Chartered Insurance Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

September 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.

AF1 – Personal tax and trust planning

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Published November 2021

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners assess candidates' knowledge and their ability to apply this to a case study scenario. You can then use this understanding to help you in your preparation for the examination.

Before the examination

Study the syllabus carefully
This 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.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas, however 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. The reading list which can be found with the syllabus provides valuable suggestions.

Note the assumed knowledge
For the Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

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 exam 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 information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the examination. 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 take your own tax tables into the examination.*

Know the structure of the examination
Assessment is by means of a three-hour written paper in two sections. All questions are compulsory:

Section A consists of one case study, worth 80 marks. You will be expected to carry out a variety of tasks, after analysing the information provided.

Section B consists of two shorter case studies worth a total of 80 marks. Again you will be expected to carry out a variety of tasks based upon the information provided.

Each question part will clearly show the maximum marks which can be earned.

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 more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

Read the Assessment information and Exam policies for candidates
The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates.

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.**

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Tackling questions

Tackle the three questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

It is vital to label all parts of your answer correctly as many questions have multiple parts to them (for example, question 1(a) may have parts (i), (ii) and (iii)). Failure to fully distinguish between the separate question parts may mean that full credit cannot be awarded. It is also important to note that a full answer must be given to each question part and candidates should not include notes such as 'refer to answer given in 1(b)(i)'.

Answer format
Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use 'bullet points' or short paragraphs. The model answers indicate what is acceptable for the different types of question.

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.

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Tips for laying out calculations in on-screen written exams
Where you are asked to perform a calculation, it is important to show **all the steps** in your answer. Most of the marks will be allocated for demonstrating the correct method of calculation.

While there are no marks for presentation, laying the calculation out well will make it easier for the examiner to identify all of the marks you have achieved. It does not matter how long the calculation is, if it is well set out. There is no preferred format but following the below guidelines is often helpful:

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in an IHT calculation:
    - Main residence £500k,
    - Onshore Bond £100k.
- Identify all allowances, exemptions, tax rate bands, tax rates used in £ terms.
- Use subtotals, where appropriate: i.e.:
    - Total assets - £1,500,000
    - Nil rate band – (£325,000)
    - Residence nil rate band – (£175,000)
    - Assets after allowances - £1,000,000
- Show all your workings. This includes:
    - grossing up of pension contributions,
    - how you work out the allowances if they are not standard,
- Make notes where appropriate. For example:
    - Bond loss is excluded
    - ISA income ignored
- Double check all of your figures, specifically:
    - That you have calculated each section correctly.
    - That you have added up all of your figures correctly.

EXAMINERS' COMMENTS

Candidates' overall performance

The AF1 exam covers a broad syllabus and requires candidates to **apply their knowledge** to the case studies provided.

As a minimum we would expect candidates to have studied both taxation and trusts, a good source of which being the RO3 and JO2 study texts. While taking RO3 and JO2 is not compulsory, we would expect AF1 candidates to prepare and study the elements tested across both exams and demonstrate at least level 4 knowledge across both syllabuses. It is not sufficient to just study past exam papers or RO3 alone, given the breadth of the syllabus.

It is disappointing to see a high number of candidates showing little basic knowledge of parts of the JO2 syllabus. In particular, we saw a very low standard of answers around: the taxation of trusts, substituted decision making (Enduring and Lasting Powers of Attorney) and different types of trust.

It is not uncommon to come across clients that hold older or outdated products or trusts. **It is very important to have a broad understanding of both current and legacy products and trusts**, even if they are no longer suitable for or marketed to new clients.

We would also like to comment on our approach to **calculation-based questions** at level 6 as this should help future candidates prepare well for these.

It is our expectation that a level 6 candidate should be able to show that they understand the application of each step of the calculation, even if they make mistakes along the way. **It may not be sufficient to simply restate information that is set out in the tax tables, if it has not been applied correctly.**

As an example, in this paper there was a 7-mark Income Tax calculation for an additional rate taxpayer. A candidate would not get a mark for multiplying the whole income by 20%, even though the 20% tax rate does appear in the calculation. We would expect a level 6 candidate to recognise that there is a basic rate band of income and apply 20% to this band.

