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A tax-efficient, flexible method for future planning

Time is running out to use your 2023/24 ISA allowance

Investing in an Individual Savings Account (ISA) is a tax-efficient, flexible method for future planning. One of the most attractive features of an ISA is its tax benefits – it's immune to both Income Tax and Capital Gains Tax on any growth within the fund or on income you withdraw. This makes contributing to an ISA an intelligent decision for those looking to grow their wealth while minimising tax liabilities.

However, remember that if you don't utilise your annual ISA allowance before the end of this tax year on 5 April 2024, it will be lost, resetting on 6 April. Maximising your ISA allowance is crucial to reap the full benefits of this savings tool.

SPREADING YOUR ISA ALLOWANCE

You can distribute your ISA allowance between multiple ISAs, such as a Cash ISA and a Stocks & Shares ISA. They can be with different providers, but your total payments into them can't be more than your £20,000 annual ISA allowance. This allows you to diversify your investments and potentially spread the risk.

Alternatively, you can currently choose to invest the entire £20,000 ISA allowance into one type of ISA, depending on your financial goals and risk tolerance. For married couples, there's an additional advantage. APS (Additional permitted subscription) is equal to the value of the ISA on the date of death. An individual qualifies for APS if their spouse or registered civil partner died on or after 3 December 2014 and were not estranged or separated. It gives you an extra tax-free allowance equivalent to the value of the deceased's ISA.

AUTUMN STATEMENT 2023 ISA RULE CHANGES

Significant changes are coming to ISA rules. From 6 April 2024, savers and investors will have more freedom to pay into more than one of each type of ISA annually. Announced during the Autumn Statement 2023, this is considered one of the most considerable shake-ups of ISA rules for many years.

The new rules are designed to provide further flexibility, enabling savers and investors to move between different providers. By allowing multiple subscriptions to ISAs of the same type every year, the government aims to stimulate competition among providers. This will increase flexibility and

choice and support the development of long-term investment products.

NEW ISA RULES FOR TAX YEAR 2024/25

Allowing multiple ISA subscriptions – The government will allow multiple subscriptions to ISAs of the same type every year starting 6 April 2024.

Allowing partial transfers of current year ISA subscriptions between providers – Partial transfers of ISA funds relating to current year ISA subscriptions are allowed between providers starting 6 April 2024 (currently partial transfers can only relate to previous year subscriptions).

Removing the requirement to reapply for an existing ISA annually – Removal of the requirement to reapply for an existing dormant ISA from 6 April 2024.

Expanding the Innovative Finance ISA to include Long-Term Asset Funds – Long-Term Asset Funds to be permitted investments in the Innovative Finance ISA from 6 April 2024.

Expanding the Innovative Finance ISA to include open-ended property funds with extended notice periods – Open-ended property funds with extended notice periods are to be permitted investments in the Innovative Finance ISA from 6 April 2024.

Allowing certain fractional shares contracts as a permitted investment – Certain fractional shares contracts are to be allowed as eligible ISA investments (the government will engage with stakeholders on implementation).

Digitalising the ISA reporting system – Digitalisation of the ISA reporting system to enable the development of digital tools to support investors announced.

Harmonising ISAs to those over 18 years of age – The government will harmonise the account opening age for any adult ISAs to 18 from 6 April 2024. ■

WANT TO MAKE YOUR MONEY WORK MORE TAX-EFFICIENTLY WITH AN ISA?

If you want to discuss your ISA options or learn more about the benefits of ISAs and how to maximise your annual allowance, don't delay, please get in touch with us. We are here to provide the information you need to make informed decisions about your financial future.

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.