

Savers piled £42bn into cash Isas in the first half of 2024 to beat tax sting

- **Cash Isa inflows leapt from £157.9bn to £188.5bn in six months data shows**

By [Helen Kirrane](#) Updated: 16:12, 17 September 2024

Savers have piled £42billion into cash Isas in the first six months of the year, new data shows. At the end of June, there was £351.6billion held in adult cash Isas, compared to £309.3billion at the end of December 2023, figures from Paragon Bank reveal.

It is likely many savers are sticking money into Isas to [dodge a potential savings tax bill](#) - and more lately, to protect as much cash tax-free as possible with rumours over a variety of tax moves the new government could make.

Fixed-rate cash Isas led the charge, jumping from £157.9billion to £188.5billion over the six-month period, the analysis of CACI data, collated from 40 savings providers, shows.

Isa dash: Savers lumped £42bn into cash Isas in the first half of 2024

Easy-access Isa balances also saw a boost, rising by £11.2billion to reach £156.4billion.

Notably, the value of cash held in fixed-rate Isas surpassed non-Isa fixed-rate savings accounts in June 2024 for the first time since November 2022.

Overall, total adult cash savings balances rose by £70.7billion to £1.18trillion during the first half of the year.

What's behind the Isa dash?

Savers have been looking for ways to shield their savings from a tax raid as higher [interest rates](#) have boosted returns made on cash savings over the last two years.

[The latest estimates from HMRC show that £10.4billion is expected to be raised in tax from savings interest this tax year](#), compared to £9.1billion in the 2023/24 tax year.

High savings rates have been good news for savers, but they are a double edged-sword as they have also caused many savers to breach their [Personal Savings Allowance \(PSA\)](#) which has been frozen at the same level since 2016.

The PSA means that basic rate taxpayers pay no tax on the first £1,000 of interest earned each year, while higher rate taxpayers have a £500 allowance. Additional rate taxpayers don't receive a PSA.

When the PSA was introduced in April 2016, the best [one-year fixed rate bond](#) on the market was paying 1.91 per cent, so a basic rate taxpayer would have breached the £1,000 PSA with a deposit of £52,357.

Today, the best one-year bond is paying 4.95 per cent - so a basic rate taxpayer would breach the allowance with £20,230.

Similarly, the best [easy-access account](#) available in April 2016 was paying just 1.45 per cent - so the basic rate PSA would have been breached with a deposit of around £69,000.

With the top rates now paying around 4.9 per cent, £20,000 in an easy-access account would earn £980 in interest.

The big appeal of cash Isas is that savers can save up to £20,000 each tax year to protect their savings interest from tax, as any interest earned is completely tax free unlike easy-access or fixed-rate savings accounts.



As a result, record savings have poured into Isas. [In the first month of this tax year alone, savers piled a record £11.7billion into cash Isas](#), figures from the Bank of England show - the largest inflows for the start of the tax year since the tax-free accounts were launched in 1999.

The average easy-access cash Isa pays a rate of 3.26 per cent, while the average one-year Isa pays 4.25 per cent according to rates monitor Moneyfacts Compare.

This time last year the average easy-access Isa paid 3.15 per cent while the average one-year Isa paid 5.27 per cent.

The fact that average one-year Isa rates have dropped has not deterred savers from piling an extra £30.6billion into one-year Isas in the first six months of 2024.

Savers can find easy-access cash Isas paying as much as 5 per cent, while the best one year fixed-rate Isa pays 4.67 and the best two year fix is offering 4.4 per cent.

Derek Sprawling, Paragon Bank managing director of savings, said: 'The level of deposits held in cash Isas has rocketed in recent months, particularly in the fixed-rate segment of the market which has seen the level of balances double since the end of 2022.

'The increase is understandable given the growth in savings rates means more savers are facing the prospect of paying tax on money held in non-Isa accounts.

'Even though rates have moderated from their peak, there are still plenty of higher-rate taxpayers who could still benefit from utilising their Isa allowance to limit their exposure.'