Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

October 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the February 2022 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.

On-screen written exam demonstration (Demo 1)

The familiarisation test allows you to experience using the assessment platform before your exam. You can try the familiarisation test at any time here https://uat-cii.psionline.com/phoenix/instant/launch?auth=EH6jtrqPu3J6znVp&username=ILDemo1&test=05a75b4f-1c90-4a74-a22d-ec4aa8d4ca48&autoopen=1&samewindow=1&theme=custom/alternative/CII

Please note, although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

The demonstration test is designed to allow you before the day to go through the end-to-end process from logging in to answering test questions. **We advise you try the demonstration test once you have received your login details and well in advance of the exam to help pre-empt any potential exam day issues.**

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.

Performance was closely linked to preparation in advance of the exam and attention to the information provided in the Fact Find. The more challenging areas of the question paper were highlighted in the Fact Find and these were identified and well-researched by a large number of candidates.

Question 1 (a)

This was a standard Fact-Finding question. General performance was good although it was noted that a number of candidates failed to identify key information that applied specifically to Jim and Sandra such as the financial strength of the Defined Benefit scheme and other issues relating to Jim's pension arrangements.

Question 1 (b)

This question required candidates to explain the factors that should be taken into consideration when identifying a suitable level of emergency fund for Jim and Sandra. Mixed performance was seen as many candidates failed to consider very basic issues such as their current level of expenditure and the funds that they already have available such as their Premium Bonds and investment portfolio.

Question 2 (a)

This question required candidates to outline the key issues that Jim and Sandra should consider when making a decision to downsize their current property in order to provide additional funds in retirement. General performance was pleasing with most candidates achieving good marks.

Question 2 (b)

This question focused on the residence nil rate band (RNRB) and Jim and Sandra's continuing entitlement to this if they choose to downsize. This issue was clearly identified in the Fact Find. Some good performance here which was pleasing to note. Some candidates failed to achieve high marks as they missed basic points such as the need to apply for this relief and the fact that it is transferrable to the surviving spouse on first death.

Question 3 (a)

Candidates were asked to recommend and justify why Jim and Sandra might consider using a range of Multi-Asset funds to invest some of their current cash holdings. General performance was good and most candidates were able to justify why this might be a suitable option for Jim and Sandra.

Question 3 (b)

This question related to the tax treatment of their investments and the drawbacks for tax purposes if Jim and Sandra made additional investments into a range of collective investment funds. Most candidates performed well but it was disappointing to note that a number of candidates failed to provide any indication of the tax rates that would apply in respect of Dividend Tax and other tax exemptions and allowances. As a result, these candidates failed to achieve high marks.

Question 4 (a)

This question asked candidates to explain to Jim and Sandra why retaining the risk-based assets within their pension and investment portfolios throughout retirement may be suitable. General performance was good. Most candidates were able to provide a range of reasons as to why Jim and Sandra should retain these assets.

Question 4 (b)

This question focused on the Real Estate Investment Trust (REIT) holding in Sandra's pension fund. This particular holding was clearly identified in the Fact Find. It was slightly disappointing to note that only a limited number of candidates had researched this type of investment and only better-prepared candidates were able to explain why this fund might be more suitable for Sandra than a traditional UK commercial property fund. Few candidates recognised the tax and income benefits of this type of fund and only a limited number of candidates were able to identify the fact that this type of fund invests in property shares, rather than 'bricks and mortar' holdings.

Question 5 (a)

This question focused on Jim's lifetime allowance (LTA) position. It was clear from the information provided in the Fact Find that Jim is very close to the current LTA. Candidates were asked to explain why he might be subject to the LTA and to outline the reasons why he may not be eligible for any protection. Although the majority of candidates recognised the fact that Jim's pension benefits are close to the LTA, only a limited number of candidates recognised the position in respect of his eligibility for Individual Protection 2016 and Fixed Protection 2016. This was disappointing as this was clearly a key issue for Jim and should be considered when reviewing pension benefits in advance of retirement.

