Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

June 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 2021 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

AF5 – Financial planning process

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Read the Qualifications Brochure
Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current CII Qualifications Brochure and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk.

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

Read widely
If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide
This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your examination preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of the Examination Guide. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to use your own tax tables in the examination.*

Note the assumed knowledge
For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment
Assessment is by means of a three-hour paper. This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

Familiarise yourself with the fact-find
The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

Appreciate the standard of the examination
Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions
You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail over the two-week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the examination day.

Understand the skills the exam seeks to test

The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client’s objectives.
- Understanding the client’s financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

Two weeks before the examination

What will I receive?
A fact-find will be available to candidates two weeks before the examination and it can be viewed athttps://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents It will contain client information which will form the basis of the report you will be required to prepare in the examination.

How should I use my time over the two-week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

Preparing the groundwork – considering possible solutions
Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices etc.

AF5 Examination Technique Exam Guide
To help you prepare for the AF5 examination a FREE AF5 Examination Technique Exam Guide is available to download on the following link https://www.cii.co.uk/learning/qualifications/unit-financial-planning-process-af5/.

In the examination

What will I receive?

The fact-find
You will not be able to take your pre-released copy of the fact-find into the examination with you. An identical copy will be available on the online system. There will not be any new or different information contained within the fact-find.

Supplementary information
A summary of the client's key financial objectives will be supplied as part of the examination. You should spend some time studying this information before you commence your financial plan.

The tasks
The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format
You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

Calculators
The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.

EXAMINERS' COMMENTS

Candidates overall performance:

Candidate performance was generally good across this exam paper with detailed preparation in evidence from the majority of candidates.

Key issues from the Fact Find were identified by most candidates and as a result were able to provide detailed answers to many of the questions.

There were no significant areas of weakness although some candidates would benefit from a careful review of how Wills and Lasting Powers of Attorney are treated in the event of divorce.

Most candidates understood that the client on which this examination was based should be treated as a 'vulnerable' client and the majority of candidates were able to identify a number of the reasons why this would be the case.

The model answers provided in the exam guides can be particularly helpful for candidates as these will set out the steps the examiners are looking for and provide a template for answering these types of questions.

Question 1 (a)

This question asked candidates to identify the additional information that you would require in order to advise Julie on the tax-efficiency of her current financial arrangements. This is a standard Fact Finding question but performance was slightly disappointing. A number of candidates failed to recognise the need to identify key dates in Julie's separation and divorce process in order to establish issues relating to Capital Gains Tax. Well-prepared candidates were able to identify this issue and achieved good marks.

Question 1 (b)

This question required an explanation of the key weaknesses in Julie's current financial and protection arrangements, following her divorce. Overall performance was very good. The majority of candidates were able to identify the key weaknesses and achieved high marks.

Question 2 (a)

This question asked candidates to recommend and justify a suitable protection policy that Julie could set up to provide a regular payment of £1,000 per month to cover the maintenance payments from her ex-husband in the event of his death. The majority of candidates performed well and identified the use of Family Income Benefit policy with Julie as the policy owner and Peter as the life assured. It was disappointing to note that some candidates did not understand that this policy would only pay out on Peter's death – not a long-term illness. The majority of candidates recognised the fact that Julie had an 'insurable interest' in Peter's life which indicates a good level of preparation and attention to the information provided in the Fact Find.

Question 2 (b)

Candidates were asked to explain to Julie why she should review her current Will, nominations, and Lasting Powers of Attorney, following her divorce. Overall performance was good but a number of candidates failed to understand that her Will is still valid following divorce but her ex-husband cannot inherit. As this was identified as an issue in the Fact Find, it was disappointing to note that some candidates had not undertaken further research to establish the position following divorce.

Question 3 (a)

Candidates were asked to identify five key benefits and five key drawbacks for Julie of using a portion of the lump sum from her divorce to top up her existing pension contributions. Overall performance was very good and most candidates achieved high marks.

Question 3 (b)

This question required candidates to explain to Julie why she could consider investing some of her existing pension fund into a range of global equity funds. Performance was good and candidates were able to identify why her existing choice of pension funds were potentially unsuitable as well as explaining the benefits of global equity funds to her.

Question 4 (a)

Candidates were asked to explain in detail to Julie the issues that she should take into consideration before making a decision on either retaining or selling the AIM shares. Overall performance was good although a number of candidates failed to recognise that these shares would provide Julie with only a limited amount of income and are not guaranteed to provide any long-term Inheritance Tax (IHT) benefit.