This may seem harsh to some, but we want to avoid a situation where a well-prepared candidate gets the full 7 marks but a candidate who does not show a basic understanding of the calculation process can get more than half of the marks and end up with an incorrect answer.

Being able to accurately calculate tax is incredibly important in many areas of financial planning. Often the clients involved rely on their income, investments and pensions to sustain them for the rest of their lives. We would expect candidates at level 6 to have a solid base of understanding across the various taxes and be able to identify steps that could be taken to improve tax efficiency, where appropriate.

In addition, **over several exam sessions we have seen less detailed answers to questions in general.** This meant that many candidates missed relatively straightforward marks across the syllabus. It is important to read the question and answer it fully, considering the number of marks that are available. While being succinct and to the point is important, many candidates would gain marks by taking a moment to expand on their answers to show the depth of their understanding.

AF1 examiners look to mark positively and reward candidates for their understanding, even if parts of the answer are missed. **However, it is important to note that marks are not given if the candidate makes a valid point and then directly contradicts it.** It needs to be clear that the candidate understands the point being tested for each mark and is not sitting on the fence.

Question 1

It was encouraging to see that many candidates have studied the new rules around the taxation of investment bond surrenders, as test in part (a). The layout and marks achieved were much improved on previous years.

However, there is still room for improvement here, particularly around setting out both the unrelieved and relieved liability in full. Also, some candidates missed two marks by not including a calculation of the top-slicing relief, as well as the relieved liability. **It would be worth candidates re-reading the question before they move on to the next, to ensure that the answer given answers the entire question.**

While less common, we are still seeing candidates referring to Capital Gains Tax (CGT) when calculating tax on a bond surrender. At level 6, we expect candidates to know that it should be Income Tax, not CGT and base their answers on this.

Part (b) covered the process for reporting a gain from the perspective of an Assurance Bond provider and Maggie, as the bond owner. Parts (b)(i) and (b)(ii) were well answered by many candidates.

Part (b)(iii) was not as well answered, with some candidates not giving enough detail or not answering the question for each element of Maggie's income. In addition, quite a few candidates did not appear to be aware that the State Pension is paid gross, and her Income Tax relating to pension income would be taken from her private pensions.

Part (c) was a straightforward Income Tax calculation with the addition of a taxable lump sum from a pension. The vast majority of candidates scored well on this question. However, some candidates lost marks for not identifying that there would be an impact to the personal allowance and some used incorrect figures for the tax bands, even though this information was contained in the tax tables.

Part (d) focused on the difference between Enduring Power of Attorney's (EPA's) and Lasting Power of Attorney's (LPA's) and the impact of retaining an existing EPA. While some candidates generally showed a good understanding of LPAs, there was a noticeable lack of understanding of EPAs.

Common errors included the EPA being treated as completely invalid or stating that they covered health and welfare, rather than financial affairs. It was disappointing to see that many candidates could not recall level 4 knowledge of this area and lost marks because of this. Without this basic knowledge, marks for applying that knowledge would have also been missed.

it is important to continue to study EPAs, even though new ones can no longer be established. It is not unusual for a real-life client to still have an EPA, so understanding the powers and limitations of these is still important.

Part (e) required candidates to understand the rules and limitations of a LISA in respect of gifting and then apply this to the case study. Generally, this was well answered by candidates.

Part (f) focused on the taxation of discretionary trusts, particularly in relation to Assurance Bonds. This area has been tested extensively and a good proportion of candidates performed well here.

However, in part (f)(iii) some candidates missed marks by not showing good understanding of the order of taxation on chargeable gains for an Assurance Bond held in trust (Settlor, trustees, beneficiaries). Again, this is level 4 knowledge and we would expect most candidates to be familiar with this area.