Question 5 (b)

This question related to the death benefits from their pension schemes in the event of their deaths after retirement. General performance in this question was good. Most candidates recognised the tax treatment of death benefits and the options available to both the surviving spouse and their daughter on second death. This was very pleasing to note and indicates a good level of general knowledge of pensions and benefit options.

Question 6 (a)

This question asked candidates to explain to Jim and Sandra the key issues they should consider when identifying an appropriate level of withdrawals from their personal pension plans and investments. This was an application-based question and some candidates failed to provide sufficient detail to achieve high marks. Most candidates recognised the merits of retaining the pension funds due to the existing IHT liability, but few recognised the issue of the Money Purchase Annual Allowance (MPAA) which would be triggered to restrict future pension contributions if they drew income in excess of the pension commencement lump sum (PCLS). As they are considering the option of continuing to work on a part-time basis, this is a key issue for both Jim and Sandra.

Question 6 (b)

Candidates were asked to identify the factors that Jim and Sandra should consider when assessing the suitability of Jim's Defined Benefit scheme in their long-term retirement planning. Most candidates performed well. Jim's Defined Benefit scheme will form a large part of their guaranteed income in retirement and most candidates recognised this fact and were able to provide a detailed response.

Question 7 (a)

This question required candidates to recommend and justify a suitable protection policy for Jim and Sandra to set up for Inheritance Tax (IHT) purposes if they decide to make the gift of £120,000 to their grandchildren. This potential gift was identified in the Fact Find. Many candidates provided a good response but some identified the use of a 'gift inter vivos' policy without recognising that there would be no taper on this particular gift as it would fall within Jim and Sandra's Nil Rate Bands. As this is the case, no taper would apply so a level term policy would be appropriate. Despite this, most candidates recognised the correct term of the policy and that any policy should be set up in Trust to ensure that this could be used to meet the IHT liability, should it arise.

Question 7 (b)

This question asked candidates to identify the key reasons why Jim and Sandra might consider using an onshore investment bond to meet their own capital and income needs, as well as enabling them to make tax-efficient gifts to their grandchildren in future. Mixed performance was in evidence as some candidates focused their response on the concept of setting up an immediate Discounted Gift Trust (DGT) without recognising the limited availability of capital for Jim and Sandra via this particular arrangement. Many candidates were able to recognise the tax treatment of the onshore investment bond and this was pleasing to note.

Question 8 (a)

This question asked candidates to explain to Jim and Sandra why they should consider updating their pension nominations as soon as possible. Candidate responses to this question were generally disappointing with few recognising the limited options for Anna and the grandchildren if they are not added to the nomination forms.

Question 8 (b)

This was a standard question based on the key issues that you would discuss with Jim and Sandra in respect of their retirement planning at your next annual review meeting. Performance was generally good and most candidates were able to identify the key issues that should be discussed.

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 Jim and Sandra Harris.

PART 1: BASIC DETAILS

	Client 1	Client 2
Surname	Harris	Harris
First name(s)	Jim	Sandra
Address	Oxford	Oxford
Date of birth	01.09.1958	20.08.1958
Domicile	UK	UK
Residence	UK	UK
Place of birth	Cardiff	Leeds
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Travel, Cricket	Travel, Arts and Culture

Notes:

Jim and Sandra are planning to retire in September 2023 and have appointed you to assist them in reviewing their retirement objectives.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	Health	Occupation	Financially dependent?
Anna	Daughter	41	Good	Teacher	No

Notes:

Jim and Sandra have one daughter, Anna. Anna is married with three children, aged 7, 11 and 13.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Engineer	Medical Researcher
Business name		
Business address		
Year business started		
Remuneration		
Salary	£62,000	£43,000
State Pensions		
Overtime		
Benefits-in-kind		
Pension Scheme	See Part 11	See Part 11
Life cover	See Part 8	See Part 8
Private Medical Insurance		
Income Protection Insurance		
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		

Jim has worked for his current employer for 20 years.

Sandra has worked at various research laboratories on a number of short-term contracts but took up a full-time position with her current employer 10 years ago.

Both of their employers have indicated that they would be willing to offer part-time employment to Jim and Sandra after their normal retirement date.