Question 4 (b)

Candidates were asked to identify a range of alternative options that might offer Julie a more suitable method of mitigating any potential Inheritance Tax liability in future. Overall performance was good although a number of candidates correctly identified the possible use of a Whole of Life insurance policy but failed to recognise that this must be placed in Trust in order to be effective.

Question 5 (a)

This question required candidates to recommend and justify a range of suitable actions that Julie could take with her pensions, savings and investments to improve the prospect of achieving her target of retiring at age 60. Good performance was seen in this question and most candidates were able to identify a number of suitable actions for Julie to assist her in achieving her target.

Question 5 (b)

Candidates were asked to state the process that you would follow to enable you to establish the shortfall in Julie's current pension arrangements. This was a standard planning question and it was pleasing to note that the majority of candidates gave very good answers and were able to clearly state the process that should be followed.

Question 6 (a)

This question required candidates to outline the key benefits for Julie of continuing to hold the shares in WPQ Printing Ltd for the next seven years. This was generally well answered by the majority of candidates who recognised the benefits of these shares including the tax-efficiency offered to Julie and her family by retaining them. A number of candidates failed to recognise some of the benefits of holding shares in a private Limited company and would benefit from a review of the tax treatment of this type of holding.

Question 6 (b)

Candidates were asked to explain to Julie how a future transfer of the WPQ Printing Ltd shares will be treated for Income Tax and Capital Gains Tax purposes, assuming these are transferred to Noah and Oliver as planned. Candidate performance was very good and it was pleasing to note that candidates had considered the information provided in the Fact Find in detail and identified the tax issues relating these shares.

Question 7 (a)

This question required candidates to explain to Julie the factors that she should take into consideration before deciding on whether she should take out an individual Private Medical Insurance policy through her former company scheme provider. The Fact Find identified that Julie has an option to continue with this policy and the majority of candidates had no difficulty in providing a detailed answer to this question.

Question 7 (b)

Candidates were asked to describe to Julie why certain elements of her existing investment portfolio may not meet her ethical criteria and to identify alternative options which may be more suitable for an ethical investor. Overall performance was good and many candidates recognised the need to explore Julie’s actual views in respect of ethical investment.

Question 8 (a)

This question required candidates to state the main reasons why you should consider Julie to be a ‘vulnerable’ client at present. Many candidates performed well and understood that Julie could be considered vulnerable for a number of reasons, not just because of her recent divorce. It was pleasing to note that a number of candidates had considered the Financial Conduct Authority (FCA) position and guidelines on vulnerability although some candidates would benefit from a more detailed review of the complex issues that could indicate vulnerability in a client.

Question 8 (b)

Candidates were required to identify seven key issues that you would discuss with Julie in respect of her ongoing income needs at your next annual review meeting. The majority of candidates performed well and were able to identify most of the important issues.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA). You completed the following fact-find when you met Julie Simons.

PART 1: BASIC DETAILS

	Client 1	Client 2
Surname	Simons	
First name(s)	Julie	
Address	Leeds	
Date of birth	01.03.1971	
Domicile	UK	
Residence	UK	
Place of birth	Manchester	
Marital status	Divorced	
State of health	Good	
Family health	Good	
Smoker	No	
Hobbies/Interests	Running, cycling	

Notes:

Julie has recently finalised her divorce from her ex-husband, Peter. She has agreed a financial settlement with Peter and the divorce has been settled amicably.

Julie has appointed you to review her finances, following the divorce, as she wishes to ensure that the monies she has received from the divorce settlement are managed appropriately. Julie did not take any financial advice during the divorce process.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	Health	Occupation	Financially dependent?
Oliver	Son	13	Good	N/A	Yes
Noah	Son	11	Good	N/A	Yes

Notes:

Julie and Peter have two children. They have agreed to joint custody of the boys, but they will continue to live with Julie in the former family home. Peter will pay monthly maintenance of £1,000 per month until Noah is 18 in 2028.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Marketing Manager	
Job title		
Business name	Helva Services Ltd	
Business address		
Year business started		
Remuneration		
Salary	£45,000 (gross) per annum	
State Pensions		
Overtime		
Benefits		
Benefits-in-kind		
Pension Scheme	See Part 11	
Life cover	See Part 8	
Private Medical Insurance	N/A	
Income Protection Insurance	N/A	
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		

Notes:

Julie has worked for her current employer, Helva Services Ltd for 15 years. Julie has also worked for the past 10 years on a part-time basis for her ex-husband's printing company, WPQ Printing Ltd as the company secretary until she ceased work last month. She was receiving a salary of £10,000 per annum (gross). This is a Limited Company which was passed to her husband from his late father.

