

# GUIDE TO ISAs

2025/26

HARGREAVES  
LANSDOWN



### **IMPORTANT INFORMATION**

This guide isn't personal advice. If you're not sure whether a Stocks and Shares ISA is right for you, ask for [financial advice](#).

If you choose to invest in a Stocks and Shares ISA remember that investing for 5+ years increases your chances of positive returns compared to cash savings. But investments rise and fall in value, so you could get back less than you put in.

You're responsible for your investment decisions. ISA and tax rules can change and their benefits depend on your circumstances.

The information in this guide was correct as at April 2025 and applies to the 2025/26 tax year. The Active Savings service is provided by Hargreaves Lansdown Savings Limited (company number 8355960). Hargreaves Lansdown Savings Limited is authorised by the Financial Conduct Authority under the Electronic Money Regulations 2011 with firm reference 901007 for the issuing of electronic money.

# WELCOME

Whether you're thinking about investing, or are looking for a better way to save, ISAs are a sensible option.



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Investment Writer



The benefit of all ISAs is that they give you the freedom to save or invest without paying any UK income or capital gains tax.

They're easy to understand, flexible, and best of all, you don't have to pay income or capital gains tax on your savings or investments.

In this guide we'll take you through some of the different types of ISA, how they work and what the benefits and risks are.

We'll also help you understand investing with an ISA, so you know how to get started if that's what you choose.

An ISA is an Individual Savings Account. There are different types of ISA to help you save or invest, depending on your goals. The four main types are Cash ISAs, Stocks and Shares ISAs, Lifetime ISAs, and Innovative Finance ISAs.

The benefit of ISAs is that they give you the freedom to save or invest without paying any UK income or capital gains tax.

The amount you're allowed to put in ISAs is capped each tax year – in the 2025/26 tax year, the **overall ISA allowance** is £20,000.

Tax rules can change and benefits of ISAs will depend on individual circumstances.

# £20,000

ISA allowance 2025/26



Cash  
ISA



Stocks and  
Shares ISA



Lifetime  
ISA\* (£4,000  
maximum)



Innovative  
Finance ISA

Money can be split between each type of ISA.

# £9,000

Junior ISA allowance 2025/26



Junior  
Cash ISA



Stocks  
and Shares  
Junior ISA

\*Can only be opened by 18-39 year olds.

# ISA BASICS

## WHO CAN HAVE AN ISA?

If you're UK resident and over 18, you can choose between a Cash ISA, Stocks and Shares ISA, Lifetime ISA (if opened under 40) or Innovative Finance ISA.

To open a Junior ISA, you'll need to be the parent or legal guardian if your child is under 16. If they're 16 or over, the child can open one themselves. Some providers, including Hargreaves Lansdown, do not permit children under 18 to open or manage an account independently.

It's not possible to open a joint ISA, and not generally possible to open an ISA for another adult.

## THE ISA ALLOWANCE

Each tax year (6 April to 5 April), there's a maximum amount of money you can put in ISAs, called the ISA allowance. You have until 23:59 on 5 April each year to add money to your ISAs, and any unused allowance each year doesn't carry over.

## IN THE 2025/26 TAX YEAR THE ALLOWANCE IS £20,000.

The ISA allowance is only for the money that you put into ISAs each year. It doesn't include the total amount that's in your ISAs from previous tax years, or the returns you earn from contributions in your ISA.

So if you put £10,000 in an ISA in the 2024/25 tax year, you could still put up to £20,000 in this tax year. You can only put

a maximum of £4,000 into a Lifetime ISA each year.

If you put £20,000 in a Stocks and Shares ISA and your investments grow, that growth won't count towards your allowance, but is still free from UK income and capital gains tax. This way, over time you could potentially hold quite a substantial savings pot tax-efficiently in an ISA.

## HOW MANY ISAs CAN YOU HAVE?

You can hold and pay into any number of ISAs with the same or different providers each tax year, except the Lifetime ISA where you can only pay into one each tax year. In all cases you need to make sure the money you put in across all your ISAs doesn't go over the annual £20,000 ISA allowance.

