Chartered Insurance Institute

AF2

Advanced Diploma in Financial Planning

Unit AF2 – Business Financial Planning

April 2018 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 2018 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.

AF2 – Business Financial Planning

Contents

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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 or from Customer Service. 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 purchase copies of the most recent Examination Guides online at www.cii.co.uk. CII members can download free copies of older Examination Guides online at www.cii.co.uk/knowledge.

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 paper. 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. For further information contact Customer Service.

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 question 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.

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.

Provided handwriting is legible, candidates will **not** lose marks if it is 'untidy'. Similarly, marks are not lost due to poor spelling or grammar.

Calculators

If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, **non-programmable** calculator. The use of electronic equipment capable of being programmed to hold alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

EXAMINERS' COMMENTS

Candidates overall performance

Overall, candidates' performance was slightly below that of the October 2017 exam. Where the question was straightforward, e.g. a calculation, candidates performed well. Where analysis and critical thinking was required, as in question 1, candidates did not perform well showing a lacking in these skills.

Candidates once again had difficulty with question 1, it contained required knowledge and the application of that knowledge from the AF2 case study workbook. It was clear that most candidates had not made a good study of the information contained in this workbook and relied on the J03 manual only.

Questions 2 and 3 contained subjects more often tested in previous examination papers and it appears that candidates are now learning and applying this subject matter. However candidates' knowledge around the issues of IR35 was below examiners' expectations.

Less well prepared candidates attempted answers in terms of recall of knowledge. This is inappropriate at this level of examination. The case studies in this advanced paper are there to make candidates think about the consequences of the issues highlighted in the questions; they are concerned with application and not just knowledge.

Study of the AF2 Case Study workbook is mandatory at this level as it contains new material which will be examined and also provides many useful examples of the type of questions likely to arise in this advanced examination.

Question 1

Part (a), on ratios, was well answered by the majority of candidates. However, many candidates explained or described the key ratios themselves rather than answering the question which was to outline the advantages and the limitations of using financial ratios.

Part (b) was about assessing the financial viability of the company and examiners expected candidates to consider factors facing the company. Many candidates gave explanations concerning the current state of the company rather than stating factors affecting financial viability; many candidates concentrated on personal issues facing the purchasers. And a large number of candidates concentrated on the age of the machinery, the length of the lease and the price being paid for the business. These are not factors that affect the financial viability of the company.

Part (c)(i) was about taking into account relevant factors to help value the business. Many candidates gave reasons relating to business performance, some gave answers to this part that should have been in part (b) above and many candidates gave answers that were not related to the financial information presented in the case study.

Part (c)(ii) was about raising finance for the business and should have concentrated on third-party finance. Many candidates suggested the purchasers take out personal loans, which would not be appropriate in this scenario.

Part (c)(iii) was about their need for shareholder protection and key person protection. In the current situation shareholder protection is not a priority for the purchasers as there is not much value in the business at present and also missed the point that at present there are no dependants to consider. While this may be required later, there is no immediate need. Many candidates gave generic answers to shareholder protection that were not specific to this case study. Many candidates also did not state explicitly whether shareholder protection or key person protection were required.

In both cases, the need for protection was not explained, as required by the question.

Part (d)(i) was answered well by most candidates, although a few candidates did not divide the net asset value by two to arrive at the figure that Geoffrey could expect.

Part (d)(ii) was not well answered as many candidates did not refer back to the business assets, which was the subject of part (d)(i) above.

Part (e) was not well answered by the majority of candidates. Many candidates gave the benefits of pensions e.g. tax-free growth and safety from creditors, which was not required. Candidates were expected to understand that the reason for building up a pension fund outside of the business is so the business owner does not have to rely solely on the business to fund his retirement.

Part (f) was less well answered by most candidates.

In part (f)(i) most candidates gave generic answers that were not related to the case study. Many candidates suggested that the loss could be carried forward. This shows that the candidates did not read the question which stated that the business would cease trading. The examiners were only expecting candidates to state that the losses could be carried back to previous trading years, when a trade ceases. This latter point, about a trade ceasing, was not mentioned by most candidates.

Part (f)(ii) was poorly answered by most candidates with many candidates giving answers that related to compulsory liquidation or creditors' voluntary liquidation.

Part (f)(iii) was also less well answered by most candidates with candidates again giving answers for compulsory liquidation. Many candidates gave the answers required in part (f)(ii) above in this question part.

Part (g)(i) was not well answered by the majority of candidates. Many candidates gave generic answers such as "as per the rules of redundancy" without going into further detail and so did not gain any marks.