Part (g) was challenging to most candidates and tested how residency would be determined for someone who returns to the UK close to the end of the tax year. **Across several papers, candidates have struggled to express the rules around tax residency. Candidates should re-visit and study this area closely.**

Question 2

Part (a) started with an Inheritance Tax (IHT) calculation including a gift to charity. While generally candidates performed well in this calculation, many lost marks on how the gift to charity would be treated, the fact that the actual gift would be free from IHT and how to calculate the net estate to qualify for the 36% tax rate.

Part (b) focused on how potential beneficiaries of an estate can challenge a Will, where reasonable financial provision has potentially not been provided. Candidates struggled to provide sufficient detail to get high marks in this question.

In particular, we saw many short or vague answers to this question. It is important to note that the question asked for two things: **How Enrique and Sonia could make a claim** for reasonable financial provision and **on what grounds.** Good exam technique could include bullet pointed answers directly answering each part of the question.

Part (c) also challenged candidates as it covered existing Accumulation and Maintenance trusts and the transitional rules that applied in advance of the 6 April 2008 deadline.

This question was one of the more technical aspects tested in the paper. Some well-prepared candidates scored well but many did not show understanding of the rules around this type of trust and how it may impact a trust that is still in force.

Part (d) asked candidates to calculate the exit charge on a distribution from a discretionary trust. The answers showed a mixed understanding of the relevant calculation steps. Some candidates lost marks for calculating the number of quarters incorrectly or using the wrong values to calculate the effective rate (even though the steps taken were largely correct).

Part (e) related to Pre-Owned Assets Tax (POAT) and how this could apply to the case study. Some candidates confused this with gift with reservation (GWR) and some thought it would be based upon the value of the property, rather than the market rent. Overall, even candidates who showed understanding of POAT did not give enough detail to get high marks in this question.

Question 3

Part (a) asked candidates to describe the differences in CGT treatment of a disposal between a married couple who have separated. This was not particularly well answered.

Some candidates did not identify that there would be a difference in treatment. Some candidates gave answers assuming that the couple would need to be divorced before changes in tax treatment would occur. **This highlights a need for candidates to study this area much more closely.**

Part (b) related to capital losses and the extent to which they could be offset against gains. While many candidates appeared to have a good understanding of the main concepts, many did not expand this into the detail required to get high marks.

Disappointingly, considering the number of marks available (14), some candidates did not pick up some of the more straightforward marks. Part (b)(i) asked the candidate **to identify Harish's capital losses** and then **explain the extent to which they could be used to reduce his capital gains tax liability**. There were 4 marks available for simply identifying the losses set out in the case study. The rest of the marks available were for detailing whether or not they could be used to reduce CGT and providing detail around this.

Part (c) asked candidates to describe the rules around "bed and breakfast" transactions and then suggest other ways to achieve the client's objective based on the case study. Many candidates showed a clear understanding of the rules around this but could not apply this practically, as required in part (c)(ii).

Part (d) related to gifts of shares to a charity and how this would affect Harish's tax position. Candidates did not perform well in the second part of this question, which was disappointing as many of the available marks would have applied if the question related to a cash gift. Candidates also lost some relatively straightforward marks by not considering the impact on all taxes including income tax, CGT and IHT.

Unit AF1 – Personal tax and trust planning

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 as follows:
  Section A: 80 marks
  Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B, **both questions are compulsory.**
- 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.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **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.

SECTION A

This question is compulsory and carries 80 marks

Question 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d), (e), (f) and (g) which follow.

Maggie, aged 68, is retired and in receipt of the following income in the 2021/2022 tax year:

	Value (£)
State Pension	8,800
Pension annuity income	36,200
Bank interest	2,000
Cash ISA income	500

Her husband Ian, aged 62, became seriously ill in 2006 and had to stop working. He receives £1,000 per month from a personal income protection policy, which will continue until he reaches age 65. Ian also took ill health early retirement in 2006 and started drawing his final salary pension of £13,000 a year gross.

Ian plans to make various improvements to their home, estimated to cost around £130,000 in total spread across the next four years. He has a money purchase pension valued currently at £192,000 and he is considering withdrawing the entire amount as a lump sum to cover these costs.