A child (under 18) can only have one Junior Cash ISA and one Junior Stocks and Shares ISA.

## HOW IT WORKS

Let's say you have a Cash ISA, a Lifetime ISA, and a Stocks and Shares ISA. You put £1,000 in your Cash ISA and £3,000 in your Lifetime ISA. That means there's £16,000 left of your £20,000 ISA allowance this tax year.

Note that the Junior ISA is a separate type of ISA for under-18s and isn't included in this overall £20,000 limit.



# TYPES OF ISA

# CASH ISAs

A Cash ISA works just like a normal savings account, except you don't pay income tax on the interest you earn.

It's a popular and stable way to save, since your money won't be invested in the stock market.

There are two main types of Cash ISAs – variable and fixed rate. Variable products, such as easy access, give you the freedom to withdraw your money when you like, but the rate can change at any point.

Fixed rate products offer a guaranteed interest rate for the duration of the product, but you can usually only access your money when they end. They normally pay a higher rate than variable products and, typically, the longer you fix for, the better the rate is.

If you have a flexible Cash ISA you can withdraw money and replace it in the same tax year without using up more of your annual ISA allowance for that year.

## **IS A CASH ISA RIGHT FOR YOU?**

A Cash ISA is a low-risk way to save, but it isn't risk-free. Inflation will reduce the value of your money over time so you should keep an eye on the interest rate you're getting and compare it to the rate of inflation.

It's always a good idea to keep enough of your money in cash to cover emergencies and any known expenses within the next

five years. This could be something like a new car, home improvements, or anything else you're saving for. But once that's done, a Cash ISA might not always be the best way to save for the long term. If you can accept the risk that your money will go down as well as up in value, a Stocks and Shares ISA could be a better option.

If you're going to open a Cash ISA, make sure you shop around for a good interest rate for the duration of the term you are looking for, and keep an eye out for high rates that drop after their initial period. Remember you can always transfer an ISA between providers, or to a different type of ISA later if you want to.

You may be able to earn up to £1,000 interest a year in normal savings accounts without paying tax, through the Personal Savings Allowance. But the amount you can earn tax-free depends on your income tax bracket. Basic rate tax payers can earn up to £1,000, for higher rate tax payers it's up to £500, and it's £0 if you're an additional rate tax payer. Low earners may be able to earn more interest without paying income tax on it. Scottish taxpayers should also use the UK tax bands for working out their Personal Savings Allowance.



## **CASH ISAs AT A GLANCE**

- Low-risk way to save money
- No UK income tax
- Fixed and variable rates available
- Withdraw cash when you need to
  
- Growth can be limited when interest rates are low
- Inflation could reduce your savings' worth over time

# STOCKS AND SHARES ISAs

With a Stocks and Shares ISA you can put money into an ISA and use it to buy shares, funds and other types of investments.

The money you invest is free from UK capital gains and income tax.

By investing you can potentially grow your money more than by just saving in a Cash ISA. But there is risk with investing, because investments can go down in value as well as up, meaning you could lose money.

Stocks and Shares ISAs are generally best for investing for at least five years. That's because the longer you invest, the greater the chance that your money will outperform cash.

When your money's invested in a Stocks and Shares ISA you can still withdraw it whenever you need to – but remember investing should be for the long term. Your investments will need to be sold first though, so your money might not be available for a few days.

## INVESTMENT OPTIONS

In a Stocks and Shares ISA, you can usually invest in:

- Funds
- Shares
- Investment trusts
- Exchange-traded funds
- Government bonds (gilts)
- Corporate bonds

You can also hold cash in your Stocks and Shares ISA.

## IS INVESTING RIGHT FOR YOU?

Whether investing is the right option for you depends on your goals, how comfortable you are making investment decisions, and how you feel about taking risks.

## CHOOSING INVESTMENTS

Whether you're new to choosing investments or more experienced, you can use investment updates, research articles and guides to learn about opportunities and grow more confident in your own decisions.

And if you'd rather not select your own individual investments, many ISA providers offer ready-made portfolios to put in your ISA. While you'll still want to keep an eye on your investments, checking they remain the right choice for you, the responsibility of choosing the underlying investments can be left to the experts.

