BLACKSTAR

Deadline approaching for using your ISA allowances

Investors and their advisers should start to turn their focus to the end of the tax year on 5 April.

ISA contributions have historically always been focused on the end of the tax year. This is the case even though it would make more sense to invest at the *start* of the tax year, to maximise the period of tax shelter.

This time of year, the personal finance pages start to fill with stories about ISAs, often including tales of ISA millionaires. For all the coverage, these remain a rare breed, but they serve as a reminder that regular saving over a long term can create meaningful amounts of capital.

The past couple of years have seen total ISA contributions falling primarily due to a sharp drop in the popularity of cash ISAs. These have seen contributions fallen by over a third between 2014/15 and 2016/17 for two good reasons:

1. Ultra-low interest rates and limited competition between banks have made prospective returns look miserable, particularly as inflation has picked up; and

2. The introduction of the personal savings allowance in 2016/17 has meant many depositors no longer need an ISA to escape tax on their deposit interest.

Stocks and shares ISA contributions have reached a new high, probably helped by some ISA investors abandoning the cash version. This tax year there are a few of points to remember when making your stocks and shares ISA investment:

- The contribution limit (in total to *all* ISAs) is now £20,000, up from £15,240 in 2016/17. It will be held at £20,000 in 2018/19.

- Dividends within an ISA are free of UK tax. With the dividend allowance falling from £5,000 in 2017/18 to £2,000 in 2018/19, you may find you have to pay tax on shares held outside of an ISA.

- It is important to get your money into an ISA shelter. Whilst your annual limit can't be carried forward to the next year, you do not have to invest it all in funds by 5 April – once you hold cash in your ISA you can drip feed investment into funds, if you wish.

For more information and advice on selecting ISA providers, please talk to us ahead of the April deadline.

The value of your investment can go down as well as up and you may not get back the full amount you invested.
Past performance is not a reliable indicator of future performance.
Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.
The value of tax reliefs depends on your individual circumstances.

Tax laws can change.
The Financial Conduct Authority does not regulate tax advice.

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