Taking the early view on ISAs

There are advantages to planning your ISA investments around the start of the tax year.

With ISAs all the taxation benefits occur after investment is made, yet the focus is often on year-end contributions. Various articles on ISAs filled the weekend press in March, and are set to re-emerge like a financial sign of spring in 12 months' time.

For other investments, such as venture capital trusts and pensions, there is a logic in waiting until the end of the tax year – you have a better idea of your income for the year and hence your tax position. The same is not necessarily true of ISAs.

Indeed, it is sensible to contribute to ISAs as *early* in the tax year as possible, to get the tax benefits for as long a period as possible. As a reminder these are:

- No UK tax on dividends, an important factor as the dividend allowance has been cut from £5,000 to £2,000 for 2018/19.
- No UK tax on interest earned.
- No UK capital gains tax on any profits realised.
- Nothing to report to HMRC on your tax return.
- Allowing a surviving spouse or civil partner to inherit your ISA benefits, effectively treating your ISAs as joint investments.

Making an ISA contribution does not necessarily mean paying in cash. It can include selling an existing investment you hold personally and repurchasing it within an ISA. You may crystallise some capital gains in the process, but at the start of the tax year you almost certainly still have your full £11,700 annual exemption available.

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.