Previous Employment	Client 1	Client 2
Previous employer	HYQ Designs Ltd	
Job title	Construction Engineer	
Length of service	20 years	
Pension benefits	See Part 11	
Notes:		

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant	Fawsley & Co	Fawsley & Co
Bank	Access Bank	Access Bank
Doctor		
Financial Adviser		
Solicitor	Henson Davies LLP	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)		62,000		43,000		
Benefits-in-kind						
Savings income (interest)						1,015
Rental (gross)						
Dividends		3,250		3,625		
Notes:						

	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						3,200
Buildings and contents insurance						600
Gas, water and electricity						1,800
Telephone			40			
TV licence and satellite			70			
Property maintenance						2,500
Regular Outgoings						
Life assurance (see Part 8)						
Health insurance (see Part 9)						
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				1,200	1,200	
Petrol and fares	210	140				
Loans						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping			650			
Pension contributions (see Part 11)	372	172				
Other Expenditure						
Magazines and newspapers						200
Entertainment			400			
Clubs and sport				1,200		
Spending money				300	300	
Clothes				500	1,000	
Other (Holidays)						8,000
Total Monthly Expenditure	582	312	1,160			
Total Annual Expenditure	6,984	3,744	13,920	3,200	2,500	16,300
Total Outgoings						**46,648**

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

Notes:

Jim and Sandra believe that their expenditure in retirement will remain largely unchanged.

Jim and Sandra are considering making a gift of £120,000 to assist their grandchildren with the payment of future University fees. They have asked for your guidance with this objective.

PART 6: ASSETS					
	Assets	**Client 1 £**	**Client 2 £**	**Joint £**	**Income (Gross) £**
1.	Main residence			650,000	
2.	Contents/car			85,000	
3.	Current account	3,000	5,000		
4.	Deposit Savings Account – 1-year Fixed Rate			80,000	640
5.	NS&I Direct Saver Account			250,000	375
6.	NS&I Premium Bonds	50,000	30,000		
7.	Stocks and Shares ISAs – European Equity/Asian Equity funds	170,000			2,550
8.	Stocks and Shares ISAs – UK Growth fund/US Equity Tracker fund		155,000		1,860
9.	Unit Trusts – UK Equity Income funds	130,000			3,250
10.	Unit Trusts – UK FTSE-Tracker funds		145,000		3,625

Notes:

Jim and Sandra own their property as tenants in common. This is mortgage free. As the property is now too large for them, they are considering downsizing once they retire and using some of the proceeds to assist them with their retirement income objectives.

Jim and Sandra have recently sold their holiday home in Spain and the net proceeds of £250,000 are held in their NS&I Direct Saver Account. There is no further tax liability on this sale. They wish to invest the bulk of these funds as soon as possible to assist them with their retirement planning objectives and to provide funds for their grandchildren's University education.

Jim and Sandra are happy with their prizes from Premium Bonds and do not intend to sell these.

Jim and Sandra have always reinvested the dividend income generated by their ISA funds into the existing funds. They are aware that the dividend yields from some of their ISA funds could be improved although they are happy with the capital growth of the existing funds.

Jim and Sandra each hold Unit Trusts which are invested in a range of UK Equity Income funds for Jim and a range of UK FTSE-Tracker funds for Sandra. The dividend income from these funds is paid out to Jim and Sandra. No changes have been made to these holdings since they were originally purchased.

Jim and Sandra have used their ISA allowances for the 2021/2022 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:
Jim and Sandra do 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:
Jim and Sandra do not have any loans.

Other Liabilities (e.g. tax)

Notes:
Jim and Sandra do not have any outstanding liabilities.

PART 8: LIFE ASSURANCE POLICIES							
Life/Lives assured	**Ownership**	**Sum assured £**	**Premium £**	**Term**	**Start date**	**In trust?**	**Surrender Values £**
Jim	Employer	186,000	N/A	N/A	N/A	Yes	N/A
Sandra	Employer	129,000	N/A	N/A	N/A	Yes	N/A
Notes:							
Jim and Sandra each have death-in-service cover with their respective employers. These will pay a lump sum of 3 x basic salary on death whilst in service. They have nominated each other as beneficiaries of the death-in-service plans.							