Many candidates also went on to discuss the sale of the company to another company and described how the Transfer of Undertakings (Protection of Employment) regulations would apply.

This again demonstrated that candidates were not reading the question which explicitly stated "should they close the business".

Part (g)(ii) was well answered by most candidates although candidates did not state that the pay could either be capped at the statutory level or be based on *actual* income.

Question 2

Part (a) was well answered by most candidates as this has been tested many times in the past.

Part (b) was less well answered by most candidates with many candidates stating that Sandra would have to take on the duties of the director but no further explanation was given. Most candidates identified the additional cost of compliance and that limited companies must publish accounts but missed the other answers the examiners were looking for.

Part (c) was a calculation question.

In part (c)(i) many candidates struggled with the tax calculation although the national insurance calculation was well done. Many candidates did not calculate total tax and National Insurance as required by the question and many candidates gave the net income and not the total required. This again highlights that the candidates are not reading the question stated.

Part (c)(ii) was adequately answered by most candidates although many candidates did not calculate the corporation tax that would be deducted from the profit.

Part (c)(iii) was well answered by most candidates although a significant number of candidates did not use the dividend allowance correctly. Although this is taxed at 0% it reduces the basic rate band by the amount of the allowance.

Part (d) tested candidates knowledge of the IR35 rules. This question part was very poorly answered by the majority of candidates.

Many candidates gave the rules for self-employment or explanations about IR35. Many candidates stated that she would be treated as employed, which did not answer question asked. Candidates are directed to the model answer for this question part.

Question 3

This question is about the purchase of business premises.

Part (a) was a simple calculation regarding Stamp Duty Land Tax and required candidates to demonstrate knowledge of the correct percentages applied to the calculation.

Most candidates did very well in this calculation, but a significant number of candidates calculated the tax from a single percentage figure, e.g. £750,000 x 3% which is not correct.

Part (b) was well answered by most candidates. However many candidates added the Stamp Duty Land Tax to the figures given in the question even though the question stated that the costs figure given in the question includes the tax.

Part (c)(i) was well answered by most candidates although many candidates did not state that the interest paid on the mortgage can be offset against rental income in full. Many candidates stated that no national insurance contributions are due but did not state why.

Part (c)(ii) was well answered by most candidates although many candidates mentioned the directors would be eligible for Business Relief. This is an Inheritance Tax relief and indicates that many candidates are confused about the application of Business Relief and Entrepreneurs' relief.

Part (d) was adequately answered by most candidates. Common points missed by candidates was that there would be corporation tax relief on interest on any loans taken out, that the business would become more highly geared and thus would be exposed to economic risks such as increased interest rates or economic downturns.

Part (e) was well answered by most candidates as this has been tested before on many occasions.

Part (f) was about the actions the Pensions Regulator would take if a business failed to put in place an auto-enrolment scheme.

This was not well answered by most candidates with the only mark consistently gained by candidates being that the company would be fined.

Chartered Insurance Institute

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Advanced Diploma in Financial Planning

Unit AF2 – Business financial planning

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SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2017/2018, 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.

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit AF2 – Business financial planning

Instructions to candidates

Read the instructions below before answering any questions

- **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.

- 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.

- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

- It is important to show all steps in a calculation, even if you have used a calculator.

- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

- Tax tables are provided at the back of this question paper.

- Answer each question on a new page and leave six lines blank after each question part.

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

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.

Deleen Manufacturing Ltd is a private limited company with two directors, Geoffrey and Arthur, who are both nearing retirement. They are both equal shareholders. The business currently employs 15 staff.

Historically, the company relied on two major customers that accounted for most of its sales turnover.

During the last trading year the company lost one of its major customers and has been unable to find another large customer.

Chelsea, aged 36, and Dylan, aged 34, are the sales and marketing managers for the company. They have been frustrated by the directors' refusal to further expand the customer base as the directors' focus has been on maintaining and servicing their two major accounts. Both Chelsea and Dylan are single with no dependants and have no significant personal assets of their own.

The company does not own its own premises and the only major assets are its plant and machinery.

Based on the 2018 accounts the bank will not extend the company's overdraft and after analysing the company's financial ratios, Geoffrey and Arthur are considering closing down the company and selling off its assets. Should they continue to trade there is a real risk that the company would run out of money and become insolvent.

