

Guide to Flexible ISA

Fusion Wealth Platform

IMPORTANT NOTE: Fusion Wealth does not offer advice on investment, legal matters or tax. You must seek advice from a qualified and suitably regulated professional.

Introduction

All stocks and shares ISAs held on Fusion Wealth platform are flexible.

Most ISAs allow you to withdraw money. Historically you could not pay this money back in without it being treated as part of your annual subscription limit. If that limit had already been reached, there was no way to return the withdrawals to the ISA. Under the flexible ISA rules you can repay money you withdraw from an ISA if you do so within the same tax year.

Flexible ISAs explained

A flexible ISA allows you to withdraw and replace money within the same tax year without the replacement counting towards your annual ISA allowance. For example, if you withdraw £5,000 from your ISA, you can pay this £5,000 back into the same ISA in the same tax year in addition to your usual ISA allowance.

Any withdrawals you take from your ISA will be deducted from your current year contributions, and if you withdraw more than you've paid in then you create a 'flexible allowance' in addition to your usual allowance for that tax year.

Example

You have £100,000 in your Fusion Wealth ISA, made up of £90,000 from previous tax years, and £10,000 contributed in the current tax year, with £10,000 of your current year allowance remaining.

You withdraw £20,000.

You can now pay in another £30,000 in this tax year, made up of the £20,000 that's been withdrawn and the remaining £10,000 of your allowance.

Things to consider

Think carefully before selling your investments

Whilst a Fusion Wealth Stocks & Shares ISA allows you to use the flexibility feature selling your investments and withdrawing the cash, a Stocks & Shares ISA is generally designed for those aiming to keep their money invested for at least five years or more.

It's important to remember that when your money is invested the value of your holdings is subject to rise and fall depending on the markets. If you were to take money out when markets have fallen, you could potentially be selling your investments at a loss. If the markets have risen by the time you look to reinvest your money, you may end up paying more to buy back your investments.

Transferring a Flexible ISA

You can transfer your ISA to or from Fusion Wealth by following our usual transfer process. Please see our Guide to Transfers for full details.

Our Stocks and Shares ISAs are flexible, but if you transfer your Fusion Wealth ISA to another provider who does not offer a flexible ISA your ISA will no longer be flexible.

If you transfer an ISA from another provider into our Fusion Wealth ISA, it will automatically become flexible.

Exclusions

Flexibility is not available for Junior ISAs.

Frequently asked questions

Will Flexible ISAs be back dated to the beginning of the 2023/24 tax year on launch?

Yes. When Flexible ISA is live on Fusion, any withdrawals made in the 2023/24 tax year to date will be replaceable.

Can I withdraw the previous tax year subscriptions from a flexible ISA?

Yes. You can withdraw money from current and previous years subscriptions and pay it back into your flexible ISA within the current tax year without it counting towards your current year's ISA allowance.

If I have previously withdrawn money from my ISA, during the last tax year, can I replace it in the current tax year?

No. Any money withdrawn must be replaced in the same tax year the withdrawal took place. At the start of a new tax year all ISA allowances are reset.

What happens to my ISA allowance if I transfer my existing flexible ISA to Fusion Wealth?

Your ISA manager will communicate to Fusion Wealth how much you can contribute within the current tax year.

Where withdrawals have been made from previous years subscriptions with the previous ISA manager, these cannot be replaced with Fusion Wealth.

Example

You have a flexible ISA with another provider, where you have £40,000 from previous tax years subscriptions and have not yet contributed to your current tax year allowance (£20,000).

You withdraw £10,000 from your account in the current tax year.

With your current provider your flexible allowance is £30,000, this includes the £10,000 you have withdrawn and the £20,000 you have available to contribute for this tax year.

As part of the ISA transfer process, the ISA allowance cannot exceed the annual ISA allowance and the provider will indicate whether a current year subscription has been made or whether no subscription has been made in this tax year.

Only the current tax years subscription allowance can be transferred.

In this example, when the transfer is applied, your remaining ISA allowance will be your current tax years allowance (£20,000). This will not include an allowance for the withdrawal made (£10,000) from your previous year contributions.