PART 9: HEALTH INSURANCE POLICIES						
Type	**Life Covered**	**Current Sum Assured £**	**Start Date**	**Term/Review**	**Deferred Period**	**Premium £**
Notes:						
Jim and Sandra do not have any health insurance policies.						

PART 10: REGULAR SAVINGS							
Type	**Company**	**Ownership**	**Fund**	**Amount Saved £**	**Sum Assured**	**Maturity Date**	**Current Value £**
Notes:							

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer's scheme	HYQ Designs Ltd	
Type of scheme	Defined Benefit	
Date joined	1981	
Retirement age	65	
Pension benefits	£15,200 per annum (gross)	
Death benefits		
Dependant's benefits	50% spouse's pension	
Contracted-in/out	Contracted-in	
Revaluation rate	Fixed	
Indexation in payment	LPI	
Fund type		
Fund value		

Notes:
Jim was a member of his former employer's occupational pension scheme which will provide him with an annual pension of £15,200 (gross) from his 65th birthday. Jim does not intend to transfer from this scheme but has asked you to give him some general guidance on the risks and benefits of this type of pension fund.

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

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

Notes:
Neither Jim nor Sandra has any Additional Voluntary Contributions.

Personal Pensions

	Client 1	Client 2
Type	Group Personal Pension Plan (GPP)	Group Personal Pension Plan (GPP)
Company	Assure Life	Assure Life
Fund	UK Growth funds – 50% European Growth funds – 50%	UK FTSE-All Share Tracker – 60% Global REITs fund – 40%
Contributions	5% employer/9% employee	5% employer/6% employee
Retirement date	Age 65	Age 65
Current value	£720,000	£280,000
Date started	2001	2011

Notes:

Jim and Sandra are both members of their current employer's respective qualifying workplace pension schemes. They have nominated each other as beneficiary on the plans.

Jim's plan is invested in a range of UK and European Growth funds.

Sandra's pension plan is invested in a UK FTSE-All Share Tracker fund and a Global Real Estate Investment Trust (REIT) fund.

Previous pension arrangements

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

Notes:

Sandra transferred the proceeds of previous pension arrangements into her employer's GPP when she joined her current employer in 2011. She has no other pension arrangements.

State Pension

	Client 1	Client 2
State Pension	£11,500 per annum	£10,200 per annum

Notes

Jim and Sandra have received a State Pension forecast and they are on target to receive a State Pension of approximately £11,500 and £10,200 respectively per annum at their State Retirement Age.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes
Notes:		
Jim and Sandra have mirror Wills leaving all of their assets to each other and then to Anna on second death.		
Trusts	**Client 1**	**Client 2**
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		
Gifts	**Client 1**	**Client 2**
Give details of gifts made and received	£3,000	£3,000
Notes:		
Jim and Sandra each gift their full annual gifting allowance to Anna each year.		
Inheritances	**Client 1**	**Client 2**
Give details of any inheritances expected	None	None
Notes:		
Jim and Sandra do not expect to receive any inheritances.		

PART 13: ATTITUDE TO RISK

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

Notes:

Jim and Sandra have each completed a full risk-profiling assessment and have been identified as medium-risk investors. Jim and Sandra have a high capacity for loss.

Jim and Sandra do not have any strong ethical investment concerns at the present time although this has been discussed in detail with them both.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.09.2021	
Client agreement issued	01.09.2021	
Data Protection Act	01.09.2021	
Money laundering	01.09.2021	
Dates of meetings	01.09.2021	
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 2021/2022, 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.
- **Different to Objective Testing exams, tax tables are provided at the right-hand side of the interface after the QP.**
- 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.

CLIENTS' FINANCIAL OBJECTIVES

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

Immediate objectives

- To invest the proceeds of the sale of their holiday property.
- To review the tax-efficiency of their current financial arrangements.
- To establish the affordability of retirement when they both retire in September 2023.

Longer-term objectives

- To ensure a sustainable and tax-efficient income in retirement.
- To establish a suitable method of providing funds for future University fees for their grandchildren.
- To ensure their estate passes to their daughter in a tax-efficient manner on second death.

