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LANDFALL GUIDE · MONEY, INVESTMENTS & RETIREMENT

Should Americans use ISAs and Premium Bonds?

THE SHORT ANSWER

Often not in the way Brits do. ISAs and Premium Bond prizes are tax-free in the UK, but the US taxes them, and funds held inside a stocks and shares ISA usually count as PFICs, which carry harsh US tax and extra forms. A cash ISA can be fine; most other UK "tax-free" products need care.

For US citizens and green card holders moving to the UK. Build your free, personal move plan at **yourlandfall.com/plan**.

General information, not personal tax, financial, legal or immigration advice.

Why “tax-free” isn’t tax-free for you

UK tax breaks only apply to UK tax. As a US citizen or green card holder, you still report the income and gains on your **US return**, and the US doesn’t recognize ISAs.

Product by product

Product	UK	US	Usual view for Americans
Cash ISA	Interest tax-free	Interest taxable	Can be fine, as long as you report the interest
Stocks and shares ISA (funds)	Tax-free	Funds usually PFICs: harsh tax and extra forms	Usually avoid
Stocks and shares ISA (individual shares)	Tax-free	Dividends and gains taxable	Possible, but you lose most of the benefit
Lifetime ISA	Tax-free, plus a government bonus	Bonus and growth likely taxable	Needs advice
Junior ISA	Tax-free	Same issues as above, for your child	Needs advice
Premium Bonds	Prizes tax-free	Prizes taxable income	Report any prizes

The PFIC problem

Most UK funds and ETFs are **passive foreign investment companies (PFICs)** for US tax. Without special elections, gains are taxed at the top US rate with an interest charge, and each fund needs its own **Form 8621**. That cost usually outweighs the UK tax saving.

What Americans usually do instead

- Use the **UK workplace pension**, which is generally respected by the US–UK treaty. See UK pensions for Americans.
- Hold **individual shares** rather than funds where investing in taxable accounts.
- Keep investments in **US accounts** where the provider allows UK-resident customers.
- Use a **cash ISA** for savings, and report the interest in the US.

What to do next

Cross-border investing is an area where advice usually pays for itself. Build your move plan to see your investment steps in order.

See every step for your move. Answer five questions and get a free plan in the right order: yourlandfall.com/plan