

# Additional permitted subscriptions (APS)

When an Isa account holder dies, it's possible for their spouse or civil partner to inherit an additional Isa subscription to use. This allows the spouse or civil partner to effectively 'inherit' their partner's Isa.

This factsheet gives more information about how additional permitted subscriptions (APS) work.



## If you only read one thing...

- When an Isa account holder dies, it's possible for their spouse or civil partner to inherit an additional Isa subscription to use.
- For deaths on or after 6 April 2018, the value of the APS is the higher of the Isa fund at the date of death, or the Isa fund at the date the administration of the estate was completed and the Isa closed.
- The APS does not count towards the spouse or civil partner's current year's subscription limit (but it will count as a previous year subscription).
- The spouse or civil partner cannot make any further contributions or transfers to the deceased account holder's Isa.
- The spouse or civil partner and the deceased account holder had to be living together at the date of death.
- The APS has to be made within 180 days after the administration of the estate is complete, or within three years of death (if later).
- The APS can be paid to original the account holder's Isa manager or a different Isa manager (although an Isa manager doesn't have to accept APSs).

## Who can receive the APS allowance?

Only a spouse or civil partner can receive the additional allowance; a child or grandchild would not qualify. The spouse or civil partner can claim the APS allowance even if they do not inherit the deceased account holder's Isa assets.

The deceased Isa account holder and the surviving spouse must have been living together at the date of death (in other words not separated or in circumstances where the marriage or civil partnership has broken down). However, HMRC does take a pragmatic view and, for example, if one partner was living in residential care at the time of the death then the couple would still qualify.

The deceased Isa account holder, or their spouse or civil partner, doesn't have to be resident in the UK.

## Continuing accounts

From 6 April 2018, when an Isa account holder dies the Isa manager treats the Isa as a 'continuing account' – meaning the Isa can continue to benefit from Isa tax advantages (any interest, dividends or gains in respect of investments will continue to be exempt from tax), even though the owner has died. (HMRC call these investments 'administration period investments'.)

The tax advantages will continue until the earlier of:

- the completion of the administration of the deceased's estate;
- three years after the date of death; or
- the closure of the account.

No further contributions can be made into the deceased account holder's Isa, nor can the funds be transferred to another Isa, or changed into a different type of Isa with the same Isa manager (for example change it from a cash Isa to a stocks and shares Isa). However, active management of the investments held in the Isa can continue.

An amount can be withdrawn, without closing the Isa account, for example to pay for funeral expenses. Or the personal representatives can choose to close it completely.

The spouse or civil partner can ask the Isa manager for the value of a deceased account holder's Isa. Any request has to include details of the deceased Isa account holder – including the date of their marriage or civil partnership – as well as a declaration that the applicant is the surviving spouse and they were living together at the time of death.

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## How much is the APS?

From 6 April 2015, where an Isa account holder dies, the value of their Isa account can pass to their surviving spouse or civil partner as an additional Isa subscription allowance – on top of their own current year subscription of £20,000 (in 2020-21). However, it will count as previous year subscriptions for all other Isa purposes.

For deaths between 6 April 2015 and 5 April 2018, this additional allowance is the value of the deceased account holder's Isa fund on date of death.

For deaths on or after 6 April 2018, the value of the APS can be either:

1. The value of the Isa fund at the date the original Isa account holder died; or
2. The value of the Isa fund at the date it stopped being a continuing account (see above).

But it cannot be more than the higher of these two amounts.

Where a deceased investor had two or more Isas with the same Isa manager, there will be a single APS limit based on the combined values of those Isas. However, this either has to be the value of all Isas at date of death, or the value of all Isas at the date they stopped being a continuing account.

The value of a lifetime Isa at date of death can include any government bonus that has accrued but not yet been paid.

The spouse or civil partner is entitled to an APS which is the higher of the value of the Isa at date of death or date the Isa account was closed. They may want to wait until the administration of the estate is complete and the Isas have been closed, so that they can claim a higher APS (assuming the Isa increases in value between date of death and that later date).

However, if the value of the Isas fall after the date of death, the spouse or civil partner can claim the higher APS valued at date of death.

The spouse or civil partner may also want to immediately make use of their APS, and therefore claim the APS at date of death, without waiting for the Isas to be closed. If they do this, and the value of the Isas subsequently increases after death, they cannot later claim the higher APS value at the date the Isa has closed.

If the spouse or civil partner withdraws an amount after death without closing the account (for example to pay for funeral expenses) they are still entitled to an APS which is the higher of the value of the Isa at date of death or date the Isa was eventually closed.

## Example – how much is the APS?

Debra dies on 15 April 2018. At the date of her death her two stocks and shares Isas are valued at £30,000. The personal representatives do not want to close the Isas and they continue to benefit from tax advantages during the administration of her estate.

On 1 December, the Isa manager receives instructions to close the Isas. The value of the Isas have now grown to £35,000. Debra's civil partner Margaret is entitled to an APS totalling the value of the accounts immediately before closure (ie £35,000).

However, if the value of the Isas had fallen to £28,000 at the date they were closed, then Margaret could claim the higher APS value of £30,000.

## Making an APS

The APS can be paid into an Isa with the Isa manager who held the deceased's Isa account or a different Isa manager. Isa managers, however, do not have to accept APSs. All APSs have to be made to the same Isa manager.

APSs can be paid into a cash Isa, a stocks and shares Isa, or an innovative finance Isa. It can also be paid into a lifetime Isa, but the APS will count towards the lifetime Isa current payment limit (of £4,000 which receives a bonus), although not towards the overall Isa subscription limit. (The lifetime Isa manager must not accept the subscription if it, together with other current year payments, exceeds the lifetime Isa payment limits.)

If the surviving spouse is 16 or 17, the APS can only be paid into an 'adult Isa', in other words, not into a junior Isa. Likewise, an APS cannot be paid out from a junior Isa.

An Isa opened solely to receive the APS will not cause the saver to breach the 'one Isa of each type per tax year' rule.

On paying an additional subscription into an Isa the spouse or civil partner will have to complete a new declaration, and, if paid to a new Isa manager, confirm they have not made any APS to the manager who held the deceased's Isa.

If the spouse or civil partner is paying the APS to a different Isa manager, then the chosen manager must send the deceased's Isa a notice saying they are willing to take the APS. The deceased's Isa manager must reply confirming the value of Isa at date of death or date it closed.

The spouse or civil partner can make a single APS or a series of APS (as long as it's within the allowance and is made within the time limits outlined below). An Isa manager may choose to only accept a single APS.

Once an APS has been made to an Isa, a surviving spouse can transfer that Isa to a new Isa under the normal rules.

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## APS paid as in-specie contributions

If the deceased died on or after 6 April 2018, then the value of the APS could be affected by any change in the asset values during the administration period. If they have increased, then it will be possible to transfer the full value to the Isa as long as the spouse or civil partner has chosen to use the APS limit based on the value of the Isa at the date it stopped being a continuing account.

If the spouse or civil partner inherits non-cash Isa assets these can be used to make an APS in-specie to the same Isa manager (that held the deceased's Isa). An in-specie contribution is not available if the spouse decides to make an APS to a different Isa manager.

## Time limits

An APS made in-specie must be made within 180 days of the distribution of the assets to the surviving spouse. The time limit runs from the date the spouse or civil partner becomes beneficially entitled to the non-cash assets.

The time limit for making APS paid as cash contributions is the later of:

- 180 days after the administration of the estate is completed; or
- Three years after the date of death.