Implications of changes to financial services passporting for ISA managers

In the event the UK leaves the European Union (EU) without agreement there will be changes for Individual Savings Account (ISA) managers based in the European Economic Area (EEA). The Government has previously confirmed that, if it would be necessary, it would introduce a temporary permissions regime for inbound passporting EEA firms and funds. This will enable relevant entities and funds which previously marketed to the UK to continue marketing in the UK if the passporting regime ends when the UK leaves the EU. For ISA managers, based in the EEA, you need to know the following:

1. ISA managers who enter the temporary permissions regime will be able to continue to act as ISA managers.
2. EEA based ISA managers who do not enter the temporary permissions regime will need to make arrangements for the transfer of their ISA book to another manager in accordance with the ISA regulations.
3. A temporary permissions regime will also be created for EEA based investment funds which are currently marketed to UK investors under the passporting regime. EEA UCITS funds which enter the temporary permissions regime will remain qualifying investments for stocks and shares ISA. This means that investors will be able to continue to hold existing investments, as well as making new ones.

The Financial Conduct Authority has published guidance for how financial firms should prepare for such a scenario – which includes information about the temporary permissions regime.

If you are an EEA based ISA manager and you would like more information about this please contact us to discuss further, by emailing: savings.audit@hmrc.gsi.gov.uk

TISA is currently awaiting further clarity from HMRC on the practical implications of these changes for authorised EEA based ISA managers.

Annual Returns of Information – Continuing Accounts

There has been some confusion as to the impact of continuing accounts for deceased ISA investors on the ISA annual return of information for the 2018/19 tax year. It was originally proposed that there would need to include details of the deceased’s estate representatives but HMRC respected the industry pressure and removed this requirement.

The draft ISA Guidance that included these details has been amended to reflect that it is just details of the deceased ISA investor. The current ISA Guidance now states that “the continuing account of the deceased investor” for the period ending 5 April 2019 managers must report the:

• name and address of the deceased investor
• date of birth of the deceased investor
• National Insurance number of the deceased investor

This guidance still implies that there will be a special form that the ISA manager must use. The ISA annual return of information that requires information on continuing accounts of deceased investors. Having worked this with the Centre for National Information (CNI), who are responsible for the ISA annual return of information, we can confirm that this is not the case and there will be no changes to the 2018/19 annual return of information. The information on the deceased ISA investor, specified above, is information that had previously been collected on the ISA14a, which included details for all ISAs to deceased ISAs should be reported as ISAs that have been closed during the tax year.

ISA Statistical Returns (ISAS25 and ISA14)

All ISA managers are required to make an annual market value and an annual return submission of statistical information to HMRC within 60 days of either the 5th April each year or the date that they cease to qualify as an authorised ISA manager. The annual submission return (ISAS25 and ISA14), which includes details for all ISAs to which subscriptions have been made during the year, will include an additional field for the 2018/19 tax year. Managers will need to report the number of “continuing accounts of a deceased investor” they hold on 5 April 2019. These changes have not yet been made and TISA will notify member firms once we become aware that the returns have been updated.

Lifet ime ISA Survey from HMRC

TISA recently issued a technical bulletin (1008) to confirm that HMRC are looking to gain feedback to gain a better understanding of knowledge relating to Lifetime ISA and why potential Lifetime ISA (LISA) providers have not opted to offer it as part of their product. This survey is designed as an ISA account for the purposes of the ISA regulations. Information about permanent or indefinite subscriptions will be kept in the ISA key facts provided by ISA manager’s systems which subscriptions have been made during the tax year.

The use of E-Money Wallets for holding ISA subscriptions

HMRC are aware that some ISA managers have arrangements in place with e-money and e-wallet providers to receive and hold investor subscriptions pending investment. ISA regulation 6(4) states that cash subscriptions are treated as subscriptions which should be deposited in an account with a deposit taker as defined in S.853 Income Tax Act 2007. The deposit taker who accepts subscriptions is designated as an ISA account for the purposes of the ISA regulations.

Information about E-money wallets is considered subscriptions held in e- money wallets to meet these requirements. ISA managers must ensure that cash subscriptions are reported correctly as follows with the ISA regulations. ISA managers who hold ISAs with e-money providers should contact savings.audit@hmrc.gsi.gov.uk

Upcoming ISA Training Dates

14 March – ISA APS – London
19 March – ISA Key Facts – London
28 March – ISA Transfers – Edinburgh
24 April – Flexible ISAs – London
2 May – Innovative Finance ISA Key Facts – London
9 May – ISA25 and ISA14 – London
16 May – ISA Qualifying Investments – London
23 May – Junior ISA Key Facts – London
30 May – ISA Key Facts – London
6 June – ISA Key Facts – London
13 June – Lifetime ISA – London
20 June – ISA Qualifying Investments – Edinburgh
27 June – ISA APS – London
4 July – ISA Repairs/Voids – London
9 July – ISA Transfers – London
Further details can be found on the TISA website here.