An extract of the company's profit and loss account and balance sheet is shown below:

Deleen Manufacturing Ltd Profit and Loss Accounts

	Year end 30 April 2017	Year end 30 April 2018
Sales revenue	720,000	430,000
Cost of goods sold	290,000	208,000
Gross profit	430,000	222,000
Expenses	290,600	314,700
Operating profit	139,400	(92,700)
Taxation	27,880	0
Profit after tax	111,520	0

Balance sheet

	As at 30 April 2017	As at 30 April 2018
Fixed assets		
Machinery	230,000	219,000
Total	230,000	219,000
Current assets		
Cash	84,000	4,000
Stock	21,000	8,000
Debtors	70,000	35,000
Total:	175,000	47,000
Current liabilities		
Bank overdraft	21,000	43,000
Creditors	40,000	31,000
Total:	61,000	74,000
Long-term liabilities		
6% Debenture loan	180,000	150,000
Net assets	164,000	42,000
Financed by:		
Share Capital	10,000	10,000
Shareholder retained profit	154,000	32,000
Total:	164,000	42,000

Questions

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

(a) In the analysis of financial statements:

(i) Outline **four** advantages of using financial ratios. **(4)**

(ii) Outline **six** limitations of using financial ratios. **(6)**

(b) Chelsea and Dylan, the sales and marketing managers, are considering a management buyout (MBO) of the company.

State **six** factors they would need to take into account to better understand the financial viability of the company. **(6)**

(c) **(i)** From the financial information provided, list the factors that should be taken into account when valuing the business for the MBO. **(5)**

(ii) State **three** methods of raising finance for the MBO, including **one** advantage and **one** drawback of each. *Exclude financing from friends and family.* **(9)**

(iii) Assuming the MBO goes ahead, and considering their current circumstances, briefly explain to Chelsea & Dylan their need for:

- Shareholder protection. **(3)**
- Key person protection. **(5)**

(d) From the accounts:

(i) Calculate, **showing all your workings**, how much Geoffrey could expect to realise from the sale of the business assets before any taxes and costs. **(2)**

(ii) Explain why the figure in your answer to **part (d)(i)** above may not be realised. **(3)**

(e) Explain why a business owner should build up resources outside of the business which could be used as a retirement fund. **(8)**

(f) Geoffrey and Arthur are considering whether to wind up the company.

(i) Explain how Geoffrey and Arthur can utilise the loss in the 2018 trading year to the company's benefit if the company ceases trading. **(6)**

(ii) Outline, giving your reasons, why Geoffrey and Arthur would have the option of starting a members' voluntary wind up of the company. **(5)**

(iii) Explain the steps that the directors must take following the process in **part (f)(ii)** above, if they decide to voluntarily wind up the company. **(7)**

(g) **(i)** Explain the responsibilities of Geoffrey and Arthur to their employees should they close the business. **(7)**

(ii) Explain how statutory redundancy pay would be calculated for a 30-year-old employee with five years' service. *No calculations are required.* **(4)**

Total marks available 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) and (d) which follow.

Sandra is a sole-trader providing compliance services to regulated firms. She has a number of regular clients. In the tax year 2017/2018 her net fee income is £80,000 after expenses. Sandra pays a pension contribution of £800 per month net and her intention is to continue with this.

Sandra is seeking advice on reducing her Tax and National Insurance liabilities. One of her clients has told her she should incorporate as a limited company without explaining why this might be advantageous.

Sandra works from the family home which she owns outright. She enjoys the flexibility of being self-employed and being able to choose for whom she works. Sandra is, however, considering an offer from one of her clients to work exclusively for them. This would be on the same contract terms as the current arrangement.

Questions

(a) Outline the main **drawbacks** that Sandra faces as a sole-trader. **(4)**

(b) Explain the main **disadvantages** to Sandra should she choose to trade as a limited company. **(4)**

(c) **(i)** Calculate, **showing all your workings**, the total Income Tax and National Insurance liability Sandra would have to pay for the tax year 2017/2018. **(10)**

(ii) Assume Sandra had incorporated the business on 6 April 2017. Turnover is £80,000 to 5 April 2018 and she takes a salary of £12,000 from this.

The company pays her gross pension contributions of £12,000 and the profits remaining are distributed to Sandra as dividends.

Calculate, **showing all your workings**, the net distributable profit from the company. **(4)**

(iii) Based on the calculation in **part (c)(ii)** above, calculate, **showing all your workings**, the total Income Tax and National Insurance payable by Sandra. **(10)**

(d) Explain to Sandra how income paid under contracts subject to IR35 rules would be treated if she worked for a single client through a limited company. **(8)**

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), (d), (e) and (f) which follow.

