

Flexible ISAs explained

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From 6 April 2016, the Government changed the ISA rules to allow ISA providers (including banks and building societies) to offer flexibility to savers.

Current Year Subscriptions

'Current Year Subscriptions' are the amount of 'new' savings you can subscribe (pay money in) to your ISA each tax year. This annual allowance for current year subscriptions is set by the Government and is the same for everyone. The allowance for 2021/22 is £20,000.

Previous Years Subscriptions

'Previous Years Subscriptions' are the amount of savings you have built up in your ISA before the start of the current tax year.

ISA Flexibility

ISA 'flexibility' allows you to withdraw and replace money from current and/or previous years subscriptions without the replacement counting towards your annual ISA allowance. Replacement money has to be paid into your ISA before close of business on the 5th April (the end of the tax year) following the withdrawal or it will count towards your annual ISA allowance. Some examples are given below.

Example (1) - Flexible ISA with current year subscriptions only. In this example you have subscribed to a cash ISA in the tax year and cannot subscribe another cash ISA in the same year.

£10,000 paid in to ISA 6 April 2021

Total ISA subscription £10,000
2021/22 ISA allowance remaining £10,000

£5,000 withdrawn from ISA 1 March 2022

Total ISA subscription £5,000
2021/22 ISA allowance remaining £15,000

Example (2) - Flexible ISA with previous years subscriptions only. In this example you have not subscribed to a cash ISA in the tax year so you can subscribe to this cash ISA or subscribe to another cash ISA in the same tax year.

£10,000 withdrawn from cash ISA 1 November 2021

Total ISA subscription £0
2021/22 ISA allowance remaining £20,000
2021/22 flexible replacement available £10,000

£10,000 paid in cash ISA 1 February 2022

Total ISA subscription £0
2021/22 ISA allowance remaining £20,000

Example (3) - Flexible ISA with previous years and current year subscriptions. In this example you have subscribed to a cash ISA in the tax year so you cannot subscribe to another cash ISA in the same tax year.

£5,000 withdrawn from ISA 6 April 2021

Total ISA subscription £0
2021/22 ISA allowance remaining £20,000
2021/22 flexible replacement available £5,000

£10,000 paid in to cash ISA 1 October 2021

Total ISA subscription £5,000
2021/22 ISA allowance remaining £15,000
2021/22 flexible replacement available £0

£7,000 withdrawn from cash ISA 1 December 2021

Total ISA subscription £0
2021/22 ISA allowance remaining £20,000
2021/22 flexible replacement available £2,000

£1,000 paid in to cash ISA 15 January 2022

Total ISA subscription £0
2021/22 ISA allowance remaining £20,000
2021/22 flexible replacement available £1,000

Q&A

Do all ISA providers have to offer flexibility on their ISAs?

No, the Government has made flexibility optional. Some ISA providers may limit which of their existing ISAs will become flexible, others may offer flexibility on their full range of ISAs. It's up to the provider.

Which of Newbury's ISAs will become flexible?

All open and closed issue ISAs will become flexible, apart from the Junior Cash ISA (JISA) and Member Cash ISA. Government rules do not allow JISAs to be flexible because money cannot be withdrawn until the child turns 18. The Member Cash ISA has been excluded because money cannot be added to it under the terms of the account.

What is my annual allowance? Does it include interest? Is it flexible?

The 2021/22 annual allowance is £20,000. It does not include your interest; this can be paid into your ISA on top of the annual allowance. If your ISA is flexible, you can pay in and take money out as many times as you like as long as you don't go over your annual ISA allowance.

My interest is paid out of my ISA to another account. Can I pay this back into my ISA as part of my flexible allowance?

You can pay your interest back into your ISA, as long as you do so within the same tax year. It will not count towards your annual allowance.

How do I know if I have subscribed to my ISA?

If the money you have paid in, less the money you have withdrawn, has been above £0 at any point in the tax year, you will have subscribed to that ISA in the tax year, even where your total subscription is now £0.

This means you can't subscribe to another ISA of that type in the tax year other than by transferring your original ISA into that new ISA (through the formal ISA transfer process).

How can I make sure I don't exceed my annual ISA allowance?

If you use our myaccounts service, you can see your balance and the transactions you have made in the current tax year. You can also see them in your passbook. If you are unsure about how much you can put into your ISA, you can ask your local branch or contact our Savings Team on 01635 555700. Any automatic payments sent to us through the banking system will be returned in full if you exceed your annual ISA allowance.

What happens if I transfer my flexible ISA?

You can't transfer any previous year ISA flexibility with your ISA so, if you wish to, you will need to replace any amounts you have withdrawn with your original building society/ bank before you start the transfer.

If you transfer your current year subscriptions, your current ISA provider will give your new provider the total of the subscriptions you have made minus any withdrawals. If you have withdrawn more than you have paid in, your current building society/bank will tell your new building society/bank that you have your full annual ISA allowance available.

Is Newbury offering Help to Buy ISAs?

Help to Buy ISAs are a type of cash ISA, introduced by the Government, to help first time buyers save towards their first home. Newbury Building Society is not currently offering Help to Buy ISAs.

Is it worth having an ISA now I have a Personal Savings Allowance?

From 6 April 2016, the Government introduced a new Personal Savings Allowance (PSA), which gives basic rate tax payers up to £1,000 a year in savings income without paying tax and higher rate tax payers up to £500. This means most savers will not pay tax on their interest and if they do, it will only be on the amount above their PSA. Interest on ISAs is tax-free and therefore does not count towards your PSA.

For many people, ISAs are still an attractive way to save because:

- Your situation may change. Even if your income takes you into a higher rate tax band (reducing your PSA), you won't pay tax on your ISA interest.
- Interest rates may go up. If rates increase, your PSA will be used up more quickly. For example, if your interest rate today on £100,000 is 1% and you are a basic rate tax payer, you will not pay tax on your interest. However, if the interest rate increases to 4%, then you will exceed your allowance by £3,000 and have to pay tax on this amount.
- Your spouse can inherit your ISA allowance (equal to your ISA savings). They cannot inherit your PSA.
- Government rules may change. If the PSA is removed, assuming ISAs remained with the same favourable tax treatment, the interest earned on the money in your ISA would be protected.

I need more information, where can I find it?

For general information on flexible ISAs, you can go to the Building Societies Association's website www.bsa.org.uk. A factsheet is available for consumers in the 'information' section of the website. Alternatively, please get in touch with one of our Qualified Savings Advisers at your local branch or call **01635 555700** and speak to our Savings Team.

Call: 01635 555700 | Visit: newbury.co.uk

Newbury Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register number 206077). English Law applies and we will communicate with you in English. We are participants of the Financial Ombudsman Service. We have a complaints procedure which we will provide on request. Most complaints that we cannot resolve can be referred to the Financial Ombudsman Service. 8294



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