AJBell Investcentre

Adviser Update

# ISA changes for 2027

22 July 2026

## Overview

In the 2025 Budget, it was announced that from 6 April 2027 the cash ISA allowance would be reduced to £12,000 for those under the age of 65.

Alongside this there are anti-circumvention rules being put into place for other types of ISA.

This update provides information based on HMRC's factsheet published on 23 June 2026, newsletter of 24 June 2026, and draft regulations published on 16 July.

## Key changes from 6 April 2027

- Cash ISA limit for under 65s: £12,000.
- Ban on transfers from non-cash ISAs to cash ISAs for under 65s.
- 22% charge on any interest paid on cash in non-cash ISAs (except junior ISA).
- Non-cash ISAs invested entirely in cash-like assets will be non-qualifying investments.

## Cash ISA limit of £12,000

The new £12,000 limit for cash ISAs sits within the overall £20,000 ISA annual limit. The restricted cash limit is lifted from the start of the tax year in which the account holder turns 65. For example, an individual who turns 65 on 3 February 2029 could pay £20,000 into a cash ISA from 6 April 2028.

## Ban on transfers

Transfers from non-cash ISAs such as stocks & shares ISAs or innovative finance ISAs to cash ISAs will be banned.

This restriction is lifted from the start of the tax year that the account holder turns 65.

It will still be possible to transfer from cash ISAs to non-cash ISAs.

**The lower cash ISA limit and ban on transfers are removed from the start of the tax year the account holder turns 65**

## 22% charge

If stocks & shares or innovative finance ISAs pay interest or alternative finance return on cash held in them, then an amount representing income tax at the savings basic rate in force at the time is applied to that interest. When the rules come into force from 6 April 2027 this will be 22%.

This is paid by the ISA manager to HMRC.

The charge applies to interest paid on cash held, not on the cash itself.

The level of the charge is not related to the personal tax position of the account holder, meaning non-taxpayers cannot make any reclaim, nor is any further tax due from taxpayers who pay higher rates. It will not use up any of the account holder's allowances.

The charge will continue to apply regardless of the age of the account holder.

The charge does not apply to cash-like investments such as money market funds (but see below), nor to junior cash ISAs.

## Cash-like assets

Cash-like assets can be held in stocks & shares ISAs, provided they don't make up the entire portfolio. HMRC has stated that legislation will provide a list of cash-like assets to be included in the definition, but initially it will be limited to money market funds.

Bonds, including UK gilts, will not be treated as cash-like assets under the rules.

Where investors place the entire investment portfolio in cash-like investments, ISA managers will be expected to support investors to sell some of the assets to reinvest it in the ISA, or to remove the assets from the ISA completely.

There will be new reporting requirements for ISA managers on money market funds.

## Next steps

The consultation on the draft regulations closes on 2 August. HMRC has stated that the final regulations will be laid in the autumn, to come into force from 6 April 2027.



AJBIC/AU-ISA/20260724