirm the outcome of the property purchase. This notification results in a success response closing the property purchase process. Your software will receive a second life event ID from HMRC

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submission	Data	HMRC's record	Outcome
			to confirm the outcome of the property purchase.
			This notification results in a success response
			correcting the data relating to the purchase outcome
Event date = 06-09-2018 Property purchase result =purchase completed property purchase value = 280000 Original life event date = 09-07-2019 Original life event ID = 2		Life event ID = 1 Account ID = 1 Event date = 07-07-2019 Withdrawal amount = 4000.00 Conveyancer reference= CR12345-6789 Name or number = 1 Postal code = AA11 1AA Life event ID = 2 Fund release ID = 1 Event date = 06-09-2019 Property purchase result=purchase completed Property purchase value = 250000	Your software will receive a second life event ID from HMRC to confirm the

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submission	Data	record	HMRC's	Outcome
				purchase outcome correction.
				This notification results in a success response
				correcting the purchase outcome from completed to failed.
				Your software will receive a third life event ID from HMRC to confirm the correction to the purchase
Event date = 06-09-2018		Life event ID =1		
Property purchase result = purchase failed		Account ID =1		
Original life event date = 09-07-2019		Event date = 07-07-2019		
Original life event ID=2		Withdrawal amount = 4000.00		
		Conveyancer reference = CR12345-6789		
		Name or number = 1		
		Postal code = AA11 1AA		
		Life event ID = 2		
		Fund release ID = 1		
		Event date = 06-09-2019		
		Property purchase result = purchase completed		
		property purchase value = 250000		

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submission	Data	record	HMRC's	Outcome
				e outcom e.

ISA managers can report the following changes to property purchase notifications sent to HMRC:

- the event date
- the purchase value
- the outcome

ISA managers cannot report to HMRC changes to:

- the property details
- the conveyancer's details

First payment date

The opening date of a LISA is the first payment made when an account is opened by an investor. ISA managers report this date to HMRC when creating their investor's new account.

Investors can open and contribute to a LISA each tax year. An investor who has more than one LISA can only contribute to one LISA each tax year.

The date of first payment made in every tax year is reported to HMRC on a monthly bonus claim or on a report of an account transfer. This becomes the first entry in the payment table.

The date of the first payment made by an investor each tax year cannot be changed and will be checked every time a bonus claim is made to HMRC.

Only the date of the very first payment made by an investor when a LISA was opened can be corrected by an ISA manager.

The 'real time' reporting of LISA payments to HMRC ensures that investors cannot contribute to more than one LISA in the same tax year.

The date of first payment made by an investor each tax year is held within HMRC's records as follows:

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details	Account	record	HMRC's	Outcome
Investor ID =0000000001 Account ID =LISAAccount1 Creation Reason = New		Tax year = 2017/18 Date of first payment = 20/04/2017 Status = Active Tax year = 2018/19 Date of first payment = 06/04/2018 Status = Active Tax year = 2019/20 Date of first payment = 06/04/2019 Status = Locked Tax year = 2020/21 Date of first payment = 06/04/2020 Status = Active		This shows how the LISA data table held by HMRC. The investor has paid into their LISA in the tax years 2017/18, 2018/19 and 2020/21. But in the tax year 2019/20 the investor contributed to another LISA account which resulted in this account being locked for

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Account details	Account record	HMRC's	Outcome
			2019/20
			.

A LISA payment status can have 5 possible options:

'Active' payment status

An account has an active status when it has:

- received a payment for the first time
- received a contribution from the investor in the tax year

When the first bonus claim is made in the tax year then, a new payment entry is created for that tax year with an automatic date of 06/04/YYYY. This means that the account for which a bonus claim is made has received a contribution from the investor and can accept further contributions during the tax year.

'Locked' payment status

An account has a locked payment status when it has:

- not received a contribution from the investor in the tax year but HMRC has been notified that the investor has contributed to another LISA
- when a bonus claim on another LISA is made to HMRC during the current tax year

'Void' payment status

A LISA has a status of void when the account should not have been opened

Only if the account can be reinstated will the payment status be changed either to Available (it can accept funds) or Locked (it cannot accept any funds).

'Available' payment status

An account has the status of 'Available' when:

- a bonus claim made by another LISA Manager was cancelled and repaid in full to HMRC
- an investor had other LISAs at the time that a bonus claim on another account was cancelled

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When the bonus claim made on an investor's LISA account with another ISA manager was subsequently cancelled and repaid in full to HMRC then the payment status of the account is changed from 'Active' to 'Available'.

If an investor has other LISA accounts at the time that the bonus claim was cancelled then their payment status is changed from 'Locked' to 'Available'. This can only be done if the first bonus claim is cancelled and repaid in full.

If a second bonus claim is successfully requested on the same LISA account then the payment status cannot be changed until the next tax year.

'Cancelled' payment status

An account has a status of cancelled when the account has been closed by a LISA manager

If the status of an account is cancelled it cannot be reinstated. The investor can open another LISA in the same tax year if they are eligible for a LISA and have not contributed to another LISA account in the tax year.

First payment shown as 6 April each year

The date of first payment into a LISA each tax year is checked to identify which LISA was contributed to first by the investor. Using the 6 April as the date of the first payment stops any bonus claims being made on another LISA that the same investor contributes to in the same tax year.

The actual date of first payment into a new LISA each tax year can be any date.

Examples of Date of First payment entries

Data submission	HMRC record (after submission)	Outcome
Account creation Investor ID 0000000001 Account ID LISAAccount1 Creation Reason New Date of first payment 16/04/2019	Investor ID = 0000000001 Account ID = LISAAccount1 Creation Reason = New tax year = 2019/20 Date of first payment 16/04/2019 Status = Active	The successful creation of the account shows the date of first payment into

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submission	Data	HMRC record (after submission)	Outcome
			the account
	<p>Bonus request Account ID = LISAAccount1 period start date = 06-05-2019 period end date = 05-06-2019 New subs for period = 3000.00 New subs YTD = 3000.00 Total subs for period = 3000.00 Total subs YTD = 3000.00 Bonus paid YTD = 0.00 Bonus due for period = 750.00 Total bonus due YTD = 750.00 Claim reason=Regular Bonus</p>	<p>Investor ID = 0000000001 Account ID = LISAAccount1 Creation Reason = New Tax year = 2018/19 Date of first payment 16/04/2018 Status = Active Tax year = 2019/20 Date of first payment 06/04/2019 Status = Active</p>	<p>The successful bonus request in 2018/19 creates the date of first payment for 2018/19 into the account</p>
			The successful creation of the account ID 2
	<p>Second account creation Investor ID 0000000001 Account ID LISAAccount2 Creation Reason New Date of first payment 16/04/2019</p>	<p>Investor ID =0000000001 Account ID =LISAAccount1 Creation Reason = New tax year = 2017/18 Date of first payment 16/04/2017 Status = Active tax year = 2018/19 Date of first payment 06/04/2018 Status = Locked Investor ID =0000000001 Account ID =LISAAccount2 Creation Reason = New tax year = 2019/20 Date of first payment 16/04/2019 Status = Active</p>	<p>creates the first payment entry (active) for the LISA and locks the entry for account ID 1.</p>

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submission	Data	HMRC record (after submission)	Outcome
Account closure (cancellation) Closure date 06/05/2018 Closure reason Cancellation		Investor ID =0000000001 Account ID =LISAAccount1 Creation Reason = New tax year = 2017/18 Date of first payment 16/04/2017 Status = Active tax year = 2018/19 Date of first payment 06/04/2018 Status = Available Investor ID =0000000001 Account ID =LISAAccount2 Creation Reason = New tax year = 2018/19 Date of first payment 16/04/2018 Status = Cancelled	This means if a bonus request is submitted to HMRC for Account ID 1 then it will be declined The successful creation of the account ID 2 creates the date of first payment (active) for the account and locks account ID 1. However the cancellation of

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submission	Data	HMRC record (after submission)	Outcome
			Account ID 2 means that the date of first payment for account ID 1 changes from locked to available and HMRC will accept bonus claims
Bonus correction - full reversal Account ID=LISAAccount2 Original Transaction ID=0000000005 Original bonus amount=400.00 Reason= Bonus recovery Automatic recovery amount=400.00 Transaction result= -400.00 period start date=06-04-2019 period end date=05-05-2019 New subs for period=0.00 New subs YTD=0.00 Total subs for period=0.00 Total subs YTD=0.00 Bonus paid YTD=0.00 Bonus due for period=0.00 Total bonus due YTD=0.00 Claim reason=Superseded Bonus		Investor ID =0000000001 Account ID =LISAAccount1 Creation Reason = New tax year = 2017/18 Date of first payment 16/04/2017 Status = Active tax year = 2018/19 Date of first payment 06/04/2018 Status = Locked tax year = 2019/20 Date of first payment 06/04/2019 Status = Available Investor ID =0000000001 Account ID =LISAAccount2 Creation Reason = New tax year = 2018/19 Date of first payment 16/04/2018 Status = Active	The successful creation of the bonus in 2019/20 will create a date of first payment entry (locked) on account ID1 and

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submission	Data	HMRC record (after submission)	Outcome
		tax year = 2018/19 Date of first payment 06/04/2019 Status = Available	an 'active' entry on account ID 2. However the full reversal of the bonus claim on Account ID 2 means that the payment entry for both account ID 1 and 2 become available and either can now accept a bonus claims. This only happens when the first bonus is reversed.

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submission	Data	HMRC record (after submission)	Outcome
			successfully. If a second bonus claim is successfully reported on the same account ID then the payment entries cannot be changed back to 'available' and the investor can only contribute this account for the tax year.

Submitting end of year LISA information returns

HMRC collects ISA account information data from ISA managers through the annual completion and submission of the ISACOM100 return to HMRC.

LISA manager only need to report the additional data ISACOM 100 data that HMRC does not already hold.

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ISA managers can view the account data submitted to HMRC to check its accuracy and make any corrections.

The normal deadlines for reporting this ISA information returns to HMRC are the same for LISAs.

The annual reporting of LISA statistical information to HMRC is done on the appropriate ISA14, ISA14a and ISA25 forms in the same way as other ISAs.

Information about Cash only LISAs and Stocks and Shares LISAs should be reported separately to HMRC.

The market value of each account on the 5 April should include all government bonuses paid and received. Any pending government bonuses not received from HMRC should not be included.

Examples of statistical reporting to HMRC

Cash only LISA opened 6 April 2018

Investor's contributions during 2018/19 = £4,000.00

Interest received up to 5 April 2019 = £15.57

Total account value at 5 April 2019 = £4,015.57

Bonus claim submitted on 10 April 2019 for £1,000.00 and paid by HMRC on 24 May 2019

Total account value on 24 May 2019 = £5,015.57

Reported to HMRC for 2018/19

LISA Cash market value = £4015.57

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £4000.00

LISA Stocks and shares annual subs = £0.00

Stocks and Shares LISA opened 6 April 2018

Investor's contributions during 2018/19 = £2,000.00

Government bonus claim made on 10 August 2018, £500.00 paid by HMRC on 24 August 2018

Interest/gains received by 5 April 2019 = £195.42

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Total account value on 5 April 2019 = £2,695.42

Reported to HMRC for 2018/19

LISA Cash market value = £0.00

LISA Stocks and shares market value = £2,695.42

LISA Cash annual subs = £0.00

LISA Stocks and shares annual subs = £2,000.00

Stocks and Shares LISA opened 6 April 2018

Investor's contributions during 2018/19 = £2,000.00

Government bonus claim made on 15 December 2018, £500.00 paid by HMRC on 24 December 2018

Previous year transfer received 29 September 2018 = £2,500.00 (including previous year's bonus payments)

Interest/gains received by 5 April 2019 = £160.62

Total account value on 5 April 2019 = £5,160.62

Reported to HMRC for 2018/19

LISA Cash market value = £0.00

LISA Stocks and shares market value = £5,160.62

LISA Cash annual subs = £0.00

LISA Stocks and shares annual subs = £2,000.00 (the transfer in of £2,500.00 is not included)

Cash LISA opened 6 April 2018

Current year transfer received 29 September 2018 = £1,875.00 (including current years bonus payment £375.00)

Investor's contributions during 2018/19 = £1,500.00

Government bonus claim made on 10 September 2018, £375.00 paid by HMRC on 24 September 2018

Interest received by 5 April 2019 = £39.95

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Total account value on 5 April 2019 = £3,789.95

Reported to HMRC for 2018/19

LISA Cash market value = £3,789.95

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £3,000.00 (including current year contributions of £1,500.00 transferred in)

LISA Stocks and shares annual subs = £0.00

Cash LISA opened 6 April 2018

Previous year payments received on 29 September 2018 = £2,000.00 (including previous years bonus payment £400.00)

Investor's contributions during 2018/19 = £Nil

Interest received by 5 April 2019 = £50.00

Total account value on 5 April 2019 = £2,050.00

Reported to HMRC for 2018/19

LISA Cash market value = £2,050.00

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £0.00

LISA Stocks and shares annual subs = £0.00

LISA managers must be able to report annual submissions to HMRC, details of the data and test scenarios are available on the [HMRC developer hub](#).

ISA managers must make a separate annual submission individually for each LISA. Each account submission is processed separately and HMRC will provide a response back to your software. Each successful submission will result in a Life event ID being sent to your software, ISA managers must store this data to be used for reference.

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Examples of end of year submissions to HMRC

submission	Data	record	HMRC	Outcome
	Event date = 06-05-2018 LISA manager name=Company name Tax year=2018 Market value Cash=5000 Market value Stocks and shares=0 Annual subs Cash=4500 Annual subs Stocks and shares=0	N/A		This results in a successful closing reporting the annual submission as a cash LISA account for the tax year 2017/18
	Event date = 06-05-2018 LISA manager name=Company name Tax year=2018 Market value Cash=0 Market value Stocks and shares=6000 Annual subs Cash=0 Annual subs Stocks and shares=5500	N/A		This results in a successful closing reporting the annual submission as a stocks and shares LISA account for the tax year

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submission	Data	HMRC record	Outcome
	<p>Event date = 08-05-2018 LISA manager name=Company name Tax year=2018 Market value Cash=5500 Market value Stocks and shares=0 Annual subs Cash=4900 Annual subs Stocks and shares=0 Original life event ID=1 Original event date=06-05-2018</p>	<p>Life event ID=1 Event date = 06-05-2018 LISA manager name=Company name Tax year=2018 Market value Cash=5000 Market value Stocks and shares=0 Annual subs Cash=4500 Annual subs Stocks and shares=0</p>	<p>2017/18 This results in a success response to correct the data for a Cash LISA account for 2017/18 This results in a success response to correct the data initially reported incorrectly as a Cash LISA and corrected to a Stocks and</p>
	<p>Event date = 18-05-2018 LISA manager name=Company name Tax year=2018 Market value Cash=0 Market value Stocks and shares=55000 Annual subs Cash=0 Annual subs Stocks and shares=4100 Original life event ID=1 Original event date=16-05-2018</p>	<p>Life event ID=1 Event date = 16-05-2018 LISA manager name=Company name Tax year=2018 Market value Cash=5000 Market value Stocks and shares=0 Annual subs Cash=4500 Annual subs Stocks and shares=0</p>	<p>2017/18 This results in a success response to correct the data initially reported incorrectly as a Cash LISA and corrected to a Stocks and</p>

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submission	Data	record	HMRC	Outcome
				shares LISA.

LISA providers can only report or correct a single submission for each account for each tax year.

There are 2 exceptions to this:

- if an original account submission to HMRC had a positive market or payment value that now needs to be changed to £nil, then an ISA manager needs to report a new submission to HMRC with the market or payment value showing zeros
- if an original submission has any values that are incorrect then ISA managers must correct the original submission with zero entries. This will delete the original submission made to HMRC

Example 1 - fully correct a submission to all zeros

Original 2018/19 submission:

LISA Cash market value = £4000.00

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £5050.00

LISA Stocks and shares annual subs = £0.00

Correct the original submission with all subs and market equal to zeros

LISA Cash market value = £0.00

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £0.00

LISA Stocks and shares annual subs = £0.00

Then submit a NEW original submission with all subs and market equal to zeros

LISA Cash market value = £0.00

LISA Stocks and shares market value = £0.00

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LISA Cash annual subs = £0.00

LISA Stocks and shares annual subs = £0.00

Example 2 - fully delete a submission

Original 2018/19 submission:

LISA Cash market value = £4000.00

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £5050.00

LISA Stocks and shares annual subs = £0.00

Correct the original submission with all subs and market equal to zeros

LISA Cash market value = £0.00

LISA Stocks and shares market value = £0.00

LISA Cash annual subs = £0.00

LISA Stocks and shares annual subs = £0.00

Then do not submit a NEW submission for the same tax year - the correction will delete the original submission in this specific scenario.

Viewing LISA data held by HMRC

All data reported by LISA providers is retained by HMRC. Data is only updated following API activity reported to HMRC.

LISA data reported to HMRC is stored in several data tables.

They are the LISA:

- account (including the current year contributions and opening dates of first payment)
- bonus request
- withdrawal charge
- life event (death or terminal illness, property purchases and statutory submissions)

HMRC creates new data for the:

- LISA manager's bulk financial position (including bulk payments and bulk debts)
- investor's debt position for each transaction reported to HMRC

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- investor's payment position for each transaction reported to HMRC

All of this data is accessible through the appropriate API. The personal data of each investor is stored as part of HMRC's taxpayer record and for data security reasons cannot be shared.

LISA account data

LISA providers can view the account data they submitted to HMRC when reporting each account. They can also see the account's current status and the payment status for the current tax year.

This enables ISA managers to check the account status of a void account prior to making a bonus claim and the payment status of an account before accepting new payments from an investor.

Viewing LISA bonus request data

LISA managers can view their bonus request data sent to HMRC. They can also see the data sent to HMRC to correct their original bonus claim submission.

ISA managers can check that their bonus requests are accurate and correct up to midnight on the 19th day of each month.

A corrected bonus claim creates a debt due to HMRC. If the amount due to HMRC exceeds the amount being claimed by a LISA manager then it's possible that this may result in no bonus payment being made by HMRC.

Viewing LISA withdrawal charge data

LISA managers can view the withdrawal charge data they send to HMRC including any data sent to correct original submissions.

A corrected withdrawal charge submitted to HMRC may result in a bonus payment being due to an ISA manager from HMRC.

Viewing LISA Life Event data

LISA managers can view the Life Event data submitted to HMRC including when reporting:

- death and terminal illness
- the release of funds for a property purchase
- an extension to the property purchase completion deadline
- the completion or failure of a property purchase
- a LISA End of year return of information for each investor

This enables LISA providers to ensure that the data submitted to HMRC is accurate and correct at all times.

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Viewing LISA life event property purchase data

All data regarding a property purchase reported to HMRC is stored for the appropriate Life Event ID's returned under the 'purchase fund release' Life Event ID.

When a call is made to view the 'purchase fund release' Life Event ID HMRC will send a response and will confirm if the:

- purchase extension 1 has been approved then this data will be included in the response (Life Event ID 0000000002)
- purchase extension 2 has been approved then this data will be included in the response (Life Event ID 0000000003)
- purchase result has been approved then this data will be included in the response (Life Event ID 0000000004)

Example

This table shows a property purchase withdrawal where the deadline has been extended twice and has been reported to HMRC. LISA managers can see all of the house purchase data reported to HMRC.

Life event - 0000000001	Data
Life event type	purchase fund release
Life event date	06-12-2019
Withdrawal amount	£25000.00
Property name/number	313
Property postcode	NE99 1AA
Conveyancer reference	HMCON100
HMRC Creation date	08-12-2019
Life event type	Purchase extension 1
Life event date	06-03-2019
Life Event ID	0000000002
Life event type	Purchase extension 1
Life event date	06-05-2019
Life Event ID	0000000003

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Life event - 0000000001	Data
Life event type	Purchase result
Life event date	26-05-2019
Property purchase result	Completion
Property purchase value	£410,000.00
Life Event ID	0000000004

Viewing LISA financial data

LISA bonus claims are always paid in bulk by HMRC.

A bulk bonus payment is made by HMRC when a bonus claim and all corrections requiring further payment are processed.

ISA managers must be able to accurately reconcile bonus payments from HMRC.

HMRC stores some of the original bonus request data within the financial system. This is stored along with any new information so that LISA managers can see each investor's payment and which bulk payment it was part of.

ISA managers can call the Get Bulk payment or Get Bulk debt API's to view their bulk payment information.

ISA managers must specify the date range that they want to view. HMRC will return the following bulk payment or debt owed data:

- payment or debt reference number
- payment or debt amount
- payment or debt due date
- bulk payment or debt paid date

When HMRC processes a bulk BACS payment a unique reference number is allocated to the payment. This payment document number is an 11 character reference that is included on the payment made into the ISA manager's bank account.

When ISA managers submit new or corrected bonus requests to HMRC they must store the transaction ID returned by HMRC.

If a LISA manager is unsure if a bonus has been submitted to HMRC they can request the bonus again. HMRC will identify and not process a duplicated bonus claim. The transaction ID of the duplicated bonus request will be returned instead.

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ISA managers can call the 'Get payment details' for a bonus claim or withdrawal charge API. They will need to include the Account ID and the Transaction ID for the transaction that they want to check.

ISA managers may receive a response from HMRC showing that the transaction:

- was cancelled or voided because the account was cancelled or voided
- was superseded by another more recent transaction
- is pending and has not been processed yet

Bonus claims or withdrawal charges resulting in a payment to an ISA manager:

HMRC will return a response showing the:

- bulk payment reference number
- amount of the bonus paid for the investor
- date of that bulk payment was paid
- due date of the bulk payment if it is shown as pending

Bonus claims or withdrawal charges resulting in a debt due to HMRC

HMRC will return a response showing the:

- payment reference for the debt to be collected by HMRC
- amount due to HMRC
- date the debt was collected
- due date if the debt has not been collected by HMRC

Appealing a decision

When an investor's government bonus claim is rejected or they incur a withdrawal charge, they have a right of appeal to HMRC against the decision. HMRC will send a response to ISA managers showing:

- a government bonus claim has been rejected
- a government bonus needs to be repaid to HMRC
- a withdrawal charge is due
- a withdrawal charge is due because there was a shortfall in the funds returned to an ISA manager following a failed first time residential purchase

Investors must appeal within 30 days after the date that they receive notification of HMRC's decision. An investor's appeal:

- must be made in writing
- must specify the grounds of appeal
- must include sufficient information to identify the investor making the appeal and the decision against which the appeal is being made

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- must be signed, or authenticated in another way approved by HMRC, by or on behalf of the appellant

Appeals must be sent to:

HM Revenue and Customs
BX9 1BU

How to manage an ISA investment fund

Delegation of the manager's functions

Managers may arrange for a third party to carry out some or all of their administrative functions. But where administrative functions are delegated, managers remain responsible for the operation of the ISA.

For example, an ISA manager who isn't a deposit taker may choose to delegate the administration of his cash ISAs to a deposit taker. The ISA manager could receive subscriptions from the investor and hold them in an account with the deposit taker.

Alternatively the ISA manager and the investor may arrange for the investor to pay subscriptions direct to the deposit taker.

The account with the deposit-taker would be in the name of the investor. but the ISA manager would remain responsible for ensuring that [subscription limits](#) aren't breached.

Managers may offer non-discretionary ISAs, where the investor makes investment decisions. In these circumstances, managers remain responsible for ensuring that investments purchased are qualifying investments.

Investment rules

Managers must make purchases out of cash held in the ISA at the time the investments are paid for and must not allow an ISA to go into a cash deficit. Where a manager also acts as the manager of an authorised unit trust, subscriptions to be used to purchase units in that authorised unit trust may be deposited in an account that isn't designated as an ISA account.

However, where instructions are given at the same time to match a purchase with a sale, any short period in which the account goes into deficit on the ISA manager's systems will not breach the ISA rules.

Managers may not purchase investments from either:

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- investor
- investor’s husband, wife or civil partner

so that they become investments in an ISA to which the investor subscribes or has subscribed.

Managers who offer non-discretionary ISAs may act on investment instructions given by the investor on the telephone, provided the investment rules are satisfied.

See a [worked example of investment rules](#) (PDF, 175KB, 1 page) .

The open market price rules

Managers must buy and sell ISA investments at the open market price.

Purchasing investments

The open market price of investments, other than units or shares in qualifying authorised funds, is the price for which those investments might reasonably be expected to be purchased in the open market (see [withdrawals of investments from a stocks and shares ISA or a lifetime ISA](#)).

Where an authorised fund is a dual priced unit trust, the open market price for purchases of units is the price of the relevant class of units within the meaning of chapter 6.3 of the Collective Investment Schemes Sourcebook (COLL).

Where an authorised fund is a single priced unit trust or an open-ended investment company, the open market price is the price of the relevant class of units within the meaning of chapter 6.3 of the COLL.

Managers may purchase units and shares in tranches to meet the aggregate requirements of investors. Where the rules of the Financial Conduct Authority (FCA) require him to attribute a uniform price by calculating a weighted average of the prices paid for all transactions in the same allocation period, then that uniform price may be treated as the open market price.

In any other case, where managers make a series of purchases, each ISA involved must reflect its share of each purchase price. An ‘average’ price may not be used.

Selling investments

Managers must sell ISA investments at the price they might reasonably be expected to be sold in the open market.

Withdrawal rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account.

Withdrawals from an ISA

Investors have the right to withdraw their investments (or, where the manager offers partial withdrawal, part of their investments) by request to the manager (see [ISA terms and conditions](#)).

Withdrawal rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account.

Withdrawals from a [Lifetime ISA](#) may be subject to a charge.

For non-flexible ISAs withdrawals do not affect ISA subscription limits. An investor who has subscribed the maximum permitted may make no further subscriptions, regardless of withdrawals.

Where a withdrawal is made from a [flexible ISA](#), any subsequent subscriptions in the same tax year that would otherwise count towards the subscription limit will do so only to the extent that previously withdrawn amounts have been fully replaced.

Investments, and the income and proceeds from investments, held in an ISA may normally be paid to the investor without any deduction for tax.

In respect of a [Lifetime ISA](#), the withdrawal of those investments may be subject to a withdrawal charge.

Follow the links for specific guidance on the treatment of interest withdrawn where:

- [an investor dies](#)
- [an ISA is made void](#)
- [a policy of life insurance is paid late](#)
- the ISA is a [Lifetime ISA](#)

Withdrawals of investments from a stocks and shares ISA or a Lifetime ISA

On the transfer to an investor of an investment, the manager must provide the investor with details in writing of the market value of the investment as at the date of withdrawal.

For shares or qualifying securities listed in the Stock Exchange Daily Official List, managers should take the value computed by reference to section 272 Taxation of Chargeable Gains Act 1992. That is, normally, either:

a) halfway between the highest and the lowest prices (commonly referred to as the ‘middle market’ quotation) at which bargains, other than bargains done at special prices, were recorded in the shares for the relevant date, or

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b) the lower of the two prices shown in the quotations for the shares in the Stock Exchange Daily Official List on the relevant date plus one-quarter of the difference between those two figures (commonly referred to as the 'quarter up rule').

Managers should take the amount at (a) unless:

- it's greater than the amount at (b), or
- there were no such bargains as at (a)

In those circumstances they should take the amount at (b).

If the London trading floor was closed on the relevant date, managers should determine the market value by reference to the previous date or earliest subsequent date on which it is open, whichever affords the lower market value.

Where the date of valuation falls on or after 6 April 2015, the market value of shares, qualifying securities or strips included in the official UK list is the lower of the two prices shown as the closing price in the Stock Exchange Daily Official List for that day plus one half of the difference between those two figures.

If the Stock Exchange is closed, the value is that value on the latest previous day on which it was open.

This doesn't apply to determine the market value of shares or securities where in consequence of special circumstances the closing prices quoted in the Stock Exchange Daily Official List are by themselves not a proper measure of market value of the shares or securities.

In that case the market value is determined under section 272 of Taxation of Chargeable Gains Act 1992 as the price shares might reasonably be expected to fetch on a sale in the open market.

Where the date of valuation falls on or after 6 April 2015, for shares, qualifying securities or strips listed on a foreign stock exchange but not included in the official UK list, the market value is the price shown in the foreign exchange list for that day as the closing price.

If more than one price is shown, managers should take the lower price plus one half of the difference between the two figures. If the exchange is closed, the value is that value on the latest previous day on which it was open.

Where securities are quoted in more than one foreign exchange list, the list published for the exchange which is regarded as the major exchange for such securities should be used.

If no exchange is regarded as the major exchange, any list published for a foreign stock exchange in the territory in which the issuing company is resident should be used.

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Where a strip or a security exchanged for strips of that security is quoted in more than one foreign exchange list, the list published for the exchange which is regarded as the major exchange in the territory of the issuing government should be used.

The market value of units is the price at which unit trust managers are prepared to buy units from unit holders, known as the 'bid' price.

Unit trust managers publish this price on a daily basis. Where the bid price was not published at the date for which the valuation is required, managers should use the bid price on the latest day before.

