

Case Study



Title: Cash ISAs & Junior ISAs

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Would it be possible for our daughter to open a Cash ISA, when she turns 16, if we have already opened a Junior ISA for her during the year?

My son will soon be 18 years old, would it be possible for parents to transfer funds to him without the need for us to worry about the £100 gross income rule (income from gifts taxed as the parent's income)?

A cash ISA would be owned by your daughter and the allowance is subject to her personal 'adult' ISA allowances and does not impact upon a Junior ISA which is managed by a person with parental responsibility until the child is 16. Junior ISA contributions can be made up until the child is age 18 by which time it becomes theirs absolutely. It is therefore possible for your daughter to open a Cash ISA whilst you make contributions to her Junior ISA.

Under the tax rules which apply when income is received by a child on capital which is gifted to them by a parent, a child is deemed to be anyone who is under 18 and unmarried. You therefore do not need to worry that income generated from such a gift will incur income tax for you. There could however be other implications such as inheritance tax, access and gifts with reservations rules which need to be considered.

http://www.hm-treasury.gov.uk/d/junior_isa_regulations_response.pdf

http://www.direct.gov.uk/en/MoneyTaxAndBenefits/ManagingMoney/PlanningYourPersonalFinances/DG_10013916

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