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Adviser factsheet

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Junior ISA (JISA)

A Junior ISA (JISA) is a medium to long term tax-free savings and investment account for children.

JISA is the successor to the child trust fund (CTF). A child cannot have a JISA and a CTF at the same time (even if they are paying into only one of these) but they can transfer their CTF into a JISA.

Withdrawals from a JISA are not generally allowed and funds must remain invested in the JISA wrapper until the child's 18th birthday.

This factsheet gives a broad overview of the rules to help advisers and their clients navigate the JISA rules.

If you only read one thing

- A JISA is a medium to long term savings and investment account for children. Anybody can contribute to a JISA on the account holder's behalf and withdrawals are not usually allowed before their 18th birthday.
- There are two different types of JISA – cash JISA and stocks and shares JISA. A child may hold only one of each JISA type but transfers can be made between JISA types and/or between JISA managers.
- There is an overall subscription limit (to all JISA types) of £9,000 for 2024-25.
- Until 5 April 2026, individuals aged 16 or 17 will be eligible to apply for, and subscribe to, a single cash ISA in any tax year until their 18th birthday. In the tax year of their 18th birthday, they can subscribe up to £20,000 across all adult ISA types as well as paying into a JISA – a total of £29,000 for 2024-25.
- Income and gains on JISA investments are free of income tax and capital gains tax. A parent can make gifts into a JISA without the income generated thereon becoming taxable on the parent under parental settlement rules.

The different types

A JISA can be either:

- A cash JISA; or
- A stocks and shares JISA.

The 'one JISA per type' rule

A child can only hold only one JISA of each type at any one time. This is different to the rules for adult ISAs. An adult can subscribe to one of each type of ISA each year and could therefore end up with numerous different ISAs of the same type with different ISA managers.

At Autumn Statement 2023, the government announced a package of ISA reforms, which come into effect from 6 April 2024. An increase to the age for opening cash ISAs from 16 to 18 years old and over was introduced however transitional arrangements have been put in place.

The transitional arrangements end at midnight on 5 April 2026 and are as follows;

If, at 5 April 2024, an individual is 16 or 17 and does not have an existing cash ISA, they will be eligible to apply for, and subscribe to, a single cash ISA in any tax year until their 18th birthday.

Where an individual aged 16 or 17 holds an existing cash ISA, they may continue to subscribe to it or transfer it to another cash ISA after 6 April 2024.

Where an individual aged 16 or 17 has a cash ISA on fixed rate or fixed terms and it ends, maturing funds may be transferred to a new cash ISA, or the existing manager may transfer funds to a new or continuing product where this is provided for in the term and conditions of the existing account.

We may accept a transfer of an existing cash ISA held by an individual aged 16 or 17, but all current year subscriptions must be transferred, and the original account closed.

An individual aged 16 or 17 with a cash ISA is eligible for additional permitted subscriptions to that ISA, however any current year subscriptions must be transferred in full.

ISA managers can choose whether to offer cash ISAs to individuals who fall within the transitional arrangements.

Eligibility

A child is eligible to open a JISA if:

- they are under age 18 and do not have a CTF account (or are transferring their CTF to the JISA)
- they are resident in the UK, or are a UK Crown servant, married to or in a civil partnership with a Crown servant, or a dependant of a Crown servant

A new JISA cannot be opened on behalf of a child who is no longer resident in the UK. However, as long as the child was eligible when the account was first set up, further subscriptions can be made to an existing JISA and that existing JISA can be transferred between providers.

JISA applications

A child under 16 cannot complete a JISA application themselves. Only a person with parental responsibility can complete the application. A person with parental responsibility might be, for example:

- the child's natural parent.
- a person who has legally adopted the child.
- a person who has been granted parental responsibility by the courts.
- a local authority that has parental responsibility for a child in its care.
- The Share Foundation, which runs JISA and CTF schemes for children and young people in care.
- If a child is 16 or over, either the child or a person with parental responsibility can complete the application.

Registered contact

A JISA account must have a registered contact and, most often, this will be the person who completed the JISA application. There can be only one registered contact for a JISA at any time. They are the person authorised to give instructions about the management of the account, and the JISA manager will send all client correspondence and statements to them.

The registered contact will be either:

- a person with parental responsibility for the child holding the account; or
- the child holding the account – unless, in England or Wales they lack mental capacity or in Scotland or Northern Ireland they are suffering from mental disorder – if they are aged over 16 and have taken on management of the account by making an application to the account provider for registered contact status.

Change of registered contact

The registered contact cannot be changed until the existing registered contact gives consent to another person taking over the role, except where one of the following applies:

- the applicant for registered contact status is the account holder who is 16 years or older.
- on the death or incapacity of the existing registered contact.
- the JISA manager has received no communication from the existing registered contact in the previous twelve months and post has been returned unopened.
- a court order ends the existing registered contact being a person with parental responsibility for the child.
- a court has appointed a guardian or a special guardian of the child who holds a court order that the person who is the existing registered contact should cease to be so.
- the new registered contact has adopted the child under an adoption order.

Subscribing to a JISA

Any person can make subscriptions into a child's JISA, and the only amounts that can be withdrawn before the child's 18th birthday are to meet certain provider management charges and other specific expenses. Subscriptions can be paid into a JISA for any tax year in which the account holder is aged under 18 or has their 18th birthday. Subscriptions must be made in cash, which may include payment by cheque and by electronic banking.