Managers should note that the market value isn't reduced by exit, redemption or withdrawal fees.

The market value of shares in open-ended investment companies (OEICs) is the price at which the company is prepared to buy shares from shareholders. OEICs publish this price on a daily basis.

Where the price was not published at the date for which the valuation is required, managers should use the price on the latest day before.

For shares or qualifying securities that aren't listed on a recognised stock exchange, for example shares and qualifying securities admitted to trading on a recognised stock exchange in the European Economic Area, the market value will normally be the closing price on that day.

Where that isn't a proper measure, the market value is determined under section 272 of Taxation of Chargeable Gains Act 1992 as the price shares might reasonably be expected to fetch on a sale in the open market.

Withdrawals of insurance investments from an ISA

Life insurance policies can't be withdrawn from the ISA by the investor. The proceeds from termination of the policy (or the partial surrender of the rights in the policy) may be withdrawn.

Proceeds from termination of the policy (or the partial surrender of the rights in the policy) if withdrawn from a [Lifetime ISA](#) may be subject to a withdrawal charge.

Withdrawals from an innovative finance ISA

Withdrawal rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account.

Cash withdrawal by cheque

An ISA investor may make a withdrawal by cheque but then want to reverse the transaction before the cheque is presented.

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When the manager processes the withdrawal request, the funds leave the ISA wrapper so that the manager can issue the cheque.

Even if the cheque isn't presented, once a withdrawal request has been processed the funds sits outside the ISA wrapper and can only re-enter the ISA as a fresh subscription (which will count towards the annual limit and will be subject to the headroom that the investor has available).

Even if the cheque isn't presented, this withdrawal may be liable to a withdrawal charge when made from a Lifetime ISA.

The funds can only re-enter the Lifetime ISA as a fresh qualifying addition, which will count towards both the Lifetime ISA payment limit and the overall ISA subscription limit.

Cash withdrawn from an ISA in error

Cash withdrawn from an ISA in error by the investor (or the investor's agent) can't normally be reinstated.

The exception is that cash withdrawn in error by the investor (or the investor's agent) may be reinstated where both:

- the investor (or the agent) was attempting to transfer the ISA
- the old ISA manager (or the new ISA manager) incorrectly advised the investor (or the agent) to withdraw the funds invested with the old manager and pay them into an ISA with the new manager

If a manager believes that an investor (or the investor's agent) withdrew money from an ISA during an attempted transfer because they gave incorrect advice, they should email savings.audit@hmrc.gsi.gov.uk, requesting approval to reinstate the cash removed from the ISA in error.

The application should be entitled application to reinstate money removed from an ISA in error and should contain the:

- ISA manager's name
- customer's name
- circumstances giving rise to the error
- evidence of the investor's or agent's intention to transfer the ISA (a copy of the transfer form, a letter or email requesting the transfer, or a transcript of a telephone call in which the transfer was discussed)
- evidence of the incorrect advice given (copies of the relevant correspondence, a transcript of a telephone call in which the incorrect advice was given, or where the advice was given in a face-to-face meeting, a statement signed by the member of staff who gave the incorrect advice)

If in relation to an attempted transfer from a Lifetime ISA to another Lifetime ISA, the ISA manager should also give details of any charge that has resulted from the withdrawal.

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If HMRC are satisfied that the money was removed from the ISA (or the ISA was closed) wholly because of manager error they will authorise the manager to reinstate the money removed in error (or reinstate the ISA).

In the case of a Lifetime ISA, HMRC may authorise the manager to reverse any withdrawal charge that has been made.

They may also charge a penalty under the rules for [simplified voiding](#).

Cash withdrawn from an ISA in error by the ISA manager may be reinstated (along with any additional compensation to cover lost interest or dividends) without reference to HMRC where the investor (or the investor's agent) gave the manager clear instructions and the manager misinterpreted these instructions and either:

- withdrew money from (or closed) the investor's ISA in error
- withdrew money from (or closed) another investor's ISA in error, for example, John Smith instructs the manager to remove £3,000 from his ISA and the manager instead removes £3,000 from James Smith's ISA and pays it to John Smith

However, managers may not reinstate where the investor's (or the agent's) instructions were unclear or were capable of being misunderstood.

Managers should retain evidence justifying their decision to reinstate cash withdrawn from an ISA in error without reference to HMRC with the investor's ISA records and make them available at the next audit to the HMRC auditor.

In relation to Lifetime ISAs, the ISA manager should seek guidance from HMRC before reinstating the withdrawn funds.

If a manager isn't sure whether the investor's (or the agent's) instructions were clear or were capable of being misunderstood he should email savings.audit@hmrc.gsi.gov.uk, requesting approval to reinstate the cash removed from the ISA in error.

The application should be entitled application to reinstate money removed from an ISA in error and should contain the:

- the ISA manager's name
- the customer's name
- the third party administrator's name (if appropriate)
- the circumstances giving rise to the error

If in relation to a Lifetime ISA, they should also give details of any charge that has resulted from the withdrawal.

If HMRC are satisfied that the money was removed from the ISA (or the ISA was closed) wholly because of manager error they will authorise the manager to reinstate the money removed in error (or reinstate the ISA).

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They may also charge a penalty under the rules for [simplified voiding](#).

HMRC will monitor the requests they receive, as this may be an indication of potential systems problems. They may also use them to inform their risk based audit program.

Managers should therefore retain copies of the correspondence with the investor's ISA records as evidence that the reinstatement was authorised by HMRC.

Compensating investors

[Delay in purchasing \(or selling\) specific investments as required under the customer agreement](#)

Where, in error, a manager fails to purchase (sell) specific investments within an ISA as required under the customer agreement, and the value of those investments has subsequently increased (decreased), the manager may be liable to, or agree to, compensate the investor.

Compensation to put the investor in the position he would have been in had the investment been purchased (sold) at the right time may be paid into the ISA.

The payment will not count towards the subscription limit or the Lifetime ISA payment limit, and will not be a qualifying addition for the purposes of a Lifetime ISA bonus and should not be recorded as such, but the manager should retain evidence of the circumstances in which the compensation was paid.

[Delay in transferring an ISA](#)

Any compensation paid in respect of a delay in transferring an ISA, in order to put the investor in the position he would have been in had the ISA been transferred without delay, may also be paid into the ISA.

The payment will not count towards the subscription limit or the Lifetime ISA payment limit, and will not be a qualifying addition for the purposes of a Lifetime ISA bonus and should not be recorded as such, but the manager should retain evidence of the circumstances in which the compensation was paid.

[Delay in opening an ISA or accepting a subscription](#)

Any compensation paid in respect of a delay in opening an ISA, or in accepting a subscription to an ISA must be paid to the investor outside the ISA as the funds in question aren't held within the ISA wrapper (unlike [Delay in purchasing \(or selling\) specific investments as required under the customer agreement](#) and [Delay in transferring an ISA](#)).

The compensation can be subscribed to the ISA by the investor but will count as a subscription for all purposes.

Pre-funding UK income tax reclaimable from HMRC to an ISA

Managers may pre-fund UK income tax reclaimable from HMRC to an ISA.

Pre-funding may take place on or after the date on which the payment of taxed income is received by the manager, but not before that date.

Managers may not pre-fund in respect of Lifetime ISA bonus payments.

Where managers pre-fund, they must keep adequate records to identify all income distributed and tax claimed.

Manager's fees and charges

Managers may choose to charge the investor for services they perform while managing an ISA.

Fees related to the administration of the ISA, such as charges for opening, maintaining or closing an ISA, or arranging for the investor to receive copies of annual reports and accounts or to attend general meetings, can be paid from funds held outside the ISA, if the investor so wishes and the manager agrees.

In the case of a [flexible ISA](#), only sums withdrawn by the investor can be replaced without counting towards the subscription limit. Monies withdrawn by the ISA manager to cover fees and charges can't be replaced without the subscription counting towards the annual subscription limit.

Charges related to the purchase and sale of ISA investments, such as dealing commission charges, stamp duty, and the initial charge made by a unit trust manager when purchasing units in a unit trust (or by the authorised corporate director of an OEIC when purchasing units or shares in an OEIC), must be met from funds within the ISA.

A simple test managers can apply is to ask themselves whether the charge would still be levied (at the same or another rate) had the investor made the purchase (or sale) outside the ISA.

If it would, the charge is part of the cost of acquiring (or disposing of) the investment and must be met from funds within the ISA.

If it would not, the charge is part of the cost of managing the ISA and can therefore be paid from funds held outside the ISA.

In respect of Lifetime ISAs, any fees and charges paid directly from the Lifetime ISA to the ISA manager in accordance with the account's terms and conditions will not be treated as a chargeable withdrawal.

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Rebated fees and charges

HMRC have published a brief on the [tax treatment of payments of 'trail commission'](#) passed on to investors in collective investment schemes and other associated investment products including life insurance policies.

Where the commission is in respect of an ISA investment, the guidance below on [reinvesting it into an ISA](#) will apply, but the general position is that commission paid in respect of an ISA investment isn't taxable and if it's paid to the ISA manager who reinvests it within the ISA, it won't count as a fresh subscription.

This is because the payment has never left the control of the ISA manager and is treated as being within the ISA wrapper.

If the commission is paid out to the investor or to a third party, it has left the ISA wrapper and can only re-enter it as a fresh subscription.

Where a gross cash rebate is paid in a case which involves an ISA repair or void, or where the investor is deceased, the manager should notify the investor or the estate of the gross payment details and inform them that it's their responsibility to declare the payment to HMRC.

Reimbursed commission

This occurs when a fund manager pays a percentage of their annual management fee (AMF) to the introducing agent or independent financial adviser (IFA).

This is a payment made to the introducing agent or IFA for the retention of the business. There's no agreement with the investor for a fee reduction.

These monies aren't considered to be the investor's funds and aren't a permitted credit to the ISA other than by way of a subscription.

The rebate is being paid outside the ISA to the introducing agent or IFA. If the introducing agent or IFA decides to pass some or all of the rebate to the investor it can only go into the ISA as a fresh subscription.

Annual management fee rebate

This occurs when the fund manager has an agreement with the ISA manager, who in turn has an agreement with the investor, to charge a reduced AMF on a fund.

Where, because of procedural restrictions, only a single AMF charging facility exists, the fund manager will refund the AMF overcharge to the ISA manager.

The ISA manager then will reimburse each investor's ISA to put them in the position they would have been in had the correct (reduced AMF) been charged.

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This reimbursement isn't a fresh subscription and doesn't count towards the annual subscription limit or the Lifetime ISA payment limit, and will not be a qualifying addition for the purposes of a Lifetime ISA bonus as the payment has never been paid out of the ISA wrapper to the investor.

For example, the fund has a fixed fee of 3% but the manager negotiates either a reduced fee of 2% or 'such reduction as he can negotiate'. The agreement with the investor is for a 2% fee or such reduced fee as can be negotiated. The rebate can remain in the ISA without counting as a fresh subscription.

Annual management fee rebate (WRAP platforms containing a CASH account)

Where the investor holds several different investment types, including an ISA, on a WRAP platform and the WRAP platform contains a CASH account, the rebate may be paid into the CASH account (which doesn't affect the ISA) or (if it's paid in respect of an ISA investment) directly into the ISA account.

Where this is the case, it doesn't count as a fresh subscription or count towards the annual subscription limit.

The Lifetime ISA payment limit and will not be a qualifying addition for the purposes of a Lifetime ISA bonus.

If the rebate is paid into the CASH account, the WRAP manager may then transfer that part of the rebate that relates to an ISA investment to the ISA account. If he does, the transferred rebate will not count as a fresh subscription.

New RDR rules

Where less is deducted from the customer's payment than before (whether directly, or because the commission is diverted back to the customer in the form of units instead of being paid to the adviser), this doesn't count as an additional subscription to the ISA and doesn't count towards the annual subscription limit, the Lifetime ISA payment limit and will not be a qualifying addition for the purposes of a Lifetime ISA bonus.

Where the rebate is paid outside the ISA wrapper to the customer as cash, including into a (non-ISA) cash account (pending the FCA's proposed ban on cash rebates) and the customer chooses to invest that amount into the product, that payment would be a new ISA subscription.

If the rebate stays with the ISA manager and isn't paid to the ISA customer before it's reinvested in the ISA, it won't count as a new subscription.

See a [worked example of new RDR rules](#) (PDF, 86.3KB, 1 page) .

Using an ISA as security for a loan

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It's a requirement of the ISA regulations that:

- the ISA investments remain in the beneficial ownership of the investor
- the investor can transfer his or her ISA or make withdrawals, without restriction
- the manager (in the case of a discretionary ISA) can make purchases and sales without restriction

There are various types of charge a lender may require in connection with a loan.

Charge by way of a legal mortgage

Except where a manager is an ISA insurer manager, title to ISA investments must be vested in the manager or his nominee or jointly in one of them and the investor.

Where the manager is an ISA insurer-manager, title to ISA investments must be vested in the investor.

It would not be consistent with either requirement for an investor to charge, or a manager to permit him to charge, investments by way of a legal mortgage, that is by transferring the title on the register of shareholders or unit holders to the chargee.

Charge by way of equitable mortgage

Except where a manager is an ISA insurer-manager, share certificates or other documents evidencing title to ISA investments must be held by the manager or as he may direct. The phrase "as he may direct" means that the manager has power to direct holding of title documents by a custodian subject to any further directions he may give from time to time.

Once a manager had allowed deposit of the relevant certificate with the mortgage title documents with an equitable mortgage he would be powerless to give further directions until the mortgage terminated.

Where the manager is an ISA insurer-manager, the policy document or other documents evidencing title to ISA investments must be held by the investor.

An equitable mortgage of shares or units is effected by a deposit of the relevant certificate with the mortgagee. A manager can't consent to the investor creating, or join with him or her in creating, a charge by way of equitable mortgage.

Mere equitable charge

Similar constraints do not arise where an investor creates an equitable charge.

The charge could be held either on his or her beneficial interest in the ISA investments or, where necessary, with the assistance of the manager, on the investments themselves.

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A charge, as distinct from a mortgage, doesn't pass either an absolute or a special property in the subject of the security to the creditor or any right to possession, but only a right of realisation by judicial process in the case of non-payment of the debt.

If the charge was by deed the chargee would have certain statutory powers under Section 101(1) of the Law of Property Act 1925 in that respect. If not, they would have to apply to the Court.

If the debt was not paid and the creditor sought to realise the charged property, beneficial ownership by the investor would, of course, cease when his or her interest in the investment was sold or when a receiver was appointed.

In those circumstances the ISA would become invalid. In the case of a Lifetime ISA, a withdrawal charge may be due. ISA managers should contact HMRC for further advice in these situations.

HMRC have no objection if a borrower agrees with a lender (not the manager) that he or she will not withdraw his or her investments whilst the loan remains outstanding.

A manager may also accept a power of attorney in favour of the lender to exercise its security if the borrower is in default.

Stock lending

Stock lending is a transaction where somebody borrows securities from another person by taking a transfer of the securities from that person in order to enable him or her to fulfil a contract to sell securities of that kind to a third person.

In return he or she promises to transfer securities of the same kind to the person from whom he or she has borrowed the securities that have gone to the third person and to compensate the lender for any dividends which would have been received during the loan period when he or she does so.

Lending of this sort by a manager isn't compatible with his or her duties as an ISA manager. The title to investments must be vested in the ISA manager or his or her nominee, or jointly in one of them and the investor, the share certificate must be held by the manager or as he or she may direct and, above all, the investments must be in the beneficial ownership of the investor.

None of this is compatible with an arrangement under which the investments are sold to a third person and subsequently replaced by different investments of the same kind.

This doesn't prevent an investment trust manager from engaging in stock lending of the investments held by the trust, as the title to the investments held in the ISA doesn't change.

Before 1 July 2015, lending of fund investments in exchange for short-lived securities may have caused the fund to fail the 50% test (see [recognised UCITS](#)).

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However, for the purposes of the 50% test, investments held by an investment trust that had been transferred under a stock lending arrangement (as defined in section 263B Taxation of Chargeable Gains Act 1992) were deemed to be held by the trust until the arrangement was concluded.

The collateral received in exchange for the transferred investments should not have been included as part of the investments of the trust, scheme or UCITS for the purposes of the 50% test.

Child Maintenance Deduction Orders

The Child Support Collection and Enforcement (Deduction Orders) Amendment Regulations 2009 enable the Child Support Agency (CSA) to claim money from the accounts of customers who have outstanding debts with them.

The CSA will instruct financial institutions to freeze a lump sum for a 21-day appeal period. After this period the money will either be paid over to the CSA or, if the appeal was successful, the freezing order will be cancelled.

Where an enforcement order is attached to an ISA account the funds will remain in the beneficial ownership of the investor during the 21-day appeal period. The 'frozen' funds may therefore remain in the account and the account will remain an ISA.

If the manager transfers the sum covered by the enforcement order to a suspense account pending resolution of the appeal, that sum can be paid back into the ISA without counting as a fresh subscription if the appeal is successful and the enforcement order is cancelled.

Any amounts removed from a Lifetime ISA in these circumstances will be treated as a withdrawal, and may be liable to a charge.

Where, in the circumstances described above, an appeal is successful and the enforcement order is cancelled, the sum can be paid back into a Lifetime ISA without counting against the Lifetime ISA payment limit, but will not be a qualifying addition on which a bonus can be paid.

The investor can apply to HMRC for the repayment of any withdrawal charge that has been made in respect of the removal of the sum.

HMRC Direct Recovery of Debts

HMRC's debt collection powers allow the direct recovery of debt from cash held in the bank and building society accounts of debtors who have the means to pay but choose not to do so.

This includes cash held in cash ISAs, but not cash held in stocks and shares, and innovative finance or Lifetime ISAs.

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Once debt recovery has been initiated there will be a 30 day window for the debtor to lodge an objection. Where the ISA manager holds the funds temporarily in a suspense account during this window, it can be paid back into the ISA, together with any interest, without counting as a fresh subscription if the debt recovery is subsequently cancelled.

Where a direct debt recovery is made from a flexible ISA, this will not count as a withdrawal of cash by the investor and can't be replaced without the subscription counting towards the annual subscription.

Transfer an ISA if you're an ISA manager

Transferring an ISA

Investors have the right to transfer their ISAs whenever they want and this right must be included in the manager's ISA terms and conditions.

They do this by making a transfer application to the new manager, they cannot transfer an ISA by closing it and paying the proceeds into a new ISA with the new ISA manager. Where this occurs in respect of a Lifetime ISA not only will the tax wrapper be removed but it will also be treated as a withdrawal and may be liable to a withdrawal charge. A transfer application can be made by someone holding a mandate from the investor.

Transfer rights in relation to non-cash innovative finance ISA investments are available only as set out in the terms and conditions of the account. There are no restrictions on pre 6 April 2016 funds held in cash, and stocks and shares ISAs being transferred to innovative finance ISAs after 5 April 2016.

Pre 6 April 2017 funds held in cash ISAs, stocks and shares ISAs, and cash held in innovative finance ISAs may be transferred to Lifetime ISAs after 5 April 2017; with the caveat that the amount transferred must not cause the Lifetime ISA current year payment limit to be exceeded. For treatment of the transferred amount in respect of the government bonus please refer to the guidance on [Lifetime ISAs](#).

However, ISA managers are not obliged to accept transfers in.

From 6 April 2016 subscriptions can be transferred freely between cash, stock and shares, and innovative finance ISAs.

From 6 April 2017:

- subscriptions to a Lifetime ISA may be transferred to cash, stocks and shares and innovative finance ISAs but will be treated as a withdrawal and may be liable to a withdrawal charge

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- subscriptions to a Lifetime ISA may be transferred between Lifetime ISAs without incurring a withdrawal charge
- funds held in cash ISAs, stocks and shares ISAs, and cash held in innovative finance ISAs may be transferred to Lifetime ISAs; with the caveat that the amount transferred must not cause the Lifetime ISA payment limit to be exceeded

From 1 July 2014 – 5 April 2016:

- for treatment of the transferred amount in respect of the government bonus please refer to the guidance on [Lifetime ISAs](#)
- subscriptions to a stocks and shares ISA could be transferred to either a stocks and shares ISA, or a cash ISA
- subscriptions to a cash ISA could be transferred to either a cash ISA, or to a stocks and shares ISA

Until 30 June 2014:

- subscriptions to a stocks and shares ISA could only be transferred to another stocks and shares ISA
- subscriptions to a cash ISA could be transferred to either a cash ISA, or to a stocks and shares ISA

The terms of a transfer should be agreed between the investor and both ISA managers.

Where an ISA is transferred all the tax benefits are preserved.

Investments and/or cash transferred are not new subscriptions for the purposes of the overall subscription limit. However, investments and/or cash transferred into a Lifetime ISA may receive a government bonus and may count to the Lifetime ISA payment limit. For treatment of the transferred amount in respect of the government bonus please refer to the guidance on [Lifetime ISAs](#).

Subject to the ISA terms and conditions of both ISA managers, the old manager may transfer:

- the ISA investments, in which case the new manager must re-register the investments in accordance with his terms and conditions (refer to [ISA terms and conditions](#))
- cash
- any combination of the above

ISA managers must transfer investments and/or cash direct to new ISA managers. If the investments and/or cash are transferred to the investor, this will be treated as a withdrawal (see guidance on [subscription limits](#)) and in the case of funds withdrawn from a Lifetime ISA, may be liable to a withdrawal charge.

ISA managers must keep a record of ISAs they transfer out, including the original or a certified copy of the application(s) to subscribe or in the case of applications not in writing, the declaration made by the manager (see guidance on [applications not in writing](#), for three years after the date of transfer.

What amounts can be transferred?

An Investor must either do one or both of the following:

- transfer all of the current year's ISA subscriptions, the investments bought with those subscriptions, and any income arising on those investments (current year account)
- transfer some or all of the previous years' ISA subscriptions, the investments bought with those subscriptions, and any income arising on those investments (prior years account)

In the case of an innovative finance ISA this means that a transfer of the cash is not possible unless all the current year subscriptions are transferred i.e. by liquidating the peer-to-peer loans and crowdfunding debentures or transferring 'in specie'.

In the case of a transfer of current year's Lifetime ISA to another Lifetime ISA the government bonus must also be transferred.

The above rules apply to previous and current year payments made to a Lifetime ISA in the same way as they do to current year subscriptions.

Where current year subscriptions are transferred they must be transferred in whole (including any related income), and are treated for all ISA purposes as if they had been made to the receiving ISA manager.

In the case of a transfer of current year payments in a Lifetime ISA to another Lifetime ISA the government bonus must also be transferred.

The above rules apply to current year payments made to a Lifetime ISA in the same way as they do to current year subscriptions.

This means that the investor is regarded as never having subscribed to the original ISA so, subject to the annual [subscription limits](#) the investor may subscribe to another ISA of the type that has been transferred later in the current year (with the same or a different manager) without breaching the [one ISA of each type a tax year](#) rule.

In the case of transfers of current year subscriptions from non-Lifetime ISAs to Lifetime ISAs, only subscriptions (including any related income) which do not cause the Lifetime ISA payment limit to be exceeded may be transferred.

For information on how to treat transfers to Lifetime ISAs please see the [table](#) (PDF, 195KB, 2 pages) showing treatment of different types of subscriptions and payments into a [Lifetime ISA](#).

Further information on reporting such transactions is available in [annual returns of information](#).

If the investor has requested that the current year account be transferred, and that account can be identified, the whole of the current year account must be transferred.

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If the investor has requested that the current year account be transferred, but that account cannot be identified, it may be regarded as cash and investments whose total value is anywhere between two limits. The two limits are:

- the total amount subscribed in the current year plus a reasonable apportionment of any income arising on that subscription (upper limit)
- the total amount subscribed in the year less withdrawals in the year, (lower limit). If the withdrawals exceed subscriptions the lower limit is £nil

If the total value of the cash and other investments held in the ISA are less than the lower limit, then all the cash and investments count as current year.

Where an investor wants to transfer all or part of the prior year account, the manager should calculate the lower limit, and subtract that from the total value of the investments and cash in the ISA. Some or all of the remainder can be transferred as a prior years account.

If the total value of the cash and other investments held in the ISA is less than the lower limit, all investments and cash held must be treated as a current year account and there is no prior years account to transfer.

See [worked examples of what amounts can be transferred](#) (PDF, 202KB, 3 pages) .

Transfer applications

Unless the ISA is being transferred into an existing ISA with the new ISA manager, investors must make a transfer application to the new ISA manager when requesting a transfer.

This can be achieved by asking the investor to complete:

- a transfer authority form (which is not a requirement of the ISA regulations), which the new ISA manager forwards to the old ISA manager and authorises him to transfer the ISA (or part of it) to the new ISA manager
- an ISA application form or a transfer instruction

A transfer instruction should include the appropriate authorisation to hold the ISA investments etc. and agreement to the manager's [ISA terms and conditions](#). However, it is not required to include the investor's date of birth or national insurance number (NINO), or any of the ISA declarations. This can be completed by someone holding a [mandate for the ISA investor](#), there is no requirement for the investor to be incapable of completing the transfer instruction.

The transfer is initiated by an approach to the new ISA manager.

If the new manager already holds an ISA for the investor into which the transfer will be made, a person holding a mandate to operate the account can request that the funds are moved into that account (as an application to open the account is not required).

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Subscriptions can be made following the transfer if the manager holds an application form that is still valid.

If the transfer requires a new account to be opened and the investor wishes to subscribe to the account, an application made by the investor or someone holding a registered [lasting power of attorney](#) to open the account will be needed.

If the investor is transferring ISA savings and does not wish to make any further subscriptions to the new account, the transfer can be processed by a person holding a mandate to operate the account. But the new ISA manager cannot accept subscriptions without an application completed by the investor or a person holding a registered [lasting power of attorney](#).

The ISA application form or transfer instruction can be made via the [application not in writing](#) process. However, it is possible that the old ISA manager will require the transfer authority form to be signed by the investor before he will agree to release the funds. This is something for managers to resolve – the ISA regulations do not do away with the requirement for a signature if one is required by the old manager's terms and conditions.

Internal Transfers

A transfer application is not required where an existing ISA investment is switched from one product to another (which is what happens on the maturity and 'roll-over' of a fixed-term product), but the existing ISA continues (with either the same or a new account number). However, an ISA application form must be obtained where all the following apply:

- the investor is eligible to subscribe to the ISA after the transfer (the residence condition is satisfied)
- the investor intends to subscribe to the ISA after the transfer
- the existing application form is no longer valid (see [applications to subscribe to an ISA](#))

But a transfer application is required where one type of ISA is transferred to another type, for example where a stocks and shares ISA is transferred to a cash ISA, and the investor intends to subscribe following the transfer. The guidance at [transfer applications](#) refers.

Cash ISA Transfers

Cash ISA to cash ISA transfers must take place within 15 business days of the transfer instruction being received by the new ISA manager, unless the investor stipulates that the 15 days starts on a later date. This 15 days is broken down as follows:

The new ISA manager has 5 business days to forward the instruction to the old ISA manager.

The old ISA manager has 5 business days in which to send the funds and [information to be provided to the new ISA manager](#).

The new ISA manager has 3 business days to apply the funds to the new ISA.

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The other two days are to allow for time taken for first class post between managers.

This timetable does not apply to cash ISA to stocks and shares, innovative finance or Lifetime ISA transfers or to stocks and shares, innovative finance or Lifetime ISA to cash ISA transfers. Managers should complete such transfers in accordance with their [ISA terms and conditions](#).

Guidance has been produced by the industry on best practice for stocks and shares ISA to cash ISA transfers. While we recommend that managers adopt these procedures, they are recommendations only and are not prescriptive. The guidance and specimen transfer authority are available at:

- [stocks and shares ISA to cash ISA transfer industry guidelines](#)
- [stocks and shares ISA to cash model ISA transfer authority](#)

If the old ISA is a notice account or a fixed-term product the investor may suffer an exit penalty or interest penalty if the funds and transfer history form are sent to the new manager within 5 business days. If the old manager contacts the investor and receives a revised instruction to transfer the ISA once the notice period has expired, or the product has matured, this will be treated as new transfer instruction that restarts the timetable once the notice period has expired, or the product has matured.

[Appendix B](#) (PDF, 364KB, 9 pages) contains guidance produced by the industry on best practice for cash ISA to cash ISA transfers. While we recommend that managers adopt these procedures, they are recommendations only and are not prescriptive. However, the timetable above must be adhered to.

Information to be provided to the new ISA manager

The old ISA manager must give the new ISA manager a notice in writing containing information about the ISA being transferred using a transfer history form.

The information can be given electronically and need not have a 'wet' signature.

Where the transfer is a [bulk transfer](#) the information must be provided at the time of the transfer. In cases where the investor initiates the transfer the information must be provided within 30 days after the transfer.

Where the old ISA manager does not send the transfer history form to the new ISA manager when transferring the ISA he should:

- notify the new ISA manager of the type of ISA (cash, stocks and shares, innovative finance, or Lifetime ISA) and the amount transferred
- send the transfer history form to the new ISA manager within 30 calendar days of the date of transfer

Transfer history forms

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Managers can download model [cash](#) and [stocks and shares](#) ISA transfer history forms.

