The New ISA (NISA) Guide 2014/2015 Tax Year

Find out:

- What is a NISA and how to get the best rates forever
- If you should open an ISA now or wait until 1st July
- The best way you can take advantage of the new £15,000 limit
- Which providers allow NISA top-ups with our full up to date list

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The New ISA (NISA) Guide

What is an ISA? – the current position

An Individual Savings Account (ISA) is simply a tax free 'wrapper' offering you a tax break, so that you are sheltered from some or all of the tax on the investment.

Every year, all UK residents aged 16 or over have an annual ISA allowance, but they can subscribe to just one Cash and one Stocks and Shares ISA each year. The minimum age for a Stocks and Shares ISA is 18, so currently 16 and 17 year olds are restricted to £5,940 in a cash ISA.

In the current tax year (2014/15) the total ISA allowance is £11,880; at the moment, the full amount can be invested into a Stocks and Shares ISA, however only half (£5,940) can be invested into the Cash ISA. If you were to maximise your Cash ISA allowance, you can then choose whether to use some or all of the rest of your allowance (but it would have to go into a Stocks and Shares ISA).

No tax is payable on the interest earned in a Cash ISA, so if you've not used up your ISA allowance, you could be paying more tax than you need to.

Like savings accounts in general, Cash ISAs come in many shapes and sizes. They can offer easy access to your money, although any capital withdrawn from an ISA cannot be reinstated. Cash ISAs can also be Notice Accounts or Fixed Term Accounts.

Junior ISA (JISA)

As well as the adult ISAs there is also the Junior ISA, which replaced the old Child Trust Funds for any child born from 4th January 2011. These are much like adult ISAs but are only available to children up to the age of 18 with a maximum annual allowance of currently £3,840, rising to £4,000 from 1 July.

The main advantage of the JISA over a regular child's savings account is that parents can contribute into this account without falling foul of the tax rules that limit the interest on gifts from parents to less than £100 gross per year, per parent. To clarify, if money given to a child by a parent outside a JISA, earns gross interest of more than £100 in any tax year, the parent is taxed on all the interest. At an interest rate of around 3% a parent would fall foul of this rule on savings of about £3,300, and as the amount saved increases over time, it could have a significant impact.

However, the money cannot be accessed until the child reaches 18, which could be viewed as an advantage or a disadvantage. The main concern is that at age 18 the child has unfettered access to the money and they can choose to do with it what they wish, even if it originated from the parent.

In addition to their JISA allowance, children aged 16 can also open a cash ISA, so they could put the current cash ISA allowance of £5,940 into a tax free account. From 1st July the JISA could be topped up to the £15,000 maximum, although it needs to remain in cash, as under 18 year olds cannot open a stocks and shares ISA, even under the new rules. **However, the interest may not be tax free to the parent if gifted by them (under the £100 rule), even though it is in an ISA.**

As with adult ISAs you can use one provider for a cash JISA and another for a stocks and share JISA if you want to mix it up but a main difference is that you can't open a new JISA with a different provider each year – you'd have to transfer the whole lot (cash or stocks and shares) in order to move provider.

What's the point of a Cash ISA?

With the outlook seemingly bleak, savers are asking whether using their cash ISA is worthwhile, especially when there are high interest rate current accounts that pay better interest, even after basic rate and 40% tax has been deducted.

The problem is that if you don't use your ISA allowance within each tax year, you lose it forever. And while this may not seem to be a great loss right now, it would mean a reduced lump sum available to earn tax free interest in the future. Savers shouldn't forget that they could have amassed a hefty lump sum sheltered in a tax free environment so far.

If someone had invested the maximum amount into Cash ISAs since their introduction on 6th April 1999 and simply earned the equivalent of the Bank of England base rate, they could now have almost £66,000 sheltered from tax.

In addition if they had invested the maximum each year into the precursor to the ISA, the TESSA (Tax Exempt Special Savings Account), from 1st January 1991 and then kept the money in a tax free account – their original stake of £9,000 invested over the 1st five years, could be worth almost £23,000.