Hannah and Jess are married, and are equal shareholding directors in a vegan restaurant, Club Greens Ltd. The company rents the premises from which it operates. The owner of the property has decided to sell and the asking price is £750,000. The rent for the property is £72,000 per annum. The business is highly profitable and has £400,000 cash in the bank.

Hannah and Jess own their home which is valued at £500,000 with no mortgage. They hold various personal cash deposits which total £100,000. Hannah has recently inherited a sum of £220,000 from her late mother's estate.

Hannah and Jess are both member trustees of the Club Greens Ltd small self-administered scheme (SSAS). The SSAS has a total value of £350,000 and is fully invested in a discretionary managed portfolio. The company has made contributions to the SSAS in March of each year of £10,000 for each of them for the last ten years. No contributions have been paid in the tax year 2017/2018.

They would like to buy the business property they rent and are looking at options to finance the purchase. They are considering either buying the property personally, via the limited company or via their SSAS.

The business employs several staff and it has missed its staging date for auto-enrolment as Hannah and Jess believe they do not need to comply as typically their workers are with them for three months or less.

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 Stamp Duty Land Tax (SDLT) which would be due should they purchase the property. *Assume VAT is not applicable.* **(4)**

(b) Calculate, **showing all your workings**, how Hannah and Jess could fund the purchase of the property via the SSAS with minimum borrowing, assuming total purchase costs of £40,000. Total costs figure includes the SDLT. **(8)**

(c) Hannah and Jess may wish to borrow funds personally, secured against their home, to fund the purchase.

(i) Explain the Income Tax and National Insurance implications assuming the business pays them full market rent. *No calculations are required.* **(5)**

(ii) Describe the Capital Gains Tax implications for Hannah and Jess should the property be sold at a later date. **(6)**

(d) Explain the potential financial implications to Club Greens Ltd, should it purchase the property. **(6)**

(e) State, giving your reasons, the **advantages** to Hannah and Jess of the SSAS buying the property as opposed to personal or business ownership. **(6)**

(f) State the actions the Pensions Regulator will take with regards to the business' failure to put in place an auto-enrolment scheme. **(5)**

Total marks available 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) (i)
- They can simplify financial statements.
- They are helpful when comparing companies of different size.
- They can be useful in trend analysis comparing the performance of a single company over a period of time.
- They can be used to highlight important information in a simple format that is easily understood.

(ii) *Candidates would have gained full marks for any six of the following:*
- Cannot be used in isolation/must be used in the wider context of business issues
- As could lead to a misinterpretation as
- many large firms operate different divisions in different industries, and therefore it would be difficult to find any meaningful industry average ratios.
- Inflation can distort the company balance sheet;
- accruals based accounting means that the financial information includes estimates and assumptions made by the accountants, which can lead to distortions.
- Does not address qualitative issues like product quality, customer service or employee performance which can have a positive or negative impact on profitability.
- Ratios are based on historical information which may not be an accurate reflection of the current position of the business.

(b) *Candidates would have gained full marks for any six of the following:*
- Level of liabilities.
- Cashflow.
- Order book/sales.
- Prospective customers/widening the customer base.
- Credit rating/relationship with lenders.
- Relationship with suppliers.
- Potential for redundancies/redundancy payments.
- Time to get back to profitability.
- Security of remaining large customer.

(c) **(i)**
- Fixed asset value/machinery value.
- Current liabilities.
- Current assets.
- Debenture value.
- Shareholder capital/retained profit.

(ii)
- Venture capital.
- Advantage: more likely to take a risk and management expertise provided by the investor.
- Drawback: will take an equity stake in the company.
- Crowdfunding.
- Advantage: Risk is spread across more people and interest rates may be more favourable than banks.
- Drawback: May not get sufficient take up and repayments may be higher than expected. Investors may take an equity stake.
- Bank/other lender.
- Advantage: No equity stake required.
- Drawback: Security for the loan may be required/unfavourable interest terms/less likely to lend in this scenario.

(iii) **Shareholder protection**
- Not required as yet although could be required in future when the business has some value.
- No beneficiaries/dependants.
- Business has little value and so cost of cover can be saved until business has value and is profitable.

Key person protection
- Will be required.
- To cover the loans.
- Cover loss of profits.
- On death and serious illness.

(d) **(i)**
- £42,000 (net asset value).
- divided by 2 = £21,000.

(ii)
- Assets held by the company for many years may not have been revalued for some time.
- The value of plant and machinery depreciates each year,
- and the market value may be less/different than the written-down value in the accounts.
- Bad debts may reduce the value of the company.