You can get a model Lifetime ISA transfer history form by email:
savings.audit@hmrc.gsi.gov.uk.

ISA manager can use their own transfer history forms. However, they must contain the same information as model forms.

Transfer history forms should be completed as follows:

Full name

ISA managers should enter the forename(s) or the first name and initial, and the surname of the investor.

Full permanent residential address

ISA managers should enter the full residential address of the investor. If, exceptionally, the investor's current permanent residential address is not known, ISA managers should report the last address held. "Care of" or other correspondence addresses are not permitted. But where the address is a retirement home, nursing home, hospice or hospital, this address can be used. British Forces Post Office addresses can also be used. In respect of Lifetime ISAs the investor's current permanent address must be provided.

Postcode

ISA managers should enter the full postcode of the investor.

Date of birth

This should be reported in the format DDMMYYYY.

The date of birth of an investor born on 3 June 1932 should be reported as 03061932. If only the year of birth of the investor is known ISA managers should report 01011932. In respect of Lifetime ISAs the investor's full date of birth must be reported.

National insurance number (NINO)

This should be in the format QQ123456C. The final character, which will always be A, B, C or D, is not critical and ISA managers may omit it if not known.

If the investor does not have a NINO, this entry should be left blank unless the ISA manager's system requires the capture of a NINO. In that case the 'universal dummy NINO' – QQ999999A – should be used. ISA managers must not use any other dummy or substitute NINO.

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In respect of Lifetime ISAs the investor's full NINO must be reported – it is not acceptable to not provide this information or to use the universal dummy NINO

Account number

ISA managers must enter the account number from their own records. In the case of a Lifetime ISA being transferred this must be the same number that was previously used to report the account to HMRC.

Type of ISA

ISA managers must enter either:

- "A" if current year subscriptions are being transferred
- "X" if current year subscriptions are not being transferred

Where a flexible ISA is being transferred with net current year subscriptions of £nil and a valid date of first subscription, the ISA manager should enter "A".

Date of transfer

This should normally be the date of which the new manager agrees to accept the transfer. It should be reported in the format DDMMYYYY.

Amount transferred

Enter the total amount of cash being transferred.

If any investments are being transferred in specie attach a list and tick the box.

Current year subscriptions

This box should be completed only where current tax year subscriptions are being transferred ("A" is entered in the type of ISA box).

Where a non-flexible ISA is transferred enter the total amount subscribed to the ISA in the current tax year (disregarding any [additional permitted subscriptions following the death of account holder](#), [defaulted subscriptions](#) including [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#)).

If the ISA is a stocks and shares ISA, include any subscription made via the direct transfer of shares from a schedule 3 save as you earn (SAYE) option scheme, an approved profit-sharing scheme or a schedule 2 share incentive plan (SIP) in the total box and also report it separately in the share scheme transfers box.

Where a [flexible ISA](#) is transferred, the old manager must provide the new manager with the 'net' subscriptions in the current year. That is, the total subscriptions in the year (disregarding any [additional permitted subscriptions following the death of account holder](#),

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[defaulted subscriptions](#) including [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#)), less any amounts withdrawn. Where withdrawals equal or exceed the amounts subscribed a £nil figure should be provided.

In respect of the transfer of a Lifetime ISA the following must also be included in the notice:

- the amount of government bonus that has been paid within the current year
- the amount of government bonus that has accrued but not yet been claimed or paid at the date of the transfer
- details of any qualifying additions for which a claim has not yet been made but with separate entries in respect of:
 - a Help to Buy ISA transfer where stating funds transferred with a balance as at 5 April 2017
 - a Help to Buy ISA transfer where stating funds transferred not including those transferred and included above
 - any other qualifying additions

Share scheme transfers

This box should be completed only where:

- the ISA is a stocks and shares ISA or a Lifetime ISA
- current tax year subscriptions are being transferred (“A” is entered in the type of ISA box)
- the current year subscription includes shares transferred from a schedule 3 SAYE option scheme or a schedule 2 SIP

Enter the [market value](#) of the shares at the date on which they were transferred into the ISA.

If the transfer is from a stocks and shares ISA to a cash ISA, the receiving cash ISA manager can ignore the entries made here as they do not need to include the details on their annual ISA return.

Date of first subscription in current year

This box should be completed only where current tax year subscriptions are being transferred (“A” is entered in the type of ISA box).

Enter the date on which the first subscription was made in the tax year of transfer. It should be reported in the format DDMMYYYY.

Where a [Flexible ISA](#) is transferred, the date is that of the first subscription in the current year that counts towards the subscription limit. That is, the first subscription that is not a replacement of amounts previously withdrawn in the year. [additional permitted subscriptions](#), [defaulted subscriptions](#) including [defaulted investment subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#), should be ignored for this purpose.

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Where the net current year subscriptions are £nil, and managers are unable to override the BACS default date of first subscription of 6 April, the transfer should proceed using the default date of 6 April.

The BACS system has a default date of first subscription of 6 April where current year subscriptions are £nil. Where managers systems are unable to override the default date, transfers made in 2017-18 should proceed using the 6 April default date. Managers must make the necessary systems changes for later years.

Where a manager receives a BACS transfer in 2017-18 showing a date of first subscription of 6 April and current year subscriptions of £nil, the manager should not capture or report the 6 April date of first subscription. For later years, the date should be captured and reported.

In respect of Lifetime ISAs the notice must also give the date of first payment into the account in the year of transfer; other than either:

- defaulted Lifetime ISA subscriptions
- a returned withdrawal from a Lifetime ISA following a failed first time residential purchase

See [worked examples of flexible ISA subscriptions](#) (PDF, 193KB, 1 page) .

Date of which the Lifetime ISA was opened

Where the account transferred is a Lifetime ISA the notice must also give the date on which that Lifetime ISA was first opened. In respect of either:

- defaulted Lifetime ISA subscriptions
- a returned withdrawal from a Lifetime ISA following a failed first time residential purchase

The date on which the Lifetime ISA was opened (if opened for the purpose of receiving such payment) is to be treated as being the same Lifetime ISA from which the original payment originated.

Withdrawal for a first time residential purchase

Where the account transferred is a Lifetime ISA the notice must also confirm whether or not there has been a withdrawal for a first time residential purchase.

If so it must also confirm whether any of the information required from the [conveyancer declaration](#) remains outstanding and if so it must also contain an undertaking to pass onto the new ISA manager without delay.

Date of Transfer

When either type of ISA is transferred, the two ISA managers must agree a common transfer date. Unless otherwise agreed, this will be the date included in the ‘transfer acceptance’

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section of the ISA [transfer authority form](#) and, if the transfer is a Cash ISA, the Cash ISA model form at [Appendix B](#) (PDF, 364KB, 9 pages) .

The transfer date establishes:

- the date from which the new ISA manager can accept subscriptions
- which ISA manager is responsible for including details of the transferred ISA in its [Lifetime ISA claims](#) and/or [ISA annual returns](#)

The new ISA manager may accept subscriptions from the date of transfer (provided he holds a valid ISA application form).

Where an ISA transfer straddles the end of a tax year:

- the ISA is included in the new manager's annual returns if the transfer date is 5 April (or earlier)
- the ISA is included in the old manager's annual returns if the transfer date is 6 April (or later)

See [worked examples of transfer dates](#) (PDF, 110KB, 1 page) .

Income received by the old manager after the date of transfer

Any income received by the old ISA manager after the date of transfer should be sent to the new ISA manager unless either:

- the old manager has been instructed to pay income received to the investor
- the income received is less than the minimum the new manager is prepared to accept

Where this includes a government bonus in respect of a Lifetime ISA this must be forwarded directly to the new ISA manager. Any departure from this requirement may result in a withdrawal charge being due.

Information to be provided to the transferring manager by the new manager

Where the account being transferred is a Lifetime ISA, the new manager must confirm to the old manager the type of ISA that the account is being transferred to. Where the new account is not a Lifetime ISA, the transferred amounts will be treated as having been withdrawn from the Lifetime ISA, and may be subject to a withdrawal charge, which should be deducted by the transferring manager prior to transferring the funds.

Bulk transfers

A bulk transfer takes place where either:

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- two managers agree to transfer two or more accounts between them without the agreement of the account investors; for example where an ISA manager has decided to rationalise or reorganise his ISA book by selling some or all of it to another manager
- the transfer takes place under an insurance business transfer scheme or a banking business transfer scheme under part 7 of the Financial Services and Markets Act 2000 (FSMA)

Before making a bulk transfer, the manager must notify HMRC and the investors whose accounts are being transferred. The notice must:

- specify the first day on which accounts will be transferred under the bulk transfer
- be given at least 30 days before this date
- provide the name and address of the manager who will receive the accounts

In addition, the notice to investors must:

- identify the account being transferred
- advise that the investor can arrange a transfer to a manager of their choice if they supply instructions by a certain date
- specify what the date is for receiving those instruction

Where the manager will cease to offer ISAs after the bulk transfer he must ensure the final returns are made so that HMRC records can be closed – see [‘ceasing to be a manager’](#).

When making a bulk transfer, the old manager need not complete separate transfer history forms for each ISA being transferred. Instead they may give the new manager a schedule that contains the information that would normally be entered on the transfer history forms.

Where managers adopt this approach they must also send a covering notice to the new ISA manager. This notice should identify the ISAs being transferred by referring to the accompanying schedule.

If the transfer takes place to an existing account held with the new manager, the investor can make further subscriptions to the account if the application form held by the new manager for that account is still ‘valid’ see [applications to subscribe to an ISA](#).

If the transfer is made to a new account, the new ISA manager can only accept subscriptions to that account if an application form has been given to the new manager and that application is ‘valid’.

Where subscriptions were being made to the old manager by direct debit, the new manager cannot collect payments under that direct debit until he holds a valid application form. He may accept the money on a [provisional basis](#) but if a completed application form is not received within 30 days the manager must void the subscription and remove the investments purchased with it from the ISA. Alternatively, the manager could place the money in a suspense account until a fully completed application is received.

Group Transfers

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A 'group transfer of accounts' is a [bulk transfer](#) that takes place between members of a 75% group of companies – i.e. where one of the companies is a 75% subsidiary of the other or both are 75% subsidiaries of a third company.

Following a group transfer or a bulk transfer of accounts under Part 7 of FSMA, the new manager can accept subscriptions to the account if:

- the most recent application held by the old manager is available to the new manager
- that the application to subscribe to an ISA is still 'valid'

The application is available to the new manager if it (or a copy) has been passed to the new manager or if the new manager could require it to be made available to him. The old manager will need to confirm to the new manager that there has not been a gap year where no subscriptions have been made.

An intra-group transfer can include cases where the manager has accepted an application (usually on-line) but is still awaiting the first subscription. If the application is available and still valid, the new manager does not need to obtain a fresh one.

Subscribing to the ISA after the transfer

If the investor intends to subscribe to the ISA after the transfer the new ISA manager must obtain an ISA application form unless he already holds a valid [transfer application](#) form.

In that case the application form would be valid for subscriptions made in:

- the year of transfer
- each successive year following the year of transfer, in which the applicant subscribes to the ISA

Otherwise than for a Lifetime ISA, it would cease to be valid at the end of a tax year in which the investor fails to make a subscription, see [applications to subscribe to an ISA](#).

There are some circumstances in which an ISA manager may accept an application signed by someone other than the investor. Detailed information on this can be found in the section ['applying for an ISA on behalf of someone else'](#).

Reporting Subscriptions made in the year of transfer

Where current year subscriptions are transferred:

- the old ISA manager must exclude the subscriptions from the annual return of information and enter 'X' in the type of ISA box
- the new ISA manager must include the subscriptions in the annual return of information and enter 'A' or 'B' as appropriate in the type of ISA box

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Reporting in respect of Lifetime ISAs will not be required as part of the annual information return (ISAComm100) which is currently reported to HMRC within 60 days from the end of the tax year.

A report of information will be required, pertaining only to Lifetime ISAs, in a digital format specified by HMRC and for Lifetime ISAs only. A technical specification has been published by HMRC to specify the format the report must follow. For 2017/18 only this will be required to be submitted on an annual basis, no later than 14 days following the end of the tax year (i.e. no later than 19 April 2018). The report will be both a claim and a return. Further information on the annual report for 2017/18 in regard to Lifetime ISAs may be found at [reporting Lifetime ISAs](#).

In respect of Lifetime ISAs from 2018/19 the report will be required monthly and will cover the monthly periods from 6th of one month to the 5th of the next calendar month. More information on the content of this report will be provided at a later date.

Claims for payment of tax in respect of income paid after the transfer date

Claims for payment of tax in respect of income with a payment date on or after the date of transfer may not normally be made by the old manager.

However, provided that the old and new managers agree, the old manager may claim payment of tax in respect of income with a payment date on or after the date of transfer for a period of up to six months after the date of transfer.

The old manager should send the income received (and the tax claimed) to the investor if either:

- his instructions were to pay any income away to the investor
- the amount is less than the minimum the new manager is prepared to accept

Otherwise, the income (and tax reclaimed) should be forwarded to the new manager.

In the case of income received in respect of a Lifetime ISA, any such income that is not paid into a Lifetime ISA of the investor will be treated as having been withdrawn from the Lifetime ISA, and may be subject to a withdrawal charge, which should be deducted by the old manager prior to paying that income to the investor. If the old manager has not made, and does not intend to make, a claim in respect of income received by him either:

- up to and including the date of transfer
- from the date of transfer

the new manager can make the claim. The old manager should forward the relevant tax voucher(s), to the new manager to enable him to do so.

Cancellation of a transfer

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Under the Financial Conduct Authority (FCA) rules, stipulated in the FCA's sourcebook (conduct of business sourcebook), the transfer of an ISA to a new ISA contract may require the ISA manager to offer the investor the option of either cancellation rights or pre-contractual withdrawal rights (often referred to as cooling off). The time periods offered will be dictated by various factors including as follows:

- the type of ISA being transferred into
- whether the contract is a distance or non-distance (retail) contract
- whether the ISA manager has chosen to offer withdrawal rights rather than cancellation rights
- whether the ISA includes an insurance policy
- whether the manager chooses to voluntarily offer a longer cancellation period than that stipulated in the FCA sourcebook (there are further details on the treatment of tax liability provided the [cancellation](#) period does not exceed 30 days – except in the case of Lifetime ISAs cancelled in tax year 2017/18)

Cancellation periods offered are typically between 14 and 30 days and withdrawal periods post 6 April 2017 will be either 7 or 14 days.

If the new ISA manager offers a 7/14 day withdrawal period, the transfer request should not be forwarded to the old ISA manager until the withdrawal period has expired. The investor has 7/14 days to reconsider their decision (the withdrawal period). If, during the withdrawal period, the investor informs the new manager that they no longer wish to proceed with the transfer, the new manager should not progress the transfer any further. The transfer request will not be forwarded to the old manager, so the old manager may not know that a transfer was ever intended. The funds will stay in the original ISA.

If the new manager chooses not to offer a withdrawal period, there is a 14/30-day cancellation right. In this case the ISA would be transferred to the new manager before the 14/30-day cancellation period began. If the investor decides to cancel, it is the purchase of the investment in the new ISA that is cancelled, not the transfer itself. The investor has an ISA with the new ISA manager. The investor can choose to either:

- invest the money in a different investment offered by the new ISA manager (in respect of Lifetime ISAs that the account remained within a Lifetime ISA wrapper)
- close the ISA (in respect of Lifetime ISAs this will be treated as a withdrawal from a Lifetime ISA and will be subject to a withdrawal charge which must be deducted prior to closure)
- transfer the ISA back to the old ISA manager (in respect of Lifetime ISAs it must remain within a Lifetime ISA wrapper or be subject to a withdrawal charge which must be deducted prior to transfer)
- transfer the ISA to another ISA manager (in respect of Lifetime ISAs it must remain within a Lifetime ISA wrapper or be subject to a withdrawal charge which must be deducted prior to transfer).

Further information is available on [closure of a Lifetime ISA](#).

Transfers in that cannot be accepted by the new ISA manager

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Sometimes a transfer in cannot be accepted by the new ISA manager – typically because when the transfer history form and proceeds are received from the old manager:

- the new manager realises that the amount of current year subscriptions being transferred exceed the annual subscription limit (or Lifetime ISA payment limit) when aggregated with the amount already subscribed with them in the current year
- it arrives after the date by which all transfer proceeds must be received for a structured product (or similar) on sale only for a limited time
- the new manager realises that the terms and conditions of the ISA product in question do not allow transfers in

In these circumstances the new manager should proceed as follows:

If the amount of current year subscriptions being transferred, when aggregated with the amount already subscribed to the new manager in the current year, exceed the annual subscription limit the new manager has a choice.

They may remove the excess current year subscriptions, and pay them to the investor and pay the balance into the ISA. Managers can ignore any growth on the amount removed and simply remove the excess subscription amount – however, this does not apply in respect of Lifetime ISAs. If the investor claims that the value of the excess subscription is less than the amount originally subscribed, the new manager will need to contact the old manager to determine the value. If this is less than the amount subscribed only the value needs to be removed.

They may return the current year subscriptions to the old manager, together with a note explaining why they are unable to accept them.

In all other circumstances, the new manager should return the cheque to the old manager, together with a note explaining why they are unable to accept it. Returning funds to the old manager could leave the transfer in 'limbo' as the old manager has followed the instructions to transfer out and a transfer out has happened under the ISA regulations (notwithstanding the new manager has not processed the transfer in).

Where the old manager is willing and able to do so, he should reinstate the ISA to put the investor back into the position he would have been in had the transfer out never happened. In this scenario Lifetime ISAs must be re-instated by the old manager.

If the old ISA cannot be reinstated (for example, where the old product is a fixed-rate product that cannot be re-opened once it has been closed) the old manager may offer the investor the opportunity to place the returned/rejected transfer proceeds into another of his ISA products. The old manager would need to treat this as an internal transfer between ISA products otherwise the sum would have to be regarded as an ISA subscription and subject to the annual subscription limits. In these circumstances where the old ISA is a Lifetime ISA and the rejected/returned proceeds are not placed in a Lifetime ISA, this will be treated as a withdrawal from a Lifetime ISA, and may be subject to a withdrawal charge, which should be deducted by the ISA manager.

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If the old manager is not prepared to reinstate the ISA - and he is under no obligation to do so (with the exception of a Lifetime ISA) - he should allow the investor to transfer the ISA to another provider so the ISA status of the savings is not lost.

See [worked examples of transfers that cannot be accepted by the new ISA manager](#) (PDF, 183KB, 1 page) .

Cash withdrawn in error as a result of incorrect transfer advice by an ISA manager

Where [cash is withdrawn from an ISA in error](#) as a result of incorrect advice – from either the old ISA manager or the new ISA manager – in relation to a transfer application, HMRC may allow reinstatement where there is clear evidence of the investor’s intention to transfer the ISA and the incorrect advice given by the ISA manager.

Flexible ISA transfers

Where a [Flexible ISA](#) is transferred, the old manager must provide the new manager with:

- the ‘net’ subscriptions in the current year. That is, the total subscriptions in the year (disregarding any [additional permitted subscriptions](#), [defaulted subscriptions](#) and [Help to Buy ISA reinstatement subscriptions](#), less any amounts withdrawn. Where withdrawals equal or exceed the amounts subscribed a £nil figure should be provided
- the date is that of the first subscription in the current year that counts towards the subscription limit. That is, date of the first subscription that is not a replacement of amounts previously withdrawn in the year. [Additional permitted subscriptions](#) and [defaulted subscriptions](#) should be ignored for this purpose

Where the net current year subscriptions are £nil, and managers are unable to override the BACS default date of first subscription of 6 April, the transfer should proceed using the default date of 6 April.

The BACS system has a default date of first subscription of 6 April where current year subscriptions are £nil. Where managers systems are unable to override the default date, transfers made in 2017-18 should proceed using the 6 April default date. Managers must make the necessary systems changes for later years.

Where a manager receives a BACS transfer in 2017-18 showing a date of first subscription of 6 April and current year subscriptions of £nil, the manager should not capture or report the 6 April date of first subscription. For later years, the date should be captured and reported.

See a [worked example of a flexible ISA transfer](#) (PDF, 112KB, 1 page) .

Close, void or repair an ISA if you're an ISA manager

When an ISA can be closed

Investors have the right to close their ISAs whenever they want and this right must be included in the manager's [ISA terms and conditions](#). Managers can accept requests other than in writing should they so wish. A request to close an ISA can be accepted from a third party, but managers should satisfy themselves that the request is valid.

Managers may close an ISA where terms and conditions allow. For example, managers may state in their terms and conditions that an ISA will be closed where the balance falls below a particular level.

If an investor wishes to close an ISA, the manager may leave it open until the date the final claim to tax is paid by HM Revenue and Customs (HMRC) or the final claim is made in respect of a Lifetime ISA. The manager may also leave it open beyond the 90 day period where the account was closed on purchase of first time residential property in order to accommodate any returned funds due to a failed purchase.

Managers may supplement from their own resources income received during the closure period with an amount equivalent to the tax on that income, in advance of the tax being received from HMRC (see [pre-funding UK income tax reclaimable from HMRC to an ISA](#)). However, ISA managers may not pre-fund in respect of the government bonus on a Lifetime ISA.

ISA managers may re-open an ISA where it was closed earlier in the same tax year and the investor wants to resume subscriptions, or make [flexible ISA](#) replacement subscriptions in respect of previous year funds withdrawn in the current year.

If they do, they must report all subscriptions made in the year on the [annual return of Information](#), not just the subscriptions made after the ISA is re-opened.

Where a Lifetime ISA is closed after the 30 day closure period (see [closure of a Lifetime ISA](#)) the provision set out in this paragraph doesn't apply.

An ISA need not be closed merely because the investor has ceased to satisfy the [residence qualification](#). The ISA can remain open – and it can be transferred to another ISA manager. However, the investor can't subscribe to the ISA, (other than by way of [additional permitted subscriptions](#), [flexible ISA replacement subscriptions](#), [defaulted cash account subscriptions](#) and [defaulted investment subscriptions](#), and [Help to Buy ISA reinstatement subscriptions](#) until the residence condition is satisfied again.

For Lifetime ISA, an existing account need not be closed but no further payments can be made – other than a [defaulted Lifetime ISA subscription](#) and a returned [Lifetime ISA withdrawal after the failure of a first time residential purchase](#).

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Bankruptcy of an investor

Under the Insolvency Act, a bankrupt's estate vests in a trustee immediately on his appointment taking effect (or, in the case of the Official Receiver, on his becoming trustee).

If you're notified of the bankruptcy of an investor must close the ISA with effect from the date on which the trustee's appointment takes effect (or, in the case of the Official Receiver, the date on which they become trustee).

Where the account is a Lifetime ISA, you must deduct the 25% withdrawal charge and pay it to HMRC when the account is closed (other than where the investor is aged 60 or over, or you've received the appropriate [terminal illness evidence in relation to the investor](#)).

Dormant accounts

Since 1 February 2011, a Cash ISA that has had no transactions carried out by or on the instructions from the account holder for 15 years or more, may be a relevant dormant account. You can close the account and transfer the balance of a dormant Cash ISA to [Reclaim Fund Limited](#).

Junior ISAs cannot be relevant dormant accounts and cannot be closed by ISA managers.

Account holders or personal representatives of a deceased account holder who contact you about their closed ISA have a right to repayment of the balance from Reclaim Fund Ltd.

The repayment of the balance from Reclaim Fund Ltd is not liable to tax. It will not form part of the investor's annual ISA allowance if it's paid back into the original Cash ISA or Cash ISA with the ISA manager.

If the repaid balance is invested in a Cash ISA with another ISA manager or a Stocks & Shares, Innovative or Lifetime ISA it does form part of an individual's annual ISA allowance.

Death of an investor

When an investor died on or before 5 April 2018

Any ISAs held cease on the date of death. Any interest, dividends or gains in respect of investments in his or her ISA that arise (which in general terms means 'paid') after the date of death to the date of closure are not currently exempt from tax (see [death of an investor on or before 5 April 2018 regarding ISA policies of life insurance](#)).

But there is no loss of exemption on interest, dividends or gains which arise before the date of death, including any gain treated as arising as a result of the death of the investor under the rules for investments in policies of life insurance and including any Lifetime ISA bonus due on qualifying additions made to the account on or before the date of death.

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While an ISA ceases on the death of the investor who died on or before 5 April 2018, the regulations are silent on what must happen to the account itself. ISA managers can simply remove the ISA wrapper and allow the account to continue, or the funds could be transferred to another account. The particular treatment will depend upon the terms and conditions for the account.

For the purposes of determining whether a claim can be made in respect of income received under deduction of income tax, the important date is the payment date shown on the tax voucher. Managers can claim the tax deducted if the payment date is on or before the date of death.

Where a manager has received payment from HMRC in respect of a claim to tax on income that is no longer exempt from tax, he must repay HMRC, normally by deducting the amount from the next claim under the heading 'Adjustments to previous claims'

When an investor dies on or after 6 April 2018

The savings of a deceased investor can continue to benefit from the tax advantages of an ISA during the administration period of the estate. Any interest, dividends or gains in respect of investments in a continuing account of a deceased investor that arise (which in general terms means 'paid') after the date of death to the date of closure of the ISA are exempt from tax (see [when an investor dies on or after 6 April 2018](#)).

Interest on cash on deposit in respect of accounts where the account investor died on or before 5 April 2018

In strictness interest on cash on deposit (including un-invested cash in a stocks and shares ISA) paid or credited by the ISA manager after the date of death is not exempt from Income Tax.

From 6 April 2016, there has been no requirement for banks, building societies and deposit-takers to deduct income tax from interest paid or credited on or after 6 April 2016.

But where notified of death after 5 April 2016, there is no need to revisit, and deduct tax from interest paid after the date of death and prior to 6 April 2016. ISA managers should, however, notify the personal representatives of any interest accrued and paid after death.

Any subscriptions paid into any ISA account after the date of death of an investor should be removed along with any interest accrued on these subscriptions.

Remaining payers of yearly interest should continue to deduct income tax at the basic rate and account for the tax due by including it on their next CT61 return form, or deducting the tax from the next claim made. If returns or claims are not being made, a cheque should be sent to HMRC (see [annual returns and claim](#)).

In practice, however, ISA managers may apportion interest paid after the date of death into:

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- interest accrued up to and including the date of death, which can be treated as arising in the ISA (and therefore not liable to Income Tax)
- interest accrued from the date of death, which is not exempt from income tax and where appropriate, for example if paid or credited before 6 April 2016 should be paid under deduction of tax at the basic rate

Until 1 July 2014, interest paid in respect of un-invested cash in a stocks and shares ISA was subject to the 20% flat rate charge.

Interest on cash on deposit in respect of accounts where the account investor dies on or after 6 April 2018

When an ISA investor dies on or after 6 April 2018, the ISA can continue to benefit from the ISA tax advantages during the administration period of the investor's estate. The ISA is designated as a 'continuing account of a deceased investor' (see [when an investor dies on or after 6 April 2018](#)).

Any subscriptions paid into any ISA account after the date of death of an investor should be removed along with any interest accrued on these subscriptions.

See a [worked example of interest on a cash deposit where an investor has died](#) (PDF, 121KB, 1 page) .

Interest on ISA investments

When an ISA investor dies on or before 5 April 2018. Interest in respect of ISA investments (for example, an interest distribution from an Authorised Investment Fund, or an interest payment from a corporate bond) paid or credited after the date of death is not exempt from Income Tax. The interest is not apportioned.

Where the payment is received under deduction of tax, the manager has claimed the tax, and has received payment from HMRC, he must repay the tax to HMRC (see [death of an investor](#)).

Where the payment is received gross, the manager need take no action other than advising the personal representatives that they must account for any tax that may be due.

When an ISA investor dies on or after 6 April 2018. Interest in respect of ISA investments (for example, an interest distribution from an Authorised Investment Fund, or an interest payment from a corporate bond) paid or credited after the date of death is within the ISA wrapper and is exempt from income tax. If the ISA manager receives any income that is net of tax then the manager should claim repayment of any tax deducted in the usual way from HMRC. No further action is required by the ISA manager or the personal representatives of the deceased investor's estate.

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Information to be provided to personal representatives

When an ISA investor dies on or before 5 April 2018, ISA managers should provide personal representatives with a statement showing:

- the [market value](#) of the investments, other than insurance policies (see [rights conferred by insurance policies](#)), held in the ISA at the date of death, or in the case of a cash ISA, the value of the ISA at the date of death and the gross interest payable in the year of death up to date of death
- the original cost price and date of acquisition of any investments purchased after the date of death
- details of any income received with a payment date after the date of death
- the date of disposal and the amount of the net sale proceeds received for each disposal made after the date of death
- where appropriate, a tax certificate (R185) or Section 975 ITA 2007 certificate showing interest received and tax deducted

A [generic voucher template](#) is available.

If the generic voucher template can't be adopted for any reason, managers may use their own design subsidiary tax certificates. However, before doing so they should submit drafts of the proposed certificates for approval from the [Collective Investment Schemes Centre](#).