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

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 Jim and Sandra on the suitability and tax-efficiency of their retirement planning arrangements. **(12)**

(b) Explain the factors that should be taken into consideration when identifying a suitable level of emergency fund for Jim and Sandra. **(12)**

2. **(a)** Outline the key issues that Jim and Sandra should consider when making a decision to downsize their current property in order to provide additional funds in retirement. **(10)**

(b) Explain to Jim and Sandra how their entitlement to the Residence Nil Rate Band (RNRB) would be treated after downsizing their property. **(6)**

3. Jim and Sandra wish to explore their investment options for their surplus cash funds.

(a) Recommend and justify why Jim and Sandra might consider using a range of Multi-Asset funds to invest some of their current cash holdings. **(10)**

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 the drawbacks for tax purposes if Jim and Sandra make additional investments into a range of collective investment funds. **(9)**

4. **(a)** Explain to Jim and Sandra why retaining the risk-based assets within their pension and investment portfolios throughout retirement may be suitable. **(10)**

(b) Explain to Sandra why her investment in the Global Real Estate Investment Trust (REIT) fund within her pension is likely to be more suitable for her needs than a traditional UK commercial property fund. **(7)**

5. Jim and Sandra are aware that their pension arrangements offer multiple tax benefits. Jim is concerned that he could be potentially subject to lifetime allowance tax charges on his pension benefits.

(a) Explain in detail to Jim why he may be subject to a lifetime allowance charge and outline the reasons why he may not be eligible for any protection. **(10)**

(b) Explain to Jim and Sandra how each of their pension arrangements will be treated in the event of their deaths after retirement at age 65. **(12)**

6. **(a)** Explain to Jim and Sandra the key issues they should consider when identifying an appropriate level of withdrawals from their personal pension plans and investments. **(12)**

(b) Identify the factors that Jim and Sandra should consider when assessing the suitability of Jim's Defined Benefit pension scheme in their long-term retirement planning. **(12)**

7. **(a)** Recommend and justify a suitable protection policy that Jim and Sandra should consider setting up for Inheritance Tax purposes if they decide to make the gift of £120,000 to their grandchildren. **(12)**

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) Identify the key reasons why Jim and Sandra might consider using an onshore investment bond to meet their own capital and income needs, as well as enabling them to make tax-efficient gifts to their grandchildren in the future. **(12)**

8. **(a)** Explain to Jim and Sandra why they should consider updating their pension nominations as soon as possible. **(8)**

(b) Identify **six** key issues that you would discuss with Jim and Sandra in respect of their retirement planning at your next annual review meeting. **(6)**

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)

- Income needed in retirement/capital needed.
- Part-time work in retirement?/tax status in retirement/plans to fully retire?
- Financial strength of Jim's defined benefit (DB) scheme.
- Cash equivalent transfer value (CETV) of Jim's DB scheme/pension commencement lump sum (PCLS) on DB scheme.
- Carry forward available/employer matching/salary sacrifice available.
- Lifetime allowance (LTA) value of Jim's pensions/does he need protection?/any protection already in place?
- How much will they invest from holiday home proceeds?
- How much will they release when downsizing?/amount released?
- Inheritance Tax (IHT) planning/ use of Trusts.
- Base costs of Unit Trusts/capital gain in Unit Trusts/any losses for Capital Gains Tax (CGT) purposes?/use of CGT exemption.
- Transfer to Sandra for lower dividend tax/7.5%.
- Asset allocation/fund choice in pensions/fund charges.

(b)

- Current expenditure/planned expenditure.
- 3+ months expenditure required.
- They do not have any debts.
- They have surplus income/future part-time income.
- They have guaranteed income/Defined Benefit/State Pension.
- They have accessible cash funds/Premium bonds.
- Liquidity of investments/willingness to erode capital.
- Health/longevity/Sandra receives 50% of Defined Benefit pension on Jim's death.
- Market conditions/inflation risk/low interest rates.
- Sequencing risk/pound cost ravaging.
- They are close to retirement/limited timeframe.
- No protection in place/any employer sick pay?

