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Autumn Budget 2024: Reeves scraps British ISA plans



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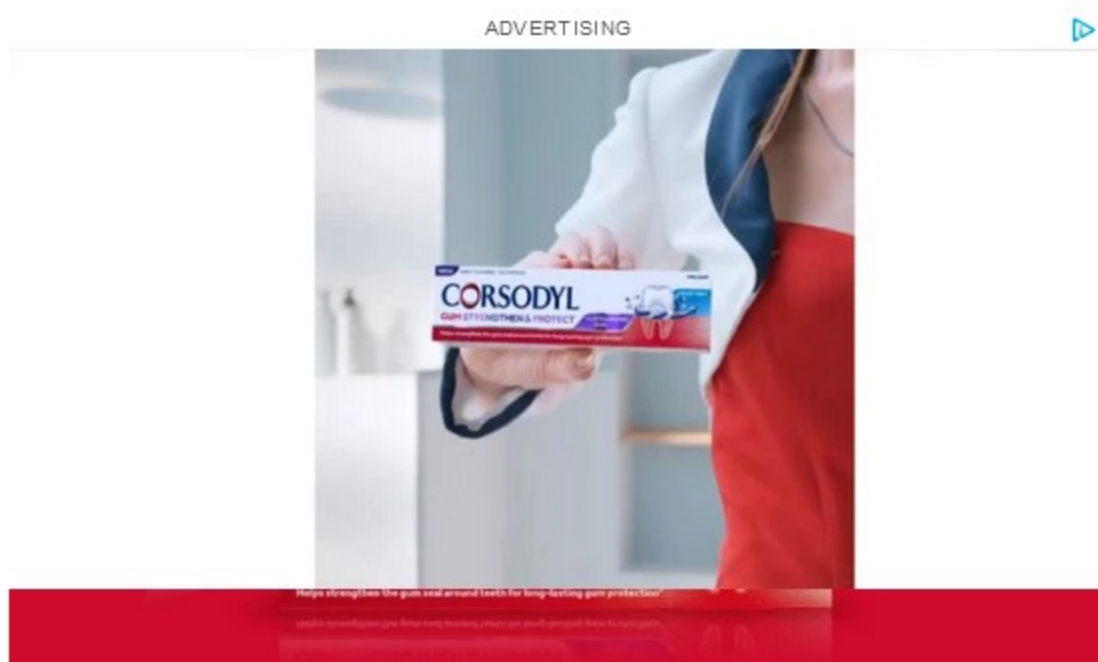
LONDON, ENGLAND – OCTOBER 28: Britain's Prime Minister Keir Starmer meets with Britain's Chancellor of the Exchequer Rachel Reeves, days before the announcement on the first budget of the new Labour government, at Downing Street on October 28, 2024 in London, England. Starmer and Reeves are meeting ahead of the Budget on Wednesday. (Photo by Hollie Adams – WPA Pool/Getty Images)

Chancellor Rachel Reeves failed to make any changes to Individual Savings Accounts (ISAs), keeping annual subscription limits fixed, while confirming that the British ISA would be scrapped

The annual ISA allowance has been constantly been upped in recent years, starting at £7,000 in 1999, then to £7,200 in 2008, £10,200 in 2011, £15,000 in 2014, and finally in 2017 to £20,000.

In the Budget today, the government said that the annual subscription limit will remain at £20,00 for ISAs, £4,000 for Lifetime ISAs and £9,000 for Junior ISAs and Child Trust Funds until 5 April 2030.

Reeves also confirmed Labour's decision to scrap the British ISA, which had been announced by former Chancellor Jeremy Hunt at the Spring Budget in March.



The specialist stocks and shares ISA would have allowed savers to invest an extra £5,000 tax-free in UK equities, on top of the £20,000 ISA allowance.

The policy received a mixed reaction from the City, with AJ Bell chief Michael Summersgill describing it at the time as a "political gimmick".

"It's a relief to see plans for a UK ISA finally dumped on the scrapheap," said Susannah Streeter, head of money and markets at Hargreaves Lansdown.

"The plan was to direct shareholders money into UK-listed companies, but such a move would have added unnecessary complexity and could have a negative impact on UK investors."



There had been anticipation of a shakeup in the ISA regime in the run-up to the Budget, as Labour had promised a path to ISA simplification in its manifesto.

In addition, Reeves had previously called for the ISA allowance to be frozen at £15,000 in 2016, stating that the constant increases in the ISA limit had "only helped those who can save big sum of money every year".

Reeves also has previously called for a lifetime limit on ISA savings of £500,000, though this has received significant pushback, with Baroness Altmann, a crossbench peer and former pensions minister, describing the proposed policy as "terrible" in the run-up to the Budget.

"The real issue lies not in a lack of ISA options, but in the fact that too much capital is currently tied up in low-yielding cash ISAs, which fail to benefit either consumers or the broader economy explained Rachael Griffin, tax and financial planning expert at Quilter.



"Encouraging more individuals to invest their savings for the long term—rather than sitting in cash—would bring far greater advantages to the UK as a whole.

"Scrapping the British ISA allows policymakers to focus on reforms that drive genuine economic benefit, such as simplifying the existing ISA structure and finding ways to encourage more UK households to shift from cash savings to long-term investments."

However, Richard Parkin, head of Retirement at BNY, said the Budget had been a "missed opportunity for ISA reform and simplification".

"Government missed an opportunity to simplify the regime by merging Cash and Stocks and Shares ISAs," he said. "This artificial division has, for too long, prevented people from thinking about their savings and investments holistically."