When Ian became ill, he completed an Enduring Power of Attorney (EPA) which remains in place. Maggie is the sole Attorney, and the EPA has never been registered. Maggie and Ian are concerned about what will happen if Ian loses mental capacity.

As their household income covers their cost of living, Maggie would like to consider making gifts of £25,000 each to their three children and two grandchildren. She has made no previous gifts. Maggie is considering surrendering her onshore assurance bond to release capital for this purpose. The bond was established in August 2011 with an initial investment of £85,000. It is currently valued at £135,000 and Maggie has never taken any withdrawals.

Maggie would like any gifts she makes to be tax efficient. She has heard of Lifetime ISAs and would like advice around the suitability of making gifts into this type of policy. Details of Maggie's children and grandchildren are:

Beneficiary	**Age**	**Notes**
Molly	39	Basic rate taxpayer, homeowner
Petra	43	Higher rate taxpayer
Jake	37	Resident in Canada/UK Domicile
Heidi	15	Studying at secondary school
Sebastian	19	Studying at University

Maggie's youngest son Jake is single and has no children. He has worked full time in Canada for the past seven years and spent very little time back in the UK other than annual holidays of two weeks duration. He is selling his Canadian property and will return to the UK on 11 March 2022. Jake plans to take a few months off and then look for a new full-time job in June 2022.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

(a) Calculate, **showing all your workings**, the top-slicing relief and the relieved tax liability, assuming Maggie surrenders her investment bond on 30 September 2021. **(16)**

(b) **(i)** Explain briefly the process followed by an Assurance Bond provider when reporting a chargeable gain. **(3)**

(ii) Explain briefly how Maggie's chargeable gains are reported and the process in which she would calculate and pay any tax due. **(3)**

(iii) Explain how Maggie will pay her total Income Tax for the 2021/2022 tax year, assuming she does not surrender her investment bond. **(5)**

(c) **(i)** Calculate, **showing all your workings**, Ian's Income Tax for the 2021/2022 tax year, assuming he takes his entire money purchase pension as a lump sum. **(7)**

(ii) State a more tax-efficient method of drawing the money Ian needs from his pension and explain briefly the tax implications. **(4)**

(d) **(i)** Explain briefly how Maggie would be able to make decisions, including any limitations that may apply, in the event Ian loses mental capacity. **(3)**

(ii) Outline the **benefits** and **drawbacks** to Ian of retaining the current Enduring Power of Attorney (EPA). **(5)**

(iii) Explain the reasons you would recommend that Ian reviews his EPA and why he should consider making changes. **(5)**

(e) **(i)** Explain briefly the limitations of Maggie making gifts into Lifetime ISA's (LISAs). **(3)**

(ii) Comment on the extent to which LISAs might be suitable for Maggie's children and grandchildren, based on the information provided in the case study. **(7)**

(f) If Maggie instead decided to place her onshore assurance bond into a discretionary trust for their children and grandchildren:

(i) Explain briefly the initial Inheritance Tax (IHT) **and** Income Tax implications. **(4)**

(ii) Summarise the potential future IHT implications. **(3)**

(iii) Explain briefly who is liable for tax on any future chargeable gains. **(3)**

(g) Explain to Jake how his residency would be assessed if he returns to the UK as planned, in the:

(i) 2021/2022 tax year; **(4)**

(ii) 2022/2023 tax year. **(5)**

Total marks for this question: 80

SECTION B

Both questions in this section are compulsory and carry an overall total of 80 marks

Question 2

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d) and (e) which follow.

Alberto died on 1 May 2021. He never married but had a partner, Marina. Together they had a daughter, Sonia, aged 19. Alberto also has a son from a previous relationship, Enrique, aged 21. The family are all UK domiciled.

In his Will, Alberto gifted £45,000 to a registered charity with the remaining estate going solely to Marina. There was no provision in his Will for either of the children. Both are studying at university and were both living with the couple prior to Alberto's death.

Alberto held the following assets on his death:

Asset	**Value (£)**
House owned as joint tenants with Marina	900,000
Venture Capital Trust	135,000
Cash ISA	80,000
Sole life Term Assurance policy (not in trust)	60,000
Current account	15,000

Alberto's mother set up an Accumulation and Maintenance Trust in 2004 for the benefit of Sonia and Enrique. There have been no changes to the trust since it was created.