Model answer for Question 2

(a)

- Capital needed to fund retirement/do they need capital?
- Costs of sale/solicitor/estate agent.
- Stamp Duty on purchase/no Capital Gains Tax (CGT) on house sale.
- How much capital will they release?/cost of new property.
- How much of proceeds of sale will they invest?
- Consider equity release/lifetime mortgage.
- They can retain Residence Nil Rate Band (RNRB)/downsizing addition available.
- Property cannot be sold if long-term care needed.
- Inconvenience/stress/suitable properties available.
- Ongoing cost should reduce/maintenance.

(b) *Candidates would have scored full marks for any six of the following:*

- Residence Nil Rate band (RNRB) still applies.
- Estate/property left to daughter.
- Downsizing addition is available to protect RNRB.
- RNRB is not automatically applied when calculating the IHT liability/Personal representatives must make claim for RNRB.
- Unused RNRB can be transferred to survivor.
- Can only consider one property move/take disposal of one former home into account/If more than one – Personal Representative can choose which to use to calculate downsizing addition.
- RNRB is currently £350,000/£175,000 each.
- Asset value after sale must equal original property sale value/equivalent value.

Model answer for Question 3

(a)

- Inflation risk on cash/poor returns/Multi-Asset funds protects against inflation/should out-perform cash.
- Wide range of assets available/diversification.
- Non-correlation of assets.
- Reduces volatility/risk.
- Can be active/passive/Professionally managed.
- Risk rated to meet their attitude to risk (ATR)/cash does not match ATR.
- Fund switching/easy to change funds/liquidity.
- Could provide additional income/dividends.

(b)

- Already exceed their £2,000 dividend allowance.
- Dividends will be taxed at 7.5% for Sandra/32.5% for Jim.
- Fixed interest taxed at 40% for Jim/20% for Sandra.
- CGT exemption is £12,300.
- Gains subject to CGT at 10% for Sandra/20% for Jim.
- Any assignment/transfer/fund switch is a CGT disposal.
- ISA allowance already used in full/will take a long time to ISA wrap.
- Tax return required/cost/admin.
- Already hold taxable Unit Trusts/CGT exemption exceeded.

Model answer for Question 4

(a)

- Potential for tax efficient growth/provides diversification.
- Helps meet income needs in long-term.
- Low interest rates/provides inflation hedge.
- Long-term investment/can ride out volatility/reduces longevity risk.
- Reduces risk of capital erosion.
- Natural income from dividends/interest.
- Makes use of dividend allowance/CGT exemption.
- Matches Attitude to Risk (ATR) and Capacity for Loss (CFL).
- They have secure pension income from Defined Benefit scheme/State Pension in future.
- Greater potential for inheritance (for Anna).

(b) *Candidates would have scored full marks for any seven of the following:*

- Global exposure/not just UK.
- Larger number/wider range of properties/sectors held.
- Property company shares/not directly bricks and mortar.
- Liquidity/traditional funds can be illiquid.
- Cannot impose withdrawal restrictions.
- Must pay out 90% of income to retain Real Estate Investment Trust (REIT) fund tax benefits.
- Cost-effective/beneficial internal tax treatment.
- Does not have to hold large cash reserves/could outperform traditional fund.

Model answer for Question 5

(a)
- Current Lifetime Allowance (LTA) fixed at £1,073,100.
- LTA is frozen (until April 2026).
- Contributions are continuing/growth likely to exceed LTA.
- LTA tested on benefit crystallisation event (BCE)/on crystallisation/when benefits taken.
- LTA charge of 25%/55% in future.
- Fixed Protection 2016 is not available to Jim as contributions have been made.
- Individual Protection 2016.
- £1m benefit needed to apply at April 2016/Jim's pension benefits unlikely to exceed £1m in April 2016
- 20x Defined Benefit (plus PCLS).
- Value of Defined Contribution Scheme.