Julie owns 20% of the shares in WPQ Printing Ltd and the remainder of the shares are held by her ex-husband, Peter. Julie has received an annual dividend of £5,000 from the shares for the past few years. Julie has agreed with her ex-husband as part of the divorce settlement that she will retain the shares and pass these to the boys in 2028 once Noah attains age 18.

Previous Employment	Client 1	Client 2
Previous employer		
Job title	Marketing Executive	
Length of service	14 years	
Pension benefits	See Part 11	

Notes:

Julie transferred her deferred pension benefits from her former employer into her current employer's workplace pension scheme. See Part 11.

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant	Fawsley & Co	
Bank	Access Bank	
Doctor	Dr Knowles	
Financial Adviser		
Solicitor	Henson Davies LLP	
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		**Client 2**		**Joint**	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions						
Pensions/Annuities						
Salary (gross)		45,000				
Maintenance	1,000					
Benefits-in-kind						
Savings income (interest)		1,300				
Rental (gross)						
Dividends		7,680				

Notes:

Julie's salary is from Helva Services Ltd although she was receiving an additional income of £10,000 per annum (gross) from her ex-husband's printing company, WPQ Ltd until a month ago. This has now ceased.

Julie is receiving a monthly maintenance payment of £1,000 from her ex-husband to support the two boys.

Julie's dividend income is derived from a company dividend from WPQ Printing Ltd as well as dividends from her AIM shares and the Stocks and Shares ISA. The income from the Stocks and Shares ISA is currently reinvested.

	Client 1	**Client 2**
Income Tax	**£**	**£**
Personal allowances		
Taxable income		
Tax		
National Insurance		
Net Income		
Notes:		

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent						
Council tax	183					
Buildings and contents insurance				350		
Gas, water and electricity	140					
Telephone	50					
TV licence and satellite	60					
Property maintenance				1,500		
Regular Outgoings						
Life assurance (see Part 8)						
Health insurance (see Part 9)						
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				980		
Petrol and fares	120					
Loans						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping	1,200					
Pension contributions (see Part 11)	150					
Other Expenditure						
Magazines and newspapers				208		
Entertainment				750		
Clubs and sport for Noah and Oliver	150					
Spending money	500					
Clothes				2,000		
Other (Holidays)				4,800		
Total Monthly Expenditure	2,553					
Total Annual Expenditure	30,636			10,588		
Total Outgoings				**41,224**		

Do you foresee any major/lump sum expenditure in the next two years?

Notes:
Julie is not planning any major expenditure over the next two years, but she wishes to make sure she has sufficient income to meet her needs and the needs of the children until they reach age 18.

PART 6: ASSETS					
	Assets	**Client 1 £**	**Client 2 £**	**Joint £**	**Income (Gross) £**
1.	Main residence	400,000			
2.	Contents/car	50,000			
3.	Current account	15,000			0
4.	Deposit Savings Accounts – various	200,000			1,200
5.	Cash ISA – Instant Access	40,000			100
6.	Stocks and shares ISAs – UK Cautious Multi-Asset funds	120,000			2,160
7.	Individual Shareholdings – AIM shares (various)	65,000			520
8.	Shares in WPQ Printing Ltd	85,000			5,000

Notes:

Julie is currently holding the cash settlement of £200,000 from her divorce spread between a range of Deposit Savings accounts with different banking institutions. These are all variable rate accounts and earning low rates of interest. This payment was made to Julie to offset any rights to Peter's pension entitlement as part of the financial settlement for the divorce.

The ownership of the family home has been transferred to Julie's sole name. This is mortgage-free.

Peter had a portfolio of AIM shares which has been transferred to Julie as part of the divorce settlement. These shares had a base cost when purchased by Peter of £30,000. They have all performed well and Peter is keen for Julie to retain these and pass them to the boys in her Will to maintain the Inheritance Tax-efficiency of these holdings.

Julie has invested on a frequent basis in ISA holdings and has built up a portfolio of UK Cautious Multi-Asset funds. The income from these ISA holdings is currently reinvested into new units within the same funds. Julie has not made any ISA contributions for the current tax year.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies (see Part 8)			

Notes:
Julie does not have a mortgage.