What happens if I transfer my Fusion Wealth ISA to a provider that doesn't offer ISA flexibility?

If your new ISA provider does not offer flexibility your ISA will no longer be flexible with your chosen provider. If, however your net contributions are Nil or a negative figure due to any withdrawals, we will report the contributions as Nil meaning you will still be able to contribute your full ISA allowance with the new provider.

Example

You Contribute £20,000 to your account in the current tax year, then withdraw £20,000 in the same tax year.

We will report to your new ISA provider that no contributions have been made, you will then be able to contribute the full £20,000 in the current tax year.

When replacing withdrawn money, does this have to be paid back into the same ISA account it was withdrawn from?

Yes, if you hold more than one ISA the withdrawn money needs to be paid back into the ISA it was originally withdrawn from. For example, if you hold 2 ISAs on the Fusion Platform and you withdraw money from your ISA1 account, this must be paid back into the ISA1 account.

Can I withdraw securities from my flexible ISA?

Only cash withdrawals can be flexible, meaning that you must sell any investments and withdraw the money in cash. The value of any investments you remove from your ISA in-specie will not form part of your flexible allowance. You cannot replace the value of any securities you re-register into your own name or into another type of account, such as a General Investment Account (GIA).

If I have made a withdrawal and a contribution in the same tax year, will it be credited as a replacement of the withdrawal or a new subscription?

We will allocate any payments towards the replacement of the withdrawal first, with any excess applied towards your remaining annual ISA limit for new subscriptions.

Are APS ISAs Flexible?

Yes, APS ISAs are flexible.

What happens if my ISA account is closed after a withdrawal, can I still replace this money in the same tax year?

Once your ISA account has been closed any flexible allowance will be lost as any withdrawn moneys must be replaced into the account it was withdrawn from. Fusion are unable to re-open a Closed or Pre-Closed account to be able to accept money being paid in.

What is considered a Flexible Withdrawal?

- One off Disbursements upon your instruction
- Regular Disbursements to yourself
- Income paid to yourself on behalf of any funds within the ISA Wrapper
- Cash Transferred to a GIA from your ISA upon your instruction

What is NOT considered a flexible Withdrawal

- Cash deducted for Fees
- ISA transfers to another provider
- Withdrawals instructed by the HMRC to cover a tax debt
- Withdrawals instructed by the HMRC to remove invalid subscriptions
- Withdrawals made on the authority of a court order
- Withdrawals placed by the ISA manager to cover penalty charges – for example, when the investor makes a withdrawal which breaks the terms and conditions of a fixed term product

Will I need a declaration to add a top-up for a Flexible ISA Replacement?

This will depend on whether the top up is solely for a replacement of a withdrawal or also using the current year allowance.

No declaration is needed when replacing only withdrawn funds, even if the ISA is not subscribing. If the top up is also using any of the current year allowance, then the normal rules will apply as to whether a declaration is needed. Your adviser will be able to inform you whether a declaration is required.

How does Flexible ISA work with MAXI ISA (Auto ISA Funding)?

Auto ISA Funding does not take Flexible ISA into consideration at the current time. This means that your MAXI ISA funding will not re-calculate for withdrawals made or contributions made to replace any withdrawals.

Example

You have quarterly MAXI ISA funding of £5,000 per quarter to utilise the full allowance over the year.

You withdraw £10,000 from your account in August.

Currently you have an allowance of £20,000, with £10,000 of that being the current year allowance and £10,000 being Withdrawal Replacement Allowance.

The remaining two MAXI ISA occurrences will still only invest £5000 each and will not accommodate the extra £10,000 allowance from the withdrawal. The remaining £10,000 will need to be keyed in as a top-up.

Example 2

You have quarterly MAXI ISA funding of £5,000 per quarter to utilise the full allowance over the year.

You withdraw £10,000 from your account in August.

You then replace that £10,000 in September as a manual top-up

The remaining two MAXI ISA occurrences will fail, this is because the withdrawal is not taken into consideration and the system calculates that you have already invested £20,000 in this tax year. The remaining £10,000 allowance will need to be submitted as a top-up.

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