(b) *Candidates would have scored full marks for any twelve of the following:*
- DB scheme will pay 50% spouses' pension to Sandra.
- DB increases by Limited Price Indexation (LPI).
- DB income taxable on Sandra/not tax free.
- DB ceases on second death/guarantee may apply.
- DC schemes are nominated for survivor/Trustee discretion.
- Benefits can be taken as lump sum/annuity/flexi-access drawdown (FAD).
- If death before 75, benefits are tax-free.
- If death after 75, benefits are taxable.
- Taxed at marginal rate of survivor/beneficiary.
- Survivor can nominate successor for pension fund/Anna.
- Tax treatment reverts to age of death of survivor.
- Can retain IHT-benefit of pension wrapper/IHT free.
- Lifetime Allowance (LTA) test on Jim's death/Defined Benefit not tested on death.
- Survivor may inherit some State Pension.

Model answer for Question 6

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

- How much income do they need?
- Guaranteed income sources (e.g. Defined Benefit/State Pension)
- Money Purchase Annual Allowance (MPAA) triggered on pension withdrawals.
- Pension withdrawal is Benefit Crystallisation Event (BCE)/triggers LTA charge.
- They have IHT liability/should retain IHT efficient pension.
- Value of pensions/investments/other income/dividends.
- Expected growth rates/erode capital/Attitude to Risk issues.
- Annuity options/Current annuity rates.
- Risk-free return/Safe Withdrawal Rate (SWR)/sustainability.
- Inflation on income/purchasing power.
- Tax-efficient withdrawals/ tax status/use of allowances.
- Market conditions/sequencing risk/stress test.
- Longevity/health/income needs of surviving spouse.

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

- Funding status of scheme/protected by Pension Protection fund (PPF).
- Offers guaranteed income for life/spouse's pension.
- Provides some inflation-protection/Limited Price Indexation (LPI).
- Income is taxable at marginal rate.
- No investment risk/no potential for capital growth.
- No cost/no admin/simple to understand.
- Lifetime Allowance (LTA) value of scheme/can adjust benefits for LTA purposes.
- Pension Commencement Lump Sum (PCLS)/Commutation factor.
- Inflexible benefits/cannot adjust income/no tax planning opportunities.
- No fund to pass on to Anna/grandchildren.
- May not need guaranteed income/other income sources available.
- Cash Equivalent Transfer Value (CETV).
- Does not suit Attitude to Risk/they have high Capacity for Loss.
- Both in good health so likely to pay for a long time/no longevity risk.

Model answer for Question 7

(a)

- Level term/whole of life (WOL).
- Joint Life second death basis.
- 7-year term.
- Gift is Potentially Exempt Transfer (PET)/Chargeable Lifetime Transfer (CLT) if Discretionary Trust is used.
- Already use Annual Allowances/£3,000/Premiums are Gifts out of normal expenditure (GOONE).
- This gift uses up portion of Nil Rate Band (NRB).
- Remain in estate for 7 years.
- No taper applies (Gift is under £325,000).
- Taxable at 40% (on second death).
- Policy should be set up in Trust.
- Protects Anna's inheritance/Anna should be Trustee.
- Sum assured £48,000/£120,000 x 40%.

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

- Wide fund choice/can meet Attitude to Risk/growth potential.
- Withdrawals treated as return of capital.
- Basic Rate Tax deducted within Bond/no further tax for basic rate taxpayer (BRT).
- Tax-deferred withdrawals of 5% of original sum invested.
- Could be Basic Rate Taxpayers in retirement/tax-efficient withdrawals/cumulative/top slicing.
- Chargeable event liable to Income Tax/no Capital Gains Tax (CGT) liability on fund switches within Bond
- Assign whole policies/segments to the grandchildren/Trust.
- Assignment is not a chargeable event.
- Future Bond withdrawals assessed on grandchildren.
- Children retain tax benefits of assigned segments/can draw tax-deferred income.
- Assignment treated as a Potentially Exempt transfer (PET) for IHT purposes/Chargeable Lifetime Transfer (CLT) if in Discretionary Trust.
- No Inheritance Tax (IHT) liability if they survive 7 years.
- Could be eligible for IHT relief if used as maintenance/support.

