

FOR INVESTMENT PROFESSIONALS ONLY

Client who has inherited a spouse's ISA through APS allowance

Case Study

Diane recently became a widow after her husband John lost a long battle with cancer. John was always a keen investor and he was particularly active regarding his and Diane's ISAs and ensured to utilise their full annual allowances. This amounted to two sizable investments. Diane worries that John's ISA will lose its tax status and that she will have to spend the next number of years adding it to her own. She is also worried about the inheritance tax bill that her beneficiaries will incur at her death.

FACT!

An ISA allows an individual to save a specific annual amount free from income tax and CGT on growth. A lesser known benefit of an ISA is that it is transferable in its entirety tax-free to a spouse on death. This is referred to as an Additional Permitted Subscription (APS).

Solution

Diane was relieved to hear from her financial adviser that the APS allowance allows her to inherit her late husband's ISA into her own ISA in its entirety tax-free. Her financial adviser explained further that if she was to invest the funds into AIM stocks such as The Fundamental Asset AIM IHT ISA portfolio then this would benefit from 100% relief from inheritance tax after being held for two years.



The Importance of IHT Planning



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