

Using the Additional Permitted Subscription (APS)

After her husband's death, Caroline wished to consolidate his ISA portfolio with her own and protect its full value from inheritance tax.

The Client

Amongst the investments Caroline inherited from her husband, Roy, she received his ISA portfolio.

Roy had been a real advocate of tax efficiency and, once they could afford it, they never missed an opportunity to utilise their annual ISA allowances. As a result, he had accrued a sizeable ISA portfolio spread across multiple providers. After his death, Caroline was keen to maintain her funds in their tax efficient wrapper.

Initially, Caroline was worried that Roy's ISA portfolio would lose its ISA status (and thus its tax efficiency) and she was concerned it would take several years of using up her own annual ISA allowance to move his sizeable portfolio across to her ISA portfolio.

After speaking with her financial adviser, Caroline was delighted to find out a piece of legislation that would allow her to transfer the full value of her husband's ISA portfolio into her own ISA account, preserving the tax efficiency that she desired.

Her adviser went on to say that if she elected to transfer the value into an AiM portfolio service, it should qualify for Business Relief and 100% relief from IHT after two years.

Our Solution

Caroline's financial adviser explained that the legislation allowing her to transfer her husband's ISA portfolio into her own is called the Additional Permitted Subscription or APS.

Key Features



IHT Relief

Investments should be 100% free from IHT after two years.



Control

Clients retain ownership of their capital so they keep control.



Retain ISA benefits

ISA funds are free from capital gains tax and income tax.

The full ISA portfolio value can be transferred using the APS to a surviving spouse without affecting their annual allowance entitlement and, unlike a pension, there is no cap or value limit (lifetime allowance).

Her financial adviser recommended investing in The Stellar AiM ISA Inheritance Tax Service, to maximise her ISA's tax efficiency and qualify for full inheritance tax relief after two years.

Results After Three Years

	Estate without IHT planning	Stellar AiM ISA IHT Service no growth (net)
Gross investment value	£400,000	£400,000
1% initial fee	-	(£4,000)
Net investment in Stellar AiM ISA IHT Service	-	£396,000
Inheritance tax at 40%	(£160,000)	-
Value of inheritance left to beneficiaries	£240,000	£396,000

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