Rights conferred by insurance policies

Rights conferred by an insurance policy held in an ISA vest in the personal representatives on the death of the investor. The ISA policy must pay out on the death of the investor and personal representatives must not delay in claiming.

Where a delay in payment of a claim under a life insurance policy results in interest being paid to the personal representatives, the insurer should, where appropriate, deduct tax at the basic rate from the interest paid if the investor died on or before 5 April 2018 and notify the personal representatives of the amount of interest and any tax deducted.

When an ISA investor dies on or after 6 April 2018 and interest on a delayed payment of a claim under a life insurance policy is paid into a 'continuing account of a deceased investor', the insurer should not deduct tax from the interest paid. If the death proceeds are held by the insurer outside of the deceased's ISA pending settlement of the claim then any interest paid by the insurer should have tax deducted at the basic rate of 20%.

Repair and voiding

An ISA may be found to be invalid. For example, it may be invalid because the investments held in the account are non-qualifying, or the investor is not a qualifying individual, or the subscription to the account is invalid. Invalid accounts can, in certain circumstances, continue as ISAs after corrective action, or 'repair'. Invalid accounts that can't be repaired must be voided.

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Where cash ISA subscriptions are repaired or voided, there is no requirement for banks, building societies and deposit-takers to deduct income tax from interest paid or credited on or after 6 April 2016 (following the ending of the Tax Deduction Scheme for Interest (TDSI)). Other payers of yearly interest should continue to deduct Income Tax at the basic rate.

For interest paid or credited before 6 April 2016 ISA managers should deduct income tax at the basic rate under TDSI, or from yearly interest as appropriate and account for the tax due on their next CT61 return form. If returns are not being made, a cheque should be sent to HMRC (see [annual returns and tax claims](#)).

Where tax has been deducted and reclaimed from HMRC on interest payments in respect of a stocks and shares ISA, the manager must repay the tax to HMRC (see [death of an investor](#)).

In all cases investors must be made aware that there may be more tax to pay and that income removed from the ISA for periods after 6 April 2016 will count towards the investor's personal savings allowance.

Two types of invalid account can be repaired:

- where the ISA is invalid because of an inadvertent failure in the checks that should be carried out by the manager (manager error), the manager can sometimes repair the account –
- where an ISA is invalid because the investor (investor error):
 - has subscribed to a disallowed combination of ISAs, (2 - or more - ISAs of the same type
 - has exceeded the overall subscription limit

the invalid subscriptions to the ISA can sometimes be repaired in full or in part – see [investor error – repairs](#).

In addition, a valid ISA can be repaired if the investor exceeds the overall subscription limit – see [repairs – valid combination of ISAs but overall subscription limit exceeded](#).

An invalid ISA that can't be repaired must be voided – the account is closed with the loss of all tax exemptions – see [voiding](#).

Investor error – repairs

In most cases investors who have subscribed to a disallowed combination of ISAs or have exceeded the overall subscription limit are not aware that they have made an error until it is found during the HMRC compliance programme, which examines the annual returns submitted by ISA managers. The manager and investor in this case are informed of the error by HMRC compliance officers.

Where the ISA manager finds out (usually from the investor) that the investor has subscribed to a disallowed combination of ISAs, or has exceeded the overall ISA subscription limit, the manager should advise the investor that HMRC will contact them in due course.

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Managers should not take it upon themselves to advise customers as they may not be in possession of all of the relevant facts, or be certain of the action that HMRC will take.

If the investor wishes to contact HMRC to discuss the error, they can be advised to telephone the ISA Helpline on telephone: 0300 200 3312.

An ISA is eligible for repair only if it is invalid because the investor has subscribed to a disallowed combination of ISAs, or has exceeded the overall ISA subscription limit.

An ISA is not eligible for repair if it is invalid because:

- the investor did not satisfy the residence qualification at the time the subscriptions were made
- the investor was under age at the time the subscriptions were made (see [investors under 18](#))

If an ISA manager finds out (usually from the investor) that the investor has subscribed to an ISA while not satisfying the residence condition, or when under age, he must void the invalid subscriptions (see [voiding](#)).

Investor error - self transfer

ISA investors must transfer their ISAs through the ISA manager. Investors can't transfer an ISA by closing it and opening a new ISA with the new ISA manager (commonly known as 'self-transfer'), even if the investor is moving from one ISA product to another with the same manager.

Self-transfer is not available in respect of Lifetime ISAs.

However, where:

- the investor subscribes to 2 cash ISAs, in the same tax year
- subscriptions to the first ISA subscribed to were valid
- all of the current year subscriptions to the first ISA subscribed to were withdrawn (whether or not that ISA was closed) before subscriptions to the second ISA were made

The subscriptions to the second ISA may be valid, subject to the guidance below.

The first cash ISA to be self-transferred in a tax year is valid, and need not be repaired.

The second (and any subsequent) self-transferred cash ISA is not valid and is not eligible for repair.

The first cash ISA may be closed and all the funds held in the ISA withdrawn (including any subscriptions for earlier years) or the first cash ISA may remain open and after the self-transfer will hold only subscriptions which were made in previous years. If the ISA remains open, no further subscriptions can be made to it in the tax year of the self-transfer.

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Repairs – disallowed combination of ISAs or overall subscription limit exceeded

In each tax year an investor may subscribe to one cash ISA and one stocks and shares ISA (see – the '[one-type-of-ISA-a-tax-year](#)' rule). From 6 April 2016 they may also subscribe to an innovative finance ISA.

From 6 April 2017 they may also subscribe to one Lifetime ISA:

- if an investor subscribes to a disallowed combination of ISAs (2 – or more - ISAs of the same type) in the same tax year, the subscriptions to the second (and subsequent) ISA are invalid
- if an investor subscribes to a single cash ISA, a single stocks and shares ISA, and a single innovative finance ISA, but exceeds the overall subscription limit, the subscriptions which cause the limit to be breached lead to that ISA being invalid
- if an investor subscribes to a single cash ISA, a single stocks and shares ISA, a single innovative finance ISA, and a single Lifetime ISA but exceeds the overall subscription limit, the subscriptions which cause the limit to be exceeded lead to that ISA being invalid - with the proviso that, where he hasn't also exceeded the Lifetime ISA payment limit, the excess must be removed from the accounts which aren't Lifetime ISAs – even where the Lifetime ISA was first subscribed to later in that tax year than any of the other ISAs

In general, the invalid subscriptions can be repaired to the extent that the total subscriptions in the tax year don't exceed the overall subscription limit or in respect of Lifetime ISAs they don't exceed the Lifetime ISA payment limit.

When totalling subscriptions, subscriptions to an ISA that was validly self-transferred ([repairs – self transfer](#)) are ignored.

There is one exception; invalid subscriptions can't be repaired if they were used to purchase an insurance product (see [part repair](#)).

Repairs – valid combination of ISAs but overall subscription limit exceeded

An investor can subscribe to one cash ISA, one stocks and shares ISA, and one innovative finance ISA (a valid combination) but exceed the overall subscription limit. An otherwise valid ISA will then become invalid during the tax year by reason of oversubscription.

In Mr James's case (see [worked examples of repairs and voiding](#) (PDF, 209KB, 8 pages)), the investor has a Cash ISA with Candobank and a Stocks and Shares ISA with Megafund. That isn't a disallowed combination of ISAs. His infringement is to exceed the overall subscription limit. The ISA with Megafund is that one that received the subscription that caused the overall limit to be breached so is the invalid account but it can be repaired. All tax relief (Income Tax and CGT) on the subscription of £15,200 made to this account will be lost up to the date of the HMRC 'repair' letter, but following repair, when the excess subscription of £3,400 is removed from the ISA, the balance of the subscription (£11,800) is exempt from tax. All income earned on the subscription of £15,200 before the date of the notice of repair

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is subject to tax but only the income on the excess subscription has to be removed from the ISA.

However, where Mr James has also subscribed to a Lifetime ISA the excess must be removed from the accounts which are not Lifetime ISAs in date order – even where the Lifetime ISA was first subscribed to later in that year than any of the other ISAs.

Repairs – removal of excess subscriptions

There are 3 situations in which excess subscriptions must be removed from an ISA.

The first is where the investor subscribes to a valid combination of ISAs, but subscribes more than the overall subscription limit in total.

See [repair – identification of investments where the subscriptions were used to purchase insurance](#).

The second is where the investor subscribes to an invalid combination of ISAs (more than one ISA of the same type) and subscribes more than the overall subscription limit in total.

See [repair – identification of investments where the subscriptions were used to purchase insurance](#).

See [repair – identification of investments where the subscriptions were used to purchase insurance](#).

The third is where the investor subscribes to a valid combination of ISAs, doesn't exceed the overall subscription limit but exceeds the Lifetime ISA payment limit. In this instance the Lifetime ISA must be repaired and excess subscriptions must be removed. In this instance the excess subscriptions were not valid subscriptions and may therefore be removed without the application of a withdrawal charge. Any government bonus that has been paid must be returned to HMRC.

Repair – action by the manager

The HMRC compliance unit will write to the investor before instructing the ISA manager of the action to be taken. The investor will have been given the opportunity to query the information provided to HMRC before HMRC write to the ISA manager. In all cases the HMRC compliance unit will issue a notice of discovery to the manager stating which ISAs can be repaired, and to what extent. They will also inform the investor of the action to be taken by the manager.

Managers should not repair an investor error without a notice of discovery. The date of the notice is the date of repair of the invalid ISA.

All investments in a repairable ISA lose their tax exemption from the date of the first invalid subscription up to the date of repair. Up to this date the repairable ISA is effectively treated in the same way as a void ISA.

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Subscriptions to a repaired ISA for years other than that covered by the notice of discovery are not affected by that notice.

The following paragraphs provide more details, but in summary, where an ISA is repaired or voided, managers should proceed as follows:

- interest earned on cash should be taxed in accordance with [repair and voiding](#)
- where the manager has received net income and has claimed tax back from HMRC (see for example [REIT payments in Property income distributions](#)), they must repay the tax to HMRC and pay income net to the investor
- where the manager received gross income, they should pay the income out gross to the investor
- the government bonus must, in the first instance, be deducted in respect of Lifetime ISAs from the balance in the account - where the balance is insufficient to recover the government bonus any outstanding part thereof may be recovered by HMRC by way of an assessment against the investor

In all cases investors must be made aware that there may be more tax to pay and that income removed from the ISA for periods after 6 April 2016 will count towards the investor's personal savings allowance.

Part Repair

This is where income (arising prior to date of repair) is to be taxed and some of the invalid subscription and the associated (taxed) income has to be removed from the ISA.

First:

- Cash ISA - any interest earned by the invalid subscription paid on or before 5 April 2016 is taxed
- Stocks and Shares ISA - follow the advice at [repair – action by manager](#) for interest arising on cash and [Interest on ISA investments](#) for other interest

Second, remove from the ISA that element of the invalid subscription that the partial repair notice says must be removed.

Third, remove from the ISA that portion of the income that relates to element of the invalid subscription that must be removed.

From the date of repair the excess subscriptions are not held in an ISA. The balance after removal of the excess is treated as having been held in the ISA from the date of repair. The manager should, within 30 days of the date of the notice, identify the investments bought with the excess subscriptions and remove them from the ISA, together with any income arising on those investments. If the investments include insurance, the investor should decide which investments should be removed - see [voiding](#).

Where interest is credited to a stocks and shares ISA, managers should follow the guidance on [Interest on ISA Investments](#) and proceed as follows:

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- where the payment was received under deduction of tax, the manager has claimed the tax, and has received payment from HMRC, he must repay the tax to HMRC
- where the payment is received gross, the manager need take no action other than advising the investor that they must account for any tax that may be due

Where an interest distribution or property income distribution is credited to a stocks and shares ISA, managers should follow the advice on [interest on ISA investments](#) and proceed as follows:

- where the payment was received under deduction of tax, the manager has claimed the tax, and has received payment from HMRC, he must repay the tax to HMRC
- where the payment is received gross, the manager need take no action other than advising the investor that they must account for any tax that may be due

Repair – identification of investments

In many cases identification of the investments acquired with invalid subscriptions will be simple – the investor will have made one subscription to the account and purchased one type of investment.

In some cases identification of the investments acquired with invalid subscriptions will be more difficult. The manager and or investor can select the investments that represent the invalid subscriptions, using one of the following methods.

The simplest method of identifying the investments is to take a fraction of the investments held in the ISA at the date of repair representing the invalid subscriptions.

Identification of investments removed from a repaired ISA applies only for ISA purposes. The investor is required to apply normal Capital Gains identification rules to disposals of investments prior to repair, and to disposals of investments to effect the repair.

If the ISA contains an insurance product, and any of the excess subscription to be removed to the ISA is assigned to that insurance product, it must be removed in full. An insurance policy can't be repaired: it must either all stay in the ISA or all be removed. See [policies of life insurance](#).

Voiding

Where an ISA can't be repaired it must be voided. This is where all income in respect of the invalid subscription and the invalid subscription has to be removed from the ISA. Valid subscriptions from previous (and possibly later) years are unaffected.

First, any interest earned by the invalid subscription, is taxed as appropriate (for a cash ISA), or dealt with in accordance with [interest on ISA investments](#) if the ISA is a stocks and shares ISA. This is not limited to interest paid on or before the date on which the ISA Void Notice (no repair) - letter ISA41 - was issued.

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Second, the whole of the invalid subscription is removed from the ISA. However, in respect of a Lifetime ISA the rule is that any excess must first be removed from the accounts which are not Lifetime ISAs in date order – even where the Lifetime ISA was first subscribed to later in that year than any of the other ISAs.

Third, the whole of the income earned by the invalid subscription is removed from the ISA (but see below if the ISA is a multi-year ISA).

Where the investor subscribes to an invalid combination of Lifetime ISAs, subscribing to 2 Lifetime ISAs in the same tax year, the second Lifetime ISA is an invalid ISA. As the second Lifetime ISA is invalid it must be voided and the invalid payments to it (whether or not they have caused the Lifetime ISA payment limit to be exceeded) must be removed. In this instance, they may be removed without the application of a withdrawal charge and any government bonus that has been paid must be returned to HMRC.

If the ISA is a 'single year ISA, any 'closing' interest - interest earned by the invalid subscription for the period from 1 February 2017 to the date on which the ISA is closed - is removed from the ISA.

If the ISA is a multi-year ISA, any interest earned by the invalid subscription for the period from 1 February 2017 to the date on which the Void Notice (no repair) was actioned should be removed from the ISA. However, when auditors check whether managers have actioned repair or void notices correctly they will look to see that the invalid subscription and income received up to and including the date of the Void Notice (no repair) has been removed from the ISA. They will not be concerned about income received after that date.

Where, before 1 July 2014, the interest has arisen on a stocks and shares ISA and has been subject to the 20% flat rate charge there is no need for the manager to deduct basic rate tax from the interest payment as the flat rate charge will be deemed to be the basic rate tax due. When providing the investor with a section 975 ITA 2007 certificate in respect of interest, ISA managers should treat the flat rate charge as tax, and complete the certificate accordingly. The investor needs to be made aware that the interest needs to be reported to HMRC and that higher or additional rate tax might be due (or a repayment of tax if the investor is not liable).

After 1 July 2014, the flat rate charge will not apply so managers are required to deduct tax at basic rate from any interest paid and to pay the tax to HMRC.

No deduction of basic rate income tax is required from interest paid or credited on or after 6 April 2016.

Where an ISA is made void it doesn't mean that the investments must be sold. Where the investor wishes, and the scheme terms and conditions allow, the manager may transfer the investments to the investor (but a void ISA policy of life insurance must terminate and can't be transferred to the investor).

An ISA opened with a continuous application (see [applications in writing](#)) is strictly invalid for the year in which the terms of the application are breached, and for all succeeding years.

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This means that an investor who opens an invalid ISA in a tax year with an invalid continuous application, and who continues to subscribe to that ISA in the next tax year, should have 2 year's ISA subscriptions voided.

In practice, an ISA opened with a continuous application can be treated as if the application had been completed anew on the date that the first subscription is made to the ISA in each tax year.

Repair and voiding – transfers and withdrawals

Where an account is voided or repaired the manager is required to recover any income tax claimed on investments purchased with the invalid subscriptions. If, after using any cash balance and the sales proceeds from investments, there is insufficient in the account (because, for example, the investor has withdrawn funds, or the account has been closed, or transferred to another manager), the manager must write to HMRC, providing details of the amount of tax credit or tax on interest that has not been recovered.

Withdrawals from an ISA prior to the date of the notice of discovery can be counted towards the amount of invalid subscriptions that must be withdrawn to repair the ISA provided that the withdrawal doesn't pre-date the date of the invalid subscription. However, in the case of flexible ISAs, any replacement subscriptions must also be taken into account. Other than this, the investor or manager can select the investments that are to be withdrawn.

Repair and voiding – accounting for tax

Any tax claimed from HMRC Repayments on income arising on the invalid subscriptions, must be repaid by the provider, normally by deduction from the next claim under the heading 'Adjustments to previous claims'.

If the ISA is a cash ISA and the manager is a building society or deposit-taker any tax charged on interest paid or credited before 6 April 2016 on the invalid subscriptions (see [full repair](#), [part repair](#) and [voiding](#)) must be accounted for on their next CT61 return form. If returns are not being made, a cheque should be sent to HMRC (see [basis of annual returns and tax claims](#)).

In all cases investors must be made aware that there may be more tax to pay and that income removed from the ISA for periods after 6 April 2016 will count towards the investor's personal savings allowance.

Repair and voiding - information to be provided to investor

Managers should inform investors of:

- the date and amount of each income payment received in respect of the investments purchased with the invalid subscription or of investments transferred to the ISA, and the amount of tax deducted from those income payments. and, if the

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investments have since been sold, the date and amount of each income payment received in respect of the replacement investments and the amount of tax deducted from those income payments

- the date and amount of any interest paid or credited on cash deposits in respect of the invalid subscription, the amount of any tax deducted from that interest, and that interest paid after 6 April 2016 will count towards their personal savings allowance
- the original cost price, any incidental costs of acquisition and date of acquisition of investments purchased with invalid subscriptions or transferred to the ISA and, if they have since been sold, the original cost price, any incidental costs of acquisition and date of acquisition of the replacement investments
- the date of disposal, the amount of the sale proceeds and any incidental costs of disposal of investments purchased with invalid subscriptions or transferred to the ISA and, if they have since been sold, the date of disposal, amount of the sale proceeds and any incidental costs of disposal of the replacement investments

If the ISA contains an insurance product, the manager will need to ascertain the amounts of any gains treated as arising in order to calculate how much tax to deduct, and must inform the investor of:

- the amount of premiums paid and the date on which they were paid
- the amount of part withdrawals and the date on which each was made and also, for each part withdrawal, the date of the last day of the 'year' as defined in section 546(4) ICTA 1988 in which the part withdrawal was made
- the amount of tax deducted in respect of each part withdrawal
- the benefits payable on death, maturity or surrender and the date of the event
- the amount of tax deducted in respect of the benefits payable on death, maturity or surrender
- the amount of benefits actually paid to the investor, after all deductions of tax

Managers should advise the investor to report details to his or her tax office of the interest, dividends, chargeable gains and allowable losses and corresponding deficiencies (see [chargeable events](#)) arising in respect of the void subscriptions for the tax year in which they arose.

Managers should supply tax certificates R189K and/or Section 975 certificates (or their own tax vouchers – [information to be provided to personal representatives](#)) on request to the investor showing, respectively, the dividends and tax credits and the gross interest credited and any tax deducted.

See [worked examples of repairs and voiding](#) (PDF, 209KB, 8 pages) .

Annual returns and tax claims for ISA managers

What managers can claim

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Managers, other than managers who are insurer managers, can claim UK income tax deducted from income in respect of ISA investments from HMRC.

Interest payment and interest distributions

Managers receiving interest distributions from corporate bond funds should normally be receiving them without deduction of income tax.

Finance Act 2002 increased the number of tax-exempt bodies entitled to receive interest without deduction of income tax 'if at the time the payment is made, the company making the payment reasonably believes that one of the conditions in Section 349B Income and Corporation Taxes Act (ICTA) 1988 is satisfied'. The payer has no choice in the matter; where it 'reasonably believes' the recipient is in one of the gross payment categories it must pay the interest without deduction of income tax.

ISA managers are one of the gross payment categories. Consequently, companies paying interest to ISA managers should pay the interest without deduction of income tax where the manager operates a single nominee in which all the underlying beneficial holders are eligible to receive gross interest - because, for example, they are all ISA investors.

However, if the manager operates a mixed or pooled nominee in which there is a mixture of beneficial holders - some entitled to gross interest - because, for example, they are ISA investors - and others not so entitled – the payer will pay the interest after deduction of income tax and the manager will have to claim the tax in respect of the ISA investors from HMRC.

Any ISA manager that operates a single nominee in which all the underlying beneficial holders are eligible to receive gross interest, but receives interest distributions from corporate bond funds after deduction of tax should contact the payer(s) to ensure that interest is paid without deduction of income tax in future.

Property income distributions

UK-REITs make Property Income Distributions (PIDs), which normally have basic rate tax deducted at source.

However, where a PID is paid directly to an ISA manager it will be paid gross where the manager both:

- operates separate nominee accounts – one for those beneficial owners entitled to gross payment - because, for example, they are ISA investors - and one for others not so entitled
- gives the registrar acting for the UK-REIT a declaration of entitlement to gross payment in respect of the 'gross account'

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If the manager operates a mixed or pooled nominee, or does not give the registrar a declaration of entitlement to gross payment in respect of the 'gross account', the PID must be paid after deduction of income tax at the basic rate.

As an interim measure, managers receiving a PID net can reclaim the tax in respect of their ISA investors from HMRC.

Managers will have to make adjustments in relation to PIDs where the ISA has been made void or where the investor has died. Again, as an interim measure the treatment of PIDs will be aligned with the existing arrangements for corporate bond interest payments. This means that:

- where the manager is using an undesignated mixed nominee account, the PIDs will be received net of basic rate tax and the manager will then reclaim the tax in respect of ISA investments from HMRC - where adjustments are required for deceased and void cases the basic rate tax should be deducted by the manager and repaid to HMRC by adjustment of their next claim
- where the manager has received the PIDs gross and later adjustments are required for deceased and void cases, the manager should not make deductions but should instead notify the estate or the holder of the void ISA that they are responsible for accounting for tax on the payment(s)

Insurer managers - and insurers that provide policies to other ISA managers

ISA managers who are insurer managers (and insurers that provide ISA policies to other ISA managers) can claim UK tax deducted and foreign withholding tax from income referable to ISA business from their tax office.

Guidance for insurers will be included on the claim form R19 and in the notes sent out with a [CT61](#) return form.

How to claim

Claims to HMRC in accordance with [what managers can claim](#) must be made on either:

- form ISA10 ([interim claims](#))
- form ISA 14 ([annual claims](#))

Claims must be signed by an authorised officer of the manager. Employees of an administration company used by the manager [delegation of manager's functions](#) may not sign a claim on behalf of the manager unless they are an authorised officer of the manager.

Where HMRC is satisfied with the claim they will pay the sum claimed, through the Bankers Automated Clearing Services Ltd (BACS) system, direct to the manager's bank account.

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Where claims are received on or before the last working day of a calendar month HMRC will aim to pay them on the 17th of the following month. Where the 17th falls on a weekend or public holiday HMRC will make payment on the next working day. Any claims not processed in time for payment on 17th of the month will be paid on 17th of the next month.

Information to be supplied before claims are made

Before managers make their first claim they should provide HMRC Repayments with the following information.

- Details of signatories to claims:
 - the full name and status of up to five individuals appointed by a resolution of the manager's board or equivalent managing body to sign claims on behalf of the manager - only one signature is required on each claim
 - a copy of the resolution of the board or equivalent managing body appointing each signatory
 - an original specimen signature of each signatory

Managers may include signatories described in terms of the post held, such as 'the Finance Director for the time being', in their list of authorised signatories. When the post holder changes, an authorised signatory will have to provide details - name and specimen signature - of the new post holder - see [amending information supplied](#), but this need not be supported by a resolution of the manager's board or equivalent managing body.

Existing managers who wish to adopt this approach should notify HMRC. The notification should set out the changes to the list of authorised signatories as a result of describing some, or all, in terms of the posts held. It should be signed by an authorised signatory and be supported by details and specimen signatures of current post holders and a resolution of the manager's board or equivalent managing body.

- Bank account details:
 - the full name and address of the branch of the bank to which the payments are to be made
 - the sort code of the branch
 - the account number
 - any special form of identification given to the account - such as deposit, special deposit, number 2
 - an account name for use by BACS - the name must not exceed 18 characters, including spaces.

[Amending information supplied](#)

Where any of the information provided subsequently changes, managers should inform HMRC Repayments in writing. Failure to do so could lead to a delay in making a payment.

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Details of signatories to claims

HMRC Repayments must be notified of any change to authorised signatories. The request must come in paper format from a current authorised signatory and be counter signed by a second authorised signatory. Where a signatory is to be added to the current list of authorised signatories, or is replacing a current authorised signatory, the authorised signatories should send HMRC Repayments a sample of the new signatory's signature.

Once we have made the change we will send confirmation, either by email or letter, to all authorised signatories for that company.

Bank account details

Where the nominated bank account is being changed, the request must come in paper format from an authorised signatory and be counter signed by a second authorised signatory. The request should include details of the new account to which the payments are to be made (see [information to be supplied before claims are made](#)), supported by either:

- a paying-in slip
- a bank statement

Once we have made the change we will send confirmation, either by email or letter, to all authorised signatories for that company.

Basis of annual returns and tax claims

All managers must make an annual return and claim. This is the case even where the manager has not claimed any repayment for the year. Managers may also make interim claims, for one or more tax months.

Interim claims – form ISA 10

Managers should make interim claims on form [ISA 10](#). Paper copies will not be provided.

Interim claims are made in respect of income with a payment date falling in one or more tax months. They may cover a maximum of 6 tax months provided all those months fall in the same tax year. A tax month begins on the 6th of one calendar month and ends on the 5th of the following calendar month.

Managers must hold tax vouchers for all amounts included in the claim.

Interim claim forms include provision for managers to pay back amounts claimed and received from HMRC that are either:

- found not to be due
- in respect of subscription(s) made [void](#)
- income arising after the [death of the investor](#)

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The interim claim form also includes provision for managers to account for both:

- the flat rate charge (where this applies before 1 July 2014) on interest paid on cash on deposit in stocks and shares ISAs
- tax at the basic rate, on chargeable events in respect of [ISA insurance policies](#)

HMRC will not pay an ISA 10 interim claim where any return has not been completed by the due date.

This means HMRC will not pay an interim claim:

- after 4 June unless they have received the annual returns of statistical information for the previous tax year (see [annual returns of statistical information \(market value\)](#) and [annual returns of statistical information \(subscriptions\)](#)) - and a return of information for the previous tax year - see [submission of returns](#).
- after 5 October unless they have received a fully completed annual return and claim - form [ISA 14](#) for the previous tax year

HMRC will not normally pay interim claims of less than £50.

Where HMRC is not satisfied with a claim they will pay any lower amount which they estimate is due. There is no right of appeal against a decision on an interim claim.

Where, as a result of making an interim claim, there is a net amount due to HMRC, the manager must report this to HMRC by entering the amount in Box G on the form ISA 10. HMRC will write to the ISA manager explaining how this amount can be repaid by BACS. The BACS payment must include the unique payment reference number contained in the letter from HMRC.

Don't send a cheque to HMRC

Where a manager receives a tax voucher late they should make a claim for the tax month in which the payment date fell - or a supplementary interim claim if they have already made an interim claim for that tax month – see below.

However, a claim for tax in respect of such a payment may be included in the manager's next interim claim provided each of the following apply:

- the period of the claim from the 6th of the month in which the payment was made to the 5th of the month of the next claim, does not exceed 6 months
- the date of the payment does not fall in a previous tax year -see below
- the manager keeps a record of such cases for reconciliation purposes which should be made available on request to HMRC auditors

If the date of the payment falls in a previous tax year the manager should include the payment in the annual return and claim for the tax year in which the payment fell.

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Managers may make a supplementary interim claim at any time within the tax year if it is discovered that the original claim contained an error or mistake.

Completing form ISA 10

ISA Manager reference

Managers should enter their ISA reference number allocated to them by HMRC. This will always be the letter Z followed by 4 numeric characters.

Name of ISA Manager

Managers should enter the legal name under which they have received approval. The manager's trading name(s) must not be entered.

Name of ISA Scheme

Enter the name of the scheme if this is different to the Manager named above.

Period of Claim

This will normally be a tax month beginning on the 6th of one calendar month and ending on the 5th of the following calendar month. However the period of claim can be for up to 6 tax months within a single tax year.

Part 1 - Amount claimed

In Box A, enter the amount of any tax deducted at source from interest arising on investments held in ISA accounts.

Part 2 - Amounts payable

In Box B, enter the total of any amounts previously claimed and subsequently found not to be due. For example sums arising in respect of void subscriptions or where payment occurred after the [death of the investor](#).

