

A Guide to Stocks & Shares Individual Savings Accounts (ISA's)

A CSS INVESTMENTS GUIDE

A Modern Stockbroker with Traditional Values



The modern Stocks & Shares ISA

Important note - tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

The advantages of a Stocks & Shares ISA can sometimes be obscured in financial jargon. Should you consider one as a long-term investment vehicle?

To help you decide, we have put together a short guide that will hopefully answer your questions and allow you to make a more informed decision that fits your circumstances.

CSS Investments specialize in **Stocks & Shares ISA's**. We do NOT offer cash ISA's, Lifetime ISA's or Innovative Finance ISA's.

We do offer Junior ISA's.

If you require specific advice on a cash ISA or a Lifetime ISA, please contact another financial services provider, all references below are for comparison purposes only.

CSS Investments are not a tax advisory firm. All references to tax bands and rates are for illustrative purposes only. For specific tax advice, please contact your accountant or, for guidance visit www.hmrc.gov.uk.



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What is a Stocks & Shares ISA?

A stocks & shares ISA is an account that enables you to manage your investments in a tax efficient manner obtaining income and capital gains exemption.

The overall benefit is that you effectively pay no tax on income from capital gains on shares or bonds held inside the ISA, therefore increasing your portfolio returns.

The total ISA allowance for the tax year 2022/2023 is **£20,000**, which can be spread amongst Stocks & Shares, Cash ISA, Lifetime or Innovative Finance ISA's.

A stock & shares ISA is transferable between advisers, and you can take advantage of the cumulative benefit of each year's allowance that over time could lead to a sizable tax free source of funds.

A stocks and shares ISA is generally considered a longer-term investment, greater than 5 years. You can access your ISA funds and withdraw at any time.

What is a cash ISA?

A cash ISA is a tax-efficient way to save. Usually, when you have a savings account, you pay income tax on whatever interest you earn. With cash ISAs, the interest you earn doesn't get taxed, so you get to keep it all.

What is a Flexible ISA?

A flexible stocks & shares ISA is now available with our classic account via Jarvis Investment Management.

How it works.

A Flexi ISA allows you to withdraw cash and then replace it in the same tax year, without affecting your ISA allowance. Currently the annual ISA allowance is £20,000, if, for example you only pay £18,000 into a flexible Stocks & Shares ISA then withdrew £3,000, you would still be able to pay £5,000 back into your Flexi ISA within the same tax year.

Please ensure you are familiar with the Jarvis terms and conditions for the Flexi ISA before you open an account.



How could you split your ISA allowance?

You can choose how to split this allowance between the stocks & shares and/or a cash ISA. If you wish you can use the whole amount for stocks & shares or the whole amount for a cash ISA. The £20,000 allowance cannot be carried forward into future years so it is best to use it!

01

Use the whole allowance for either cash or investing

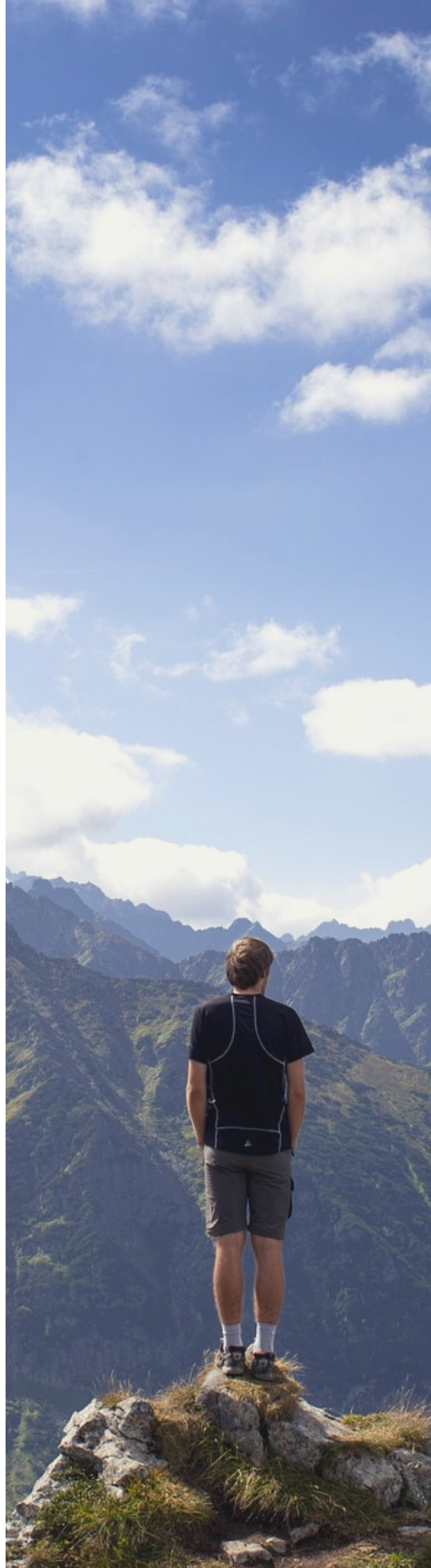
You can put all the £20,000 in a cash ISA. Or you can invest the £20,000 in a stocks & shares ISA or you can spread this amount.

