

THE F & T INDIVIDUAL SAVINGS ACCOUNT

UNDERSTANDING THE ADDITIONAL PERMITTED SUBSCRIPTION ALLOWANCE

From 6 April 2015, spouses and civil partners of ISA holders who have died since 3 December 2014 are able to inherit an additional ISA allowance. This is referred to as an Additional Permitted Subscription (APS) and is equivalent to the value of cash and/or investments that the deceased had in their ISAs when they died.

- The APS allowance is available following the death of your spouse or civil partner. Please register the death with us and let us have sight of the original or a certified copy of the death certificate.
- You and the deceased must have been living together at the date of death. You cannot use an APS allowance if you were separated under a Court Order, Deed of Separation or under any other circumstances that were likely to become permanent.
- The current practise of after-death treatment of the deceased's ISA does not change i.e. the ISA wrapper drops away and the assets immediately revert to net status.
- Your APS will be the formal probate value of the deceased's ISA together with income accrued but not yet received at the date of death.
- The APS is available to you whether or not you inherit the specific ISA assets.
- You can subscribe the APS to your own ISA in addition to your normal annual ISA subscription.

For example, if an individual holding £50,000 of ISA savings dies today, the ISA tax wrapper is lost and the £50,000 becomes subject to income tax on any income generated or capital gains tax where gains are made. Following probate, the assets pass to the surviving spouse/civil partner who will have the one-off opportunity to shelter £50,000 into a new or existing ISA in their own name, in addition to their £15,240 annual allowance to give a combined allowance of £65,240.

- The APS can be made in cash or by way of an in-specie transfer of the deceased's assets:
 - If you are using cash to fund the allowance this must be done within 3 years of the date of death or if later, within 180 days of completion of administration of the estate;
 - If an in-specie transfer, within 180 days of beneficial ownership passing to you as spouse i.e. issue of the Grant of Probate or other formal notification from your solicitor.
- If the deceased held more than one ISA you will have an APS allowance with each provider.
- The APS can either be made with the manager who held the deceased's ISA or with another manager, like Farley & Thompson, who agrees to accept the APS and monitor the subscriptions.
- The APS can be made at any time and in any amounts subject to the overall time and value limits and subject to the manager permitting instalment payments.
- Once an APS has been made with a manager, any further additional permitted subscriptions up to the limit must be made with the same manager. Any unused balance cannot then be used with another manager.

In other words, if you have an APS with a Cash ISA provider such as a Bank or Building Society of £10,000, as well as an APS for a Stocks & Shares ISA of £60,000 with a second provider, for example Farley & Thompson, if you then decide to utilise £5,000 of the Cash APS with the existing provider, you cannot then move the remaining Cash APS balance of £5,000 to the Farley & Thompson Stocks & Shares ISA later.

- As the surviving spouse you will have to complete an eligibility declaration.

See overleaf for your options.....

WHAT ARE MY OPTIONS?

Option (1) - your spouse had a Farley & Thompson ISA and you want to use the APS allowance via an in-specie transfer to a new or existing ISA with Farley & Thompson

- Farley & Thompson only offers a Stocks & Shares ISA.
- For existing clients we will send you an 'Additional Permitted Subscription application and declaration' which we will ask you to complete and return to us together with formal confirmation of the death. In due course we will also require the Grant of Probate. An ISA application form will be sent to you as necessary.
- If you are not already a client we will need you to complete a full set of standard account opening paperwork including the provision of personal identity requirements compliant with current money-laundering regulations, as well as the APS application. In addition we will ask you to provide us with formal confirmation of the death of your spouse or civil partner and in due course the Grant of Probate.
- Assets previously held by the deceased will be transferred to you by way of a book entry movement - they are not sold and repurchased. Eligible assets for an in-specie transfer are those held at the time of notification of death taking into account any corporate actions.
- The value of the assets at the date of transfer counts towards the APS limit:
 - If the value has increased, it will not be possible to subscribe all the in-specie assets and we will endeavour to make contact with you to discuss your options if such an event occurs.
 - If the value has decreased, a top-up can be made in cash.
- Only inherited assets can be used to make an in-specie APS and only if title for those assets has remained with Farley & Thompson as the ISA manager at all times.
- It is not possible for a surviving spouse to subscribe personal shareholdings in lieu of an in-specie APS.
- Please remember that if you use any of your APS allowance with us, you are not then able to transfer the remaining balance to another provider.

Option (2) – you have a Farley & Thompson ISA and you wish to transfer an inherited APS to us from another provider

- We will accept an APS from another Stocks & Shares ISA investment manager but please note this can only be made to us in cash. In other words an in-specie APS transfer is only permitted with the original ISA provider holding those securities. **If you are in any doubt as to the best course of action we would advise undertaking the APS process with the existing investment provider and then reviewing your options for transfer or amalgamation at a later date.**
- We will accept an APS from a Cash ISA provider into the Farley & Thompson Stocks & Shares ISA which can subsequently be invested.
- We will ask you to complete an 'APS Transfer Authority Form'.

Depending on your circumstances both Option (1) and Option (2) may apply to you.

Option (3) - you are not a client of Farley & Thompson or you wish to transfer your APS elsewhere

- If you would like to use your APS with Farley & Thompson but do not have an account with us, please speak to one of our stockbrokers who will talk you through the account registration process and provide you with all the necessary paperwork to open your new account.
- If you wish to transfer your APS elsewhere, firstly make sure your new provider will accept the allowance as providers do not have to undertake this service.
- You must still formally register the death with us by letting us have an original or certified copy of the death certificate.
- You will need to complete our 'Request for an Additional Permitted Subscription allowance valuation' form and sign the eligibility declaration.
- **Please note we cannot transfer out in-specie.** This means that we will have to sell the investments within the Stocks & Shares ISA which will attract dealing commission.
- Remember that once you have transferred the APS allowance away you cannot transfer it back again.

No longer a UK resident?

You can still open an ISA and use the APS allowance but you will not benefit from having an annual allowance as well. Please let us know if you think this affects you.