The person(s) paying the subscription do not need to be related to the child nor do they need to be UK resident. All subscriptions paid by anybody other than the account holder are deemed to be gifts to the child and cannot be reversed or returned to the payer. For inheritance tax purposes, they are treated in the same way as any other gifts. Unless the payer is also the registered contact, they cannot give any instruction as to how the cash is to be managed or used in the JISA.

Subscription limits

The overall JISA subscription limit is £9,000 for the 2024-25 tax year. This can be split over a cash JISA and a stocks and shares JISA. If the full subscription is not used within the tax year, it will be lost. There is no opportunity to carry it forward.

In the tax year the child turns 18, they can still make JISA subscriptions up to the JISA limit. They can also make cash ISA subscriptions and, from their 18th birthday, subscriptions to a cash ISA, stocks and shares ISA, innovative finance ISA or lifetime ISA, subject to the overall ISA subscription limit.

The tax benefits of a JISA

Example

Kai has a stocks & shares JISA from 6 April 2024 to the eve of his 18th birthday on 8 August 2024. He can pay up to £9,000 into his stocks and shares JISA.

On his 18th birthday, his JISA becomes an adult stocks and shares ISA, which can accept subscriptions up to the annual ISA limit of £20,000.

So, in the tax year 2024-25 – Kai's 18th year – he can (for that one year only) subscribe £29,000 to what is effectively the same account.

Income and gains from savings and investments in a JISA are exempt from income tax and capital gains tax. The parental settlements legislation ordinarily deems a child's income generated from funds derived from a parent (but not from a grandparent) to be taxable on the parent, subject to a £100 per year de minimis. However, the income generated from subscriptions made by a parent into a JISA is not taxable under the parental settlements rules.

Qualifying investments for a JISA

The investments that may be bought, made or held in a stocks and shares JISA are generally the same as the investments that can be held in a stocks and shares ISA. The notable exception is that shares acquired under a Save as You Earn (SAYE) option scheme, profit sharing scheme or Share Incentive Plan (SIP) cannot be transferred into a stocks and shares JISA. There are also slightly different rules for holding an insurance policy within a JISA.

Transferring a JISA

JISA to JISA

JISA accounts can be transferred between providers or investments in a JISA may be transferred, in whole or in part, from one type of JISA - cash or stocks and shares - to another. An account may be transferred even if, at the time the transfer is made, the child would not be eligible for a new JISA (for example if they were no longer resident in the UK).

Previous years' JISA subscriptions can usually be transferred in whole or in part but the current year's JISA subscriptions must be transferred in full. As a child can only have one JISA of each type, part transfers of JISA investments can only be made to a JISA of a different type (for example cash to stocks and shares). A transfer from a stocks and shares JISA to another stocks and shares JISA must be a full transfer.

CTF to JISA

A child cannot have a CTF and a JISA at the same time (even if they are only paying into one of them). Instead, the whole of a CTF account can be transferred to a JISA. Where the CTF has a nil balance, the transfer process must still be followed as this allows the CTF provider to formally close their records. The annual subscription limit for a CTF is based on the child's birth year but JISA subscriptions are based on tax years. Where a CTF is transferred to a JISA, the CTF provider does not need to pass any subscription details to the JISA manager. So, once the transfer has been made, up to the full JISA subscription limit for that tax year can be made, regardless of any subscriptions made to the CTF in that year.

Voiding and repairing

If it transpires that a JISA is invalid because the child is not eligible for a JISA or they already have another JISA of the same type, HMRC will generally instruct the provider to void the JISA. This is where the account is treated for all purposes as if it were never a valid JISA. For example, if a JISA is opened on behalf of a child and the JISA manager is subsequently informed that a JISA of the same type has been opened on behalf of the same child elsewhere, the first JISA is a valid JISA and the second one must be closed.

In other circumstances where a JISA is found to be invalid, steps can be taken to repair the JISA. Repaired JISAs are treated as if they had been valid at all times. For example, if subscriptions for a tax year exceed the JISA subscription limit, the JISA is repaired by removing the excess subscriptions from the JISA.

Closing a JISA

A JISA can only be closed when:

- the account holder reaches their 18th birthday.
- the account holder dies before their 18th birthday.
- a terminal illness claim is accepted and all funds are withdrawn.
- HMRC instructs closure of a void JISA.

A nil balance arises because a small initial investment has been made, but contributions then stop and agreed charges bring the balance down to nil.

ISA rollover at age 18

When the account holder turns 18, the account stops being a JISA but any investments held at that date 'roll over' into a tax-free ISA wrapper. From their 18th birthday, the account holder has authority to instruct withdrawals from the account. Investments remaining in the account become subject to the ISA rules. Subject to the account holder providing their national insurance number, confirming they are UK resident and making the standard ISA declaration and authority, further subscriptions can be made to the account once it rolls over into an ISA.

Death of the child

Should the child die before they reach 18, the JISA will close and the investments will become part of the child's estate. Any subscriptions made after the date of death are not valid. When the child dies, the JISA tax advantages stop. This is different to the situation for adult ISAs where the tax advantages continue until the earliest of completion of the administration of the deceased's estate, three years after the date of death and closure of the account.

Terminal illness of a child

If the child is terminally ill, parents may make a claim to HMRC to be allowed to access the funds in the child's JISA. If agreed, HMRC write to the registered contact letting them know JISA funds can be withdrawn. The only person who can instruct withdrawals from the JISA on behalf of the child is the registered contact. In most cases, the withdrawal will be in cash but, if the provider allows, the investments in the account can be transferred to the registered contact directly.

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