

It's ISA time again.

In the space of two days (5/6 April) a couple can invest over £70,000 and have all the income and growth on the investment tax free with nothing to declare to the Revenue, by investing in an ISA. (Individual Savings Account)

There are two main types of ISA, Equity (Shares and Unit Trusts) and Cash. It is now possible to transfer (and the key word is **transfer!**) between the two.

With recent Tax Changes a question mark hangs over ISA accounts as it is possible to have £1,000 of interest a year tax free (£500 for high rate tax-payers) and £5,000 of dividends with no tax deducted, (that's up to £2,000 of interest for a couple and £10,000 of dividends!) so why invest in an ISA?

In a word "Simplicity."

Interest on bank and building society accounts and dividends not held in an ISA must be declared to the Revenue and could push you into higher rates of tax. If you invest in Shares or Unit Trusts outside of an ISA you could also be liable for Capital Gains Tax. (CGT)

Although you are each allowed £11,100 a year capital gain tax free, you must use the allowance every year or it is simply lost. This means buying and selling shares or Units for tax reasons, incurring costs and complications.

ISA accounts enable you to declare nothing; sell what you want when you want with no tax calculations to do and no danger of pushing you into higher rate tax brackets. Your accumulated ISA allowances are also transferrable between Spouses on death maintaining the tax free status of the funds.

With the new pension rules, we are now using ISA accounts to provide tax free income to clients rather than run down their Inheritance Tax free pension funds. See your IFA to ensure you use your full allowances and to arrange a transfer from Cash to an Equity ISA if it's right for you.