

Deposits

Many customers will have money on deposit either with a bank or building society.

Commercial banks

Commercial banks offer a variety of deposit accounts. Interest, which varies in line with the general level of interest rates, is paid net of 20% tax. Non-tax payers are able to reclaim the tax deducted or arrange to have the interest paid gross. Starter rate tax payers can claim back 10% of the 20% deducted at source, basic rate tax payers have no further liability and higher rate tax payers will be liable to a further 20% on the gross interest.

Building societies

Building societies also offer a variety of savings accounts each with different terms and conditions. Interest earned may be fixed for a specified period or vary in line with interest rates generally. Interest will be paid net of 20% tax. The tax position is the same as commercial bank deposit accounts. Some accounts may restrict access to the money in the account and there may be penalties for early withdrawals.

Tessas

Between January 1991 and April 1999, banks and building societies were able to offer Tax Exempt Special Savings Accounts (TESSAs). Individuals aged 18 or over and UK residents were eligible to have one. The purpose was for savers to deposit up to a maximum of £9,000 over a five-year period. Provided they did not withdraw any of their original investment or more than the net interest, the TESSA would qualify as a tax-free investment on the 5th anniversary. As from 6 April 1999, TESSAs were replaced by Individual Savings Accounts (ISAs).

Cash only mini ISA

ISAs were introduced in April 1999 and consist of two types, mini or maxi ISAs. Each tax year an investor can invest up to a maximum of £7,000 per tax year (£3,000 if cash only) in a maxi ISA. Mini ISAs can consist of money on deposit enjoying a tax-free environment. The maximum investment into a cash only mini ISA is £3,000. The minimum age to own a cash only mini ISA is 16 attained.

National Savings

National Savings are Government-backed and there are a variety of instruments available.