Other Loans	Client 1	Client 2	Joint
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			

Notes:
Julie has no outstanding loans or debts.

Other Liabilities (e.g., tax)

Notes:

PART 8: LIFE ASSURANCE POLICIES							
Life/Lives assured	**Ownership**	**Sum assured £**	**Premium £**	**Term**	**Start date**	**In trust?**	**Surrender Values £**
Julie	Employer	135,000	N/A	N/A	2006	Yes	N/A

Notes:

Julie has a death-in-service plan with her current employer. This will pay a lump sum of 3 x basic salary on her death whilst in service. Julie does not believe that she has nominated a beneficiary for this plan.

PART 9: HEALTH INSURANCE POLICIES						
Type	**Life Covered**	**Current Sum Assured £**	**Start Date**	**Term/Review**	**Deferred Period**	**Premium £**

Notes:

Julie was covered by a comprehensive company Private Medical Insurance plan through her ex-husband's company. She is no longer an employee of the company so cannot receive this benefit although Noah and Oliver are still covered until they are aged 18, as a child benefit via Peter.

Julie has the option to purchase individual cover from the same insurer without further underwriting. She has asked for your views on the merits of this.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

Julie is not making any regular savings following the divorce.

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer's scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:
Julie has no occupational pension schemes.

Additional Voluntary Contributions (including free standing additional voluntary contributions).

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		

Notes:
Julie has no Additional Voluntary Contributions.

Personal Pensions

	Client 1	Client 2
Type	Group Personal Pension	
Company	Assure Life	
Fund	UK FTSE-100 Tracker (50%) UK Corporate Bond fund (50%)	
Contributions	5% employer/5% employee	
Retirement date	Age 67	
Current value	£160,000	
Date started	2006	
Notes:		

Julie has only limited pension savings at present and is concerned that she will be unable to retire at age 60 as she had originally planned. Julie has asked you to look into this and recommend a strategy that will enable her to retire as close to age 60 as possible.

Julie's existing employer workplace pension plan is invested in a UK FTSE-100 Tracker fund and a UK Corporate Bond fund. She does not monitor the performance of the pension plan and has never changed the fund allocation since it was set up.

The plan is currently nominated for Peter, her ex-husband, as Julie has not yet contacted the Pension Trustees to notify them of her divorce.

Julie transferred the value of her former employer pension scheme into the Assure Life scheme a few years ago to reduce the administration in her pension arrangements.

Previous pension arrangements

	Client 1	Client 2
Employer		
Type of scheme		
Date joined scheme		
Date left		
Current Value		
Notes:		

State Pension

	Client 1	Client 2
State Pension		
Notes		

Julie has never checked her State Pension entitlement but assumes that she will have full entitlement as she has always worked full-time.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	
Notes:		

Julie's Will has not been changed since her divorce. This currently leaves her entire estate to Peter but in the event of his death, the estate is left to the two boys in equal shares.

Julie and her ex-husband set up Lasting Powers of Attorney for both Property and Financial Affairs and Health and Welfare some years ago. These were registered with the Office of the Public Guardian and appoint each other as their Attorney. These have not been amended following the divorce.

Trusts	Client 1	Client 2
Are you a beneficiary under a trust?	No	
If yes, give details		
Are you a trustee?		
If yes, give details		
Notes:		

Gifts	Client 1	Client 2
Give details of gifts made and received	None	

Notes:

Inheritances	Client 1	Client 2
Give details of any inheritances expected	None	
Notes:		

Julie's parents are both alive and in good health. She does not expect to receive any inheritances from them for the foreseeable future.

PART 13: ATTITUDE TO RISK

What level of risk are you prepared to take to achieve your financial objectives?

Notes:

Julie has completed a full risk-profiling assessment and has been identified as a medium to high-risk investor although she acknowledges that her capacity for loss has reduced following the divorce.

Julie is interested in investing in an ethical manner but is currently more concerned with improving her investment returns as she is planning to retire at age 60. She has advised you that her ethical views should be taken into consideration but are not the most important factor for her. Julie is keen to understand if her current investments follow any ethical guidelines so she can make an informed decision on this issue.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	19.05.2021	
Client agreement issued		
Data Protection Act		
Money laundering		
Dates of meetings		
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2020/2021, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- The fact-find and the tax tables are provided on the right-hand side of the interface.
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- **In this examination you should use the fact-find on the system. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- For each answer, please type in the full question number you are answering e.g. 1
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted.**
- Please familiarise yourself with **all** questions before starting the exam.