In Box C, enter details of tax deducted at the basic rate from [chargeable events](#).

Box D applies only where interest was paid on cash on deposit held in a stocks and shares ISA before 1 July 2014 - see the archived guidance notes that applied before 6 April 2016.

Part 3 - Reconciliation

Managers should enter the final amount claimed in Box F (this is the tax claimed in Box A less any tax adjustments in Box E). Where the net result is that the manager still owes monies to HMRC, enter the amount due in Box G. HMRC will write to the ISA manager explaining how this amount can be paid by BACS. The BACS payment must include the unique payment reference number contained in the letter from HMRC.

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Do not send a cheque to HMRC.

Certificate - Authorised signatory

The form ISA10 must be signed by an authorised signatory. This must be one of the persons already notified to HMRC - see [information to be supplied before claims are made](#).

Annual return and claim – form ISA 14

Managers should make annual returns and claims on form [ISA 14](#). Paper copies will not be provided.

Managers must return fully completed forms to HMRC by the following 5 October.

The annual return and claim relates to income with a payment date falling in the previous tax year ending on 5 April. It is therefore a consolidated claim covering any interim claims made for that tax year.

Annual return and claim forms include provision for managers to pay back amounts claimed and received from HMRC which are found not to be due either:

- in respect of subscription(s) made [void](#)
- in respect of income arising after the [death of the investor](#)

The annual return and claims form includes provision for managers to account for tax at the basic rate on [chargeable events](#) in respect of ISA insurance policies.

Where an annual claim exceeds the amounts paid on interim claims for that tax year and HMRC is satisfied with the claim, they will aim to pay the balance on the 17th of the month following the month in which the annual return and claim form is received.

If the amounts already paid on interim claims exceed the amount shown on an annual return and claim, HMRC will write to the ISA manager explaining how this amount can be repaid by BACS. The BACS payment must include the unique payment reference number contained in the letter from HMRC.

If the annual return and claim is not received by 5 October following its issue:

- no further [interim claims](#) will be paid until the ISA 14 is fully completed and received by HMRC and
- HMRC will review the payments made for the tax year for which the form ISA 14 is outstanding and will issue a notice showing the payments made and any lower amount which they consider ought to have been made

If the form annual return and claim (ISA 14) is not received within 14 days after the issue of the notice, the amount shown in the notice will become immediately recoverable by the Collector of Taxes.

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HMRC may withdraw approval from the manager where an annual return and claim on form ISA 14 is not made.

If a manager does not manage any ISAs in a particular tax year, a NIL return and claim is required.

Managers may make supplementary annual returns and claims at any time within 4 years after the end of a tax year if it is discovered that the original return and claim contained an error or mistake.

Completing form ISA 14

Statement of income for stocks and shares ISAs:

- dividends and dividend distributions - enter the gross amount of dividends and dividend distributions with a payment date during the tax year- do not include equalisation in respect of group 2 units received from an authorised unit trusts
- Interest payments and interest distributions - enter the gross amount of interest payments and interest distributions from ISA investments with a payment date during the tax year
- Interest on cash on deposit - enter the gross amount of interest paid or credited to the ISA during the tax year in respect of uninvested cash on deposit

Statement of income for cash ISAs:

- interest payments and interest distributions - Enter the gross amount of interest payments and interest distributions from ISA investments with a payment date during the tax year
- Interest on cash on deposit - enter the gross amount of interest paid or credited to the ISA during the tax year in respect of uninvested cash on deposit - this includes interest on cash deposits held in a share account with a building society, interest on cash deposits held with a bank and interest on National Savings and Investments deposits
- Bonuses - enter the total bonus received

Statement of income for innovative finance ISAs:

The reporting form for 2016-17 and later years will be updated to include:

- Interest payments - enter the gross amount of interest payments with a payment date during the tax year
- Interest on cash on deposit - enter the gross amount of interest paid or credited to the ISA during the tax year in respect of uninvested cash on deposit. - this includes interest on cash deposits held in a share account with a building society, interest on cash deposits held with a bank and interest on National Savings and Investments deposits

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ISA Manager reference

Managers should enter their ISA reference number allocated to them by HMRC. This will always be a letter Z followed by 4 numeric characters.

Name of ISA Manager

Managers should enter the legal name under which they have received approval. The manager's trading name(s) must not be entered.

Period of Claim

This will be the tax year beginning on 6th April in one year and ending on 5th April of the following year. However, the period of claim may be shorter where the manager is only approved part way through a tax year. In that event the period of the first annual claim will be from the date of approval to the following 5th April.

Part 1 - Amount claimed

Managers should enter the amount of tax deducted at source from interest arising on investments held in ISA accounts in Box A,

Part 2 - Amounts payable:

- in Box B, enter the total of any amounts previously claimed and subsequently found not to be due. For example sums arising in respect of void subscriptions or where payment occurred after the [death of the investor](#)
- in Box C applies only where interest was paid on cash on deposit held in a stocks and shares ISA before 1 July 2014 - see the archived guidance notes that applied before 6 April 2016
- in Box D, enter details of any tax deducted at the basic rate on [chargeable events](#)

Part 3 - Reconciliation

Managers should enter the net amount claimed in Box F - this is the tax claimed in Box A less any tax adjustments in Box E. Where the net result is that there is a sum payable, complete box G.

Part 4

Net amount from interim claims made - Enter the amount of monies previously claimed on all interim claims made for the tax year. If no interim claims have been previously submitted, managers should enter 'NIL' in Box H. Where the manager has already paid previously over claimed amounts to HMRC in interim claim(s) made during the tax year, the total amount paid should be entered in Box J.

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Part 5 - total amount for year

Enter in Box K the total amount of monies that are being claimed for the tax year. Where monies are due to HMRC, the amount should be entered at Box L.

HMRC will write to the ISA manager explaining how this amount can be paid by BACS. The BACS payment must include the unique payment reference number contained in the letter from HMRC.

Do not send a cheque to HMRC.

Certificate - Authorised signatory

The form ISA14 must be signed by an authorised signatory. This must be one of the persons already notified to HMRC - see [information to be supplied before claims are made](#).

Assessments and recovery of tax and charges

Where amounts claimed or deductions made cannot be recovered from the next claim, HMRC will normally issue an informal notice advising the manager of the amount payable and telling the manager how to pay the amount due.

Where amounts claimed or deductions made cannot be recovered informally, HMRC will make assessments on the manager.

Repayment of foreign tax

Managers may only claim United Kingdom income tax from HMRC. They must make their own arrangements to make claims from foreign fiscal agencies under Double Taxation Agreements:

- if the ISA investor is resident in the United Kingdom the relevant claim forms can be obtained from the foreign tax authority
- if the ISA investor is not resident in the UK the [relevant claim forms can be downloaded](#)

Managers should bear in mind that if it's a requirement of the double taxation agreement that the income is subject to tax in the UK, no repayment may be claimed.

Returns of information for ISA managers

The requirement to make a return

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Managers are required to make a return of information to HM Revenue and Customs (HMRC) within 60 days of either of the following reporting dates:

- 5 April of each year (returns will therefore need to be made by 4 June)
- the date of ceasing to qualify, or act, as a manager

At the end of February of the tax year in which the return is due, HMRC will send managers a reminder of their obligations to make a return for that tax year.

What period must be covered

The information required is the later of the period from the:

- the date the manager began to manage Individual Savings Accounts (ISAs)
- the last reporting date

What must be returned

Managers must report details of all ISAs (and [Junior ISAs](#)) they managed during the return period, including:

- ISAs opened with funds transferred from a matured Child Trust Fund (CTF) account when no instructions were given by the account holder when they reach age 18
- ISAs transferred in
- ISAs that have been closed

They should not include details of ISAs transferred out in full, made void, or not proceeded with or [cancelled](#) within 30 days of opening in the return period.

Where an investor holds more than one ISA with the same manager (for example, a cash ISA and a stocks and shares ISA), managers must report details of each ISA separately.

Since the period ending 5 April 2019

Managers with any 'continuing accounts' of deceased investors must continue to report these ISAs using:

- name and address of the deceased investor
- date of birth of the deceased investor
- National Insurance number of the deceased investor

From the period ending 5 April 2021

Returns that include ISAs opened with matured funds from a CTF (when no instructions were given by the account holder when they become age 18) managers must include either:

- the unique reference number for the child trust fund
- the national insurance number (if available)

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The return of ISA information must include an indicator that the ISA account represents a matured CTF account that was opened without instructions from the CTF account holder. There are 2 ISA types:

- ISA Type S is a stocks and shares ISA with investments from a matured CTF account
- ISA Type T is a cash ISA with cash from a matured CTF account

Lifetime ISAs

Lifetime ISAs must not be included on the ISAComm100 return of ISA account information.

Since the tax year 2018 to 2019, Lifetime ISAs are reported monthly to HMRC, covering day 6 of one month to day 5 of the next calendar month.

The reporting for Lifetime ISAs is completed on the Lifetime ISA Application Programming Interface (API). The latest version of the Lifetime Allowance App technical specifications is available on the [developer hub](#).

More information on the content of the API reports is available in [digital reporting for Lifetime ISAs](#).

How to make returns of Information

Returns of information can be submitted on either:

- the ISA [electronic flat text specification](#)
- the [HMRC spreadsheet](#)

Returns must conform to the specification and format described in this document. Any return that does not conform to this specification may be rejected and, in which case the manager may be regarded as either having failed to make a return or as having made an incorrect return.

Returns for 2016 and earlier years must be submitted using the previous specifications.

If you need to submit a ISAComm100(OCS) 'ISA annual return of information' for an earlier tax year you should email: cni.enquiries@hmrc.gsi.gov.uk stating the year and whether you require a copy of the text specifications or spreadsheet (or both).

HMRC Spreadsheet

Instead of creating a flat text file in accordance with the ISA Electronic Flat Text File specification managers may make a return on the [HMRC spreadsheet](#).

The spreadsheet:

- is in Excel version 2003 (.xls) and cannot be converted to later versions of Excel (.xlsx)
- can accept 65,536 rows of information
- cannot convert to the later version of Excel (.xlsx)
- does not check the accuracy or suitability of the data entered

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To use the spreadsheet:

- click on the link above to open the spreadsheet template
- save the spreadsheet template to your computer
- complete the spreadsheet following the guidance in the yellow comments boxes in the spreadsheet

Spreadsheet failures

The most common cause of spreadsheet failure has been the inclusion of excessive characters (including spaces).

The spreadsheet contains conditional formatting to check for simple errors such as excessive characters.

If a simple error is detected in a column the cell on row one will turn red and tell you the number of errors found in the column and the position of the first error. As errors are corrected this information will update.

Spreadsheets received with a red cell on row one will fail to process and the manager may be regarded as either having failed to make a return or as having made an incorrect return.

If you require a later version of the spreadsheet email: cni.enquiries@hmrc.gsi.gov.uk advising which spreadsheet you need.

Submission of returns

Details of how to submit your return will be contained in the notice we issued to you.

HMRC no longer issue labels or submission documents with the notice. Please ensure that any return on physical media is suitably labelled to identify the source of the data.

If you need a submission document to include with a submission on media a generic submission document can be downloaded from [here](#).

You can email: tpi.c@hmrc.gsi.gov.uk for simple enquiries such as:

- has my return been received
- has my return passed or failed
- changing contact details

To request an additional sub number, closure of an existing sub number or for questions about submitting your return please email: cni.enquiries@hmrc.gsi.gov.uk.

ISA managers who fail to submit their returns of information by 4 June may be charged a penalty. No claims for payment will be processed until the return is submitted (see [basis of annual return and tax claims](#)).

Penalties

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Penalties may be charged on managers under Schedule 23 FA 2011.

Annual returns of statistical information (market value) for ISA managers

The requirement to make a market value return

Managers are required to make an annual market value return of statistical information to the HM Revenue and Customs (HMRC) within 60 days of either of the following reporting dates:

- 5 April of each year (in which case the return must be made by 4 June)
- the date of ceasing to qualify, or act, as a manager

What period must be covered

The information required is the later of the period from the:

- date the manager began to manage Individual Savings Accounts (ISAs)
- last reporting date

What must be returned

Managers must return in relation to stocks and shares ISAs, the aggregate market value of investments under their management, together with separate figures for:

- qualifying shares listed on a recognised stock exchange (including shares which are dual listed on a recognised stock exchange and listed/traded on another market)
- shares admitted to trading on a recognised stock exchange in the European Economic Area (EEA)
- qualifying securities issued by such a company where:
 - the securities
 - the shares in the company issuing the securities
 - the company issuing the securities is a 75% subsidiary of a company whose shares

are officially listed on a recognised stock exchange - included here will be securities of investment trusts that are so listed

- qualifying securities issued by a company where:
- the securities
- the shares in the company issuing the securities
- the company issuing the securities is a 75% subsidiary of a company whose shares

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are admitted to trading on a recognised stock exchange in the EEA. Included here will be securities of investment trusts that are so admitted.

- gilts
- units in qualifying authorised unit trusts
- shares in qualifying open-ended investment companies
- shares in qualifying investment trusts
- units and shares in qualifying non-UK collective investment schemes
- the surrender value of qualifying policies of life insurance
- cash
- the total aggregate market value of all investments held in the ISAs

Managers must return in relation to cash ISAs, the aggregate market value of investments under their management, together with separate figures for:

- the surrender value of qualifying policies of life insurance
- cash, including cash in share and deposit accounts
- the total aggregate market value of all investments held in the ISAs

Any investment represented by Depository Interests (DI) should be included in the category representing the underlying investment. For example, the market value of a DI representing qualifying shares should be included in the total for qualifying shares.

Managers must return in relation to innovative finance ISAs for the tax year 2016 to 2017 and later years, the aggregate market value of investments under their management, with separate figures for :

- the outstanding principal balance of peer-to-peer loans under management (that is the amount in respect of the investment owing to the account investor at any time)
- the outstanding principal balance of crowdfunding debentures under management (that is the amount in respect of the investment owing to the investor at any time)
- cash

All valuations must relate to the value at 5 April in the year of return.

How to make market value returns of statistical information

Managers can make the market value return separately, in which case the entries are made on [form ISA14\(Stats\)](#), or the market value return can be combined with the [annual return of statistical information \(subscriptions\)](#), in which case the combined return is to be made on [form ISA14a\(Stats\)](#).

The return may be posted to HMRC or emailed to savings.audit@hmrc.gsi.gov.uk.

How to complete form ISA14(Stats) and form ISA14a (Stats)

All boxes must be completed from the left and unused boxes left blank.

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- Box 1 – Manager reference

Enter the reference allocated by HMRC ('Z' followed by 4 numeric characters).

- Box 2 – Manager name

Enter full name of manager.

- Box 3 – Year

Enter the tax year in which the end of the return period falls. For example, for a return made for the year ended 5 April 2017, the entry should be '2017'.

Stocks and shares ISAs

All values must be entered rounded up the nearest pound.

- Box V04 – Qualifying shares

Enter the total market value of shares listed on a recognised stock exchange (or dual listed on a recognised stock exchange and listed/traded on another market) held under management at 5 April.

Enter the total market value of shares traded on a recognised stock exchange in the EEA held under management at 5 April.

- Box V05 – Qualifying securities

Enter the total market value of all investments held under management at 5 April categorised as [qualifying securities](#) where either the:

- securities
- shares in the company issuing the securities
- company issuing the securities is a 75% subsidiary of a company whose shares

are officially listed on a recognised stock exchange (include here securities of [investment trusts](#) that are so listed).

- Box V05a – Qualifying securities traded on a recognised stock exchange in the EEA

Enter the total market value of all investments held under management at 5 April categorised as [qualifying securities](#) where the:

- securities
- shares in the company issuing the securities
- company issuing the securities is a 75% subsidiary of a company whose shares

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are admitted to trading on a recognised stock exchange in the EEA. Include here securities of investment trusts that are so admitted.

- Box V06 - Government Securities

Enter the total market value of all investments held under management at 5 April categorised as [government securities](#).

- Box V07 - Units in qualifying authorised unit trusts

Enter the total market value of all investments held under management at 5 April categorised as [units in qualifying unit trusts](#). Include investments in UK Undertakings for Collective Investment in Transferable Securities ([UCITS](#)) and UK Non-UCITS Retail Schemes ([UK NURS](#)) that are authorised unit trusts.

- Box V08 - Shares in qualifying open-ended investment companies

Enter the total market value of all investments held under management at 5 April categorised as 'shares in qualifying open-ended investment companies'. Include investments in [UK UCITS](#) and [UK NURS](#) that are open-ended investment companies.

- Box V09 - Shares in qualifying investment trusts

Enter the total market value of all investments held under management at 5 April categorised as 'qualifying [shares and securities in investment trusts](#)'.

Include the market value of investment trust shares transferred in from a [Schedule 3 Save As You Earn \(SAYE\) option schemes or a Schedule 2 Share Incentive Plans](#).

- Box V10 - Units and shares in qualifying non-UK collective investment schemes

Enter the total market value of all investments held under management at 5 April categorised as units and shares in recognised [UCITS](#). Include investments held in [non-UK NURS](#).

- Box V11 - Surrender value of policies of life insurance

Enter the surrender value of all policies of life insurance held under management at 5 April.

- Box V12 – Cash on deposit

Enter the total cash balance at 5 April of all [cash](#) held on deposit in a stocks and shares ISA.

- Box V13 – Total

Enter the sum of boxes V04 to V12.

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Cash ISAs

All values must be entered rounded up the nearest pound.

- Box V14 – Surrender value of policies of life insurance

Enter the surrender value of all ISA policies acquired before 1 July 2014 and held under management at 5 April.

- Box V15 – Other investment products

This box is no longer required. The form will be updated to remove this in due course.

- Box V16 - Cash (including cash in share and deposit accounts)

Enter the total cash balance at 5 April of all other cash held in deposit accounts and building society share accounts in the cash component (see [qualifying investments for cash ISAs](#)).

- Box V17 – Total

Enter the sum of boxes V14 to V16.

Innovative finance ISAs

- box V18 - outstanding principal balance of peer-to-peer loans (that is, the capital amounts outstanding plus any interest due but unpaid on the loans) at 5 April
- box V19 - total cash balance at 5 April in the innovative finance component
- box V20 - total

Submission of annual returns of statistical information

Managers who fail to submit their returns of information by 4 June will be sent a reminder. No claims for payment made after this date will be processed by HMRC until the return is submitted [amending information submitted](#). Managers can continue to make Government Bonus claims due on their Lifetime ISAs to HMRC for processing.

Forms ISA14(Stats) & ISA14a(Stats) will be amended in due course to facilitate reporting on innovative finance ISAs for tax year ending 5 April 2018. The ISA14a(Stats) will be further amended to enable managers to report the total number of ‘continuing deceased accounts’ they hold at the end of the tax year ending on 5 April 2019.

Penalties

Penalties may be charged on managers under Schedule 23 FA 2011 for failure to make a return or for making an incorrect return.

Annual returns of statistical information (subscriptions) for ISA managers

The requirement to make a return

Managers are required to make an annual subscription return of statistical information to HM Revenue & Customs within 60 days of either:

- 5th April of each year (in which case the return must be made by 4th June)
- the date of ceasing to qualify, or act, as a manager

What period must be covered?

The information required is for the period from either:

- the date the ISA manager began to manage ISAs
- 6th April in the tax year

whichever is the latter.

What must be returned?

Managers must report details for all ISAs to which subscriptions have been made during the year.

They should include ISAs transferred in and ISAs closed prior to the reporting date.

However, they should exclude:

- ISAs made void, or not proceeded with or [cancelled](#) within 30 days of opening prior to the reporting date
- ISAs whose current year subscriptions were transferred out prior to the reporting date.

Managers must report the total number of ISAs to which subscriptions have been made in the year, broken down into:

- the number of stocks and shares ISAs (box S04), and the total amount subscribed in the year so far (box S08). For each flexible ISA included, the amount subscribed should be the total subscriptions in the year (disregarding any [additional permitted subscriptions](#), [defaulted subscriptions](#), and [Help to Buy ISA reinstatement subscriptions](#)) less any amounts withdrawn. Where withdrawals equal or exceed the amounts subscribed a £nil figure should be used
- the number of cash ISAs (box S05), and the total amount subscribed in the year. For each flexible ISA included, the amount subscribed should be the total subscriptions

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in the year (disregarding any additional permitted subscriptions, defaulted subscriptions, and Help to Buy ISA reinstatement subscriptions) less any amounts withdrawn. Where withdrawals equal or exceed the amounts subscribed a £nil figure should be used

- the number of stocks and shares ISAs that include insurance products (box S06) and the total amount used to purchase insurance products in the year (box S10), and
- the number of cash ISAs that include insurance products (box S07) and the total amount used to purchase insurance products in the year so far (box S11)
- reporting forms for 2016-17 and later years will be updated to include:
 - the number of customers who made [additional permitted subscriptions](#), and the total value of those subscriptions in the year the number of innovative finance ISAs, and the total amount subscribed in the year

Where an ISA has been transferred in, the new ISA manager must report subscriptions made to the old ISA manager in the period of return.

See the [worked example of what must be returned](#) (PDF, 178KB, 1 page) .

How to make annual returns of statistical information (subscriptions)

Managers can make the subscription return separately, in which case the entries are made on form [ISA25\(Stats\)](#), or the subscription return can be combined with the [market value return](#), in which case the combined return is to be made on [form ISA14a\(Stats\)](#).

The return may be posted to HMRC or e-mailed to: savings.audit@hmrc.gsi.gov.uk.

How to complete form ISA25(Stats) and form ISA14a(Stats)

Boxes must be completed from the left and unused boxes left blank.

Box 1 - ISA manager reference: Enter the reference allocated by HMRC.

Box 2 - ISA manager name: Enter the full name of the ISA manager.

Box 3 – Tax year: Enter the tax year in which the end of the return period falls. For example, for a return made for the year ended 5th April 2017, the entry should be “2017”.

Boxes S04 - S11: Figures for boxes S08 – S11 must be rounded up to the nearest pound.

Managers must report details for all ISAs to which subscriptions have been made during the year, including ISAs transferred in and ISAs closed.

Do not include ISAs:

- whose current year subscriptions were transferred out prior to the reporting date

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- cancelled within 30 days of opening
- made void prior to the reporting date

Submission of annual returns of statistical information (subscriptions)

ISA managers who fail to submit their returns of statistical information within 60 days of the return date should be aware that:

- no claims for payment will be processed until the return is submitted (see [amending information supplied](#))
- if the outstanding return is not received within the next month a penalty under paragraph 22(a) schedule 23 [Financial Act 2011](#) may be charged
- managers can continue to make Government Bonus claims due on their Lifetime ISAs to HMRC for processing

Penalties

Penalties may be charged on ISA managers under schedule 23 FA 2011 for making an incorrect return.

Penalties will be charged on ISA managers under schedule 23 FA 2011 for failure to make a return within one month of the issue of a reminder letter.

The maximum initial penalty is £300 and the maximum continuing penalty is £60 a day.

HMRC inspections of ISA managers

HMRC may undertake inspections to ensure that managers have met their obligations under the ISA regulations.

Auditors will:

- review managers' procedures
- check the calculation of claims (both of claims to tax and claims for government bonuses in respect of Lifetime ISAs)
- check the calculation of amounts due to the HMRC (for example, flat rate charges on interest on cash on deposit in stocks and shares ISAs paid before 1 July 2014 and withdrawal charges in respect of Lifetime ISAs)
- check the evidence in relation to charge-free withdrawals from Lifetime ISAs
- check the correct procedures have been applied regarding claims for and payments of government bonuses in respect of Lifetime ISAs
- check the correct procedures have been applied in respect of withdrawals from Lifetime ISAs
- check Lifetime ISA first time residential purchase procedures have been correctly followed

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- carry out sample checks on individual ISAs

Before the inspection

HMRC will issue a formal notice of an inspection at least two weeks before the date of the visit. This formal notice may be preceded by a telephone call if the Business is large and it is likely that a pre-inspection meeting will be needed.

The inspection

Auditors will visit the location at which the manager's records are maintained. This is normally the manager's own premises, but where the administration is carried out by a third party and the records are held by the third party, the inspection will be carried out at the third party's premises. Records must be available for inspection in the UK.

Managers must show auditors certain records to demonstrate that the manager has operated the ISA scheme correctly. The records will include all documents, books, and other records which managers have or control containing information relating to any ISA.

The Code of Practice explains HMRC's general approach to the examination of records. In relation to ISAs, auditors will want to check:

- validity of application forms. This will not be a separate check but will be incorporated into the check of the targeted areas below
- non UK addresses
- excess subscriptions
- missing or dummy national insurance numbers
- care of and PO Box addresses
- transfers in
- breaks (gap years)
- treatment on cash on deposit
- bed and ISA
- share options
- death cases
- HMRC void letters
- interim and final claims
- flat rate charge (for investments acquired before 1 July 2014)
- government bonus claims and payments (Lifetime ISA)
- evidence for charge-free withdrawals and closures of Lifetime ISA
- withdrawal charges
- Help to Buy ISA transfers to Lifetime ISAs
- first time residential purchases where there has been a charge-free withdrawal from a Lifetime ISA

Auditors may need to see other records and check managers' systems and procedures.

Although auditors will wish to inspect recent records, managers should retain all records for six years. Records include:

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- applications to subscribe, including transfer applications
- correspondence
- history and valuation records
- annual claims and returns
- interim and monthly claims
- interest reports
- life insurance policies

Where an account has been closed or transferred to another manager, records need only be kept for three years after the date of closure or transfer.

By 6 April 2008, a continuous ISA application form accepted on 6 April 2002 will have been kept for six years and a manager might conclude that the application could then be shredded. However, if the investor were continuing to subscribe (by monthly direct debit, for example), this would clearly be inappropriate. The ISA regulations require ISA managers to keep sufficient records to enable the requirements of the regulations to be satisfied. The application form is an essential record and HMRC therefore require managers to have application forms available for those accounts selected for audit. And auditors will seek recovery if an application form is not available; so shredding forms after six years will only be an option if the manager has a more up to date application form.

If an account is open and the investor is continuing to subscribe, managers should therefore proceed as follows.

If subscriptions are being accepted year on year under a continuous application made at the outset, the original application form must be retained

If subscriptions are being accepted year on year, but a fresh application is made each year, the manager must keep each application for six years (but see [applications not in writing](#) if the manager adopts the 'non-written procedures'). After six years, the oldest application form could be destroyed. The manager would always have six forms on file.

Managers may hold the records (including applications) on computer or microfilm. Records held in this way must be:

- retrievable
- easily accessible by auditors

ISA managers are not required to retain recordings of telephone applications or copies of internet files, where investors have made applications other than in writing. However, ISA managers must be able to show the date that the declaration was created and ensure that their annual returns include the information given in the declaration. This will also apply where the manager receives written applications but then adopts the non-written procedure of issuing a declaration (see [imaging application forms and written declarations](#)).

Auditors will risk assess the manager's procedures. Where appropriate the auditor will select statistical samples. This will allow the auditor to extrapolate the results found in any samples across the total population. Where the sample is not statistically valid and errors

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are found, then the auditor may extend the sample, but more usually will ask the manager to carry out a 100% review of that particular area. The [simplified voiding flow chart](#) (PDF, 260KB, 1 page) will help explain the audit procedure if any errors are found.

After the inspection

Auditors will normally report their findings to managers within 28 days of an inspection visit. This is in the form of a written inspection report.

Where auditors are satisfied that tax relief has been obtained only where due and that any claims by the manager have been made correctly, they will advise the manager that no further action is needed.

Where auditors believe that incorrect tax relief has been given by a manager, or where the manager has submitted incorrect claims for tax relief, they will ask the manager to pay an amount based on the incorrect relief given or overclaimed. Where auditors believe that incomplete or inaccurate claims or returns for Lifetime ISAs have been made they will seek to recoup of any overpaid bonus or underpaid charge.

Default interest

Incorrect claims by managers attract interest under Section 86 [Taxes Management Act 1970](#). Interest will be charged on amounts recovered both under the [strict treatment of breaches in the ISA rules](#), and under [simplified voiding](#). Interest will be calculated from the 31st January in each year of assessment covered by the audit settlement.

Penalties

Incorrect claims may also attract penalties where the claims were made fraudulently or negligently. Penalties may be charged on amounts recovered both under the strict basis, and under simplified voiding. HMRC will not charge penalties on the first audit of an ISA manager's system except in the most serious circumstances.

Breaches in the ISA rules

Some breaches of the ISA rules affect managers alone. Examples are:

- a failure to deduct a flat rate charge for interest paid on [uninvested cash](#) (before 1 July 2014) held in stocks and shares ISAs
- an incorrect annual or interim claim
- incorrect action on the [death of an investor](#).

In such cases, HMRC will ask the manager to repay amounts incorrectly claimed, or to pay amounts that they should have deducted.