## UNDERSTANDING RISK

It's also good to remember that not all investments have the same level of risk. Just because you're investing it doesn't mean you need to buy individual shares, which tend to be higher risk. Instead you could consider starting with funds. Funds hold a variety of investments within them, spreading risk and offering opportunity for growth over time. You can choose funds based on your own attitude to risk and pick a level you are comfortable with.

**Tip:** Find out more in our Guide to funds

Also, when choosing a ready-made portfolio for your Stocks and Shares ISA, you usually have the option of selecting it according to the amount of risk you want to take.

A more conservative portfolio might mean slower growth, but can offer the peace of mind that comes with more stability. If you're more adventurous, you could find yourself with higher growth, though you need to be comfortable with higher risk.

Whatever level of risk you choose to take, no investment can be risk-free. The value will go up and down, so you could get back less than you put in.

## FINANCIAL ADVICE

Either one-off or ongoing financial advice from a professional adviser is also an option if you're ever unsure about investing. You don't necessarily need vast savings.

## HOW TO GET STARTED

All you need to do is choose a provider, open a Stocks and Shares ISA, and then choose your own investments, or a portfolio. You can find out more about the HL Stocks and Shares ISA at the end of this guide.



### STOCKS AND SHARES ISA AT A GLANCE

- No UK income or capital gains tax
- Freedom to invest if you're comfortable with the risk (you can also hold cash until you're ready to invest)
- Although investing is for the long term, you can withdraw money when you need to
- Risk of losing money, because you're investing in the stock market
- Withdrawing money may not be immediate – it can take a few days

Tax rules can change and benefits depend on individual circumstances.

## THE TAX BENEFITS OF ISAs

All ISAs allow you to save and invest without paying UK income or capital gains tax. While many savers also won't pay tax on interest in regular bank or building society savings accounts, if you have a sizeable savings pot, ISAs could potentially save you quite a lot in tax.

RATES OF TAX	Basic rate tax payer	Higher rate tax payer	Additional rate tax payer	ISA investor
Capital gains (in excess of the £3,000 annual allowance)	18%	24%	24%	0%
Dividend income over £500 (e.g. income from shares)	8.75%	33.75%	39.35%	0%
Interest income (e.g. from cash, corporate bonds and other fixed interest investments)*	20% (over £1,000)	40% (over £500)	45%	0%

Tax rules can change and benefits depend on individual circumstances.

\* This example assumes an English resident has fully used their personal allowance and none of the interest falls within the starting rate for savings



# LIFETIME ISAs

Saving up enough to buy your first home can be daunting, but there's a helping hand.

Lifetime ISAs were created to give you a boost towards buying your first property, if you're between 18 and 39 years old.

You can hold cash in a Lifetime ISA, or choose to invest it, just as you would in a Stocks and Shares ISA. Though remember with investing, your money is at risk, you could make a loss.

## HOW IT WORKS

Until your 50th birthday you can put up to £4,000 into a Lifetime ISA each year, and the government will add an extra 25%, up to £1,000 a year. All money in your Lifetime ISA is free of UK tax, so it's a great bonus for your savings.

There are strict rules about when you can take money out of a Lifetime ISA without paying a government withdrawal charge.

You can withdraw your money if you're buying your first home (with a purchase price of up to £450,000). You also have the option of leaving the money in your Lifetime ISA and withdrawing it from age 60.

In most other cases, if you want to withdraw your money you will pay the government withdrawal charge of 25% of the amount withdrawn, so you could get back less than you put in.

## LIFETIME ISAs AT A GLANCE

- Save for your first home or later life
- Get up to £1,000 a year, from the government
- Save cash or if comfortable with the risk, invest in the stock market
- Only eligible to open an account if you're 18-39 years old (though you can continue to contribute up to your 50th birthday if you already have an account)
- Strict rules on what you can withdraw the money for, and when, without paying a government withdrawal charge



## HELP TO BUY ISAs

Before Lifetime ISAs were introduced in April 2017, Help to Buy ISAs offered a way to save for your first home. They are now closed to new investors.

