



Individual Savings Account (ISA) held by Expatriates no longer living in the UK

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Who is this information sheet for?

If you lived in the UK and took advantage of an ISA* then you recognise that you are not taxed on the profits or income by the UK tax authorities. If you have retained your ISA but no longer live in the UK ** then this information sheet provided by the award winning OpesFidelio network of advisers will explain your potential tax liabilities and options you have available, who you should make declarations to and what happens when you encash your ISA, transfer it or take income from it.

* (explanation of various investment and Cash ISA's is in the Notes Page)

** (explanation of HMRC rules for expatriates is in the Notes Page at the end)



1. Who qualifies for an ISA? (Understanding Ordinarily Resident status)

Mostly adults over 18 who are **Ordinarily Resident** in the UK in the tax year of contribution; that is more than 182 days of the year living in the UK between 6th April and the 5th April the following year.

If you do not qualify you cannot apply, nor contribute to, an ISA with some exceptions (such as Crown employees, etc).

2. Who can advise on ISA's (classified as by regulators)?

An ISA can only be cash or stocks & shares. A cash ISA is often sold by building societies or similar and require no adviser investment licence. A stocks & shares ISA can only be advised by **MiFID qualified advisers and firms** such as the OpesFidelio advisory network.

An **IDD (insurance regulated only) firm CANNOT advise** on investment instruments within an ISA. An **IDD only regulated adviser also CANNOT advise you.**

3. Should tax be paid on encashments or income from ISA's?

HMRC in the UK confirm that there is no tax to be paid in the UK, whether you are Ordinarily Resident or not (see Q1 above). However, the legal borders of HMRC are those of the UK, and the tax-exempt status **ONLY** applies in the UK. If you are resident outside the UK (for example, in the USA or EU) any **gains or income must be declared in the country of residence**, which may or may not lead to tax, and this also applies on any wealth or tax declarations you may have.

4. Can an ISA be transferred?

Yes, irrespective of whether you are Ordinarily Resident or not (see Q1 above) you can move an ISA from one provider to another. Whilst some providers suggest they can do this in-specie (without selling down to cash all the investments before they are moved to the new provider) in reality this is rarely possible. This is also the case if you transfer out of the ISA to a local product.

Therefore, whilst you can move an ISA from one provider to another, if you have to sell the assets in order to do this, the gains become subject to declaration for tax purposes and assessment for tax in the country of client residence **and is likely to be taxable in most cases.**

5. What is the difference between an ISA and a GIA?

An ISA is a tax wrapper that is only recognised by HMRC and it is not recognised by any other tax authorities in the world. A GIA (General Investment Account) is an investment account held by a stockbroker or on a platform which often holds identical investments as an ISA but without any tax benefits.

This is critical to understanding as an expatriate living overseas when dealing with your local tax authority the two (ISA and GIA) should be treated identically.

Any income or growth achieved from an ISA should be declared at the point of access, and possibly annually, to your local tax authority. An ISA is effectively a GIA. It has no tax benefits outside the UK and also is not classified as pension income or retirement earnings.

6. My overseas adviser tells me transferring my ISA is tax-free

First, ask if your adviser is a MiFID investment regulated in the country you are resident. If not, then they cannot advise you on investment instruments within an ISA as they are not qualified.

Second, ask to see the PI or regulatory statement of the firm actually giving the advice or get them to confirm in writing that they hold investment licences and are on an EU or US register which allows the adviser to advise you.

Third, as explained in the previous section, any growth achieved from an ISA should be declared at the point of access (or annually) to your local tax authority in the same way you would do so for any investment (which may or may not lead to tax).

7. My overseas adviser tells me my ISA is tax-free and I do not have to declare the income I receive

First, ask if your adviser is a MiFID investment regulated in the country you are resident. If not, then they cannot advise you on investment instruments within an ISA as they are not qualified.

Second, any income received from an ISA should be declared at the point of access (or annually) to your local tax authority in the same way you would do so for any investment (which may or may not lead to tax).

8. Can I encash a single share in an ISA and re-invest in something else?

Yes, but if you live outside the UK, then any income or growth achieved from an ISA should be declared at the point of access to your local tax authority in the same way you would do so for any investment. It is not taxable or declarable in the UK unless you become resident in the UK again.

9. Should I retain my ISA whilst I am an expatriate living outside the UK?

This depends on what your future intentions are, how long you will live overseas, in which countries, whether you intend to return to the UK, where you will retire and where your beneficiaries live.

These questions are essential to knowing whether you retain an ISA or transfer to another vehicle that may or may not be more tax efficient for you whilst you live overseas. However, a transfer to a more tax efficient product still creates the possibility of a tax charge (see Q4 answer)



OpesFidelio advisers have a massive advantage as they have the regulatory status and are knowledgeable and experienced in answering your questions.