Some breaches of the rules may affect both the investor and the manager because the ISA is invalidated by the breach. Examples are:

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- an oversubscription
- more than [one-ISA-of-each-type-a-year](#), (cash or stocks and shares) subscribed to
- the investor is not otherwise eligible to subscribe ([who can subscribe to an ISA](#))

For the following breaches, auditors will normally allow an invalid ISA to continue if:

- [personal information](#) is absent from an application form provided and managers obtain the missing personal details from the investor within 30 days of the date of the audit report, the investor need not return any income or gains on his or her tax return
- an ISA is opened inadvertently before the end of the [withdrawal](#) period
- an ISA is in debt at any time, provided the investor settles the debt within the subscription limits
- cash is not held in a designated account, provided the manager designates the account as an ISA account.

In other circumstances, a breach may lead to a void ISA. Some void ISAs can be repaired under the [simplified voiding procedure](#). Others cannot be repaired, and must be dealt with strictly in accordance with the rules.

Strict treatment of breaches in the ISA rules

If a breach cannot be repaired under [simplified voiding](#) or if the manager wishes, the breach will be dealt with strictly in accordance with the rules.

Where auditors establish that a subscription is not valid, for example, because the investor is not eligible to make the subscription, they will ask managers to:

- remove the subscription and any income or gains arising from the invalid subscription, from the ISA ([repair and voiding](#) and [voiding and repairing policies of life insurance in ISAs](#))
- repay amounts claimed (and make deductions where appropriate) arising from the invalid subscription (including any Lifetime ISA government bonus)

Where auditors establish that an investment should not be held or purchased in the ISA, they will ask managers to:

- remove the investment and any income or gains arising from the investment from the ISA (see [voiding and repairing policies of life insurance in ISAs](#) for how this applies to insurance products held in an ISA)
- repay amounts claimed (and make deductions where appropriate) arising from the holding of the invalid investment

If a statistical sample contains ISAs on which tax relief has been wrongly obtained, but the number of invalid ISAs found is not statistically valid, auditors will conclude that similar errors are unlikely to exist throughout the rest of the ISAs held. They will therefore ask managers to:

- pay an amount equal to the relief given or claimed on the ISAs within the sample on which tax relief has been wrongly obtained
- correct the individual errors identified, voiding invalid ISAs where necessary

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Errors falling within [irreparable breaches](#) will also be treated in this way, irrespective of the statistical validity of the number of errors found.

In other circumstances auditors will:

- seek to determine, by agreement with the manager, amounts to be paid (see [calculation of tax relief recovery](#))
- if appropriate, ask the manager to make a payment on account, while the correct figure is calculated

Where auditors have used a statistically valid sample, and the number of errors is also statistically significant, then the results of the sample will be extrapolated across the total number of ISAs held. Unless the errors are limited to the [personal information](#) listed, the auditors will ask the manager to carry out a 100% review of all unexamined ISAs which might have the same error, voiding any ISAs found to be invalid. If not carried out as part of the audit, this review should take place as soon as practicable after the audit is completed.

The manager must inform each investor whose ISA is voided to report details of the interest, dividends and capital gains and losses arising on their investment to their tax office. The investor may have further tax liability.

Calculation of tax relief recovery

Auditors will aim to agree with managers the amount of tax relief incorrectly given or claimed after discussion of the inspection findings. Where a 100% review has taken place, the amount can be calculated exactly. If auditors have reviewed a sample, they will normally extrapolate the agreed results of the sample across the rest of the ISAs held.

Where a manager is unwilling to rely on extrapolation of the sample results to quantify any settlement, he may review all ISAs to arrive at the correct amount. The auditors will agree how the manager will carry out the review, and will check the results of the review.

Where managers review all their ISAs, they must remove invalid ISAs, subscriptions, and investments from the scheme. In addition, auditors will seek monetary settlement from managers.

Auditors will also recover relief incorrectly given in respect of ISAs held within the previous four years but closed before the audit.

Simplified voiding

Under the [strict statutory approach](#), breaches of the ISA regulations lead, in many cases, to voiding of the ISA. If an ISA is voided, auditors will recover from the manager any relief given to the investor by the manager, and the investor's tax office will recover from the investor any capital gain or higher rate tax due.

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Simplified voiding is an alternative approach for some breaches of the ISA regulations. Under simplified voiding, certain breaches can be repaired, with the permission of HMRC. This means that, provided the manager and investor take certain actions, the ISA is not voided. An investor with a repaired ISA will remain, in most cases, in the same position as if the breach had not happened. The investor may not even know that his or her ISA breached the regulations.

HMRC do not intend that simplified voiding should apply to breaches of the ISA regulations that have taken place deliberately or carelessly. HMRC will reserve it for breaches which are inadvertent, or which, despite the manager's best efforts, have slipped through the checking procedures. HMRC reserve the right to treat any breach strictly in accordance with the ISA regulations, and the manager has the same right.

Simplified voiding is voluntary, and the manager can either ask that all repairable breaches to be dealt with in accordance with the simplified voiding procedure; or can insist on the strict treatment. A manager cannot use simplified voiding for some repairable breaches and not others – he must apply the procedure to all repairable breaches, or none.

The treatment of repairable breaches following audit under simplified voiding differs from the strict treatment.

Under simplified voiding, auditors will proceed as follows where they find a statistically valid number of breaches as a result of their examination of a sample of accounts.

If the breaches are not repairable, either because the breach itself cannot be repaired ([irreparable breaches](#)), or because the manager has elected for the [strict treatment](#), the auditors will ask the manager to carry out a 100% review of the accounts, voiding any ISAs found to be invalid. They will then calculate a recovery as detailed in [calculation of a tax relief recovery](#).

If the [breaches are repairable](#), the auditors will not require the manager to carry out a 100% review.

If the manager does decide to carry out a 100% review, he must repair any breaches found. And the results of that review will form the basis of the audit recovery (see [calculation of tax relief recovery](#)).

If the manager decides not to carry out a 100% review, he must repair the breaches found in the sample. And the auditors will normally extrapolate the agreed results of the audit sample across the rest of the ISAs held to arrive at the audit recovery ([calculation of tax relief recovery](#)).

However breaches in accounts outside the sample (which will not be reviewed and repaired) may appear in the sample taken at the next audit. Where this happens, the auditors will seek a recovery for the tax relief incorrectly claimed or given in the ISAs that have not been repaired, from the date of the previous settlement up to the date of the current audit.

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Simplified voiding and insurance policies held in an ISA

When an insurance policy held in an ISA is found (by HMRC auditors or the manager) to be in breach of the ISA rules, the breach can be repaired under [simplified voiding](#).

The invalid insurance policy must be terminated when the breach is discovered. However, the manager can repair the breach by replacing the terminated policy with a new policy. The new policy must preserve the full value of the investor's rights under the original policy. The proceeds from the terminated policy must be used to fund the new policy, and those proceeds will not count as a subscription to the ISA.

ISA managers may need to obtain the consent of the investor to the repair, and may wish to modify the contract for future policies to allow for an automatic replacement of a policy should repair be required.

HMRC may seek recovery from the ISA manager in respect of any ISA containing a repaired insurance policy (see [calculation of tax relief recovery](#)). The settlement formula figure for the repaired insurance policy will be the same as for the stocks and shares ISA.

Types of repairable breaches

No lost tax and investor not disadvantaged

This could cover, for example, administrative errors where the investor believes he has applied for a valid ISA, and where the account has otherwise been operated in accordance with the ISA rules. Technically, the administrative error will invalidate the ISA and HMRC has the power to recover the tax relief on the invalid ISAs, interest under s86, and a Schedule 24 FA 2007 penalty. However because of the unique nature of these offences HMRC will, in practice, not seek to recover the tax or interest in respect of these errors. Nor will the penalty be reduced in the normal manner. Instead:

- it will firstly be reduced to an 'administrative error penalty' of a maximum of £1 per error - in line with the CTF penalty provisions for administrative errors. Secondly, it will be further reduced in the normal manner (reasonable care, careless, deliberate, deliberate and concealed), with further reductions for disclosure
- where the annual information return is incorrect or incomplete, in addition to the 'administrative error penalty' HMRC will seek to recover a penalty under Schedule 23 FA 2011 in respect of the incorrect annual information return

In these cases HMRC would expect the institution to put correct processes, procedures and documentation in place in respect of any future subscription.

No loss of tax but investor disadvantaged

This could include administrative errors where the investor believes he has applied for a valid ISA, but the account has not been operated strictly in accordance with the ISA rules. For example, where the terms and conditions are defective and the provider has not complied with the transfer or withdrawal rules. Technically, the defective terms and

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conditions will invalidate the ISA and HMRC has the power to recover the tax relief on the invalid ISAs, interest under s86, and a Schedule 24 FA 2007 penalty.

The treatment here will be as outlined at A above except the further abatement for reasonable care etc will be less than that for errors that do not directly lead to a loss of tax and where the investor has not been disadvantaged.

Breaches leading to a loss of tax - simplified voiding

Treatment of these errors will continue to be based on the Simplified Voiding procedures that operate now. This category will cover, for example, subscriptions in excess of the limits, the holding of non-qualifying investments, or the failure to comply with an HMRC void notice. For these errors, HMRC will seek to recover:

- the relevant tax (where appropriate using simplified voiding), interest and a Sch 24 FA07 penalty (equal to a maximum of the excess tax relief) reduced in the normal manner (reasonable care, careless, deliberate, deliberate and concealed), with further reductions for disclosure
- a penalty under Schedule 23 FA 2011 in respect of the incorrect or incomplete annual information return

In these cases HMRC would also expect the institution to carry out a 100 per cent review to correct the ISAs for the future by removing excess subscriptions and non-valid investments, and complying with HMRC void notices.

Managers will often discover breaches outside an HMRC audit, for example, following an internal audit. If a breach is discovered, the manager should contact HMRC.

Examples of breaches that are repairable, and details the action the manager and investor can take to repair the breach.

An ineligible investment is purchased or held in an ISA

This breach can only be repaired if it is inadvertent. The manager can repair the breach by selling the ineligible investments. The proceeds can remain within the ISA and used to buy eligible investments. Auditors will seek a recovery for the period the ineligible investments remained in the ISA.

An investment that was eligible for an ISA on purchase later becomes ineligible

This breach can only be repaired if it is inadvertent. If the investments are ineligible at the time the breach is found, then the manager can sell those investments to repair the breach. The proceeds can remain within the ISA and used to buy eligible investments. If the investments are eligible at the time the breach is found, but have been ineligible at some time since purchase, then no action is required to repair the breach. Auditors will seek a recovery for the period that the investments were ineligible.

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Subscription limits breached

The manager can repair this breach by removing the excess subscription from the ISA. If the excess has been used to purchase investments then the manager can repair the breach by removing those investments and any related income from the ISA. HMRC will seek a recovery from the date the subscription exceeded the limit to the date of the audit report.

Incorrect allocation of dividends to an ISA

The manager can repair this breach by removing the dividend from the ISA. If the dividend has been used to purchase investments, the manager can repair the breach by removing those investments from the ISA. Auditors will seek a recovery from the date of the incorrect allocation to the date of the audit report.

Incorrect transfer of shares from a Schedule 3 SAYE option scheme, approved profit-sharing schemes, or Schedule 2 Share Incentive Plans

If the underlying investments are eligible, and the breach concerns a failure in the transfer procedure, the manager can repair the breach by correcting the error. If the underlying investments are ineligible, the manager can repair the breach by selling those investments. The proceeds can remain within the ISA and used to buy eligible investments. Auditors will seek a recovery for the period the ineligible investments remained in the ISA.

Irreparable breaches

Breaches that cannot be included in simplified voiding, and which must be dealt with in accordance with the strict, statutory, approach (see [strict treatment of breaches in the ISA rules](#)) are:

- incorrect manager annual and interim claims
- manager failure to deduct flat rate charge from interest paid on cash held in stocks and shares ISAs (for periods before 1 July 2014)
- investor non-resident at the time of subscription or otherwise non-qualifying (the invalid subscriptions must be voided – see [repairs and voiding](#) and [strict treatment of breaches in the ISA rules](#))
- subscriptions by an investor to two or more ISAs of the same type (cash or stocks and shares) in the same tax year and the subscription limits have been breached (the second and later ISAs may be voided – [see repairs – disallowed combination of ISAs](#))
- ISA opened before the end of the tax year when the subscription is made after the end of the tax year (the ISA must be voided)
- incorrect action on the [death of an investor](#)

Calculation of tax relief recovery

An investor with a repaired ISA should not inform his tax office of the breach. In most cases, the investor will not be aware that the manager has repaired the breach. Because HMRC has forgone the higher rate and capital gains tax that may have been recovered from the investor, HMRC will seek to recover an amount from the manager which will, on average,

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compensate HMRC for that tax. The recovery will also compensate for gross interest credited to the repaired ISA that the manager would otherwise refund to HMRC under the strict treatment.

If the manager chooses to apply simplified voiding to repair breaches then the recovery will be calculated in accordance with the settlement formula. A manager cannot choose to apply simplified voiding to only some of the repairable breaches found - he must choose to apply it to all or none.

Recovery arising from breaches that are not included in simplified voiding will be calculated as detailed in this section.

The figures to be used in the formula settlement are as follows:

Stocks and shares ISAs: The recovery will be £5 per year per £1000 subscribed. Cash ISAs: The recovery will be £10 per year per £1,000 subscribed.

The figures used in the settlement formula are based on estimates of the average yield for each type of ISA, and of the amounts invested by higher rate, basic rate, and non-taxpayers. The figures will be revised should the yields, and the amounts invested, change markedly from our initial estimates, but the figures are not expected to change more frequently than annually. The figures above will apply until HMRC notify you otherwise.

Recovery from a stocks and shares ISA is based on the amounts subscribed to the ISA, not the value of the investments held.

The settlement will be calculated up to the date of the audit report on the understanding that any repairs, where required, will be carried out as soon as practicably possible.

See [worked example of what must be returned](#) (PDF, 178KB, 1 page) .

Audit protection

HMRC's Statement of Practice SP8/91 explains the circumstances in which HMRC will recover tax where a claim or an assessment has previously been settled by agreement. Briefly, they do not go back on an agreement unless the information on which that agreement was based was misleading. In line with this practice, HMRC do not seek to recover on claims made before the end of the period covered by the last inspection (whether or not that earlier inspection resulted in any recovery), unless either the:

- settlement was based on misleading or incorrect information provided by the manager
- settlement was based on computational errors which the manager could not reasonably believe were correct or intended
- protection afforded by the Statement of Practice does not extend to claims made after the end of the period covered by the last inspection

Breaches outside audit

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Managers will often discover breaches outside an HMRC audit, for example, following an internal audit. If a breach is discovered, the manager should contact HMRC.

Junior ISAs for ISA managers

Overview of the JISA

Junior Individual Savings Accounts (JISAs) became available on 21 November 2011. A JISA is a type of ISA available to eligible children in respect of which instructions are given by a 'registered contact'. JISA is a voluntary product, and there is no requirement that a child holds an account, or an account of any particular type. Most of the 'adult' ISA rules apply. This section sets out rules that apply specifically to JISAs.

A JISA is an investment account of an eligible child managed in accordance with the ISA regulations under terms agreed between the ISA provider and the registered contact. Any person can subscribe to a child's JISA.

A child is an eligible child for a JISA if, when the account application is made:

- they are under age 18
- they were born on or after 3 Jan 2011 or do not have a Child Trust Fund (CTF) account
- they are resident in the UK, or are a UK Crown servant, married to or in a civil partnership with a Crown servant, or a dependent of a Crown servant

Account managers should not refuse to take JISA applications because the child is within the CTF eligibility age range - born after 31 August 2002 and before 3 January 2011.

There may be a number of reasons why a child in the CTF age range is not eligible for a CTF. JISA providers may draw customers' attention to the rule that children with a CTF cannot have a JISA, but providing the application form is fully completed it should be accepted without further query:

- a person with parental responsibility for any eligible child - or the child themselves if they are aged between 16 and 18 - can apply to open a JISA and become the registered contact - child can hold 2 types of JISA
- a stocks and shares JISA
- a cash JISA

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Unlike ‘adult’ ISAs where the investor can open and subscribe to new ISAs in each tax year, a child can only hold up to 2 JISAs - no more than one of each type - throughout their childhood, although between ages 16 and 18 they can hold one of each type of JISA plus an ‘adult’ cash ISA. However, no child is required to hold either type of account. They may have no JISA at all, or only one type of account.

A child cannot hold an innovative finance ISA or a Lifetime ISA.

In most respects the terms and conditions under which JISA accounts are offered are matters for the account provider, as agreed with the [registered contact](#). This is however subject to certain minimum requirements set out in JISA legislation and described throughout this guidance.

The [registered contact](#) is the person who can agree with the account manager the terms and conditions under which the account will operate, and give instructions to the account manager for the management of the account. There can be only one registered contact for an account at any time. The registered contact will be:

- the child holding the account - unless, in England or Wales they lack mental capacity or in Scotland or Northern Ireland they are suffering from mental disorder - if they are aged over 16 and have taken on management of the account by making an application to the account provider for registered contact status
- a person with parental responsibility for the child holding the account

The registered contact will be the account contact for all statement and correspondence purposes.

The income generated from parental subscriptions to a JISA does not count toward the parent’s income under the settlements legislation (section 629 Income Tax (Trading and other Income) Act ITTOIA 2005). For Inheritance Tax purposes, gifts made by a parent to a JISA are treated in the same way as any other gifts they make.

The provider holds investments on behalf of the child, and claims repayment of any income tax deducted at source, by including it in the claim submitted to HMRC Repayments ([annual returns and tax claims](#)). Claims in respect of insurance products are made by the insurance company or friendly society providing insurance cover (who may be different to the provider).

Any person can make subscriptions into a child’s JISA, and the only amounts that can be withdrawn prior to the child’s 18th birthday are to meet certain provider management charges and other specific expenses, or where the [child is terminally ill](#). Should the child die before they reach 18 the JISA will close and the investments will become part of the child’s estate. In all circumstances other than death or terminal illness of an account holder (or when a £nil balance arises because a JISA has been opened and a small initial investment has been made, but contributions then stop and agreed charges then bring the balance down to £nil), a JISA must run until the account holders 18th birthday, although – as with ‘adult ISAs’ - accounts can be transferred between account managers.

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There is no specific stakeholder JISA and there is no need for account managers to offer lifestyling but providers can develop and offer these types of products if they want to.

The legislation

The detailed rules for JISAs are contained within the Individual Savings Account Regulations 1998 No.1870, and subsequent Amendment Regulations.

Who can provide JISAs

As the JISA is a type of ISA, any person approved to provide ISAs will automatically be able to offer a JISA - see ([the ISA manager](#)). All of the ISA approval rules apply and the only additional requirement is that an ISA provider offering JISA accounts must:

- publicise details of the minimum amounts they will accept as JISA subscriptions and the methods of payment they accept
- inform persons proposing to subscribe to a JISA that the subscription is a gift - see [who can subscribe to a JISA](#)

These requirements can be met by the account provider publishing the relevant details in their account publicity and literature, such as the account 'key features'.

The same conditions and processes regarding HMRC approval of managers, requirements in relation to non-UK account managers, providers ceasing to offer accounts; and HMRC's withdrawal of approval to offer accounts, apply to JISA as they apply to 'adult' ISAs.

Any institution approved by HMRC to offer ISAs can choose whether or not to offer JISAs. Approved ISA providers can also choose to offer JISAs only, or cash or stocks and shares JISAs, only and not to any other ISA products.

Cash and stocks and shares

A JISA, like the ISA, can be offered as either a cash account or a stocks and shares account. Although there will be a single overarching subscription limit for both accounts, a cash and stocks and shares JISA held by a child should be separate accounts for statement and correspondence purposes, and may be held with the same or different providers.

A JISA cannot be offered as an innovative finance account.

A 'shell' account holding less than one penny - for example where all investments previously held have been transferred to another JISA - is disregarded when considering the 'one account of each type' rule, including for the purposes of the [account opening declaration](#).

We understand that stocks and shares JISAs may, depending on the investments held, be subject to the Markets in Financial Instruments Directive (MiFID) and therefore MiFID reporting requirements. If required, further advice should be sought from the FCA.

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Means of payment of subscriptions

There are no restrictions or requirements on payment methods for JISA accounts. These will be a matter for the terms and conditions of the account, as agreed between the account manager and registered contact.

Minimum subscriptions

There is no requirement to accept any minimum one-off or regular payment subscription. But providers are free to design their products to include minimum subscription limits. Any such features will be a matter for the terms and conditions of the account, as agreed between the account manager and registered contact, and should be published by the provider.

Charges

Providers can make charges for management and other expenses as they see fit, subject to other regulatory requirements and the management contract agreed with the registered contact.

JISA applications

A JISA application can only be made by a person aged 16 or over. Where the child is aged 16 or over, either the child or a person with parental responsibility for the child can apply to open the account. Where the child is under 16 only a person with parental responsibility for the child can apply to open the JISA. Where the child is over 16, a person holding a registered [Lasting Power of Attorney](#) for the child can make the application.

A JISA may also be opened by 'The Share Foundation' for a child who has been looked after by a Local Authority for a continuous period of at least 12 months commencing after 2 January 2011. For JISA purposes, The Share Foundation is treated as having parental responsibility for the child.

The person applying for a JISA must be aged 16 or more, and for example could be:

- the child who will hold the account
- the child's natural parent
- a person who has legally adopted the child
- a person who has been granted parental responsibility by the Courts
- a Local Authority that has parental responsibility for a child in its carer
- The Share Foundation

An account can still be opened for a child by a person with parental responsibility, even if the child is over 16, and therefore entitled to apply for an account themselves.

Providers should accept that an applicant has parental responsibility unless they suspect that this is not the case, in which case they should ask for proof. Proof would include the

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name of the applicant on the child's birth certificate, or a court order awarding parental responsibility. A person married to the child's mother at the date of birth of the child also has parental responsibility, so sight of the marriage certificate would establish this. An account manager may accept any such proof offered at face value, but should not open an account if they believe that any document presented to prove parental responsibility is incorrect.

Where the application is made by The Share Foundation, the provider does not need to seek further proof or information.

There are certain conditions that must be satisfied before the JISA can be opened, and the JISA can only be opened when all the conditions are met (in any order). These conditions are:

- the applicant enters into an agreement with the provider for the management of the JISA which includes the declaration and application referred to below
- where there is a pre-contractual right to withdraw (as opposed to [cancellation](#) rights), the period for withdrawal has expired, and
- where the application is not in writing, the applicant has agreed, or is treated as having agreed, a copy of the declaration

The information, declarations and authorisations required for the opening of a Junior ISA are only required at account application, and do not need to be renewed annually. However, it will be necessary to obtain new information, declarations and authorisations subsequently as part of an application for a new [registered contact](#) for the account.

The application can be made in writing, over the internet, by fax or by telephone.

Providers may refuse an account application as they see fit. An account manager may accept any information or declaration offered by the account applicant at face value, but should not open an account if they believe that any of the information given by the applicant is untrue.

Simplified Due Diligence will apply to the opening of a JISA so full Money Laundering checks are not required on the child or the applicant for the JISA.

Where a provider offers [cancellation](#) rights it is only the person who is making the application (FCA use, the 'consumer') that can exercise the right to cancel. Any sum returned must be paid to that person. Further details can be found in the FCA Conduct of Business Sourcebook (COBS).

JISA applications in writing

Applications in writing must be made on an application form. Providers should produce their own application forms, which must contain the information, declaration and authority set out below. Providers may use the wording in the [specimen application form](#).

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Applications in writing must be signed by the applicant.

Personal information

Applications must contain:

- the applicant's title, if any, full name - which does not have to include a middle name or initial - so an application showing Mr John Joseph Bloggs, Mr John J Bloggs or Mr John Bloggs is acceptable but Mr J J Bloggs or Mr Bloggs is not, for looked after children, the applicant may be The Share Foundation
- the applicant's permanent residential address, including postcode - where the Applicant is The Share Foundation, this will be the address of their registered office
- the child's title (if any), and full name
- the child's permanent residential address, including postcode - where the Applicant is The Share Foundation, this will be the address of their registered office
- the child's date of birth
- if the child is aged over 16, their National Insurance number (if they have one)

Providers may use the wording in the [specimen form](#).

An application that does not contain the applicant's name and address, and the child's name and address is incomplete. The provider can either:

- return the application form to the applicant for full completion
- retain the incomplete application and obtain the missing information by letter, fax, email or telephone at which point the account can be opened

The application must specify that the child will be the beneficial owner of the investments held in the JISA.

An account manager may accept information provided in an account application at face value, but should not open an account if they believe that any information provided at account opening is incorrect.

Provided the child's address is used for reporting purposes (see [returns of information](#)), providers can use the registered contact's address - if this differs from the child's address - for correspondence purposes.

Declaration

Applicants must make a declaration on the application. The following details are required in the declaration:

- the applicant is over 16 and is the child, or has parental responsibility for the child, who will hold the JISA
- the application is to open a cash JISA or a stocks and shares JISA - whichever is appropriate
- the [personal details](#) are true
- the child who will hold the JISA does not hold a Child Trust Fund

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- the child who will hold the JISA is either
 - resident in the UK
 - a UK Crown servant
 - married to or in a civil partnership with a UK Crown servant
 - a dependent of a UK Crown servant
- the applicant is the person who will be the first registered contact for the account
- if the application is for a stocks and shares JISA that
 - the applicant has not subscribed to another stocks and shares JISA for the child
 - is not aware of any other stocks and shares JISA held by the child
- if the application is for a cash JISA that
 - the applicant has not subscribed to another cash JISA for the child
 - is not aware of any other cash JISA held by the child
- if the application is for a cash JISA that
 - the applicant has not subscribed to another cash JISA for the child
 - is not aware of any other cash JISA held by the child
- as far as the applicant is aware, subscriptions made to any other JISA for the child in the year have not exceeded the annual subscription limit
- the applicant will not knowingly make subscriptions that will result in the annual subscription limit being breached

For the purposes of this declaration, any account containing a £nil balance following the transfer of investments to another JISA may be disregarded.

Declarations must also contain an agreement by the applicant to the [JISA terms and conditions](#) and where the application is in writing, the applicant's signature.

An account manager may accept information provided in an account opening declaration at face value, but should not open an account if they believe that any declaration provided at account opening is incorrect.

A single declaration by The Share Foundation in respect of multiple account opening declarations may be accepted provided there is an audit trail from each account/application to the declaration.

Authority

Applications must include an authority for the provider to manage the account on behalf of the child. The following authority will satisfy the requirements of the regulations.

'I authorise (provider's name) to hold the subscriptions, JISA investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and to make on the child's behalf any claims to relief from tax in respect of JISA investments.'

If the JISA is a cash JISA invested in a deposit account, alternative wording could be used, such as 'to hold my cash subscriptions and any interest earned on those subscriptions'.

The authority continues until it is replaced following a change in registered contact, or the account is transferred to another provider. If the existing registered contact ceases to be the

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registered contact, the previously given authority continues until replaced as part of the normal application process for [registered contact status](#).

A single authority by The share Foundation in respect of multiple account opening authorities may be accepted provided there is an audit trail from each account/application to the authority.

The management agreement

All JISAs must be managed in accordance with the ISA/JISA rules, and under terms agreed between the registered contact, on behalf of the child where appropriate, and the provider.

The management agreement must include instructions to the provider as to the way in which any subscriptions are to be invested.

Where an account applicant is between the age of 16 to 18, whether they are the child who will hold the account, or a parent applying for an account for their child, any management agreement for the account has effect as if the account applicant was 18 years old or over.

JISA applications not in writing

Where an application is made other than in writing; for example, by telephone, unsigned email or fax, or orally, the investor is required to provide the same information, make the same declaration and provide the same authority and other information as for a written application. The investor's signature is not required. A [telephone checklist](#) is available.

On receipt of the application, the ISA manager must make a 'written declaration' and notify the applicant of its contents. Notification can be done in one of several ways:

- if the application is made over the phone, or in face-to-face contact, the declaration can be read back to the applicant as part of the application process
- if the application is made over the internet, a copy of the declaration can be relayed back to the applicant as part of the application process
- in all cases, a copy of the declaration can be emailed, faxed or posted to the to the applicant

If the declaration is relayed back to as part of an internet application, the applicant should be given the option to print or save a copy.

The application is valid from the date the ISA manager creates the declaration. On notifying the applicant of its contents, which should take place within 5 business days of the date on which the declaration is created, the ISA manager should advise the applicant that he or she should notify any corrections to the ISA manager.

Notifications of corrections need not be made in writing.

Where corrections are notified the ISA manager must amend the declaration. The amended declaration will take effect from the date on which the original declaration was created.

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However it is different where application is made in respect of a child aged 16 or over and the applicant declared that the child did not have a National Insurance number. If the manager becomes aware that the child did have a National Insurance number when the application was made, the manager should update the information held on their system to include this.

Applications made through third parties

An application can be made by the registered contact through a third party such as an Independent Financial Adviser (IFA).

Where the application is made in writing it must be signed by the applicant and passed on to the provider. In the case of applications other than in writing, providers can act on a telephone call, electronic message, fax etc from a third party only if they have no reason to believe that the third party is doing anything other than passing on the application made by the registered contact.