So in total, savers could have at least £89,000 sheltered in a tax free Cash ISA. Even with rates as low as they are, this could mean almost an extra £500 in tax free interest per year, for a basic rate tax payer, when compared to a taxable account. And when rates do become competitive once again, this would become even more valuable. Better in your pocket than in the taxman's.

Even non tax payers should consider a Cash ISA as over time, the amount they build up in this tax free wrapper could become considerable, yet, under current legislation, they'll never need to pay tax on it, even if their tax circumstances change.

What's changing?

From the 1 July 2014 all ISAs will become New ISAs (NISAs). This applies to all existing ISAs and new accounts opened after that date. Savers will be able to invest up to £15,000 for the current tax year (rather than the current £11,880 split between Cash and Stocks and Shares).

And even better, the NISA will offer the option to invest the whole allowance in cash if preferred rather than just half the total allowance, which is currently the case.

Current rules also state that if you have a Stocks and Shares ISA, you cannot transfer to a Cash ISA, although you can switch in the other direction – from Cash to Stocks and Shares. However, the introduction of the NISA turns that on its head. From 1st July, if you would prefer to reduce the risk of your Stocks and Shares ISA portfolio, you will have the option of transferring some or all of your ISA into cash. Of course, there is no guarantee that the interest rate earned will match or beat inflation.

It's high time that the ISA rules were changed so that those who would prefer to remain or switch to cash are not unfairly penalised. As people approach retirement, many may prefer to reduce their investment risk by switching to cash, so we commend the government for recognising this, as well as increasing the amount savers can invest, to £15,000 this year.

Topping up your ISA

Those looking to maximise their ISA allowance from the 1 July may want to top up an existing ISA account (for the current tax year 2014/15). Although many savers have asked if they will need to wait until 1 July to start their NISA in order to make the most of the new rules, the answer is not completely straight forward and depends on the type of Cash ISA they hold.

Variable Rates

As a rule, variable rate ISAs allow savers to deposit and withdraw from their account (subject to account specific terms and conditions such as notice or restrictions on withdrawals). However, as with all ISAs (and NISAs) once money has been withdrawn, it cannot be replaced and that portion of the ISA allowance will be lost forever. As the name implies, the rates on these accounts are subject to change depending on a number of factors, including changes to the Bank of England base rate.

Any savers that opt for a variable rate ISA in the current tax year and ahead of the 1 July 2014 increase shouldn't have any issue with topping up to the new limits. Of course it's wise to always check the full terms and conditions with your provider, but there is little benefit in holding out until the 1 July to maximise your ISA, as any delay is tax free interest lost.

Fixed Rates

Fixed rates on the other hand are a little more complicated. Fixed rates offer a fixed interest rate from the outset for the term of the account. In order to lock into these rates you generally sacrifice access to your money throughout the term and few accounts will allow additional deposits. This poses a problem for those looking to open a fixed rate ISA now, but wanting to maximise the allowance from July.

The truth is that every provider can be different, with many allowing top ups to existing current tax year fixed rate ISAs throughout July only. However some have extended this top up period to several months and in some cases even to the end of the tax year.

This can be extremely confusing and ISA savers could find that they have fallen foul of the rules, which could mean that they can't utilise their whole ISA allowance this year. Therefore, this year more than ever, its sensible to choose your ISA account wisely to ensure you don't miss out.

We've contacted all banks and building societies on the market that offer Cash ISAs to check their individual rules around topping up from 1st July.

Our handy guide should help you work through the maze of provider's variations in order that you choose the right account for you. And if you've already opened a fixed rate ISA this year, you can make sure you know when you need to top up by.

