

CASE STUDY

Additional Permitted Subscription (APS) with an AIM ISA



**PUMA
INVESTMENTS**

OVERVIEW

Although someone who is married or in a civil partnership does not pay IHT on money or property left to them by their spouse, until recently any investments held within an ISA lost their tax benefits when transferred to the surviving spouse.

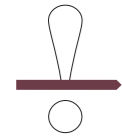
However, since 2015, a surviving spouse or civil partner is able to 'inherit' the tax benefits of their deceased partner's accumulated ISAs. This is called the 'Additional Permitted Subscription' (APS) and means that any accumulated ISA could effectively be inherited in the form of an increased ISA allowance, provided that the surviving spouse was living with the deceased within the meaning of section 1011 of the Income Tax Act 2007 at the date of the deceased's death. Once an APS has been arranged, the surviving spouse can keep the accumulated ISAs with the same product provider, or transfer to a new provider of their choice. Where an investor held ISAs with several companies, a separate APS is available for each. The APS doesn't affect the surviving spouse's own annual ISA allowance (£20,000 for the 2023/24 tax year).



Meet Susan

Aged 78

Susan and David had been married for 32 years and raised two grown-up children before David passed away. David's entire estate was left to Susan – including the family home (valued at £1 million) and his ISA investments. David had been a keen investor and as a result, he accumulated ISAs valued at £200,000.



The problem

David had not written a will, so his entire estate – including the family home and his Stocks & Shares ISA (valued at £200,000) – went to Susan.

Susan discusses David's estate with her financial adviser, who explains that now the house is in her name, as the surviving spouse she can leave it to her children, making use of the combined nil-rate band for couples and also transfer the unused Residence Nil-Rate Band (RNRB) inherited from David.

However, the adviser also informs Susan that her husband's accumulated Stocks & Shares ISAs will be subject to IHT. Without any available allowances left to claim, a 40% charge on the accumulated ISAs would leave an IHT bill of £80,000.



The solution

Susan's adviser explains that with careful estate planning, Susan's ISAs could achieve full IHT exemption, so both children inherit the full £200,000. He explains the benefits of using the APS, and gives her the information she needs to contact David's ISA providers and confirm the amount available to transfer.

After assessing Susan's investment objectives, her attitude towards risk, capacity for loss and personal circumstances, her financial adviser recommends an AIM IHT ISA.

Once Susan has held the AIM ISA for at least two years, the BR-qualifying shares can be passed to her children free from inheritance tax when she dies.

Susan inherits her husband's £200,000 in ISAs

With an APS Transfer into AIM ISA

After 2 years the investment becomes free from IHT



Susan passes

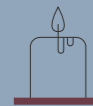
£0

Inheritance tax due

£200,000

Left to pass on

Without an APS Transfer into AIM ISA



Susan passes

£80,000

Inheritance tax due

£120,000

Left to pass on

Susan's children

The case study scenario is for illustrative purposes only and assumes no gains or losses on investments. The adviser will need to consider the eligibility and timings of tax reclaims and tax liabilities depicted, and the impact of charges, as relevant to the offering(s) represented and/or any specific offer chosen. Tax reliefs are not guaranteed and depend on minimum holding periods, the individual investor's circumstances and may be subject to change.

Get in touch

We're here to help

Contact us on 020 7408 4070,
email businessdevelopment@pumainvestments.co.uk
or visit www.pumainvestments.co.uk

RISK FACTORS

An investment in the Puma AIM ISA Inheritance Tax Service may not be suitable for all investors.

An investment in the Service carries risk and you should take your own independent advice. You should only invest in the Service on the basis of the Investment Overview and Investor Agreement, which details the risks of the investment. Below are the key risks of the Service.

Tax reliefs are not guaranteed

Tax rules may change, which could affect the reliefs available for IHT purposes. Tax reliefs are subject to an individual's personal circumstances and independent tax advice should be taken. While the Tax Adviser will also carry out an annual review of the portfolio, we can't guarantee that all portfolio investments will qualify for BR. If a company should be non-qualifying at the time of being selected for the portfolio or become non-qualifying thereafter, then any applicable BR could be reduced accordingly.

Long-term investment

An investment in the Puma AIM Inheritance Tax Service should be considered a long-term investment.

Capital at risk

The value of investments can go down as well as up, so investors may not receive their full amount invested. An investment in smaller companies is likely to be higher risk than many other investments. Companies quoted on AIM are likely to be more risky and have less rigorous listing requirements than companies quoted on the main list of the London Stock Exchange. Dealing costs may be significant, particularly in respect of a relatively small investment in the Service.

Past performance

The past performance of the Puma AIM Inheritance Tax Service, Puma Investments, the funds Puma Investments manages and the companies it advises, is not a reliable indicator of future performance. Future performance may be materially different from past results. There is no guarantee that can be given as to the overall performance or level of return that can be achieved from investments made, or that the objectives of the Service will be achieved.

Potentially illiquid investment

AIM stocks are largely small and illiquid. They are characterised by significant spreads and low trading volumes. A sale of such shares may be difficult, slow and only achievable at lower than indicated market price.

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