Where applications other than in writing are passed on by a third party, providers must make a written declaration on behalf of the applicant in the same way as an [application not in writing](#). Notification can be given in one of several ways:

- the declaration can be read back to the applicant (not the IFA) over the phone, or face to face contact
- a copy of the declaration can be sent back via email or the internet
- a copy of the declaration can be faxed or sent by post

JISA terms and conditions

A JISA is a type of ISA managed in accordance with the ISA regulations by the provider under terms agreed between the provider and the registered contact. The JISA must be held in the name of the child.

In most respects, JISA terms and conditions are a matter for agreement between the provider and registered contact. However, these terms and conditions must meet the conditions set down in JISA legislation (as set out in this guidance), and must specify that:

- the JISA investments shall be in the beneficial ownership of the child
- except for cash deposits, National Savings products and certain insurance policies (see below), the title to the JISA investments will be registered
 - in the name of the provider
 - in the name of the provider's nominee
 - jointly in one of them and the child or registered contact

Where a share certificate or other document evidencing title to a JISA investment is issued, it will be held by the provider or as the provider may direct.

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Where insurance policies are with an insurer who is also a provider, the title to the policies shall be vested in the registered contact, and the policy document or other document showing title to the insurance policy shall be held by the registered contact.

For a stocks and shares JISA, the provider will arrange, if the registered contact elects, for the registered contact to receive a copy of the annual report and accounts issued by every company or other concern in respect of shares. A separate charge may be levied for this service. The provider will also arrange, if the registered contact elects, for the registered contact to:

- attend shareholders', securities holders' or unit holders' meetings
- vote
- receive, in addition to the annual report and accounts, any other information issued to shareholders, securities holders or unit holders

A separate charge may be levied for these services.

The provider will satisfy himself that any person to whom he delegates any of his functions or responsibilities under the terms agreed with the registered contact is competent to carry out those functions and responsibilities.

On the instructions of the registered contact and within the time stipulated by them, the JISA with all rights and obligations shall be transferred to another provider.

In addition, the provider may place a minimum period on the time stipulated by the registered contact for transfer. This period must not exceed 30 days, and should represent a reasonable period required for practical implementation of the transfer. Refer to the timescale for [cash ISA transfers](#) (which also applies to cash JISA to cash JISA transfers). Cash JISA managers do not need to mention the investor's right to stipulate the transfer timescale as long as the 5 day transfer out period is quoted. This will also apply to cash JISA to stocks and shares JISA transfer if the cash JISA manager adopts the 5 day period for these transfers too.

The provider must notify the registered contact if, by reason of any failure to satisfy the provisions of the JISA regulations, a JISA has, or will, become void.

Enquiries and further advice

Providers may use the wording in the [specimen application forms](#). HMRC can be contacted by email and will be pleased to help on points of difficulty and advise in cases of doubt on whether application forms and/or JISA terms and conditions meet the statutory requirements.

Completion of applications

Providers should ensure that applications are fully completed.

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Providers do not have to accept any application if they do not wish to do so. For example, providers may only offer accounts for children within a particular age range. Applications should contain the applicant’s address, including postcode. However where the applicant prefers to use a BFPO, ‘PO Box’ or ‘care of’ address for correspondence this is acceptable for JISA purposes.

A JISA cannot be opened on a provisional basis. If some of the information required to complete the application form is not available, the application should be refused until the missing details are supplied. Applications made in writing must contain the signature of the applicant and must be dated. If the application is signed but not dated, the provider can date stamp the application on the date of receipt and note that they have done so.

Imaging application forms and written declarations

Application forms and declarations, transfer forms and registered contact applications can be stored in an imaged form (which need not be in colour), and the originals destroyed. The optical images will be regarded as applications for the purposes of the JISA rules provided that both:

- the imaged document (and any hard copy printouts) is legible
- on being required to do so by HMRC, the provider will, within a reasonable time, provide a hard copy of the imaged documents

Model application forms



[JISA model application form](#)

PDF, 197KB, 2 pages



[JISA model telephone application form](#)

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PDF, 196KB, 2 pages

Retention of forms

Managers must retain the written application form or an imaged copy of it. As an alternative to retaining the written form, the manager can apply the [not in writing](#) procedures when they receive a written application. The manager must make a written declaration using the information provided on the form and send this to the investor. The original paper declaration can then be destroyed.

Manage the registered contact for a Junior ISA

The registered contact

There can only be one registered contact at any time. The registered contact is the only person who can give instructions to the provider on management of the investments in the JISA. The registered contact should also be issued with any statements or correspondence relating to the JISA. All correspondence should be addressed to the registered contact so that he/she is properly in a position to manage the JISA.

The registered contact must be a person aged 16 or over. Who is entitled to be registered contact will depend upon the age of the child holding the account, if the child holding the account is:

- under 16 only a person who has parental responsibility for the child can be the registered contact
- aged between 16 and 18 they can become the registered contact, but must make an application to do so in the normal way - in the absence of any such application, an existing registered contact can continue in that role

In all circumstances, the person who applies for the JISA will be the first registered contact, and the required declaration and authorisation are to be contained in the application form. This applies regardless of whether the applicant was the child themselves (who must be 16 or over to be the applicant) or someone with parental responsibility. At account opening, the applicant should not be asked to complete a separate form to be the registered contact.

Where the JISA manager becomes aware that the registered contact for an account no longer has parental responsibility for the child, no further instructions can be taken from this person and the manager must wait until a fresh registered contact application is made.

Applying to be the registered contact

During the lifetime of a Junior ISA, the role of registered contact can be passed to another person who has parental responsibility, subject to the application procedure described

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below. In most circumstances, subject to the exceptions detailed below, registered contact status can only be passed with the consent of the existing registered contact.

If a child is between 16 and 18 years of age, they can become the registered contact for their account at any time, and without the consent of an existing registered contact (subject to an exception for [children lacking mental capacity or suffering mental disorder](#)). Once the child account holder has assumed registered contact status, this cannot be passed to another person (unless the child later lacks mental capacity or suffers from mental disorder).

An application for registered contact status has effect only from the date on which it is accepted as complete and correct by the account manager, and where appropriate, once the consent of the existing registered contact has been obtained.

Written application to be the registered contact

An application to be the registered contact (including an application made as part of the account opening application) must contain the following:

- applicant's title (if any) and full name (see [personal information](#)) - for looked after children the applicant may be The Share Foundation
- applicant's address, including postcode, where the applicant is The Share foundation this will be the address of their registered office
- child's title (if any), and full name (see [personal information](#))
- child's address, including postcode, where the applicant is The Share foundation this will be the address of their registered office
- child's date of birth
- child's National Insurance number (if they are aged over 16 and they have one)

Providers may use the wording in the specimen form in [JISA subscriptions](#).

Applicants must make a declaration that the information given in the application is correct. The following declaration will satisfy the requirements of the regulations.

"I declare that, I am 16 years of age or over. I am the child/have parental responsibility for the child (delete which does not apply). I will be the registered contact for the JISA (where the application is not in writing) and I authorise the JISA provider to record the terms of this declaration in a written declaration made on my behalf"

Declarations must also contain an agreement by the applicant to the JISA [terms and conditions](#), and the applicant's signature.

An account manager may accept information provided in a declaration at face value, but registered contact status should not be passed to an applicant if the account manager believes that any declaration is incorrect.

Applications for registered contact status must include certain authorities. The following will satisfy the requirements of the regulations:

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“I authorise (provider’s name) to hold the child’s subscriptions, JISA investments, interest, dividends and any other rights or proceeds in respect of those investments and cash, and to make on the child’s behalf any claims to relief from tax in respect of JISA investments.”

(If the JISA is a cash JISA invested in a deposit account, alternative wording could be used, such as ‘to hold my cash subscriptions and any interest earned on those subscriptions’.)

This authority continues until it is replaced by a change in registered contact, or transfer to another provider. If the existing registered contact ceases to be the registered contact, the previously given authority continues until replaced as part of a new application for registered contact status.

Non-written applications to be the registered contact

Where an application and declaration is made other than in writing, for example, by telephone, email or fax, or orally, the applicant is required to provide the same information, make the same declaration and provide the same authority and other information as for a [written application](#). The applicant’s signature is not required.

On receipt of the application, the provider must make a written declaration on behalf of the applicant and notify the applicant of its contents. Notification can be given in several ways:

- the declaration can be read back to the applicant over the phone ([model telephone application script](#) refers)
- in face to face contact
- a copy of the declaration can be sent via email or the internet
- a copy of the declaration can be faxed or sent by post

Imaging registered contact applications

Registered contact applications can be imaged and retained in exactly the same way as applications to open the JISA see guidance at [imaging application forms and written declarations](#).

Change of registered contact

The consent of the existing registered contact is not needed, and should not be requested, where the applicant for registered contact status is the account holder who is 16 years or older, or in the following cases:

- on the death or incapacity of the existing registered contact
- where the existing registered contact lacks capacity
- where the existing registered contact cannot be contacted
- where a Court order brings to an end the existing registered contact being a person with parental responsibility for the child
- where a Court has appointed a Guardian or a Special Guardian of the child who holds the JISA
- where a Court has appointed a Guardian or a Special Guardian of the child who holds the JISA

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- where a Court orders that the person who is the existing registered contact cease to be so
- where the new registered contact has adopted the child under an adoption order

Outside of these exceptions, the consent of an existing registered contact is needed to relinquish their status before another person can take over the role. Without that consent there cannot be a change, the confirmation need not be in writing, and account managers can obtain this consent by any means they consider appropriate.

In the case of death, incapacity or replacement by court order, of the current registered contact, providers should satisfy themselves, either by sight of suitable documentation, or from other evidence they hold, that this is so.

Where the existing registered contact is The Share Foundation, their consent to another person is needed except where:

- the applicant to be the registered contact is the account holder who is 16 years of age or older
- a Court so orders

A JISA account cannot be operated under a Power of Attorney for the registered contact.

For practical purposes a provider can assume that contact has been lost with a registered contact when they have not received any communication from the registered contact within the previous 12 months, and an item of post has been returned unread.

When the child reaches 16 they can be the registered contact, subject to the normal application process, and an exception for children lacking mental capacity or suffering mental disorder, see [overview of the junior ISA](#). Agreement of the existing registered contact is not required. Once an account holder has assumed registered contact status for their account, this status cannot be passed to any other person.

Where an account holder aged over 16 does not apply for registered contact status, or lacks mental capacity or is suffering mental incapacity, the existing registered contact can continue in this role. In these circumstances, registered contact status can still be passed in the normal way to another person with parental responsibility for the account holder.

An account provider should manage the process of obtaining the agreement of an existing registered contact to the transfer of this status according to their own procedures. If a provider is contacted by a person wishing to become the registered contact for a JISA, and that person asks the provider for details of the existing registered contact, the provider is strongly advised not to release this information.

Where an adoptive parent tells the provider that they want to become the registered contact, the provider must not give any details about the existing registered contact or seek the agreement of the existing registered contact to the change. Once the provider is satisfied that the applicant has adopted the child, the provider must update the details held on their systems immediately to ensure that in these very sensitive cases any correspondence only goes to the correct contact.

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Where The Share Foundation is the registered contact, the provider should advise the applicant to contact the Local Authority so that the correct procedure for transferring the registered contact role can be followed.

Model application forms



[model application to be a registered contact](#)

PDF, 193KB, 1 page



[model telephone application to be a registered contact](#)

PDF, 98.5KB, 1 page

Repair a Junior ISA and manage account holders' subscriptions

Subscriptions to a JISA

Who can subscribe to a JISA

Any person can subscribe to a JISA by way of a cash payment. The person subscribing need not be resident in the UK, nor do they have to be related to the child. Providers are not required to obtain the consent of the registered contact or account holder before accepting subscriptions from any person. However providers may operate their own rules concerning the acceptance or refusal of any particular subscription, subject to their normal regulatory

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requirements. Subscriptions to the JISA can be made even if the child is not present in the UK. For information on returning subscriptions when a JISA application is cancelled please refer to the guidance within [applications to open an ISA](#).

It must be made clear to the person subscribing that the amount subscribed is a gift to the child, and as such cannot be repaid to the subscriber if at a later date the subscriber changes their mind. This information can be given by way of a written statement on any deposit slips, leaflets, other provider literature, posters or internet site or verbally for a phone subscription. There is no requirement for a formal signed agreement from the subscriber before each subscription is made.

However, providers may accept subscriptions where the person subscribing has not contacted them prior to subscription (for example, by cheque through the post), and where the provider is therefore unable to comply.

When subscriptions to a JISA can be accepted

A JISA is opened on the date that a valid application and opening subscription are made. Any subscriptions accepted prior to the opening of the JISA - for example, where a [withdrawal period](#) has not expired - cannot be placed in the JISA until the date of opening.

From 6 April 2017 the annual subscription limit increased in line with the Consumer Prices Index. Up to £4,128 can be subscribed to a JISA in the tax year 2015 to 2016. Any part of the limit which is not used is lost - it cannot be carried forward or back to other years. Providers must ensure that subscriptions in any tax year do not, to their knowledge, exceed the limits. Interest, dividends or other income arising from the investments held in the JISA do not count toward the annual subscription limit.

The overall subscription limit for the tax year can be divided between subscriptions to a cash JISA and a stocks and shares JISA as the registered contact directs. If the overall limit is exceeded, the excess is not a subscription to a JISA and must be removed from the JISA tax wrapper. In determining how any excess should be treated, account providers should operate their normal processes. If the excess is identified at the time of making the subscription, the excess can simply be refused. But if the excess has entered the JISA, and either the provider or HMRC (after they review the annual reports made by providers) have identified it, HMRC will give instructions to providers on the action they need to take on a case by case basis.

The child, the child's parents or other relatives, local authorities, charities or any other person can subscribe to the JISA. All subscriptions must be made in cash, which may include payment by cheque, direct debit, charge card, credit card, direct credit and standing order - depending on the payment methods accepted by the account provider. JISA rules do not require providers to identify or record the identity of the third party contributor, or to advise the registered contact or account holder of this fact, although there may be other regulatory reasons providers may choose to do this.

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The registered contact cannot prevent any subscription to the JISA, although of course they can choose not to divulge which provider holds the account and so effectively prevent donations. Normal data protection and confidentiality rules apply, so providers cannot divulge account details to anyone except the registered contact.

Subscriptions by cheque are valid pending clearance of the cheque. If the cheque is not honoured then no subscription has been made - the amount of the failed subscription will not count toward the subscription limit - and no gift has been made to the child. Any subscriptions returned under the direct debit indemnity scheme are treated in the same way.

The provider may impose conditions on opening and maintaining a JISA, such as requiring an initial minimum lump sum subscription or minimum regular payments. Where a provider operates general account rules that would prevent it accepting particular subscriptions (for example, subscriptions made from particular countries) these rules may be applied in the normal way, subject to the normal regulatory requirements.

The date of subscription may be important where 2 or more parties wish to subscribe to the JISA, and together the subscriptions are greater than the amount of unused subscription limit. For the purpose of determining which is the earlier of the subscriptions please see the guidance at [date of subscription](#).

Once a subscription is made to a JISA, the cash, and any investments bought with the cash, are beneficially owned by the child. The subscriber cannot recover their subscription, which they have confirmed is a gift to the child. Nor can they (unless they are the registered contact) give any instruction as to how the cash is to be managed or used in the JISA. If a subscription is made into the wrong JISA by the provider in error, contrary to the donor's instructions, the provider can take the subscription out of the JISA and place it in the correct JISA. Amounts removed from JISAs and replaced in this way will only count as a single subscription for the purposes of the annual subscription limit.

Investments held by a person outside a JISA can be sold, and the proceeds subscribed to the JISA. The Capital Gains Tax rules will apply to any disposal.

Subscription year

The subscription year is based on tax years and runs from 6 April to the following 5 April. For the year in which a JISA opens the subscription year starts on the date of opening and ends on the next 5 April.

Feeder accounts

Amounts in excess of the [JISA annual subscription limit](#) cannot go into the JISA until the start of the next tax year. Providers may, if they wish, set up feeder accounts for excess subscriptions. They are not required to do so under the JISA rules, and this will be a matter for agreement between the provider and account holder/registered contact.

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Subscriptions between ages 16 and age 18

When a child reaches age 16 they can apply for a cash ISA which they can subscribe to in addition to any subscriptions made to their JISA(s). Holding both a cash JISA and a cash ISA does not breach the JISA rule that the child can only have one JISA account of each type, and the subscription limits for all ISA products apply independently of whether or not a child holds, or has held, a JISA in the relevant year.

Therefore, in the tax year in which the child turns 16 they can subscribe up to the JISA limit, and from their birthday they can, in addition, subscribe up to the overall ISA limit to a cash ISA.

In addition, from the start of the tax year the child turns 18, they can:

- use their whole JISA subscription limit (even though the JISA will be held for a part-year only)
- subscribe the overall ISA limit to a cash ISA
- from their birthday, invest in a stocks and shares ISA, an innovative finance ISA, or a Lifetime ISA subject to the subscription limits

See a [worked example of subscriptions between ages 16 and 18](#) (PDF, 180KB, 1 page) .

Direct Debit indemnity scheme

Under this scheme, where money is taken out of an account by direct debit by mistake, the account holder can claim the return of the money. The account holder's bank repays the money to the account holder, and claims back that amount from the recipient bank - in effect the transaction is unwound. Subscribers to a JISA might make a claim under the direct debit indemnity scheme.

For JISAs, in cases where the subscriptions made to a JISA are unwound under the direct debit indemnity scheme, the subscription will be treated as not made (in the same way as for a [failed cheque](#)) and no gift will have been made to the child. Any such amount is therefore disregarded for the purposes of the JISA subscription limit. If any tax relief on interest has been claimed from HMRC in respect of the unwound subscription it must be repaid to HMRC, and any interest arising may be subject to deduction of tax. A subscription made by direct debit may not be unwound unless a successful claim is made under the indemnity scheme.

Building society bonus payment

Building societies can pay bonuses to their members in respect of the products they hold and this can include children who hold a JISA. Bonuses paid in respect of JISAs are exempt from tax and do not count towards the annual JISA subscription limit if they are paid directly into the JISA account. The definition of building society bonus for JISA purposes specifically excludes any bonus arising from demutualisation, merger or sale of a building society subsidiary.

Qualifying investments for the JISA

The investments that providers may purchase, make or hold in a JISA mirror the investments that can be held in an ISA so the guidance on [ISA subscriptions](#), [stock and shares ISAs](#), [cash ISAs](#) and [life insurance policies in ISAs](#) apply equally to cash and stocks and shares JISAs. The single exception being that shares acquired under a SAYE option scheme, profit sharing scheme or Share Incentive Plan (SIP) cannot be transferred into a stocks and shares JISA (see guidance on [shares emerging from a schedule 3 SAYE option or Schedule 2 SIP](#)).

In general, the current rules for ISAs that include an insurance policy, and the additional requirements on ‘insurer-managers’ who are also account providers (see [life insurance policies in ISAs](#)) apply equally for JISAs that include an insurance policy. This includes the rules concerning eligible policies, vesting of title to policies, termination of policies in certain circumstances, and the prohibition of transfers, assignment or assignation of policies. However in relation to JISA:

- the life assured must be that of the child holding the account
- where the insurer issuing a policy is also an account manager for the JISA account, title to the policy must be vested in the registered contact
- the policy must not be transferred or assigned, including to the child holding the account or the registered contact - however, for JISA this prohibition is subject to exceptions where:
 - amounts may be withdrawn from a JISA (see [withdrawals from a JISA](#))
 - an account is transferred to another provider
 - there is a [change to the registered contact for the account](#)
 - the account holder turns 18, and the account therefore ceases to be a JISA

The usual circumstances in which a policy must automatically terminate (where the relevant conditions in ISA legislation are not met or weren’t met when the insurance was made - see [voiding and removing policies of life insurance in ISAs](#)) are subject to exceptions where a JISA can be ‘[repaired](#)’ or otherwise remedied within a reasonable time.

Management of the JISA

Common management rules

All of the guidance in [managing an isa](#) applies to the management of JISAs.

Repairing JISAs

A JISA may be found to be invalid, for example, because the investments held in the JISA are non-qualifying, or the registered contact does not have parental responsibility. Invalid JISAs can, in nearly all circumstances, continue as JISAs after corrective action or repair.

An invalid JISA must always be repaired except where the child in question is not eligible for a JISA or where the child already has another valid JISA of the same type. In these limited circumstances, no repair is possible, and the account can’t be a JISA so must be [voided](#).

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Other than cases where the child is not eligible for a JISA, a provider should never void a JISA except where instructed to do so by HMRC.

It is not necessary for a provider to obtain approval from HMRC before carrying out a routine repair or corrective action on an account. Providers should keep a detailed record of all JISAs repaired (to be made available at the next HMRC inspection). Repaired JISAs will be treated for all purposes as if they had been valid at all times, except for determining whether a penalty is chargeable.

Where a provider finds that a JISA is invalid they should immediately take steps to repair the JISA. The following sections cover most of the errors that could give rise to an invalid JISA, but it is not an exhaustive list. If a provider finds other situations where they are unclear as to how to repair the JISA they should contact HMRC using the [email address](#).

Repairs – removal of excess subscriptions

Excess subscriptions, investments purchased with those subscriptions and any income arising on those subscriptions or investments must be removed from the JISA. Any tax claimed from HMRC on income arising on the excess subscriptions, must be recovered by the provider, normally by deduction from the next claim under the heading 'Adjustments to previous claims'. If the provider is a building society or deposit-taker any tax on interest paid gross before 6 April 2016 should be accounted for on their next CT61 return form. If returns are not being made, a cheque should be sent to HMRC (see guidance on [interim claims](#)).

Any income arising on the excess subscriptions or investments purchased with those subscriptions is subject to tax, so the registered contact, and where appropriate the child, should be informed of this by the provider. In many cases identification of the investments acquired with excess subscriptions will be simple - there will have been one subscription to the JISA and purchase of one type of investment. In some cases identification of the investments acquired with excess subscriptions will be more difficult. The provider can select the investments that represent the excess subscriptions, either by taking a fraction of the investments held in the JISA at the date of repair which represents the excess subscriptions or by following the subscriptions through the JISA and identifying the relevant investments.

Where a JISA includes a life insurance policy and excess subscriptions have been applied as a premium to the policy, the JISA may be repaired by making a part surrender of the policy of an amount equal to the over-subscription and withdrawing that amount from the JISA. No tax will be charged on any chargeable event gain arising from the part surrender and there will not be a requirement to terminate the policy in these circumstances.

Repair – incomplete or incorrect application form

In general, the registered contact should be asked to complete the form, or complete a new form with a reference to the original form. The JISA is then treated as repaired and no further action is needed. If the registered contact refuses to do so - or is not eligible to make

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such an application - the account is not to be treated as a JISA and can't benefit from the relevant tax advantages afforded by JISA status.

JISA opened by a parent who later informs the manager that the child is eligible for a CTF

This could mean that the child already has a CTF or has become entitled to one - for example, where a Child Benefit appeal for a period before 4 January 2011 is settled. The manager needs to have this confirmed in writing for their records. They can then remove the JISA wrapper from the account. If the parent does not provide confirmation in writing the manager must flag the account so that no further subscriptions are accepted and no new management instructions can be accepted.

JISA opened by a parent who then informs the manager that they or the other parent have opened a JISA elsewhere

If the other JISA is of another type, then no further action needed. If it is of the same type, then one of them must cease to be treated as a JISA. The first account opened is the valid JISA so the second must be closed. The manager should obtain confirmation in writing that either, the JISA with them is the later account in which case the JISA wrapper can be removed from the account or the JISA with them is the valid account and that the wrapper has been removed from the invalid account, or it has been closed. The manager can then continue to accept subscriptions. If neither confirmation is received the manager must flag the account so that no further subscriptions can be accepted and no new instructions can be accepted.

JISA opened and the manager is then informed that the registered contact does not have parental responsibility for the child

The manager should seek confirmation from the existing registered contact that the account opening declaration was invalid.

If confirmation is received, or the existing registered contact fails to respond, the account can continue if someone with parental responsibility steps forward and completes an application to be registered contact. The manager does not need the agreement of the existing registered contact and the application should be treated as if the existing registered contact cannot be contacted (see [change to a registered contact – existing registered contact](#)).

If confirmation that the declaration is invalid is received, but no one with parental responsibility steps forward, the JISA wrapper should be removed from the account.

If the existing registered contact fails to respond, but no one with parental responsibility steps forward, the account must be flagged so that no further subscriptions or management instructions can be accepted.

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Repair – non-qualifying investments

If the provider finds that non-qualifying investments are held in a JISA, the JISA must be repaired by selling the non-qualifying investment, except if it is a life insurance policy in which case, the policy must be surrendered. Insurers should not provide the wrong sort of policy as a JISA investment. The proceeds of the sale or surrender of the investments must remain within the JISA and used to buy qualifying investments, which need not be of the same type as the investments sold or surrendered. Any income, capital gains or chargeable event gains arising on these non-qualifying investments is taxable in the same way as if the JISA was made void, except of course the proceeds will not be returned to the child.

JISA as security for a loan

A JISA cannot be used as security for a loan. Any assignment of, or agreement to assign investments in a JISA and any charge on or agreement to charge the investments in a JISA has no standing in law - it is ineffective. Although, this requirement does not preclude any assignment of title that is necessary where a JISA is transferred or where registered contact status for the account is transferred.

ISA rollover at age 18

When the account holder turns 18, the rules specific to JISA no longer apply. Managers should contact the account holder before their birthday to discuss future saving options, but can apply their normal processes in this regard. The default position is that the investments must remain in a tax free wrapper. Where the investments are applied to a cash or stocks and shares ISA, managers can either continue to use the same account number or allocate a new one depending on what suits their systems and processes.

On their 18th birthday the child can access the savings in the (former) JISA and make withdrawals. There are no specific ISA rules about identification checks that need to be made so managers should proceed as they would with any other type of account and conduct identification and anti-money laundering checks as appropriate under their normal rules and processes.

Once the JISA account holder turns 18, any savings in the account that are not immediately withdrawn will stay within the ISA wrapper and the same tax advantages will apply.

If the investor wishes to make subscriptions after their 18th birthday they will need to provide their National Insurance number (if they have one), confirm their residence status to the manager and also make the standard ISA [declaration and authority](#). Providers may however apply any other requirements that they consider appropriate - including requiring a full application to subscribe to an ISA, as if this was an entirely new account.

Transfer of a Child Trust Fund or Junior ISA if you're an ISA manager

Transferring a JISA

Transferring a JISA - General

Subject to the JISA terms and conditions of the providers, a JISA may be transferred in a variety of ways, by transferring investments in cash or in a combination of investments and cash. Transfers may be made between account providers, or investments in a JISA may be transferred (in whole or in part) from one type of JISA (cash or stocks and shares) to another.

An account may be transferred even if - at the time that the transfer is made - the child would not be eligible for a new JISA, for example because they are no longer resident in the UK, a crown servant or the spouse or dependant of a crown servant.

The transfer should be carried out as soon as requested by the registered contact, subject to:

- the cash ISA to [cash ISA transfer](#) rules
- for other transfers, the reasonable business period required to carry out the transfer (not exceeding 30 days)
- expiry of any withdrawal period offered by the new manager (see [cancellation of a transfer](#))

Previous years' JISA subscriptions can be transferred in whole or in part (depending on the terms and conditions offered by the 2 providers involved, and subject to the child not having 2 accounts of the same type at the end of the transfer process).

Current years' JISA subscriptions must be transferred in full. This means that part transfers of JISA investments can only be made to a JISA of a different type (cash or stocks and shares). A transfer from a cash JISA to another cash JISA or a stocks and shares JISA to another stocks and shares JISA must involve the transfer of the entire contents of the first JISA. In such cases, the provider may close the £nil value account.

Internal transfer

A registered contact can transfer a JISA internally by changing the type of JISA, for example from cash to stocks and shares. Such an internal transfer can only take place where the provider offers both types of JISA.

To carry out an internal transfer the registered contact must contact the provider with appropriate transfer instructions as required by the provider. There is no requirement under the JISA rules for the registered contact to provide transfer instructions in writing - this is a matter for the terms and conditions applying to the JISA.

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External transfer

Providers are not required to accept the transfer in of accounts from another provider. In addition, providers are not required to permit partial transfers in or out.

A child cannot have more than one JISA of each type at any time. So if a cash JISA is transferred to a cash JISA with another provider (or a stocks and shares JISA is transferred to stocks and shares JISA with another provider), the whole account must be transferred. However, any type of JISA can be transferred entirely or in part to a new or existing different type of JISA, subject to guidance on [previous years' JISA subscriptions](#) and [current years' JISA subscriptions](#) provided that at the end of the transfer process the child does not have more than one JISA of each type.

Where the whole balance is transferred, the £nil balance JISA may be closed by the account provider. At a later date, another JISA of the same type could be opened for the child without breaching the 'one account of each type per lifetime' rule. Where, following the transfer, the old manager keeps the empty shell account open with a £nil balance, this will not prevent the child having another JISA of the same type with another manager.