Marina settled £425,000 into a discretionary trust on 1 January 2016. She has made use of her annual gift exemptions every year. A capital distribution of £50,000 to the beneficiaries was made on 1 July 2021 and the trust is currently valued at £475,000.

Marina has decided that she would like to sell the property she owned with Alberto and will gift some of the proceeds to Sonia for her to purchase a property. Marina then plans to move in with Sonia. As she will gift the money to Sonia, it has been agreed that Marina will not be charged any rent.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

(a) Calculate, **showing all your workings**, the Inheritance Tax (IHT) liability on Alberto's estate. **(8)**

(b) Explain how, and on what grounds, Enrique and Sonia could make a claim for reasonable financial provision under Alberto's Will. **(8)**

(c) **(i)** Explain how the Accumulation and Maintenance Trust created by Alberto's mother in 2004 is treated for IHT. **(5)**

(ii) Describe briefly how the trust could have been amended prior to 6 April 2008 and the effect this would have had on the IHT position. **(4)**

(d) Calculate, **showing all your workings**, the exit charge payable on the distribution of £50,000 from the discretionary trust set up by Marina. **(8)**

(e) Describe the impact of pre-owned asset tax in the event Marina moves into the property purchased by Sonia. **(7)**

Total marks available for this question: 40

Question 3

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c) and (d) which follow.

Harish is a marketing executive earning an annual gross salary of £130,000. He was married to Mita for 10 years, but they separated in November 2020 and they remain separated.

Mita and Harish sold the jointly owned London home they lived in together on 1 April 2021 for £1.1 million. The sale resulted in a £20,000 loss which they reported to HM Revenue & Customs.

They owned two other properties together, a cottage in the Cotswolds and a flat in Bournemouth, detailed below:

Property	**Purchase date**	**Purchase cost (£)**
Cotswold cottage	1 February 2012	120,000
Bournemouth flat	1 June 2015	280,000

Harish transferred his share of the Cotswolds cottage to Mita in the 2020/2021 tax year, when the cottage was valued at £300,000. She has no immediate plans to sell it.

As a result of the separation, Harish transferred his share of the Bournemouth flat to Mita. The property was worth £422,000 and the transfer was completed in the 2021/2022 tax year.

Harish sold the following investments during the 2021/2022 tax year to release funds to buy a new property:

Asset	**Purchase cost (£)**	**Disposal value (£)**
Stocks and Shares ISA	120,000	150,000
General Investment account	325,000	305,000
Share portfolio	58,000	86,000
Gilts	15,000	22,500
Venture Capital Trust (VCT)	100,000	60,000

Harish also holds listed shares in a pharmaceutical company that has enjoyed rapid growth over the last couple of years. He bought the shares for £10,000 in 2019, and they are now worth £30,000. Harish is considering selling these shares and then buying them back the next day to retain his shareholding to realise the gain now before the shares further increase in value.

Harish sold his shares in a furniture company which he sold on 1 May 2015. The disposal realised a loss of £6,000, which Harish declared in his 2018/2019 tax return.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

To gain maximum marks for calculations you must show all your workings and express your answers to two decimal places.

(a) Explain the tax implications of Harish transferring his share of the Cotswolds cottage and the Bournemouth flat to Mita. **(8)**

(b) **(i)** Identify Harish's capital losses and explain the extent to which they could be used to reduce his Capital Gains Tax (CGT) liability in the 2021/2022 tax year. **(12)**

(ii) State when a loss following a disposal needs to be reported to HM Revenue & Customs. **(2)**

(c) **(i)** Explain briefly why Harish's plan to sell and buy back his shares in the pharmaceutical company would be ineffective for CGT purposes. **(4)**

(ii) Assuming Harish sells his shares, provide **two** alternative ways he could invest in this company and any limitations. **(4)**

(d) Harish is considering gifting the pharmaceutical shares to a registered charity.