Model answer for Question 8

(a)
- Currently nominated 100% for each other.
- No nominated beneficiary if both die at the same time.
- Should nominate Anna/grandchildren as additional beneficiaries.
- Can nominate 1%+ for each/minimal nomination.
- If nominated can use FAD/annuity/any option/if no nomination, lump sum only.
- Inheritance Tax (IHT) planning/retains IHT-free fund for next generation.
- Retain pension wrapper/tax planning for Anna.
- Survivor may not need pension fund/sufficient other assets.

(b)
- Health/family circumstances/change in income/expenditure/downsized?
- Retirement date/retirement income objectives.
- Updated BR19 for State Pension/updated nominations.
- Performance/values/rebalance/Attitude to Risk/Capacity For Loss/regulatory changes/legislation changes/new products.
- Pension contributions made/use of ISA/CGT allowances/gifts made.
- Lifetime Allowance (LTA) check/Is Jim eligible for any protection?

All questions in the February 2022 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 February and May 2022 examinations.

INCOME TAX

RATES OF TAX	2020/2021	2021/2022
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	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£150,000

Child benefit charge:
1% of benefit per £100 of adjusted net income between £50,000 – £60,000

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

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

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,500	£12,570
Married/civil partners (minimum) at 10% †	£3,510	£3,530
Married/civil partners at 10% †	£9,075	£9,125
Marriage Allowance	£1,250	£1,260
Income limit for Married Couple's Allowance†	£30,200	£30,400
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,500	£2,520
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)	£2,830	£2,845
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,385	£16,480

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£120
Primary threshold	£184
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	**CLASS 1 EMPLOYEE CONTRIBUTIONS**
Up to 184.00*****	Nil
184.00 – 967.00	12%
Above 967.00	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 £184 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 170.00**	Nil
170.00 – 967.00	13.8%
Excess over 967.00	N/A

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.05 where profits exceed £6,515 per annum.
Class 3 (voluntary)	Flat rate per week £15.40.
Class 4 (self-employed)	9% on profits between £9,568 - £50,270. 2% on profits above £50,270.

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 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 & 2021/2022	£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 – 2021/2022	£40,000*

~ increased to £80,000 for pension input between 6 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.

**reducing 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	2020/2021	2021/2022
	£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	2020/2021	2021/2022
Individuals, estates etc	£12,300	£12,300
Trusts generally	£6,150	£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%
Business Asset Disposal Relief* – Gains taxed at:	10%	10%
Lifetime limit	£1,000,000	£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	2020/2021	2021/2022
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

	2020/2021	2021/2022
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*	£175,000	£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.*

	2020/2021	2021/2022
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

	2020/2021 Rates	2021/2022 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
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2020/2021	2021/2022
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 1 April 2016 (Corporation Tax) or 6 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

		2020/2021	2021/2022
		£	£
Child Benefit	First child	21.05	21.15
	Subsequent children	13.95	14.00
	Guardian's allowance	17.90	18.00
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 58.90	Up to £59.20
	Aged 25 or over	Up to 74.35	Up to £74.70
	Main Phase		
	Work Related Activity Group	Up to 74.35	Up to 104.40
	Support Group	Up to 113.55	Up to 114.10
Attendance Allowance	Lower rate	59.70	60.00
	Higher rate	89.15	89.60
Basic State Pension	Single	134.25	137.60
	Married	268.50	275.20
New State Pension	Single	175.20	179.60
Pension Credit	Single person standard minimum guarantee	173.75	177.10
	Married couple standard minimum guarantee	265.20	270.30
	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	58.90	59.20
	Age 25 or over	74.35	74.70
Statutory Maternity, Paternity and Adoption Pay		151.20	151.97

CORPORATION TAX

	2020/2021	2021/2022
Standard rate	19%	19%

VALUE ADDED TAX

	2020/2021	2021/2022
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 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

Important note regarding Stamp Duty Land Tax (SDLT) and residential property purchases:

- **For purchases between 1 July 2021 and 30 September 2021, SDLT does not apply up to £250,000.**
- **For purchases above £250,000, the band rates above apply as normal.**
- **For purchases from 1 October 2021, 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%