



Redmayne
Bentley

Stocks and Shares ISA



Since their introduction over 20 years ago ISAs have proved to be enduringly popular, with billions subscribed each year and, more recently, an increase in Stocks and Shares ISAs.

You can subscribe up to £20,000 in an ISA in each tax year, either as cash, investments held in a Stocks and Shares ISA, or a combination of both.

An ISA may be beneficial if you plan to subscribe most or all of your allowance each year and are planning to invest over a number of years. It is important that you consider the costs as well as potential tax savings to ensure that a Stocks and Shares ISA is appropriate for you.

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Better Rates of Return

One significant factor which affects the attractiveness of a Stocks and Shares ISA is the cash deposit rate. This is the rate, expressed as a percentage, at which cash, whether held in a bank or building society or within a Cash ISA, attracts interest. For example, 1% interest paid annually on a £20,000 savings account balance would increase the pot to £20,200 after one year. However, if inflation was running at 2% throughout the year, then the real value of the pot would have been reduced to £19,803.92 at the end of the year. This is obviously a very short time scale, but it does illustrate that cash may not be as 'safe', in terms of protecting the actual value, as is often supposed, particularly if inflation exceeds interest rates.

For those who wish to preserve and grow the value of their assets, over long periods of time, equities tend to outperform cash. When looking over a period of ten years of consecutive investing, for instance, historical data gathered from over the past 100 years indicates that the chance of equities outperforming cash is extremely high.

However, all investments have a risk attached to them. Companies can and do cease trading and may perform badly in any given period, adversely affecting their ability to pay dividends and/or diminishing the value of your capital. Equally, past performance of a company, sector or index is no guarantee of future performance. Investing is best approached as a long-term activity and you should ensure that your portfolio is adequately diversified to minimise the impact of underperformance of your exposure to any individual stock, sector, asset type or territory.

Capital Gains Tax

Capital Gains Tax (CGT) is payable when you make a profit from investments or other assets when you sell them. The amount you pay is calculated by taking the final value of the asset, and deducting the starting value and any allowable expenses, such as dealing costs. If you realise a loss on an asset you can set this off against other gains in the current or any future tax year.

You repeat this for all assets you have sold in a single tax year and deduct any losses and your annual capital gains allowance (£6,000 in the 2023/24 tax year). The final figure is your capital gain and you pay CGT on this at a rate of 10% if you are a basic-rate taxpayer and 20% if you are a higher-rate taxpayer. For property assets, these rates rise to 18% and 28% respectively.

For example, if you are a basic-rate taxpayer who makes £20,000 profit from the sale of shares in the current tax year your CGT liability is on £14,000, therefore you would pay £1,400 in CGT.

While capital gains you make from investments held in a Stocks and Shares ISA are tax-free, due to the annual capital gains allowance, a Stocks and Shares ISA will only offer a capital gains tax benefit if you realise gains in excess of this allowance in a single tax year. Please note that capital gains are only taxable when you sell your shares for a profit, not if they simply increase in value.

Dividends

Many companies pay dividends to those who hold them. The dividend allowance has been reduced and is now £1,000 for 2023/24 and is set to fall to £500 for 2024/25. Therefore, only the first £1,000 of dividend income you receive is tax-free. Above this, dividends are taxed at 8.75% at the basic rate, 33.75% at the higher rate and 39.35% at the additional rate.

This means, for shares held outside an ISA, only the first £1,000 of dividend income is tax-free, with anything earned above this amount taxed at your usual rate. Dividend payments from investments held within an ISA, however, are tax-free. Furthermore, your ISA doesn't need to be declared on your tax return.

Even if your portfolio isn't yielding £1,000 in dividend payments now, it may well do so in the future and there is always the chance that the dividend allowance may be further reduced.

Inheritance Planning

Some AIM shares qualify for Business Relief (BR), which means they are potentially exempt from Inheritance Tax (IHT) when they have been held for the required period. Please note that AIM shares tend to be higher risk than those traded on the main market, meaning they are typically less liquid than their main market peers, i.e. share prices can be volatile. Due to the complexities involved, we offer a Discretionary IHT Portfolio Service with the aim of mitigating IHT without removing access to your assets.

If protecting your wealth for future generations is important to you, then you may benefit from holding some of your investments in an ISA.

Transfer of Benefits

Upon the death of an ISA holder, a surviving spouse or civil partner can benefit from a one-off additional ISA allowance. This is equal to the value of the deceased's ISA at the date of death or account closure, depending on the date of death. This is known as the Additional Permitted Subscription (APS), the value of which is independent from any assets held within the ISA, meaning if under the will the assets are inherited by another member of the family, the surviving spouse or civil partner is still entitled to apply for the APS.



Please note that tax treatment depends on the specific circumstances of each individual and may be subject to change in the future.

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If you have already subscribed to a Stocks and Shares ISA and/or have a cash ISA(s) with other providers you can still transfer your ISA(s) to Redmayne Bentley¹ and continue to subscribe any unused allowance within the same tax year.

Charges

For details of all our charges please read the appropriate *Schedule of Charges* and our *Ancillary Charges* available from www.redmayne.co.uk/terms or in hard copy on request.

Flexibility

You can withdraw and subsequently replace monies from your ISA without it impacting on the amount you can subscribe.

The benefit is clear: you can withdraw cash, income or cash raised from the sale of investments and gain added flexibility and access to your money. Withdrawals are allowed for both current and previous year ISA monies.

You must replace a cash withdrawal in the same tax year if you wish to maximise the size of your ISA pot, as any monies not replaced before the end of the tax year cannot be taken forward.

The example scenario below illustrates how the flexible ISA could work in practice if you have built up an ISA pot over several years:

You subscribe £20,000 to your ISA on 6th April 2023, taking your overall ISA value to £120,000. You then withdraw £25,000 from your ISA on 1st June 2023. This means that you have until 5th April 2024 to replace the £25,000 you have withdrawn if you wish to fully utilise that year's ISA allowance. You can replace it in full or in part, however, if you do not replace it by the end of the current tax year, then you will lose the flexibility to replace your monies on 6th April 2024.

NOTES

¹Please note that Redmayne Bentley only offers a Stocks & Shares ISA

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The Redmayne Bentley Stocks and Shares ISA is available with our execution-only stockbroking, dealing with advice and investment management services. For full details, please see the appropriate *Schedule of Charges*, *Ancillary Charges* and *Terms of Business*, available from www.redmayne.co.uk/terms or in hard copy on request.

Existing clients

If you are an existing client, please contact your usual Redmayne Bentley office.

New clients

If you don't have a portfolio with us, please call your local Redmayne Bentley office. You can find their details on our website by using the location finder at www.redmayne.co.uk.

How can I subscribe to my ISA?

You can make a secure payment online to subscribe to your Redmayne Bentley ISA by visiting our client portal or you can call your usual Redmayne Bentley office between 8am and 5pm and make a payment over the telephone. Please note that if you did not make a subscription in the previous tax year and have not yet subscribed in the current tax year you will need to submit an *Ancillary ISA Form* at the time of subscribing.

How can I get an ISA application form?

Our *ISA Application/Transfer Form* is available from www.redmayne.co.uk/ISAApplication or in hard copy on request.