Subject to providing sufficient detail you are advised to be as brief and concise as possible, using note format and short sentences.

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your client has the following financial objectives:

Immediate objectives

- To review the suitability and tax-efficiency of Julie's current financial arrangements following her divorce.
- To ensure adequate protection is in place for herself and her children.
- To ensure Julie is able to protect the ongoing maintenance payments from her ex-husband.

Longer-term objectives

- To invest a portion of the lump sum payment from Julie's divorce settlement.
- To put in place a suitable investment strategy for her pensions and personal investments.
- To ensure that she has adequate income to retire at age 60.

Attempt ALL tasks

Time: 3 hours

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX

1. **(a)** Identify the additional information that you would require in order to advise Julie on the tax-efficiency of her current financial arrangements. **(12)**

(b) Explain to Julie the key weaknesses in her current financial and protection arrangements, following her divorce. **(12)**

2. **(a)** Recommend and justify a suitable protection policy that Julie could set up to provide a regular payment of £1,000 per month to cover the maintenance payments from her ex-husband in the event of his death. **(9)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

(b) Explain to Julie why she should review her current Will, nominations, and Lasting Powers of Attorney, following her divorce. **(10)**

3. **(a)** Identify **five** key benefits and **five** key drawbacks for Julie of using a portion of the lump sum from her divorce to top up her existing pension contributions. **(10)**

(b) Explain to Julie why she could consider investing some of her existing pension fund into a range of global equity funds. **(10)**

4. Julie received a portfolio of individual AIM shares as part of the divorce settlement. Her ex-husband, Peter, is keen for Julie to retain these for the Inheritance Tax benefits for Noah and Oliver.

(a) Explain, in detail, to Julie, the issues that she should take into consideration before making a decision on either retaining or selling these AIM shares. **(12)**

(b) Identify a range of alternative options that might offer Julie a more suitable method of mitigating any potential Inheritance Tax liability in future. **(11)**

5. Julie is planning to retire at age 60 but is aware that her current financial arrangements are likely to be inadequate.

(a) Recommend and justify a range of suitable actions that Julie could take with her pensions, savings, and investments, to improve the prospect of achieving her target of retiring at age 60. **(14)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

(b) State the process that you would follow to enable you to establish the shortfall in Julie's current pension arrangements. **(14)**

6. **(a)** Outline the key benefits for Julie of continuing to hold the shares in WPQ Printing Ltd for the next seven years. **(8)**

(b) Explain to Julie how a future transfer of the WPQ Printing Ltd shares will be treated for Income Tax and Capital Gains Tax purposes, assuming these are transferred to Noah and Oliver as planned. *Candidates should base their answer on current tax regulations.* **(6)**

7. **(a)** Explain to Julie the factors that she should take into consideration before deciding on whether she should take out an individual Private Medical Insurance policy through her former company scheme provider. **(10)**

(b) Describe to Julie why certain elements of her existing investment portfolio may not meet her ethical criteria and identify alternative options which may be more suitable for an ethical investor. **(8)**

8. **(a)** State the main reasons why you should consider Julie to be a 'vulnerable' client at present. **(7)**

(b) Identify **seven** key issues that you would discuss with Julie in respect of her ongoing income needs at your next annual review meeting. **(7)**

Total marks: 160

NOTE ON MODEL ANSWERS
The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

(a)
- Profitability of WPQ Printing/legal agreement on share transfer.
- Date of separation/divorce/were shares received pre divorce?
- Will she continue to receive dividends?/how much?
- Julie pays Dividend Tax of 7.5%/32.5% on excess dividends.
- Pension contribution history/carry forward available?
- Will employer match higher contribution?/salary sacrifice available?
- Do AIM shares all qualify for Inheritance Tax (IHT) purposes?/holding period for AIM shares/are AIM shares eligible for ISA?
- Has she claimed child tax credit/her salary is now below £50,000?
- Has she claimed 25% reduction in Council Tax/sole adult?
- Use of Capital Gains Tax (CGT) exemption/any losses carried forward?
- Any gifts planned/use of IHT exemptions/Trusts.
- Capital Gain on WPQ Printing shares?/acquisition cost.

