

Obtaining additional ISA allowances following the death of your spouse or civil partner

Introduction

Since 3 December 2014, where a person holding an ISA dies and that person was married or in a civil partnership, the surviving spouse/civil partner is entitled to an extra ISA allowance equal to the value of the ISA(s) held by their spouse/civil partner (even where the spouse/civil partner does not actually inherit the ISA). This is referred to as the Additional Permitted Subscription (APS) allowance.

This allowance can be used with the ISA provider of the deceased or an ISA provider chosen by the surviving spouse/civil partner. If the spouse/civil partner selects a different ISA provider, the allowance is passed to that ISA provider. This can happen only once.

Some ISA providers will allow the spouse/civil partner to make regular payments to use the allowance and some may only allow a one-off payment.

Broadly, the time limit for using the allowance is three years from date of death.

In some circumstances, the allowance can be used with stocks and shares held in an ISA of the deceased which can be passed to an ISA of the spouse/civil partner without needing to be sold.

What is an Additional Permitted Subscription (APS) allowance?

This is an additional allowance independent of the normal annual ISA allowance.

This is not dependent on inheriting the actual money or investment in the ISA. That follows the normal estate process. It is inheriting an allowance that equals the balance of the deceased's ISA at the date of death. The APS allowance in no way affects the administration of the deceased's estate after death.

The value is calculated as the sum of the ISA held with the ISA provider at the date of death.

Where the deceased held multiple ISAs with different ISA providers there will be a separate APS allowance with each of the ISA providers.

The APS allowance is not something which can be transferred to another person; it is solely to be used by the spouse/civil partner of the deceased.

The APS allowance does not apply to Junior ISAs or Child Trust Funds.

Who is eligible for an APS allowance?

Anyone whose spouse/civil partner has died on or after 3 December 2014 and at the date of death were:

- married or in a civil partnership;
- not legally separated or likely to become legally separated (if either spouse were in a care home this would not generally be considered as legally separated); and
- 16 years of age or over.

The availability of the APS allowance is not limited to UK residents. So customers who have moved abroad but whose spouse/civil partner still held an ISA(s) in the UK at the date of their death will be entitled to claim the APS allowance. How they use the allowance will be limited by the fact they live abroad, however.

How can I find out whether I have an APS allowance and how much it is?

Contact the deceased's ISA provider for information about what is needed as evidence of eligibility in order to provide information about the APS allowance. In all instances the death must have been registered with the ISA provider before they can supply information about the APS allowance.

What types of APS allowance subscriptions are possible?

APS allowance subscriptions, referred to as payments, can be made to a Cash ISA and/or a Stocks and Shares ISA with the same ISA provider.

Payments can be made in cash or, in some cases, can also be made "in specie". Cash payments do not have to be made using the inherited assets. In specie means transferring inherited investments, which were held in the deceased spouse/civil partner's ISA, to an ISA of the

same type (a Cash ISA or a Stocks & Shares ISA) with the same ISA provider without selling the investments. The value of assets at the time the transfer is made counts towards the APS allowance limit.

What time limits apply?

The APS allowance can be used from 6 April 2015. For subscriptions made in cash, the APS allowance is available for three years after the date of death, or for up to 180 days after administration of the estate is complete (i.e. when the personal representatives have distributed the assets of the estate), whichever is the later. This is known as the 'permitted period'.

For deaths between 3 December 2014 and 5 April 2015, the permitted period begins on 6 April 2015. However, the permitted period for subscriptions made in specie is within 180 days of beneficial ownership passing to the surviving spouse/civil partner. For distributions between 3 December 2014 and 5 April 2015, the permitted period begins on 6 April 2015.

Where can I use my APS allowance?

The APS allowance can be used with the deceased's ISA provider or another ISA provider.

Not all ISA providers will accept APS allowance subscriptions, but they are obliged to pass relevant APS allowance information on to another ISA provider.

Some ISA providers will allow payments to be made in instalments whereas other ISA providers may only accept a lump sum payment.

If the lump sum payment is less than the total amount of the APS allowance then any remaining allowance will be lost.

The ISA provider can require that the APS allowance is used via a separate ISA or by topping up an existing ISA.

How do I use my APS allowance?

ISA providers will require certain information from the spouse/civil partner to open an ISA. They will also require an application form to use the APS allowance, which will typically include information such as:

- the deceased's date of birth;
- National Insurance Number of the spouse /civil partner (required) and the deceased (if known);
- the date of death;
- the date of marriage or civil partnership; and
- the deceased's address.

A customer new to the ISA provider will also need to produce identification and verification documents (such as a valid passport). A declaration of eligibility for the APS allowance will be required and further declarations will be required every time an additional APS allowance payment is made.

Can I transfer my APS allowance to another ISA provider?

Yes, subject to the other ISA provider agreeing to accept the transfer.

The new ISA provider should be approached to initiate the transfer and once initiated, ISA regulations require that this takes place within 60 days.

The APS allowance can only be transferred once and only where no subscriptions have been made under the APS allowance.

APS allowances can be held with more than one ISA provider if the deceased held ISAs with more than one ISA provider.

Once I have made an APS allowance payment can I transfer the ISA funds?

After an APS allowance payment has been made, the cash and/or investments relating to that subscription can be transferred to another ISA. If the APS allowance has not been fully used, and the original ISA provider allows payments in instalments, any further APS allowance payments must be made to the original ISA provider.

Where can I obtain further information?

The HMRC bereavement helpline team on 0300 200 3300 will be able to respond to any detailed queries about dealing with the APS allowance or the deceased's estate.

The deceased/civil partner's ISA provider will be able to respond to any detailed queries about using the APS allowance.

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