Help to Buy ISAs have a smaller government bonus (up to £3,000 total), a lower ISA allowance (£2,400 per year), and a lower maximum house price (£250,000 or £450,000 in London).

Unlike with a Lifetime ISA, you can't invest your Help to Buy ISA. The bonus gets paid directly to your solicitor or conveyancer, and only when you're buying your first home.

# JUNIOR ISAs

## Thinking about saving or investing for your child's future?

Any parent or legal guardian can open a Junior ISA for a child under 18 years old.

Just like regular ISAs, there are Junior Cash ISAs and Junior Stocks and Shares ISAs. Their yearly ISA allowance is different from adult ISAs though – this tax year it's £9,000.

Anyone can add money to your child's Junior ISA – for example grandparents, friends and relatives.

When your child turns 18, their Junior ISA becomes a regular ISA and they can save and invest themselves. Usually only your child can withdraw the money in their Junior ISA, and only from their 18th birthday.

### JUNIOR ISAs AT A GLANCE

- Start saving or investing early for a child under 18
- Anyone can add money to your child's Junior ISA
- Choose from Junior Cash or Junior Stocks and Shares ISAs
- Transfer a Child Trust Fund to a Junior ISA
- Only your child can withdraw money, from their 18th birthday
- Risk of losing money in Junior Stocks and Shares ISA – value will go up and down

**Maximum you can put in a Junior ISA 2025/26 tax year: £9,000**

### CHILD TRUST FUNDS

A Child Trust Fund (CTF) is a tax-free savings account, similar to a Junior ISA. They were available for children born in the UK between 1 September 2002 and 2 January 2011.

If your child already has a Child Trust Fund, you can't open a Junior ISA for them straight away. You'll need to transfer their Child Trust Fund to a Junior ISA first.



## INNOVATIVE FINANCE ISAs

An Innovative Finance ISA (IFISA) is for peer-to-peer lending and investments.

It lets you use the yearly ISA allowance to lend funds directly to other investors via the Peer-to-Peer lending market. Like all other ISAs, your money is free from UK income and capital gains tax.

While interest rates tend to be generous in IFISAs, as with any form of investing, your capital is at risk and you could lose money.

# TRANSFERRING ISAs

It's easier to manage your ISAs when they're in one place.

The best part is, transferring doesn't count toward your ISA allowance (although if transferring to a Lifetime ISA it may count towards your Lifetime ISA allowance).

## TRANSFERRING BETWEEN TYPES OF ISA

You can also move between types of ISA, for example if you'd like to transfer your Cash ISA to a Stocks and Shares ISA. Just remember that if you have a fixed rate Cash ISA and you transfer it before the fixed term ends, you may have to pay a penalty.

## TRANSFERRING PART OF AN ISA

New rules introduced in April 2024 mean it's possible to request a partial ISA transfer, no matter when you made the subscription. Previously the rules forced an all-or-nothing approach when transferring money you'd paid in during that tax year.

The change means you'll be in charge of how much you want to transfer, no matter when you made the subscription.

## ISAs IN A NUTSHELL

An ISA is an Individual Savings Account. It lets you save and invest without paying UK income or capital gains tax.