(b) *Candidates would have scored full marks for any twelve of the following:*
- She is sole breadwinner/rely on her salary/single parent.
- Limited life cover/death in service (DIS) only.
- No Critical illness cover/no Income Protection cover.
- Her capital will be eroded in event of illness.
- Julie relies on maintenance from Peter/no protection for maintenance.
- Limited pension benefits.
- Will/Lasting Power of Attorney (LPA) out of date/ex-spouse is main beneficiary.
- Nomination on pension is out of date/nomination needed on DIS.
- Loss of Private Medical Insurance (PMI).
- Loss of salary from WPQ Printing/dividends not guaranteed.
- Inflation risk on cash holdings/poor return/excess cash.
- Limited affordability/limited budget.
- Unsuitable investments/AIM shares/does not match attitude to risk (ATR).
- Portfolio/assets not tax efficient.
- £1m Financial Services Compensation scheme cover on divorce only lasts 12 months.

Model answer for Question 2

(a)
- Family Income Benefit on Peter's life.
- Julie is the policy owner/life of another basis/in Trust.
- Peter may be willing to pay premiums himself.
- Underwriting is based on Peter's health.
- Insurable interest applies.
- No need for Probate/no delays/Life of Another basis paid directly to Julie.
- Term of 7 years/until Noah is 18/2028.
- Tax-free payment.
- Guaranteed premiums to ensure affordability for Julie.

(b)
- Will is out of date/needs updating.
- Treated as if Peter has died/Peter is removed/cannot benefit.
- Need a Trust for children/bereaved minor's trust.
- Appoint Trustees of choice for children's money.
- Executors may need to be changed.
- Update nominations on pension/Death in Service.
- Nomination improves benefit options.
- Instructions on transfer of shareholdings to boys.
- Revoke existing Lasting Powers of Attorney (LPA)/set up new LPA/LPA terminated.
- Peter may not follow Julie's wishes.

Model answer for Question 3

(a) **Benefits:**
- Increases chance of retiring at 60/Selected Retirement Date/stated retirement age.
- Potential tax-free growth/Tax relief/extends Basic Rate (BR) band.
- Employer matching/lower charges/less admin.
- Carry forward available.
- IHT-free/reduces current IHT liability/income tax-efficient on death.

Drawbacks:
- Limited affordability/loss of liquidity/loss of access to capital;
- until 55.
- No pound cost averaging/investment risk/limited capacity for loss (CFL).
- Only 25% Pension Commencement lump sum (PCLS) and income is fully taxable.
- Contributions limited by annual allowance/earnings limit.

(b)
- Global diversification/can invest in any area.
- Currently all UK equities/corporate bond.
- Reduces concentration risk/larger selection of companies.
- Greater growth prospects/developing markets/tech stocks.
- Different economic cycles globally/reduced correlation.
- Needs growth to retire at 60/she has sufficient time for volatility.
- Can invest in Environmental Social Governance (ESG)/ethical.
- Can match her attitude to risk (ATR)/current funds do not match ATR.
- Professional/active/passive management/no Alpha for tracker fund.
- Global equity may pay higher dividends/benefit from currency movement.

Model answer for Question 4

(a) *Candidates would have scored full marks for any twelve of the following:*

- Is she required to retain shares under divorce agreement?
- Business Relief may apply/are they all ‘qualifying’ now?/must be qualifying on death/existing holding period.
- Level of administration/monitoring required/cost of advice.
- Performed well so should she retain?/take profit.
- Capital Gains Tax (CGT) applies/Julie’s base cost/Julie’s gain.
- She can use her CGT exemption of £12,300.
- Any losses to carry forward?/no CGT on death.
- High risk investment/potential for capital loss.
- Dividend income taxed at 7.5%/32.5%.
- Does not match her ATR/CFL/ethical views.
- Not tax efficient/not in ISA.
- Liquidity issues/difficult to sell.
- Dividend income is low/£520/she needs income.

(b)

- Increase pension contributions.
- Pension funds are outside estate for IHT.
- Can be nominated for boys/nominate Death-In-Service for boys.
- Use of £3,000 annual exemptions.
- Set up whole of life (WOL) policy in Trust for IHT liability.
- Paid outside estate.
- WOL premiums exempt for IHT purposes.
- She is in good health so premium should be affordable/can be set up on maximum basis for low starting cost.
- Retain shares in WPQ Printing Ltd.
- Eligible for Business Relief.
- Ensure house left to boys to use Residential Nil Rate Band (RNRB).