(i) Describe briefly the process of gifting shares to charity. **(2)**

(ii) Explain the impact on Harish's tax position of the gift to charity. **(8)**

Total marks for this question: 40

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) Bond Surrender value - £135,000
Initial Investment - £85,000
No withdrawals or previous chargeable events
Gain £135,000 - £85,000 = £50,000

Total income for PA purposes = £47,000 + £50,000 (no impact on personal allowance)

Liability on full gain before top-slicing relief
Amount falling in the BR band: £3,270
x 20% = £654
Amount falling in the HR band: £46,730 x 40% = £18,692
Total = £19,346
Less BR credit for onshore bond: £10,000
Liability = £9,346

Calculate the annual equivalent
£50,000/10 years = £5,000

Tax on annual equivalent
Amount falling in the BR band: £3,270 x 20% = £654
Amount falling in the HR band: £1,730 x 40% = £692
Total = £1,346
Less BR credit for onshore bond of £1,000/20%
Liability = £346
Relieved liability – £346 x 10 years = £3,460

Top-slicing relief
£9,346 - £3,460
= £5,886

(b) **(i)**

- The chargeable event date is the day of the surrender.
- Life Assurance Bond provider sends Maggie details of any chargeable gain/life assurance bond provider calculates and informs Maggie.
- Life Assurance Bond provider also informs HM Revenue & Customs if appropriate.

(ii)

- Maggie reports her chargeable gain via self-assessment/SA101.

- Is taxable in the tax year (2021/2022) in which the surrender occurs.
- Tax is payable by 31 January in the following tax year/31 January 2023.

(iii)

- Maggie's State Pension is paid gross but is taxable.
- All of Maggie's Income Tax, relating to pension income, will be paid from her private pensions
- via PAYE.

- Maggie's savings interest is paid gross. /Taking into account the Personal Savings Allowance (savings earnings only).
- HM Revenue & Customs will adjust her tax code so that the correct amount of tax is paid overall.

(c) **(i)**

Non-savings income
Final salary pension - £13,000
Taxable pension amount £192,000 x 75% = £144,000
Total taxable income - £157,000
Income protection payments are tax-free

Personal allowance reduced by £1 for every £2 over £100,000:
£157,000 - £100,000 = £57,000/2
£57,000/2 = £28,500
No personal allowance available

Amount in basic rate band = £37,700 x 20% = £7,540
Amount in higher rate band = £112,300 x 40% = £44,920

Amount in Additional rate band = £7,000
x 45% = £3,150
Total Income Tax = £55,610

(ii)

- Ian could withdraw his pension over multiple tax years.
- Ensuring that the taxable portion of the withdrawal does not take his total income above £100,000
- this means he will retain his personal allowance
- and none of his withdrawal would be subject to 45% tax.

(d) **(i)**

- The EPA would need to be registered at the point that Ian becomes or is suspected to be becoming mentally incapable.
- Maggie would be able to act on behalf of Ian for his financial affairs only.
- She would need to apply to the COP to make decisions on his personal welfare/she does not have any authority to make decisions under the Enduring Power of Attorney (EPA).

(ii) **Benefits**

- Both Maggie and Ian can act on financial affairs now/avoid delays of establishing Lasting Power of Attorney (LPA)/can be used now with permission while Ian retains capacity.
- Saves the cost of setting up a new LPA/LPAs.

Drawbacks

- The EPA does not cover decisions about Ian's health and welfare.
- An EPA cannot be registered prior to Ian becoming mentally incapable.
- During the registration period, the powers of the Attorney are temporarily suspended.

(iii)

- If he sets up an LPA, this will ensure that his health and welfare can be taken care of, if he loses mental capacity.

- Family avoids needing to apply to the Court of Protection (COP) to appoint a Deputy to act.
- He can specify any restrictions he would like to place regarding these decisions. /He can specify if the Attorney can make decisions about life-sustaining treatment.

- He may wish to appoint an additional/replacement attorney who can act if anything happens to Maggie, and she cannot act.
- If he sets up Lasting Powers of Attorney, these will be registered at that point, which means his Attorneys could act immediately if he loses capacity/will not lose control when EPA being registered.