Provider	Top-ups Allowed	Time Limit for Top-ups	Notes
Aldermore	N	N/A	No additional deposits allowed, but will be able to open a new Fixed Rate ISA with the provider from 1st July *
Bank of Cyprus	N	N/A	Cannot add to existing Fixed Rate ISA, but can open a new Fixed Rate ISA with them (at the rate at the time) to pay in the rest of the £15k *
Bank of Scotland	Y	180 days from opening	Can be topped up within 180 days of the account being opened
Barclays	Y	05/04/2015	If Flexible Cash ISA (3 year fixed rate) opened, it can be topped up with 2014/15 full allowance until the end of the tax year
Yorkshire BS / Chelsea BS / Barnsley BS	Y	31/07/2014	Fixed rate ISAs opened this tax year can be topped up until 31st July 2014
Bath	Y	05/04/2015	Top ups allowed with no time limit, but their Fixed Rate ISA are only available to maturing ISA customers
Britannia	N/A	N/A	Currently no Fixed Rate ISAs available
Buckinghamshire	Y	31/07/2014	Fixed rate ISAs opened from April to July can be topped up until 31st July 2014
Cambridge	Y	05/04/2015	Top ups allowed from 1st July to the end of the tax year
Cater Allen	N/A	N/A	No fixed rate ISAs available at the moment
Charity Bank	N/A	N/A	No fixed rate ISAs available at the moment
Cheshire /Derbyshire / Dunfermline	Y	31/07/2014	Able to top up until the end of July or if there is a better one available can open a new one from 1st July *
Clydesdale / Yorkshire Banks	Y	31/07/2014	From 1st to 31st July **one** further deposit will be allowed into a FRISA opened this tax year
Coventry	Y	31/07/2014	Top ups will be allowed from 1st July until 31st July. If the FRISA is still available to open after 31st July, it can be topped up

Cumberland	Y	31/07/2014	Fixed rate ISAs opened this tax year can be topped up from 1st July for ONE month
Furness	Y	31/07/2014	Accounts opened from April to June will be able to be topped up during July 2014 only
Halifax	Y	180 days from opening	Can be topped up within 180 days of the account being opened
Ipswich	Y	05/04/2015	Top ups allowed from 1st July to the end of the tax year
Julian Hodge	Y	31/07/2014	Single additional deposit allowed up to 31st July 2014
Kent Reliance	Y	05/04/2015	Additional deposits allowed within the tax year with no time limit. Provider also allows multiple ISAs in same tax year so can open a new Fixed Rate ISA. *
Leeds	Y	31/07/2014	Top-ups to accounts opened in the 2014/15 tax year are allowed during July
Lloyds	Y	05/04/2015	Top ups allowed from 1st July to the end of the tax year
Manchester	N/A	N/A	No fixed rate ISAs available at the moment
Mansfield	N/A	N/A	No fixed rate ISA available this tax year - variable ISAs will allow top ups until the end of the tax year
Marks & Spencer	N	N/A	Will be allowed to top up, but each additional deposit will have its own start and end date. *
Metro	Y	31/07/2014	Top ups allowed from 1st July to 31st July if opened between 6th April and 30th June
Marsden	Y	05/04/2015	Top ups allowed from 1st July to the end of the tax year
National Counties	Y	05/04/2015	Top ups allowed from 1st July to the end of the tax year
Nationwide	Y	31/07/2014	Able to top up until the end of July or if there is a better one available can open a new one from 1st July. *
Natwest / RBS	Y	Previous Issue - until 18/07/2014 New Issue - until 08/08/2014 New Issue - until 22/08/2014	Previous Issue (4/4/14) - Until 18/07/2014 New Issue (released 7/5/14) - Until 08/08/2014 New Issue (10/6/14) - Until 22/08/2014
Newcastle	Y	31/07/2014	Fixed rate ISAs opened this tax year can be topped up until the end of July. Provider also allows multiple ISAs in same tax year. *