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Quick Summary

ISA's are only recognised for their tax efficient status by HMRC within the UK for Ordinary Residents. Additionally HMRC does not apply tax or seek to cancel the ISA status for expatriates after they have left the UK, although no contributions or new applications are possible.

Further an ISA is by nature a MiFID product and can only be advised by qualified and registered investment advisers in, or outside, the UK and within the European Union and USA.

Any income or growth achieved from an ISA should be declared at the point of access to your local tax authority, but also where required on your annual wealth and tax declaration. An ISA is effectively a GIA. It has no tax benefits outside the UK and also is not classified as pension income or retirement earnings.

Whilst individual shares within an ISA can be sold and bought, and also there can be a transfer between ISA providers ALL gains and income are subject to declaration and assessment of tax in the country of client residence and is likely to be taxable in most cases. Most tax advisers would advise a client to treat an ISA the same as a GIA account.

Example

If you, as the client, live in the EU and hold an ISA then the income and gains you receive should be declared and assessed for tax where you live. If you then transfer your ISA to a new provider and move part or all to cash, then the gains from the investments need to be declared in your EU country of residence because the ISA wrapper is not recognised outside the UK and you may have a tax bill upon transfer. This would be the same in the US and many other countries where you may also have annually reportable tax requirements.

Some advisers do not understand what an ISA is. As an expatriate, what RED flags should you be aware of?

Tax advisers overseas have found IDD advisers (this is a firm with an insurance licence) not only giving incorrect advice about ISA transfers being "tax-free" but actually operating outside their legal and regulatory status. Also IDD advisers appointing another MiFID firm cannot give investment advice as the other MiFID firm must give the advice directly to the client.

We have seen advisers and product promoters writing that clients can retain their "tax-free" ISA and transfer it without implications often as in-specie transfers. As far as we are aware, an in-specie transfer of funds from one ISA to a new ISA is not available without the funds being sold down to cash before transfer. This could potentially lead to significant gains being realised that could be open to a tax charge in the new country of residence that the investor may not be expecting. This is likely to lead to potential tax penalties but in the worst case, fines and an investigation.

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Notes Page

ISA holders who have moved out of the UK

If you no longer live in the UK then the related ISA rules from HMRC are:

- If you open an Individual Savings Account (ISA) in the UK then move abroad, you cannot put money into it after the tax year that you move (unless you're a Crown employee working overseas or their spouse or civil partner).
- You must tell your ISA provider as soon as you stop being a UK resident.
- However, you can keep your ISA open and you will not receive a tax bill in the UK on money and investments held in it*
- You can transfer an ISA to another provider even if you are not resident in the UK.
- You can pay into your ISA again if you return and become a UK resident

* While the ISA itself may get UK tax relief when you are a resident in the UK, and whilst you are NOT UK resident you do not have a tax liability on any growth or dividends in the UK (on GIA as well as ISA), this does not mean that tax relief is given in your new country of residence. Tax advice should be sought as to whether income, interest or gains within the ISA (or in effect a GIA) should be declared to the local tax office

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What is an ISA?

In the UK, ISA stands for Individual Savings Account. It is a tax-advantaged savings and investment account that allows individuals to save or invest money without paying income tax or capital gains tax on the returns.

There are several types of ISAs available in the UK:

1. **Cash ISA:** This type of ISA allows individuals to save money in a savings account without paying tax on the interest earned.
2. **Stocks and Shares ISA:** This ISA allows individuals to invest in a range of financial products, including stocks, bonds, and funds, without paying capital gains tax on the returns.
3. **Innovative Finance ISA:** This ISA allows individuals to invest in peer-to-peer loans and crowdfunded debt securities while enjoying tax advantages.
4. **Lifetime ISA:** This is a savings account designed to help individuals save for a first home or for retirement. Contributions made to a Lifetime ISA receive a 25% government bonus.
5. **Junior ISA:** This is an ISA specifically designed for children, allowing parents, family, and friends to save or invest on behalf of a child. The funds are generally inaccessible until the child turns 18.

ISAs have annual contribution limits, and the amount individuals can contribute may vary depending on the type of ISA. The tax benefits in the UK make ISAs a popular choice for individuals looking to grow their savings or investments while minimizing their tax liabilities in the UK.

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Not all investment and types of products are regulated. Investments go down as well as up, and past performance is not a reliable indicator of future performance.

If you require individual advice or wish to make or change an investment please contact your advisor.

The guidance contained in this brochure is targeted at those people who live outside the UK.