

Financial services products and solutions

LP2: 2018–19 edition

Web update 2: 14 August 2018

Please note the following update to your copy of the 2018–19 edition of the **LP2** study text:

Chapter 9, section E6C, page 9/20

Current text

When an investor dies, the tax benefits associated with the ISA cease.

In addition:

- any interest, dividends or gains in respect of investments in the ISA that arise after the date of death to the date of closure are not exempt from tax; but
- there is no loss of exemption on interest, dividends or gains which arise before the date of death. This includes any gain treated as arising as a result of the death of the investor under a life insurance policy.

If there is a surviving spouse or civil partner for deaths that occurred from 4 December 2014 onwards, the deceased's ISA benefits are able to be passed on to their spouse or civil partner via an additional ISA allowance. The surviving spouse or civil partner is allowed to invest as much into an ISA as their spouse/partner used to have, in addition to their own annual ISA limit.

New text:

When an investor dies, no further funds can be paid into the ISA, however the tax advantaged growth associated with the ISA will continue until (the earlier of);

- the closure of the ISA, or
- the completion of the administration of the deceased's estate, or
- three years after the death.

In addition, there is no loss of exemption on interest, dividends or gains which arise before the date of death. This includes any gain treated as arising as a result of the death of the investor under a life insurance policy.

The deceased's ISA benefits can be passed on to their spouse or civil partner via an additional ISA allowance. This additional allowance is called an Additional Permitted Subscription (APS) and does not impact on the recipients' own annual personal ISA allowance for the tax year.

The APS will represent the higher of;

- the value of the ISA at the date of death, or
- the value of the ISA at the date of transfer.