Norwich & Peterborough	Y	31/07/2014	Fixed rate ISAs opened this tax year can be topped up until 31st July 2014
Post Office	N/A	N/A	No fixed rate ISAs available this tax year
Principality	Y	05/04/2015	Top ups of fixed rate ISAs allowed until the end of the tax year
Progressive	N/A	N/A	No fixed rate ISAs available at the moment
Punjab National Bank	N/A	N/A	Savings Provider has not released information
Saffron	Y	05/04/2015	Will be allow a 'one-off payment' as a top-up from 1st July until the end of the tax year
Santander	Y	31/08/2014	Able to top up until 31st August
Skipton	Y	31/07/2014	Able to top up until the end of July
Tesco Bank	Y	31/07/2014	Able to top up until the end of July
Triodos	Y	31/07/2014	Fixed rate ISAs opened this tax year can be topped up until the end of July
TSB	Y	05/04/2015	Top ups allowed from 1st July to the end of the tax year
Ulster Bank	Y	11/07/2014	Fixed rate ISAs opened this tax year can be topped up between 1st and 11th July
United Bank Ltd	N/A	N/A	Savings Provider has not released information
United Trust Bank	N/A	N/A	N/A - The provider's fixed rate ISAs can only be opened by transfer, no new deposits allowed
Virgin	Y	31/07/2014	Only had FRISAs available to maturing customers, but these can be topped up until 31st July
West Brom	Y	30/09/2014	Fixed rate ISAs opened this tax year can be topped up until 30th September 2014

* Although the rules state that you can only subscribe to one Cash ISA manager each tax year, some providers offer a cash ISA that allows you to open multiple products with them each year. So customers can open more than one ISA product with that same provider, without flouting the rules.

Transferring your ISA – the golden rules

Unfortunately not all Cash ISAs will accept transfers and this may become a bigger issue once the new rules kick in from July 2014, as there could be some far larger sums being transferred from Stocks and Shares ISAs.

But once you have chosen your new ISA, there is a golden rule to be aware of when transferring. **Never simply cash in your ISA** – if you do this, you will lose your allowance forever. Instead you need to complete your new provider's transfer form, and then let them move the funds for you.

If you are looking to move past tax years ISAs, you can transfer either some or all to your new provider, depending on the terms and conditions, as some providers will not allow partial transfers. If they do, you could even transfer different amounts to different providers and types of Cash ISA – ie Fixed and Variable. However, if it's the current tax year, you can only transfer the full amount.

In the old days, these transfers could sometimes take months to happen. However since January 2011, the guidelines state that Cash ISA transfers should take place within 15 business days of the transfer instruction being received by the new ISA provider, unless there are reasons for this 15 day deadline to start later, for example if notice has to be given, or the maturity date has not yet been reached. It always makes sense to check what penalties might apply if you do look to transfer, especially if it is a notice or fixed rate account.

Ensure you're always getting the best NISA rates.

Choosing the right account from the outset is just part of making sure you're getting the best returns for your needs. Our best buy tables cover the whole market, are unbiased and accounts are selected from the best available, not by commercial arrangement. To save you time and effort we can deliver our best buy tables directly to your inbox either weekly or monthly, for free.

Keeping a close eye on your account and transferring when the rate becomes uncompetitive is just as important. Variable rates change and fixed rates mature, so rates can plummet to uncompetitive levels and therefore doing nothing can cost you dearly. Therefore, it's vital that you track your account and move your money regularly to keep you on the best rates. Best buy rates rarely stay best buy over the longer term, so sign up to our free Rate Tracker© service. That way you're always in the best rates, for life.

In addition to rates changing, once the new rules are introduced, those who transfer from Stocks and Shares to Cash ISAs, could find themselves with far more than the £85,000 that is protected by the Financial Services Compensation Scheme. So transferring could be important not just for the best rates, but also to keep your money secure. For more information about the Financial Services Compensation Scheme, click here.

How to get the best financial advice for your wealth management

Should you want financial advice, we are frequently approached by savers who are also looking for the best advice for their wealth management, click here to find out more.