Model answer for Question 5

(a)

- Increased pension contributions for tax relief/tax free growth.
- Pound-cost-averaging to reduce volatility/increase returns.
- Ensure maximum employer matching for contributions.
- Use salary sacrifice to increase pension contributions/reduce National Insurance (NI).
- State Pension/BR19.
- Reduce investment in UK Corporate bonds as limited growth potential.
- Increase exposure to equities/greater diversification needed.
- Equities tend to outperform other assets over medium to longer-term/greater potential for capital growth.
- Reduce cash balances/switch cash ISA to stocks and shares ISA.
- Inflation risk on cash/poor returns from cash.
- Invest in ISA for tax-free growth/income.
- Reduce monthly expenditure.
- Current assets do not match attitude to risk (ATR).
- Consider CGT issues on sale of AIM shares.

(b)

- Desired level of income/need for capital.
- Current expenditure/affordability.
- Cashflow modelling.
- BR19/State Pension at 67.
- Growth assumptions based on attitude to risk/stress test/projections from existing provider to age 60.
- Inflation assumptions.
- Current or planned contributions/monthly/lump sum.
- Dividend income from WPQ Printing Ltd ceases in 7 years.
- Costs/pension costs/charges.
- Current/future tax status.
- Other sources of income/use of other assets.
- Calculate fund value/contributions needed to provide income.
- Based on annuity rates/safe withdrawal rate (SWR)/longevity.
- Compare projections with capital value required/establish shortfall.

Model answer for Question 6

(a)
- Agreed with ex-husband in divorce settlement.
- Ongoing dividends/additional income for her.
- Can use dividend allowance (DA)/£2,000 tax free.
- Can pass the shares to the children/retains business in family.
- Retains Business Relief in event of her death/IHT efficient.
- May be able to use Entrepreneurs Relief/Business Assets Disposal Relief to reduce CGT on sale/disposal.
- Can use her CGT exemption against gain.
- Could benefit from growth in value of company.

(b) *Candidates would have scored full marks for any six of the following:*
- Treated as a disposal for CGT.
- Can use Holdover relief if all parties agree.
- Taxable to CGT on Julie/taxable on boys if holdover relief used.
- Base cost and current value is calculated.
- Can use CGT exemption/can offset losses.
- No Income Tax liability on transfer.
- Boys base cost is set on date of transfer/Julie's base cost only in the event of holdover relief.
- Future dividends will be taxable on boys.

Model answer for Question 7

(a)
- No further underwriting/continuing cover.
- Will cover pre-existing conditions/comprehensive cover/any exclusions?/any restrictions.
- Limited time period to apply for continuing cover.
- Cost of cover/is it affordable?
- Can she find cheaper cover?/can she reduce cover?
- Has she ever made a claim?/policy excess?
- She is in good health/does she need comprehensive cover?
- Premiums will increase each year/may become unaffordable/she has recently turned 50/new pricing band.
- Is she willing to self-insure/self-fund?/priority.
- Does her current employer offer cover?

(b)
- Overall portfolio is not ethical.
- UK FTSE-Tracker is not Environmental Social Governance (ESG)/cannot screen for ESG.
- FTSE- 100 Index invests in tobacco/alcohol/oil.
- AIM stocks/UK Corporate Bond unlikely to be ESG.
- Multi-asset unlikely to be ethical/opaque.
- Discuss/explore Julie's views on ESG.
- Use FTSE-4-Good/can screen for ethical issues.
- Consider ethical managed collective funds/for professional screening/could use Discretionary Fund Management (DFM).

Model answer for Question 8

(a)

- Recent divorce/single parent/young children/no advice taken on divorce.
- Limited Capacity for Loss (CFL).
- Affordability issues.
- Loss of income source/WPQ Printing Ltd/maintenance not guaranteed.
- Limited pension savings/Planning to retire at 60.
- AIM/WPQ shares are unsuitable assets/complex assets.
- She has limited protection.

(b)

- Current income/expenditure/capital required.
- Retirement at 60 still planned?/on target.
- Is Peter still paying maintenance?/did she set up life cover for maintenance?/monthly cost.
- Affordability/budget/did she make lump sum pension contribution?/downsize/use of tax allowances.
- Performance/asset allocation/fund choice/ATR/CFL/new products/legislation changes.
- Yield on current ISA/cash deposits/AIM shares.
- Any plans to sell WPQ Printing Ltd/dividends from WPQ Printing Ltd?

All questions in the October 2021 paper will be based on English law and practice applicable in the tax year 2021/2022, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the March and June 2021 examinations.