(e) **(i)**

- She could only gift up to £4,000 a year into each LISA. /She would not be able to make the full gifts of £25,000 into LISAs unless she did this over several years.
- The money could only be used for limited purposes/house purchase/after age 60.
- Otherwise, a penalty would be payable/withdrawal of bonus.

(ii)

- Molly would be able to open a LISA but would only be able to access it, penalty free from age 60
- or if she became terminally ill
- as she is already a homeowner.

- Petra would not be able to open a LISA as she is over age 40.

- Jake cannot open a LISA as he is not UK resident.

- Heidi cannot open a LISA as she is under age 18.

- Sebastian could open a LISA and use it towards the purchase of his first home, from age 60 or if he became terminally ill.

(f) **(i)**

- The gift into trust is a chargeable lifetime transfer.
- It can be reduced by any available exemptions i.e. Annual gift exemption of £3,000/£6,000 as she has not made a previous gift.
- The gift would be within her available nil rate band (£325,000) so no initial charge would be payable.

- The assignment into trust does not trigger a chargeable event for Income Tax.

(ii)

- If Maggie dies within 7 years,
- the gift would fall into her estate and use up part of her nil rate band this means more of her estate would be taxed at 40% (£119,000 x 40%).
- There may be periodic charges and exit charges.

(iii)

- If Maggie is alive and UK resident in the tax year of assessment, the Income Tax falls on her.
- Otherwise, the trustees would pay the tax;
- unless the bond was assigned to a beneficiary prior to the chargeable event, in which case the tax would fall on them.

(g) **(i)**
- Jake would remain non-UK resident for the tax year 2021/2022:
- as he has not been in the UK for 183 days or more in the tax year;
- he was not UK resident in the previous 3 tax years and will spend less than 46 days in the UK in 2021/2022;
- he worked full time in Canada and spent fewer than 91 days in the UK in the tax year.

(ii)
- Jake will not meet the non-UK resident test in 2022/2023/he will automatically be assumed as UK resident:
- once he has spent 183 days in the UK in the tax year.
- If he has a home in the UK for at least 91 consecutive days during the tax year.
- At least 30 of the 91 days fall in the 2022/2023 tax year and he has been present in the home for at least 30 days in the tax year.
- He does not have an overseas home.

Model answer for Question 2

(a) **Alberto's estate**

House	£450,000
Equity Unit Trusts	£135,000
Cash ISA	£80,000
Term assurance policy	£60,000
Current Account	£15,000
Total (gross estate)	£740,000
Less charitable gift	£45,000
Total estate	£695,000
BP3 only available if step taken from gross estate	
Less NRB	£325,000
Taxable estate	£370,000

36% rate used as charitable gift is more than 10% of net estate
(£370,000 + 45,000 charitable gift)
x 36%

Tax payable = **£133,200**

(b)

- Enrique and Sonia could challenge/claim/contest the Will
- under The Inheritance (Provisions for Family and Dependents) Act 1975
- as they were children of the deceased
- living in the same household and dependant.

- An application to the courts would be required
- on the grounds the Will did not make reasonable financial provision for them.

- It would need to be made within six months
- of the Grant of Probate being issued.

(c) **(i)**

- The creation of the trust was a potentially exempt transfer.

- The trust became relevant property
- from 6 April 2008
- and periodic and exit charges could apply.

- Periodic charges would apply with reference to the original settlement date.

(ii) *Candidates would have scored full marks for **any four** of the following:*

- If the trust was amended so the beneficiaries became absolutely entitled at age 18
- there would be no periodic or exit charges.

- Or if the trust was amended so the beneficiary became absolutely entitled at age 25
- there would be an exit charge when the beneficiary becomes entitled to capital
- based on the number of quarters between their 18 birthday and age 25/7 years from 18 to 25.
- but there would be no periodic charge.

