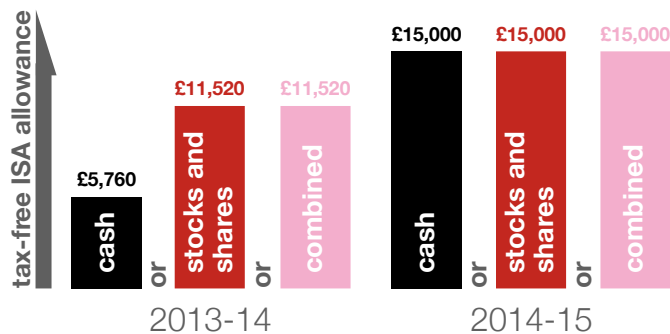




Budget 2014: the New ISA

The government announced at Budget 2014 that from 1 July 2014, ISAs (Individual Savings Account) will be reformed into a new simpler product, the 'New ISA' (NISA) with equal limits for cash, and stocks and shares.

From 1 July the NISA limit will be £15,000 - the biggest ever increase to ISA limits.



New ISA limit

From 1 July 2014 the overall NISA limit for 2014-15 will be £15,000, an increase of £3,480 from the 2013-14 limit.

The NISA will also offer you the option to save your whole NISA allowance of £15,000 in cash, stocks and shares, or any combination of the two.

For example, from 1 July you could choose to pay in:

- £15,000 to a Cash NISA and nothing to a Stocks and Shares NISA
- £15,000 to a Stocks and Shares NISA and nothing to a Cash NISA
- £5,000 to a Cash NISA and £10,000 to a Stocks and Shares NISA
- £10,000 to a Cash NISA and £5,000 to a Stocks and Shares NISA
- a combination of amounts between a Cash and Stocks and Shares NISA, up to the overall annual limit of £15,000

You are able to open one Cash NISA and one Stocks and Shares NISA each tax-year. However, once open, you can transfer your Cash or Stocks and Shares NISA between providers as many times as you wish.

Annual NISA allowances are aligned with the tax year, from 6 April to 5 April.

Before 1 July 2014

Between 6 April and 1 July 2014, the total amount that you will be able to pay into a Cash ISA is £5,940. If you also have a Stocks and Shares ISA, you will also be able to pay into that account, but the combined amount you pay into your Cash and Stocks and Shares ISAs must not exceed £11,880.

From 1 July 2014, your existing ISA will automatically become a NISA, with a higher limit and more flexibility. Thereafter you can then add further money to either your Cash or Stocks and Shares NISA, up to the new £15,000 limit.

Single, simpler NISA for cash and stocks and shares

From 1 July 2014, you are able to hold cash tax-free within your Stocks and Shares NISA, if you wish, and your provider allows this. However, many savers may prefer to hold separate accounts for cash, and stocks and shares.

Transferring existing savings from a Stocks and Shares NISA to a Cash NISA

From 1 July 2014, any money you have in a Stocks and Shares NISA can be transferred to a Cash NISA.

If you wish to make a transfer from 1 July 2014, you should approach the provider of the Cash NISA that you wish to transfer your funds to, who will contact the provider of your existing Stocks and Shares NISA to arrange the transfer. **You should not withdraw sums from your Stocks and Shares NISA in order to deposit it into a Cash NISA yourself.** If you do, any amount that you pay in will count as a fresh payment against the overall NISA limit of £15,000.

Different transfer rules will apply, depending upon when you paid into your Stocks and Shares account. But if you put money into your Stocks and Shares account between April and July 2014, this sum must be transferred as a whole. Other amounts from previous years may be transferred as a whole or in parts, as you wish, however not all ISA providers will allow part transfer, so you should check with your provider first.