INCOME TAX

RATES OF TAX	2019/2020	2020/2021
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance

Dividend Allowance	£2,000
Dividend tax rates	
Basic rate	7.5%
Higher rate	32.5%
Additional rate	38.1%
Trusts	
Standard rate band	£1,000
Rate applicable to trusts	
- dividends	38.1%
- other income	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic) *§*	£12,500	£12,500
Married/civil partners (minimum) at 10% *†*	£3,450	£3,510
Married/civil partners at 10% *†*	£8,915	£9,075
Marriage Allowance	£1,250	£1,250
Income limit for Married Couple's Allowance*†*	£29,600	£30,200
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,450	£2,500
Enterprise Investment Scheme relief limit on £2,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.
*** Investment above £1,000,000 must be in knowledge-intensive companies.*

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,830
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,385

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£120
Primary threshold	£183
Upper Earnings Limit (UEL)	£962

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 183.00*	Nil
183.00 – 962.00	12%
Above 962.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £120 per week. This £120 to £183 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below 169.00**	Nil
169.00 – 962.00	13.8%
Excess over 962.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.05 where profits exceed £6,475 per annum.
Class 3 (voluntary)	Flat rate per week £15.30.
Class 4 (self-employed)	9% on profits between £9,500 - £50,000. 2% on profits above £50,000.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013	£1,500,000
2013/2014	£1,500,000
2014/2015	£1,250,000
2015/2016	£1,250,000
2016/2017	£1,000,000
2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021	£1,073,100

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*
2018/2019	£40,000*
2019/2020	£40,000*
2020/2021	£40,000*

~ increased to £80,000 for pension input between April - 8 July 2015. If not used, can be carried forward to pension input period of 9 July 2015 - 6 April 2016, subject to a maximum of £40,000.

**tapered by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2019/2020	2020/2021
	£4,000	£4,000

ANNUAL ALLOWANCE CHARGE

20% - 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

EXEMPTIONS	2019/2020	2020/2021
Individuals, estates etc	£12,000	£12,300
Trusts generally	£6,000	£6,150
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
	10%	10%
Business Asset Disposal Relief* – Gains taxed at:		
Lifetime limit	£10,000,000	£1,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) if held for at least two years.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2019/2020	2020/2021
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.

MAIN EXEMPTIONS		
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£150,000	£175,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished.*

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:					
- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:					
- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

PRIVATE VEHICLES USED FOR WORK

	2019/2020 Rates	2020/2021 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2019/2020	2020/2021
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£1,000,000	£1,000,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	6%	6%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Electric charging points	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

Motor cars: Expenditure on or after 01 April 2016 (Corporation Tax) or 06 April 2016 (Income Tax)

CO_2 emissions of g/km:	50 or less*	51-110	111 or more
Capital allowance:	100% first year	18% reducing balance	6% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2019/2020	2020/2021
		£	£
Child Benefit	First child	20.70	21.05
	Subsequent children	13.70	13.95
	Guardian's allowance	17.20	17.90
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 57.90	Up to £58.90
	Aged 25 or over	Up to 73.10	Up to £74.35
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 74.35
	Support Group	Up to 111.65	Up to 113.55
Attendance Allowance	Lower rate	58.70	59.70
	Higher rate	87.65	89.15
Basic State Pension	Single	129.20	134.25
	Married	201.45	268.50
Single Tier State Pension	Single	168.60	175.20
Pension Credit	Single person standard minimum guarantee	167.25	173.75
	Married couple standard minimum guarantee	255.25	265.20
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	57.90	58.90
	Age 25 or over	73.10	74.35
Statutory Maternity, Paternity and Adoption Pay		148.68	151.20

CORPORATION TAX

	2019/2020	2020/2021
Standard rate	19%	19%

VALUE ADDED TAX

	2019/2020	2020/2021
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 and £925,000	5%
£925,001 and £1,500,000	10%
£1,500,001 and over	12%

Important note: For residential properties purchased between 8th July 2020 and 31st March 2021, Stamp Duty Land Tax does not apply up to £500,000. For purchases above £500,000, the band rates above apply as normal. Additional SDLT rules still apply as below.

Stamp Duty Land Tax (SDLT) is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.

Additional SDLT of 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.

SDLT may be charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.

First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.

	Non residential
Value up to £150,000	0%
£150,001 and £250,000	2%
£250,001 and over	5%