02

Best of both worlds

You can split the allowance between cash and stocks & shares ISAs. You get to choose how much you allocate in each.

An example: You could invest £5,000 in a cash ISA, and £15,000 in a stocks & shares ISA. Or any other combination that follows the rule is that, combined, your tax-free ISA savings in the current tax year doesn't go over £20,000.





Once you have put the money inside a stocks and shares ISA, you can then manage your own investment portfolio. You can use your ISA allowance for investing in funds (shares or bonds from a number of companies combined into one investment), bonds (a loan to a company or a government), and/or shares in individual companies.

You can do this via the majority of online platforms on an execution only basis, or you can take advantage of market expertise via an advisory service, such as that offered by CSS Investments. We only specialise in stocks & shares ISA's.



What are the tax benefits of a stocks & shares ISA?

There are a number of specific tax advantages:

No capital gains tax on profits made if your shares are sold within an ISA.

For example: If you didn't have your investments in an ISA, any profits made above the annual capital gains tax allowance (£12,300 for 2022/23) would be taxable.

Dividend income outside an ISA

For the current tax year 2022/23, there is a £2,000 "dividend allowance" which means the first £2,000 of dividends is not taxable.

On dividends received above the £2,000 threshold basic rate taxpayers pay 8.75% tax and higher rate taxpayers pay 33.75%. Additional rate taxpayers will be taxed 39.35% on dividend income over the allowance.

However, using an ISA means that just for 2022/23 it is possible to shelter income from £20,000 of portfolio assets. This amounts to significant savings for all taxpayers.



Is a Stocks & Shares ISA right for you?

This ultimately comes down to your attitude to risk and your tax status

If you're in the lower tax rate band, then it may be prudent to take advantage of a simple cash ISA to ensure you don't get taxed on the interest.

With investing it is slightly more complicated and will depend on your individual circumstances. Ask yourself the following questions:

Are you paying capital gains tax on other assets?

- As mentioned above, a stocks & shares ISA means you are not paying tax on your profits in the form of capital gains tax.
- Be aware though that it is likely that this will only be relevant to you if you are making more than £12,300 a year of profits on other assets (such as property income, selling personal possessions or business assets. Full list at: www.gov.uk/capital-gains-tax/whatyou-pay-it-on) before this tax will take effect.
- If you are not, then this may mean that unless you're investing with fairly sizeable amounts in stocks and shares then capital gains tax is unlikely to apply.



Are you investing in bonds?

If so, your bond coupons/ interest income will be sheltered from income tax. In terms of capital gains these do not apply on bonds within an ISA.



Are you generating an income from dividend payments?

If you receive dividend income above £2,000 for shares held outside an ISA for 2022/2023 it is taxed at 8.75% for basic, 33.75% for higher rate and 39.35% for additional rate taxpayers.

This can represent a significant saving for higher rate tax payers, though not much benefit to lower rate tax payers.





Please remember...

that investments can **go down** as well as up and that this still applies to those held in an ISA, and to get the maximum value you need to structure it well. Do your own research, take advice or use a combination of the two before you make your decision.

You should also be aware that there are fees and charges for you to open and hold a stocks & shares ISA, which will vary for different providers. Do your research on each provider you are considering to ensure you are aware of all of these and they don't come as a surprise. CSS Investments is very competitive in this area, so contact us today and let us help in your decision making.

IN SUMMARY

If you are a smaller investor who is unlikely to use your capital gains allowance then you could gain more using your cash ISAs to save income tax.

If you're a higher rate taxpayer with a dividend income, it may be worth splitting the allowance across cash and investments.

If you are an equity investor, it will be beneficial to take full advantage of the stocks & shares ISA £20,000 limit for 2022/2023

You get a cumulative benefit of each year's allowance that, over time, could lead to a sizable tax free source of funds.

I hope this guide has been useful and that it answers some of the questions you may have around stocks and shares ISA's.

If you are considering putting a portion or your entire allowance into one, then you should also decide whether you should invest this through a managed provider, or whether you self-invest and keep control of decision making in your portfolio.

If you decide to self-invest then you then need to decide whether this will be via your own execution only account, or using the service of a qualified expert advisor.

Let CSS Investments help and advise you on your options by contacting us on **020 8057 6380**.

I hope you have found this guide informative and useful. I wish you the best for your investments.

Luca Sarri
Director & Co-Founder
CSS Investments Ltd.



CSS Investments strength comes from a business shaped around individuals. We produce the daily market newsletter called "The Morning Call", which has been voted The **BEST MARKET NEWSLETTER** by COLWMA in **2012, 2014, 2015, 2017, 2020, 2021 & 2022**.

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General Risk Warning

Trading in the products and services offered by Collins Sarri Statham Investments Ltd (CSS) may, result in losses as well as profits as the value of investments may go down as well as up. You may not get back the full amount you have invested. Any reference to past performance should not be viewed as an indication of any future performance. Investments held in overseas markets are subject to the effects of changes in exchange rates which will impact on the value of the underlying investment. Investments made in AIM and penny shares carry an increased risk due to the difficulty in creating a market in these shares. There may be a substantial difference in the buy and sell price. Leveraged products such as Contracts for Difference (CFDs), derivatives, commodities & Foreign Exchange (FX), carry a higher risk to your capital and they can lose their value rapidly.



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