To effect a transfer the registered contact must complete a transfer application with the new provider. The transfer application form is slightly different from that used to open the JISA. Examples of [written transfer application](#) and [telephone transfer application](#) are available. Providers are not obliged to accept transfers, subject to the guidance on [refusal to accept an external transfer](#).

After completion of the form, and after expiry of any withdrawal period with the new provider, the new provider must contact the old provider and request transfer of the JISA. The new provider must not request the transfer until after expiration of any withdrawal period applying to the application for transfer. The new provider must give the name of the person who requested the transfer (the registered contact), as well as details of the account, to the old provider. If the registered contact named on the transfer application is not the registered contact for the account to be transferred, the transfer cannot continue until the registered contact for the old account has been changed - see guidance on [change to a registered contact - existing registered contact](#).

If the request is by telephone a signature is not needed unless the old manager's terms and conditions state they will not transfer the JISA unless they have received a written request with a signature.

Subject to the JISA terms and conditions of the providers, a JISA may be transferred in a variety of ways, investments may be re-registered in the new provider's or his nominee's name in cash, or in a combination of investments and cash. The old provider must transfer investments and/or cash direct to the new provider, and must keep a record of the transfer notice for 3 years after the date of transfer. The original application form should not be sent to the new provider, but must be retained by the old provider. There are no circumstances in which the original application form should be transferred to the new provider.

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Where the old provider is the one with whom the current registered contact application was made, they must also keep the original or a certified copy of the registered contact application or in the case of applications not in writing, the declaration made by the registered contact, for 3 years after the date the transfer application was made.

The transfer should be carried out by the old provider as soon as requested by the new provider, subject to the cash JISA to [cash JISA transfer rules](#), and for other transfers, the reasonable business period required to carry out the transfer (not exceeding 30 calendar days). The transfer should not be delayed awaiting re-registration of investments, receipt of dividends or other income from investments. Any sums received after transfer should be forwarded to the new provider together with details of the JISA in respect of which the sums have been received.

External transfer history form

Providers should produce their own external transfer history forms. The form should be sent to the new provider within 5 business days for cash JISA to cash JISA transfers and within 30 days of the date of the transfer for other transfers. A [model for an external transfer form](#) is provided. Note that all external transfer forms must contain the same details as the model. The form should be completed by the old provider as follows:

- full name of child - providers should enter the child's full name (see [personal information](#)), as held on their records
- permanent residential address (including postcode) of the child
- date of birth - this should be reported in the format DDMMYYYY - for example, the date of birth of a child born on 3 June 2008 should be reported as 03062008
- National Insurance number of the child (if they have one)
- whether the JISA is cash or stocks and shares
- date of transfer - this should normally be the date of which the new manager agrees to accept the transfer (see [appendices](#) (PDF, 364KB, 9 pages)), it should be reported in the format DDMMYYYY
- total subscriptions in tax year to date of transfer (if any) - this box must be completed only if subscriptions have been made in the tax year in which the transfer takes place, if this is the case, providers should enter the total subscriptions made to the Junior ISA in the tax year in which the transfer takes place, otherwise, the box must be left blank
- date of first subscription (if any) - this box must be completed only if the Junior ISA was opened in the tax year in which the transfer takes place, if this is the case, it should be completed using the format DDMMYYYY to show the date the first subscription was received, otherwise, the box must be left blank
- follow on dividends - enter details of the amount (if known) of any dividends which are payable on account investments, which have not been received by the date of transfer, but will be forwarded to the new provider, the new provider should accept all payments forwarded to them

An account manager may accept any information or declaration offered in a transfer application at face value, but should not open an account if they believe that any of the information given by the applicant is untrue.

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Cancellation of a transfer

Internal and external transfers can't be carried out until after the expiry of any withdrawal period offered by the new manager see general ISA guidance on ([cancellation of a transfer](#)), so where a registered contact exercises the right to withdraw the transfer request within such a period the JISA remains as it was before the transfer request.

Seeking to exercise withdrawal rights after the expiry of any withdrawal period has no effect and cannot prevent the transfer of the JISA that is underway.

Refusal to accept an external transfer

Account providers are not required to accept any application for external transfer of a JISA or part transfer of JISA investments. In addition, credit unions cannot accept an external transfer to them of a JISA where the child does not fulfil the membership requirement.

Example of written external transfer application



[example of a written external transfer application](#)

PDF, 223KB, 1 page

External transfer phone applications



[external transfer telephone applications](#)

PDF, 179KB, 1 page

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JISA transfer history form



[JISA transfer history form](#)

PDF, 178KB, 1 page

Transfer of a CTF to a JISA

Subject to the CTF and JISA terms and conditions, a CTF may be transferred to a JISA in a variety of ways:

- investments held by the CTF provider, or his nominee, may be transferred in-specie
- in cash
- in a combination of investments and cash

Transfers may be made between CTF providers and JISA managers, or investments in a CTF may be transferred from a CTF to a JISA (cash or stocks and shares) with the same institution. A CTF may be transferred even if - at the time that the transfer is made - the child would not be eligible for a JISA, for example because they are no longer resident in the UK.

The transfer should be carried out as soon as requested by the CTF registered contact (which may be the child if they are aged over 16), subject to:

- any reasonable business period required to carry out the transfer (not exceeding 30 days)
- expiry of any cancellation or withdrawal period offered by the JISA manager (see [cancellation of a transfer](#))

A CTF must be transferred in full and closed once the investments/cash have been passed to the JISA manager. Part transfers of CTF investments cannot be made. A child cannot have a CTF and a JISA so if a CTF is transferred the whole account must be transferred and the CTF provider must close the account. The CTF can be transferred to either a cash or a stocks and shares JISA.

Where the CTF has a £nil balance (for example where the investments held have fallen in value and charges have reduced the account balance), the transfer process must still be followed. This will allow the CTF provider to formally close their records.

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Where a request is made to transfer a CTF to an existing JISA, the transfer should proceed. But where the:

- person requesting the transfer is not the registered contact for the CTF
- registered contact for the CTF, or the JISA applicant, is not changed so the transfer can proceed (see guidance on [external transfer](#))

the JISA should be voided.

Internal transfer

A CTF registered contact can transfer a CTF by requesting a transfer to a JISA offered by the same manager.

To carry out an internal transfer the CTF registered contact must give the appropriate transfer instructions required by the provider. There is no requirement under the CTF or JISA rules for the transfer instructions to be in writing - this is a matter for the terms and conditions applying to the JISA.

External transfer

A JISA manager is not required to accept the transfer in of a CTF. In addition, credit unions cannot accept a transfer of a CTF where the child does not fulfil the membership requirement. To effect a transfer the CTF registered contact must complete a [written transfer authority](#) with the JISA manager or a [telephone external transfer authority](#).

It is recommended that managers include in the transfer authority advice that if, for any reason, the transfer from the CTF is not successful, any JISA that has been opened on a provisional basis to accept the transfer will be void, and any subscriptions to the provisional JISA will be returned per [void JISAs](#), the CTF will remain intact. See [example of written transfer authority](#).

If the registered contact is unable to provide the child's Unique Reference number (URN), alternative information may be provided to identify the account. The CTF provider should provide the URN to the JISA provider, who should include it on their annual return of information as required by ([reporting following a CTF to JISA transfer](#)).

After completion of the form, and after expiry of any withdrawal period (see [cancellation of a transfer](#)), the JISA manager must contact the CTF provider and request the transfer of the CTF. The JISA manager must not request the transfer until after expiration of any withdrawal period applying to the application for transfer. The JISA manager must give the name of the person who requested the transfer, as well as details of the account, to the CTF provider.

The CTF provider must check that the person requesting the transfer is the registered contact for the CTF. If not, the transfer cannot continue. The CTF provider should tell the JISA manager that the applicant is not the CTF registered contact, but should not disclose their details.

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If the registered contact for the CTF, or the JISA applicant, changes, the transfer form can be re-sent to the CTF provider. Where there is no registered contact for the CTF, the person requesting the transfer must take up the role of registered contact with the CTF provider before the transfer can go ahead.

If the JISA provider has opened an account on a provisional basis pending the CTF transfer, they can allow a period of 60 days from provisional account opening for the registered contact to be changed and the transfer to go ahead, otherwise the provisional JISA must be closed and any subscriptions removed (see [repairs – removal of excess subscriptions](#)).

If the transfer request is made by telephone a signature is not needed unless the CTF provider's terms and conditions state they will not transfer the CTF unless they have received a written request with a signature.

The transfer will be treated as a previous year's subscription and, subject to the terms and conditions of the 2 accounts, the transfer may be made in a variety of ways:

- investments held by the CTF provider, or his nominee, may be transferred in-specie
- in cash
- in a combination of investments and cash

The CTF provider must transfer investments and/or cash direct to the JISA manager, and must keep a record of the transfer notice for 3 years after the date of transfer. The original CTF application form should not be sent to the new provider, but must be retained by the CTF provider. There are no circumstances in which an original CTF application form should be transferred to the new JISA manager.

The transfer should be carried out by the CTF provider as soon as requested by the JISA manager, subject to any reasonable business period required to carry out the transfer (not exceeding 30 calendar days). The transfer should not be delayed awaiting re-registration of investments, or receipt of dividends or other income from investments. Any sums received after transfer should be forwarded to the JISA manager together with details of the CTF in respect of which the sums have been received.

External transfer history forms

Providers should produce their own external transfer history forms. The form should be sent to the new provider within 5 business days for cash JISA to cash JISA transfers and within 30 days of the date of the transfer for other transfers. A [model for an external transfer form](#) is provided.

Note that all external transfer forms must contain the same details as the model. The form should be completed by the old provider as follows:

Full name of child - providers should enter the child's full name (see [personal information](#)), as held on their records

Date of birth - this should be reported in the format DDMMYYYY

URN of the child

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Date of transfer - this should normally be the date of which the JISA manager agrees to accept the transfer (see [appendices](#) (PDF, 364KB, 9 pages)) - in the format DDMMYYYY
Follow on dividends - enter details of the amount (if known) of any dividends which are payable on account investments but which have not been received by the date of transfer which will be forwarded to the JISA manager, the JISA manager should accept all payments forwarded to them

The JISA manager may accept any information or declaration offered in a transfer application at face value, but should not open an account if they believe that any of the information given by the applicant is untrue.

Cancellation of a transfer

Internal and external transfers cannot be carried out until after the expiry of any withdrawal period offered by the JISA manager (see [cancellation of a transfer](#)), so where a registered contact exercises the right to withdraw the transfer request within such a period the CTF remains as it was before the transfer request.

Seeking to exercise withdrawal rights after the expiry of any withdrawal period has no effect and cannot prevent the transfer of the CTF that is underway.

Subscriptions following a CTF to JISA transfer

Before the JISA manager can accept any subscriptions, the registered contact must complete a suitably modified JISA application (to reflect that in CTF transfer cases the child will hold a CTF). The declaration should include a statement: 'If the child holds a CTF, it must be transferred as part of this application.' (See [model application form](#)).

Managers can produce their own combined version of the ([example of written transfer authority](#)) and JISA application.

The annual subscription limit for a CTF is based on the child's birth year while JISA subscriptions are based on tax years. Where a CTF is transferred to a JISA, the CTF provider does not need to pass any subscription details to the JISA manager. Once the transfer has been made, the child can access the full JISA subscription limit for the tax year of transfer regardless of any subscriptions made to the CTF in that year.

See a [worked example of subscriptions following a CTF to JISA transfer](#) (PDF, 180KB, 1 page) .

Subsequent JISA transfers

In any subsequent transfers from the JISA, the child's URN (or National Insurance number) must be passed to the new JISA manager who will take responsibility for reporting it each year.

Once the former CTF is transferred to a JISA, the JISA can then be transferred to another JISA in the normal way. Transfers may be made between account providers or investments

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in a JISA may be transferred (in whole or in part) from one type of JISA (cash or stocks and shares) to another.

Example written transfer authority



[example of a written transfer authority](#)

PDF, 215KB, 2 pages

Transfer authority by telephone



[telephone transfer authority](#)

PDF, 186KB, 1 page

CTF transfer history form



[child trust fund transfer history form](#)

PDF, 197KB, 1 page

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Bulk transfers

Every transfer from CTF to JISA must be made following an application by the registered contact for the CTF therefore there cannot be a bulk transfer of CTFs to JISAs.

Close, void, or withdraw investments from a Junior ISA as an ISA manager

When investments can be withdrawn from a JISA

Investments (including cash and the income earned by Junior ISA (JISA) investments) may only be withdrawn in the following circumstances:

- where a terminal illness claim made on behalf of the child has been agreed
- on closure of the JISA
- to meet certain provider management charges and other specific expenses - allowable charges and deductions under the management agreement include redemption of units at the investor's request to pay charges due to their adviser

A JISA cannot be operated as a flexible account (see [Flexible ISAs](#)).

Request to reverse JISA subscription

When a JISA provider receives a request to reverse a JISA subscription, that was paid into a JISA in error by a parent of a child or any other person, they should inform the person making the request that their subscription is a gift to a child and it cannot be repaid.

The lock-in nature of the JISA means that subscriptions made by parents or any other person into a JISA cannot be repaid or reversed under any circumstances (except those detailed at [when can investments be withdrawn from a JISA](#)) because the subscription is a gift to the child.

Cash may be deposited into the JISA of an unconnected child in error. This could be the result of an error made by the bank or by the customer moving the money.

HMRC understand that if the error is spotted immediately - for example a bank keying error - the bank may be able to reverse the transaction and correct both accounts. And HMRC understand it is standard practice to notify both accounts holders to explain what has happened.

Where the error does not come to light immediately - for example where the customer misquoted an account number - HMRC understand the bank is obliged to contact the account holder of the recipient account and ask for their permission to redirect the monies elsewhere.

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The lock-in nature of the JISA will not affect these sorts of rectifications. Banks should follow their normal (non-JISA) procedures in any case that involves a JISA and HMRC does not need to be contacted to authorise a withdrawal of this sort from the account. But where the normal procedure is to obtain customer agreement before removing funds, this must be followed in JISA cases too.

JISA providers should only contact HMRC at savings.audit@hmrc.gsi.gov.uk to reverse a subscription if it was paid into a JISA following a mistake by the JISA provider. HMRC will need full details of the circumstances that led to the error. HMRC may also need to consider the subscription history for the account

Closure of the JISA

A JISA can only be closed on:

- the death of the child
- the child reaching their 18th birthday
- direct instruction from HMRC (where the JISA is void)
- when a £nil balance arises in the following circumstances:
 - a JISA has been opened and a small initial investment has been made, but contributions then stop and agreed charges then bring the balance down to £nil
- a [terminal illness claim](#) has been accepted and the registered contact has withdrawn the funds held in the JISA.

In addition, where all of the investments in a JISA have been transferred, a provider may close the remaining £nil balance account.

A JISA cannot be closed merely because the child has become non-resident in the UK. Further subscriptions can be made to the JISA even when a child becomes non-resident in the UK and that JISA can be transferred between providers, although a new JISA could not be opened on behalf of such a child.

Death of the child

Proof of the death of the child must be obtained before the JISA can be closed. In most cases sight of the original death certificate or the Coroner's interim document will be sufficient.

Any subscriptions made after the date of death are not valid subscriptions to the JISA. In addition, where a child dies the interest, dividends or gains in respect of investments in their JISA which arise after the date of death to the date of closure are not exempt from tax. But there is no loss of exemption on interest, dividends or gains which arise before the date of death, including any gain treated as arising as a result of the death of the child under the rules for investments in policies of life insurance.

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For the purposes of determining whether a claim can be made by a provider in relation to tax deducted from interest, the important date is the payment date. Where the payment date is on or before the date of death any tax deducted can be reclaimed.

JISA providers may apportion interest paid after the date of death into interest accrued:

- up to and including the date of death, which can be treated as arising in the JISA (and therefore paid without deduction of tax)
- from the date of death, which is not exempt from Income Tax and where appropriate interest paid before 6 April 2016 should be paid under deduction of tax at the basic rate

This may lead to some practical problems if providers do not receive notification of death promptly - for example, where the provider has made a claim to, and has received repayment of tax from HMRC on an amount which is no longer exempt from tax, or in respect of subscriptions made after the date of death of the account holder. In such cases, providers must repay HMRC any amounts claimed that were not due, usually by deducting the amount from the next [tax claim](#).

Rights conferred by a JISA insurance policy vest in the personal representatives on the death of the child. The JISA insurance policy must pay out on the death of child and personal representatives must not delay in claiming.

Subject to the JISA terms and conditions, providers should advise the personal representatives that they have the choice of having the:

- JISA investments transferred to them (or a beneficiary)
- provider sell the JISA investments and paying the proceeds to them (or a beneficiary)

Providers must pay any tax deducted to HMRC usually by deduction from the next claim made, under the heading 'Adjustments to previous claims'.

Providers should provide personal representatives with a statement showing the:

- [market value](#) of the investments, other than [insurance policies](#) held in the JISA at the date of death, or in the case of a cash JISA, the value of the JISA at the date of death and the gross interest payable in the year of death up to date of death
- original cost price and date of acquisition of any investments purchased after the date of death
- date of disposal and the amount of the net sale proceeds received for each disposal made after the date of death

together with a tax certificate:

- R189K showing any income with a payment date following the date of death if requested
- R185 or section 975 certificate showing the interest and tax deducted if requested

Child's 18th birthday

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On the child's 18th birthday the account ceases to be a JISA, but any investments held at that date remain in the tax free ISA wrapper until the former child closes the account. An ISA application must be made if fresh subscriptions are to be made (see [ISA rollover at age 18](#)).

After age 18, the investments will become subject to the terms and conditions of the 'adult' ISA. Managers may decide to send the new or amended terms to the child before their birthday.

The investments held in the JISA at age 18 can continue to benefit from the tax advantages of the JISA but further subscriptions to an 'adult' ISA that was a JISA cannot be accepted until the (former) child:

- notifies the ISA manager of his NINO (if he has one)
- provides the details required by the [ISA declaration](#) which includes both:
 - confirmation that he is resident in the UK
 - authorisation that the manager can hold the ISA investments and make claims on his behalf (see [authority](#))

Where this information is not obtained, or where the account holder is not eligible to subscribe to an 'adult' ISA (for example because of their residency circumstances), no further subscriptions should be accepted.

Void JISAs

Where HM Revenue & Customs instructs that a JISA must be voided the account is not a JISA for any purpose and therefore:

- income arising on the invalid subscriptions must be treated in accordance with [voiding](#) and interest on [ISA investments](#) - if income has been received net and a claim has been made to HMRC, the tax must be recovered and paid to HMRC as an adjustment on the next claim, if the income was received gross the provider must notify the registered contact that the gross receipt must be reported to HMRC if appropriate
- all life insurance policies held in the JISA must terminate (there is more information on void policies and the termination mechanism at [voiding and removing policies of life insurance ISAs](#))
- the balance of investments and income on those investments are the child's

See also [repair – incomplete or incorrect application form](#) for circumstances where the manager can void the JISA without contacting HMRC.

Providers should inform the registered contact of:

- the date and amount of each income payment received in respect of the investments in the JISA, and the amount of tax deducted (if any) from those income payments. And, if the investments have since been sold, the date and amount of each income payment received in respect of the replacement investments and the amount of tax deducted from those income payments

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- the date and amount of any interest paid or credited on cash held in the JISA and the amount of tax deducted from that interest
- the original cost price, any incidental costs of acquisition and date of acquisition of investments in the JISA and, if they have since been sold, the original cost price, any incidental costs of acquisition and date of acquisition of the replacement investments
- the date of disposal, the amount of the sale proceeds and any incidental costs of disposal of investments in the JISA and, if they have since been sold, the date of disposal, amount of the sale proceeds and any incidental costs of disposal of the replacement investments,
- for insurance component products, the provider will need to ascertain the amounts of any gains treated as arising in order to calculate how much tax to deduct, and must inform them of all of the following:
 - the amount of premiums paid and the date on which they were paid
 - the benefits payable on death, maturity or surrender and the date of the event
 - the amount of tax deducted in respect of the benefits payable on death, maturity or surrender
 - the amount of benefits actually paid to the child, after all deductions of tax
- that the settlements legislation may apply to any income generated by gifts from the child's parents if the total from all parental gifts exceeds £100

Providers should advise the registered contact that, where appropriate, they should report details to the child's tax office of the interest, dividends, chargeable gains and allowable losses and chargeable gains and corresponding deficiencies arising in respect of the void subscriptions for the tax year in which they arose.

Providers should supply tax certificates R189K, R185 or section 975 certificates (or their own tax vouchers) on request to the registered contact showing, respectively, the dividends and the gross interest credited and tax deducted.

Voiding the JISA does not mean that the account must close; it simply means that the JISA wrapper around the investments must be removed. So if there have been other contributions to the account it will be for the JISA provider to agree with the registered contact what is to happen to these. The terms and conditions of the account may require the account to close and the contributions to be sent to the child or they may allow the sums to be moved to a non-JISA account

Void life insurance policies and chargeable events

Where HM Revenue & Customs instructs that a JISA must be voided, any policies held within the JISA must terminate, unless they have already been surrendered, matured or paid out on death before the provider discovered that the JISA must be voided.

The policy will terminate in accordance with the contractual terms when it comes to the notice of the account provider that the JISA must be voided. It does not terminate when the JISA first failed the conditions (which may have been at inception or some time subsequently) or when notice of the failure reaches the insurer (unless the insurer is also the JISA provider).

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Where the provider is not the insurer, it should notify the insurer of the failure within 30 days of it coming to the provider's notice that the JISA must be voided. Notice may be given in writing or in some other way.

A void policy remains part of the JISA business of the insurer throughout its existence, notwithstanding the fact that the conditions to be a qualifying investment in a valid JISA will have been breached at some point during the policy's life.

The special rules that tax gains on life insurance policies, often known as the chargeable event rules, are used to recover tax relief that is not due on a policy which is held within a JISA which is voided. The exemption from tax on chargeable event gains held within a JISA does not apply. Tax liability may arise on the forced termination of the void policy and on any previous chargeable events which took place before the provider learns that the JISA must be voided.

If a policy terminates in accordance with the contractual terms when it comes to the notice of the account provider that the JISA must be voided. Then this 'termination event' is deemed to be a surrender chargeable event occurring at the date that it came to the notice of the JISA provider that the JISA must be voided.

Other chargeable events which may be relevant for JISAs are the surrender, maturity or ending of the policy on death if any of these events occur before the provider discovers the JISA must be voided, and "excesses" as a result of part surrenders of rights conferred by the policy.

Providers must normally account for tax at the basic rate in force for the year of assessment in which the chargeable event occurred. Where appropriate, the JISA provider should account for tax by deducting the amount due from their next claim to HMRC Repayments (see [annual returns and tax claims](#)). The amount of tax deducted by the provider must be reported to the child.

But HMRC Repayments have the power to assess the child, via the registered contact, to recover tax if the funds remaining in the JISA are insufficient or the JISA has been closed before the provider is aware that a recovery may be necessary.

The following details of chargeable event gains must be reported to the policyholder within 3 months of the event coming to the notice of the insurer:

- the nature of the chargeable event
- the date of the chargeable event
- the amount of the gain
- the number of years for top-slicing relief.

Where the insurer is also the provider, this information should already be included in the details to be provided by the provider (as per the guidance on [void JISAs](#)). If so, there is no need to duplicate this information in a separate chargeable event certificate.

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Where the amount of the gain exceeds half the basic rate limit for the year of assessment in which the gain arises then the insurer must also report the information listed above (for chargeable event gains) to HM Revenue & Customs at the Centre for Revenue Intelligence within 3 months of the insurer receiving notice that the JISA must be voided.

Terminal illness

The parents of a child who is terminally ill may make a claim to HMRC to be allowed to access the funds in the child's JISA. If the claim is agreed, HMRC will issue a letter to the registered contact letting them know that the funds in the JISA can be withdrawn. The JISA provider should ask for sight of the letter and retain it (or a copy of it). HMRC will not send a letter to the provider.

The letter to the parent will contain a contact phone number, which the provider can use to contact HMRC.

The only person who can withdraw money from the JISA on behalf of the child is the registered contact. In most cases the withdrawal will be in cash, but if the provider allows, the investments in the account can be transferred to the registered contact directly. This would be most useful where sale of the investments would attract an early redemption penalty. In such circumstances, the account may be closed, and the total balance withdrawn by the registered contact. The registered contact may prefer to keep the account open and only withdraw part of the balance. In these cases, this should be possible, subject to any minimum balance that the provider requires for the account to be kept open.

Sanctions list

HM Treasury publishes a consolidated list of individuals and entities subject to financial sanctions imposed by the United Nations, European Union and HM Government that are in legal effect in the UK. The consolidated list can be found in [Who is subject to financial sanctions in the UK?](#)

Funds and economic resources belonging to, owned, held or controlled by persons on the consolidated list must be frozen. It is prohibited to make funds or economic resources available, directly or indirectly, to or for the benefit of such persons without a licence to do so from the Treasury.

Accordingly, if the beneficial owner and/or account holder of a JISA is a person included on the consolidated list, the assets held in the JISA must be frozen and no funds made available to that person unless licensed by the Treasury. These prohibitions will no longer apply if the person is removed from the consolidated list and therefore no longer subject to the asset freeze restrictions. It is very unusual for minors to be designated.

Where HMRC have agreed that cash can be withdrawn from the JISA due to the death or terminal illness of the child, funds must not be made available to the registered contact if he or she is a person included on the consolidated list.

Junior ISA annual returns for ISA managers

Annual return and tax claim

Information about [annual returns and claims](#) is available. A separate return and claim is not required for JISAs so any claim for tax deducted in respect of JISA investments should be included on the claim made using the ISA 10/ISA 14 by the manager.

Returns of information

[Returns of information](#) explains how providers should make their annual information return to HMRC. Details of JISAs must be included on the return. A separate return for JISA is not required, but managers can use a separate sub-return to report their JISA accounts.

All of [returns of information](#) applies to JISA's but note the following:

- the return must include the details of the eligible child and not the registered contact for the account
- Type of ISA, use:
 - C for a cash JISA
 - D for a stocks and shares JISA
 - Y where there are no subscriptions to a JISA in the reporting year
- if a National insurance number is held for a JISA (for example, because the account was opened for a child aged over age 16) it must be reported - but for most JISAs there will be no National insurance number so the field can be left blank (if the reporting system requires an entry to be made, providers must use the JISA universal dummy National insurance number 'QQ888888A' and nothing else)
- date of first subscription - this must be completed in the year in which the JISA is opened, in later years the field must be left blank
- date account closed - this field should usually be left blank when reporting JISAs (as JISAs can be closed in cases of death, terminal illness or when the value become £nil, an entry may be made in these circumstances) - in all other circumstances the field must be left blank.

Reporting at age 18

The regulations require a report of each account so reporting will depend, in part, on whether the manager issues a new account number (and creates a new account) or retains the same account number and maintains a single account at the child's 18th birthday.

If a new account number is issued, the JISA and ISA must be reported separately. Subscriptions to each will be reported accordingly. The market value of the JISA will be £nil.

If the account number is retained, there are 3 possible scenarios:

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- subscriptions are made to both the JISA and the ISA in the year. Reports will be required showing subscriptions to the JISA on one and to the ISA on the other. The market value for the ISA will be reported as now for ISAs. The JISA report will show the market value as £nil
- subscriptions are made to either the JISA or the ISA but not both. A single report is required (but see 3 below) showing the status of the account when the subscription was made. So if the subscription was made to the JISA, the report would show C or D and the amount, and for subscriptions to the ISA, A or B and the amount. In either case the market value reported would be the market value at 5 April
 - in the year of the child's 18th birthday, where a subscription is made to the JISA before the birthday but no subscription is paid to the ISA after the birthday, managers can report in line with 2 (above) or they can make 2 reports for all JISAs in the transition year:
 - JISA return showing subscriptions (C or D) or none (Y) and a £nil market value at 5 April
 - ISA return showing subscription (A or B) or none (X) and the market value at 5 April
- no subscriptions are made in the year. A single report of the ISA status at 5 April is required - X (no subscriptions to an ISA) and the market value at 5 April.

See [worked example of reporting at age 18](#) (PDF, 86.2KB, 1 page) .

Annual return of statistical information

Separate statistical returns must be made for ISA and JISA accounts. The JISA reporting forms are the equivalent of those for ISAs (see [annual Returns of SI \(market value\)](#) and [annual returns of SI \(subscriptions\)](#)).

The following JISA form statistics are available:

[Tax on savings: Junior Individual Savings Account annual statistical return \(Market Value\) \(JISA 14 Stats\)](#)

[Tax on savings: Junior individual Savings Accounts annual statistical return \(Subscriptions\) \(JISA25 Stats\)](#)

[Tax on savings: Junior Individual Savings Account annual statistical return \(JISA 14a Stats\)](#)

Audit

JISA audit checks will be carried out alongside any ISA audit as detailed in [the HM Revenue and Customs inspection](#).