

ISA ROUNDUP

TISA'S ISA NEWSLETTER

Welcome to the second edition of ISA Roundup. We hope you find it useful, please do give us your feedback and let us know if you have colleagues who would benefit from receiving a copy.

ISA Manager Information – Central Database

We are creating a central database of ISA manager information that is not currently available from one source as we believe this would be a useful tool for ISA managers. The database will be available to all ISA managers and be housed on the TISA website, accessed via a password protected link so the information will not be visible to those who have not provided data or to the general public. Information will be requested to be updated annually to ensure continued relevance. To participate in the database ISA managers need to provide the relevant information to populate the database via this link

<https://www.surveymonkey.co.uk/r/isainfo>

IFISA Manager Statistics

TISA, working in conjunction with Altfi, as part of its Peer to Peer (P2P) Forum are putting together a quarterly snapshot of the progress of the Innovative Finance ISA (IF) ISA. It will show, for the industry as a whole, aggregate data as follows:

1. Number of IF ISA managers
2. Value of IF ISA assets under administration
3. Number of IF ISAs held (individual accounts)
4. Number of new IF ISAs opened in the quarter

All IF ISA managers are invited to participate in this data collection and all involved will receive details of the statistics on a monthly basis.

Monthly Reporting Requirements

Participation in this process requires an ongoing commitment to provide data as at close on 5th by 15th of each month using this link.:

<https://www.surveymonkey.co.uk/r/ifisastats>

Tax Status of ISAs after death and APS Calculations

Since the issue of the amended ISA regulations and ISA Guidance Notes in late 2017, TISA has received numerous questions on some the technical/operational issues not specifically addressed in either document. We have recently liaised with HMRC and can now confirm their approval of the below approach regarding the treatment of ISAs after death and the effect on the additional permitted subscription (APS) rules.

A continuing account of a deceased investor (referred to as a continuing account) will be treated as closed on the date that the ISA manager distributes the account assets/funds to the personal representatives/beneficiaries reducing the account balance to nil (assuming this occurs within 3 years from the date of death). The new regulations require a value to be calculated at this point (referred to as APS2) and this value does include any residual/XD income due but not yet physically received at this point which is consistent with the current calculation method at the date of death (referred to as APS1). So, the APS 2 calculation should simply mirror the calculation method for APS 1.

HMRC have no objection to ISA managers who choose, probably due to system issues, to leave the account open on their systems until the final residual income is received and subsequently paid away in accordance with instructions from personal representatives. If this approach is taken and an account is still recorded as open on 5 April, despite the 'main funds/assets' (everything except outstanding residual income) having already been distributed, then this can still be reported as an open continuing account on the ISA 25 (14a) Statistical Returns. In such cases, the APS 2 value is still calculated at the point of distribution of the main funds/assets (i.e. not on the value of the final residual income amount received and distributed, which will likely be much lower). In terms of residual/XD income, the following will apply:

- Residual income at the point of account closure (when assets distributed to personal representatives/beneficiaries initially bringing the account value down to zero) belongs to the estate and would be distributed in line with other estate monies/assets.
- This residual income is exempt from tax as, under the ISA regulations, it is income arising from (or in respect of) 'administration period investments'.
- This exemption from tax would apply regardless of whether the continuing account is closed at the point when the account assets are distributed (meaning residual income is received after the point that the account was closed) or whether the continuing account remains open on a manager's system until all residual income is received. So even if the account has been closed prior to receipt of the residual income, the income is still 'in respect of administration period investments' and not therefore liable to tax.

It may be the case that residual income due but not yet received at the point the account initially reduced to zero was not declared in sterling but is due to be

converted to sterling on a later date prior to being paid. Therefore, although the manager may be able to calculate the foreign currency equivalent amount due, it may not know at that point how much income will actually be received in sterling. In this situation, for APS2 calculation purposes, managers can if they wish apply a value to this using the relevant conversion rate at the point of account closure. Alternatively, they could calculate and provide an interim APS 2 value, if requested by the surviving spouse at this point, pointing out that this value excludes the value of residual income due but not yet received and amend it accordingly on receipt of the residual income. It is anticipated that this would only affect a small number of accounts.

At the point of account closure and distribution, where all investments are being sold following an instruction from the personal representatives, the sale trades may be placed on the same date, but different investments may have different settlement periods/dates. Some managers may choose to hold all the sale proceeds as cash in the account until all sale proceeds have been received and then make a single distribution to the personal representatives, bringing the account value down to zero at that point. Others may distribute the sales proceeds as and when they are received such that the personal representatives may receive payments on different dates, probably over a relatively short period of time. Where the latter approach is taken, the APS 2 value should take into account the value of all the investments sold and not just the value of the sale trade(s) with the longest settlement date.

Regarding how the APS2 value is calculated, if the account has not been closed within three years after the date of death (probably a relatively rare occurrence), the APS2 value will simply be the market value of the account on that date plus the value of any residual income due on that date which has not yet been received ie. the same method of calculation.

Lifetime ISA Update - Private Beta Phase and Manager Authorisation

HMRC has recently confirmed that work on developing the online service for Lifetime ISA managers will continue beyond 6 April 2018.

This means that the 'Private Beta' testing and operation of the online service Lifetime ISA process will continue.

ISA managers who want to offer the Lifetime ISA need to know how to inform HMRC of their intention to offer Lifetime ISAs, how to join the Private Beta process and what happens next.

TISA Bulletin 957 provides access to a note that sets out what the process is and provides email details ISA managers should use to inform HMRC of their intention to offer Lifetime ISAs.

ISA Guidance Notes – Change in format

We confirmed in the last ISA Roundup that there was likely to be a change in the way the HMRC Guidance Notes for ISA managers can be accessed on GOV.UK. There is currently a PDF version available, but this method will no longer be used going forward.

HMRC's intention is to improve and update the format of the current PDF document. They have been working with their Digital Services colleagues on a new format for the Guidance Notes for ISA managers and this will be outlined at a meeting in March with a small number of trade body and industry representatives. The overall purpose of this meeting will be to explain:

- Why the format of the ISA manager guidance is changing
- The limitations, problems and restrictions of the current guidance format
- The benefits of the new format
- When the new format ISA guidance will be published on GOV.UK
- Future amendments and updates to the ISA manager guidance

TISA members will be provided with an update of this meeting.

Upcoming ISA Training Dates

22 March – ISA Key Facts – London

19 April – Innovative Finance ISA Key Facts – London

26 April – ISA Transfers – Edinburgh

3 May – ISA APS – Edinburgh

10 May – ISA Repairs/Voids – Edinburgh

17 May – ISA Qualifying Investments – London

24 May – ISA APS – London

7 June – ISA Transfers – London

21 June – ISA Repairs/Voids – London

28 June – ISA Qualifying Investments – Edinburgh

5 July – ISA Key Facts – London

12 July – ISA APS - London

Further details can be found on the TISA website [here](#).