



An improvement to the ISA inheritance rules

The rules for inheriting ISAs will change from 6 April.

It was announced by George Osborne in 2014 that ISAs would become inheritable by surviving spouses and civil partners. At the time, nobody – not even the Treasury – was clear what the then chancellor meant.

The plans for ISA 'inheritance', when they eventually emerged, were far from simple. Although a surviving spouse or civil partner could effectively take over the investments in their deceased partner's ISA, the process revolved around the ISA's value at the date of death, not when the transfer took place.

To make matters worse, the ISA tax rules ceased to apply at death, but started up again once the survivor's inherited ISA was in place. It made an administratively complex structure of a straightforward idea.

Last November regulations were approved to simplify the process considerably, thanks to much lobbying and a protracted development of legislation. Now, for deaths occurring after 5 April 2018, in most circumstances:

- The ISA tax advantages of UK income tax and capital gains tax exemptions will continue throughout the period of estate administration.
- The inherited ISA can include any increase in value during that period.

If you are in a couple and needed another excuse for contributing to an ISA, either as a tax-year-ending or tax-year-starting payment, the new inheritance rules are a good one.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

The value of tax reliefs depends on your individual circumstances.

Tax laws can change.

The Financial Conduct Authority does not regulate tax advice.