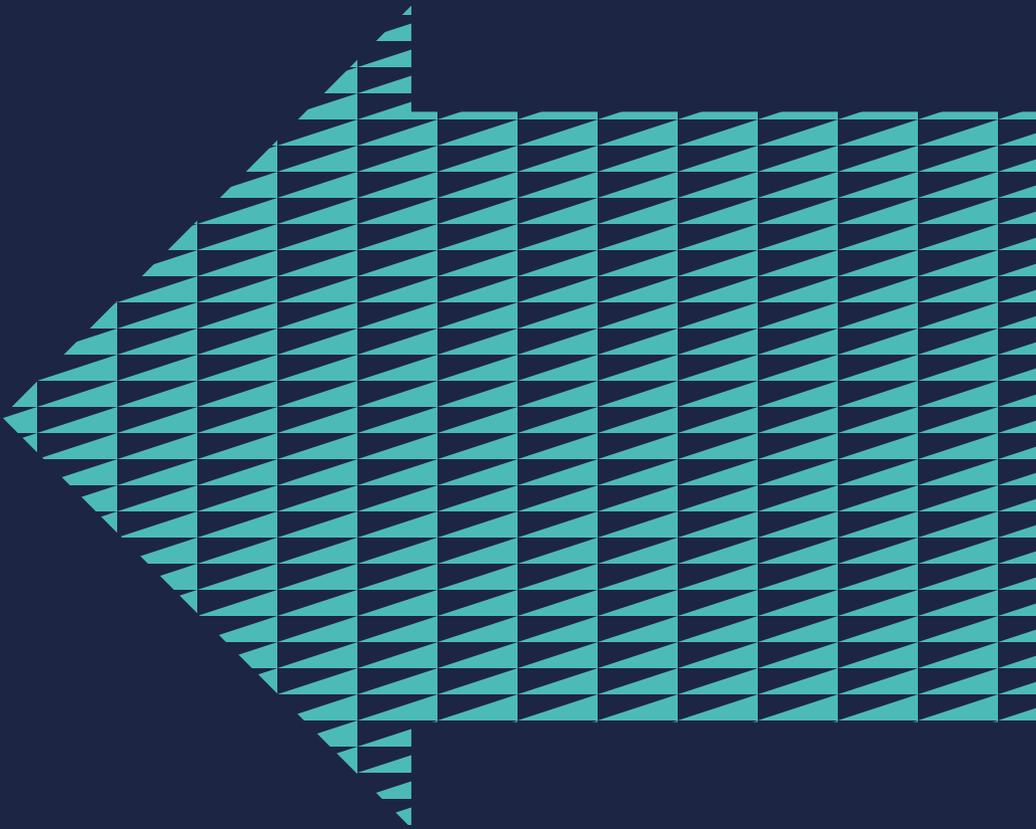
Each tax year there's a maximum allowance you can pay into ISAs.

The 2025/26 ISA allowance is £20,000.

- A **Cash ISA** is for saving cash.
- A **Stocks and Shares ISA** is for investing in the stock market.
- A **Lifetime ISA** is for saving to buy your first home (or for later life).
- An **Innovative Finance ISA** is for peer-to-peer lending.

Parents or legal guardians can open a **Junior ISA** for a child under 18.

Some providers, including Hargreaves Lansdown, do not permit children under 18 to open or manage an account independently.



# Hargreaves Lansdown

If you're interested in a Stocks and Shares ISA, Junior ISA, Lifetime ISA or Cash ISA, we'd be happy to help.

We've been helping UK investors since 1981, and over 1.8 million people already trust us with their ISAs, pensions and savings.

With our **Stocks and Shares ISA**, you can choose from a wide variety of investments. We also provide expert investment research, updates, guides and tools to help you with your decisions. **Find out more at** [www.hl.co.uk/isa](http://www.hl.co.uk/isa)

Our **Junior Stocks and Shares ISA** means you can start investing for your child today. **Find out more at** [www.hl.co.uk/jisa](http://www.hl.co.uk/jisa)

If you're between 18 and 39, looking to save for your first home or later life, our **Lifetime ISA** lets you invest to reach your goals. **Find out more at** [www.hl.co.uk/lisa](http://www.hl.co.uk/lisa)

The HL **Cash ISA** makes it easy to earn high tax-free interest. Pick a range of great savings from different banks, and manage it all in one place. Find out more at [www.hl.co.uk/cashisa](http://www.hl.co.uk/cashisa)

If you'd like to **transfer an ISA** to us, find out more at [www.hl.co.uk/transfers](http://www.hl.co.uk/transfers)

Please remember unlike cash, the value of investments can go down as well as up, so you could lose money.

We've been helping people to save and invest for a better future since 1981.

1.9 million clients trust us with over £155bn of their savings and investments.

We have over 200 awards, including 'Best Investment App' and 'Best for Customer Service' for 2024.

Speak to our UK-based helpdesk if you have any questions.





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