



Merchant Cavendish Young

Junior ISA

The Junior ISA (JISA) will sweep away many of the legal and tax issues of investing for children and will provide additional advantages over the previous Child Trust Fund and offer possibilities for tax planning.

Like the adult version the Junior ISA (JISA) will be free from personal liability to income and capital gains taxes. This means that investment returns will not count towards the child's personal income tax or CGT allowances leaving them available for other investments or earnings as they may arise. Unfortunately it is only available to those children without a Child Trust fund. JISAs are available to any child born on or after 3rd January 2011 and any child under 18 years of age born before September 2002.

The JISA currently has an annual allowance of £3,600 per tax year and will be rolled over into an Adult ISA once the child reaches 18 years old.

There are two types of Junior ISA:

- Cash Junior ISA
- Investment Junior ISA (Stocks and shares Junior ISA)

Each child will be able to hold one of each account with different providers should they wish but the total combined investment allowance between the two accounts remains at £3,600 per tax year.

Unlike the adult ISA anyone can invest into a JISA allowing parents, relatives and friends to save in one single vehicle. No tax is payable by any contributor and this includes parents. Under the current income tax anti-avoidance rule on parental gifts to children which generate more than £100 gross income will not apply. This has been a distinct problem for parents in the past wanting to save for their children as relatively small gifts would be taxed at the parent's tax rate and not the child's.

JISA's automatically makes it clear that the child is the beneficial owner of the investments without the need for formal legal documents such as trusts and deeds of gift. This means that the child would have full access at 18 (a possible disadvantage for some) but not before as they cannot access the money before this date except on death or terminal illness. The child can though start managing the money from 16 if they want to.

Overall for parents, grandparents, other relatives and friends who want to provide a foundation for a child's financial future the combination of the potential tax benefits coupled with the simplicity of investing make the JISA a welcome addition to the tax planning store.

For more information on how to invest for a child please contact us.