

## General Guidance on Additional Permitted Subscription (APS) ISA Allowance with Fundsmith

### About this General Guidance

Where a person who has an ISA dies, their Spouse<sup>1</sup> is entitled to invest the value of the Deceased's ISA into their own ISA. You, as the Spouse, do not need to actually inherit the ISA, nor do you necessarily need to transfer the ISA. It is simply an entitlement to top up your own ISA. This entitlement is referred to as the Additional Permitted Subscription or APS for short. Throughout this document we use the terms Deceased and Spouse for convenience.

This document is to help you understand the allowance and to help you fill out the necessary forms if you want to invest your APS allowance within a Fundsmith ISA. The rules are relatively complicated and we have, where possible, sought to make it as easy as possible to understand. Where relevant, we have included a footnote to give more detail.

Please note, you can use this allowance with any ISA Manager who offers APS ISAs. This could be where the Deceased held their ISA, where you hold your ISA or somewhere entirely different. The APS rules are, obviously, the same for all APS ISA providers, however, the forms and processes referred to in this document will differ between providers. If you are using someone other than us as the APS ISA Manager please consult them for details.

There have been some changes to the APS rules that came into force on 6 April 2018. If the date of death was before then, please do call us or consult your financial adviser or solicitor about the rules.

If you are unsure about whether or not this is suitable for you, please consult your financial adviser.

### What is an APS allowance?

The APS allowance is an additional investment allowance which is independent of the normal, annual ISA allowance. The allowance is broadly the value of the Deceased's ISA holdings (see below for details). This allowance is not dependent on inheriting the ISA or any other assets (that follows the normal estate process) rather, the APS is a right that you have as the Spouse to make an additional investment into your own ISA.

Where the Deceased held multiple ISAs with different ISA providers, there is an APS allowance in relation to each ISA. You may decide to combine them all together and invest in one APS ISA but you could keep them separate and invest with different APS ISA providers.

Clearly, in many cases, you, as the Spouse, may well also be the beneficiary under the will. This does change the process to be followed but it does not affect the allowance.

Whilst the exact rules are complicated, broadly speaking, you have three years from the date of death in which to use the allowance.

### Who is eligible for an APS allowance?

The APS allowance is available to the Spouse of the Deceased. The definition of Spouse is someone who, at the date of death, was:

- Married or in a civil partnership; and
- Not legally separated or likely to become legally separated (If your spouse was in a care home this would not generally be considered as legally separated).

The APS allowance is not something that can be transferred to another person; it is to be used solely by the Spouse.

### How is an APS allowance calculated?

Where the ISA investor died on or after 6 April 2018<sup>2</sup>, any ISA(s) held may remain open as a continuing ISA account of the Deceased, referred to here as a continuing ISA. The APS allowance equals the higher of the value of the ISA(s) at the date of death or the value of the ISA(s) at the date the ISA(s) cease(s) to be a continuing ISA.

The account will cease to be a continuing ISA on the earlier of the following:

- Administration of the Deceased's estate is complete;
- The ISA is closed; or
- 3 years after the date of death.

When you, as the Spouse, open an APS ISA account, the value of the APS allowance is then fixed and cannot be changed.

<sup>1</sup> We use the term 'Spouse' here simply to make the text more readable and flow better. Civil Partners are also eligible for an APS.

<sup>2</sup> If the date of death was before 6 April 2018, please contact us.

## Information about Additional Permitted Subscription (APS) ISA Allowance with Fundsmith

### How do I establish what my APS allowance is if I want a Fundsmith APS ISA?

The first step is to download the Additional Permitted Subscription ISA Application form from our website (Note: If you do not have access to the internet, please call 0330 123 1815). Once you have completed this form and sent it back to us we can establish what your APS Allowance is.

This form is reasonably self-explanatory and includes the details of the Deceased. It also includes a declaration confirming eligibility for a Fundsmith APS ISA and gives us the necessary authorities.

If the Deceased only held a Fundsmith ISA, we then have all the information we need from the form. We will send you a letter in due course telling you what your APS allowance is.

If the Deceased had an ISA managed by someone other than Fundsmith, then you will need to fill out the Transfer Authority section of the Application form. You will need to fill out the details for each ISA Manager if the Deceased held multiple ISAs. We will then contact those ISA managers to establish the value of the Deceased's ISA so that we can tell you what your total APS allowance is. The actual process is similar to an ISA Transfer. You tell us where the Deceased's ISAs are held and we, together with any third party managers, will do these calculations for you.

Once we have established your APS allowance, we will send you a letter informing you of the APS allowance and you can then make the APS investment.

Please note that once you have chosen to use the APS allowance from other ISAs with us, it is not possible to use it with any other ISA manager.

### How do I invest my APS allowance in my Fundsmith APS ISA Account?

There are two ways of investing into your APS ISA. The first is, if the Deceased held a Fundsmith ISA and you inherit this, you can do an 'in specie transfer' (i.e. just move the holding) across into your ISA. The more usual way of investing, however, will be you making a cash investment.

If you wish to transfer the Deceased ISA into your name via an 'in specie transfer', you will need to fill out the APS in Specie Transfer form. This form will also clearly need to be signed by the Executors or Administrators of the Deceased's estate to give their permission to take those assets from the estate. This will need to be completed within 180 days of you inheriting the ISA.

The more common way of investing is to send us the money. To do this, you will need to fill out the APS Cash Dealing form. You can put in the full allowance or a you can pay in instalments (subject to the fact that any investment has to take place within three years of the death of the Deceased).

### How do I use my APS allowance with another ISA provider?

You should approach your chosen APS ISA provider to start the process. They will contact us if the Deceased held an ISA with us and we will provide them with the details which they need.

They will then take you through their process.

### Once I have made my APS investment can I transfer the ISA funds?

After an APS payment has been made, the APS ISA account can be transferred to another ISA provider. If the APS allowance has not been fully used, and the original APS ISA provider allows payments in instalments, any further APS payments must be made to the original APS ISA provider before they can be transferred.

### Where can I obtain further information?

The HMRC bereavement helpline team at 0300 200 3300 will be able to respond to any detailed queries about dealing with the APS allowance or the Deceased's estate.

### Disclaimer

The information is current as at 6 April 2019. It is intended to provide a summary of the ISA regulations regarding Additional Permitted Subscriptions based on the authors' (Fundsmith LLP) understanding of current law and guidance.

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