(d)

Effective rate of tax when trust created
£425,000 - £325,000 (NRB) = £100,000
x 30%
x 20% (i.e. 6%) = £6,000
= 1.41% (effective rate)

Exit charge
£50,000 (distribution to beneficiary)
x 22/40 (number of quarters since trust was created)
x 1.41% (effective rate)
= £387.75

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

- Marina would be caught by pre-owned assets tax
- and a charge to Income Tax would apply.
- The cash value of the benefit/market rent
- would be added to Marina's income
- for each year (she lives with Sonia)
- subject to a de minimis of £5,000 or less each year
- unless she pays a full market rent
- or she elects for it to be treated as a gift with reservation.

Model answer for Question 3

(a)

- As Harish's share of the cottage was transferred to Mita in the tax year of separation,
- it was treated as a "no gain no loss" transfer/an exempt transfer between spouses.
- Mita acquired Harish's share of the cottage at the original acquisition cost.
- Harish is not subject to CGT/tax on disposal/transfer.

- The transfer of Harish's share of the Bournemouth flat took place in the tax year following separation.
- Therefore, Harish and Mita were no longer treated as connected.
- Harish's transfer to Mita is regarded as a disposal for CGT purposes,
- Any losses can be offset against Harish's gains in the tax year.

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

London property

- £10,000 loss on the sale of the London PPR in 2020/2021
- cannot be used to offset other gains in 2021/2022 tax year
- because main residence is an exempt asset.

General Investment Account (GIA)

- The loss on the GIA of £20,000 in 2021/2022
- must be set against other gains in the 2021/2022 tax year,
- and can be deducted from the gains subject to the highest rate of tax/gain on the Bournemouth flat
- before the deduction of the annual exempt amount,
- even if it reduces the remaining gain to nil/less than the annual exempt amount.

Venture Capital Trust (VCT)

- The loss on the sale of the VCT of £40,000 in 2020/2021
- cannot be used to offset other gains in the 2021/2022 tax year
- because gains on VCTs are exempt from CGT.

Furniture company

- The loss on the furniture company shares of £6,000 in 2015/2016 tax year
- has been claimed within 4 years of the end of the tax year in which it was realised.
- Therefore, it can be carried forward indefinitely
- and set against other gains in future tax years once the current tax year's losses and the annual exempt amount have been deducted.

(b) **(ii)**
- The disposal proceeds are more than 4 x the annual exempt amount and/or
- the taxpayer wishes to set the loss off against chargeable gains.

(c) **(i)**
- It would be classed as a "bed and breakfast" transaction.
- The disposal would be matched with any acquisition of the same shares within the same 30-day period.
- The gain that would have been realised by Harish on the sale of the shares is treated as if it had not been made.
- To be effective for tax purposes, the sale and repurchase must be separated by at least 30 days.

(ii) *Candidates would have scored full marks for **any four** of the following:*

- Harish could dispose of up to £20,000 worth of shares in the current tax year
- and immediately repurchase them through his ISA/Bed & ISA,
- provided he has not used his ISA allowance already in the 2021/2022 tax year.

- Alternatively, Harish could sell the shares and immediately buy the same amount through a SIPP/Bed & pension.
- Subject to the annual allowance limit on pension contributions.

(d) **(i)** *Candidates would have scored full marks for **any two** of the following:*

- Harish should first contact the charity to ensure it can accept the gift.
- If it agrees, he will need to sign a stock transfer form to put the shares in the charity's name.
- Tax relief/gift aid is available on this gift.

(ii) *Candidates would have scored full marks for **any eight** of the following:*

- As a higher rate taxpayer,
- Harish can claim back Income Tax relief of 20% on his donation/the difference between 40% tax he pays and basic rate tax/gift aid
- through self-assessment
- or by asking HM Revenue & Customs to amend his tax code.

- The donation will reduce Harish's adjusted net income
- allowing him to benefit from Personal Allowance, which he does not currently have,
- as his income is over £125,140/total income £130,000.

- The gift is a no gain no loss disposal for Capital Gains Tax
- but needs to be reported on Harish's tax return.
- The donation is not treated as a gift for IHT purposes/exempt for IHT.

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 2022 and April 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

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*** 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%