(e)
- Insure against the risk of a disappointing capital value
- when selling the business/business sale falls through.
- May want to pass the business down to the next generation
- so may not get a capital value or continuing income from business.
- It provides choice and flexibility about when or whether to sell;
- If the business does not have much value at the owners retirement or the business fails before retirement.
- If it cannot survive without the involvement of the owners.
- Increases tax planning opportunities.

(f) (i)
- Where a trade ceases,
- losses arising in the last twelve months of trading
- can be carried back against
- total profits
- for up to three years
- leading to a tax refund.

(ii)
- The company is solvent.
- The directors are able to make a statutory declaration
- which must be within five weeks before the resolution is passed,
- stating that the company is solvent and will be able to pay all its debts in full
- within a period not exceeding twelve months.

(iii)
- The members must pass a special resolution in a general meeting.
- With a majority of 75%.
- Therefore both shareholders/directors must agree.
- This meeting must be advertised 21 days in advance.
- The resolution must be advertised in the London Gazette.
- Within 14 days of it being passed.
- In this case, the members appoint an insolvency practitioner as liquidator.

(g) (i)
- Consult with employees.
- To prevent unfair dismissal claims.
- They need to provide redundancy pay
- for employees with over two years' service.
- Past the age of 18.
- Must pay holiday pay in lieu.
- Explain the impact on employees' pension arrangements.

(ii)
- 1 week's pay for;
- each year of continuous service;
- based on actual income;
- capped at current statutory level/£489 per week.

Question 2

(a) *Candidates would have gained full marks for any four of the following:*

- Sandra is personally liable for the advice and services she provides.
- Without limit and is thereby risking the family security.
- Reduced tax planning opportunities.
- Reduced state benefits.
- More difficult to raise finance.
- Nobody to share business decisions with.

(b) *Candidates would have gained full marks for any four of the following:*

- Additional cost of compliance and increased regulatory burden.
- Must publish accounts.
- Must publish an annual directors report.
- Requires a second tax return (corporation tax).
- Must publish a confirmation statement.

(c) **(i)**

Profit		80,000
Basic rate band		33,500.00
Grossed-up pension contribution	800 x 12 / 80%	12,000.00
Total at basic rate		45,500.00
Tax		
11,500 x 0%		0
45,500 x 20%		9,100.00
23,000.00 x 40%		9,200.00
Total tax		18,300.00
Class II NI 2.85 x 52		148.20
Class IV NI (45,000 – 8,164) x 9%		3,315.24
35,000 x 2%		700.00
		4,163.44
Total tax & NI		22,463.44

(ii) **Company**

Turnover	80,000
Salary to Sandra	(12,000.00)
Pension contribution	(12,000.00)
NI on Salary (12,000-8,164=)£3,836 @ 13.8% = (529.37)	
Profit for corporation tax	55,470.63
Corporation tax @ 19%	(10,539.42)
Retained earnings for distribution	44,931.31

(c) **(iii)** Sandra

Salary	£12,000.00	
Dividend	£44,931.31	
Allowances	(Personal) £11,500.00	
	(dividend) £5,000.00	
Tax at 20%	£12,000 - £11500 = £500	£100
Tax at 7.5 %	£33,000 - £5000 = £28,000	£2100
Tax at 32.5%	£44,931.31 - £33,000 = £11,931	£3877.57
NICs	(12,000 – 8,164) x 12%	£460.32
Total Personal Taxes		**£6537.90**

(d)

- Payments from the client to Sandra's company will be treated as if they are Sandra's earnings
- and compared to her actual earnings
- the excess 'deemed earnings' will be subjected to tax and class 1 National Insurance contributions
- and will be allowed as a deduction in the Corporation Tax calculation.
- If the deemed earnings have been paid as a dividend (already taxed) the dividend is exempt from tax.
- Certain other deductions are permitted such as allowable expenses.
- Pension contributions.
- And a flat rate 5% expense allowance.

Model Answer for Question 3

(a)
- £0 - £150,000 x 0% = £0
- £150,000 - £250,000 x 2% = £2,000
- £250,000 - £750,000 x 5% = £25,000
- Total due £27,000

(b) Total purchase price is £750,000 + £40,000 = £790,000

Maximum contribution

Current tax year £40,000 each
Previous tax years £30,000 x 3 = £90,000
Total contribution £130,000 each
Total combined contribution £260,000

Current value plus contribution £350,000 + £260,000 = £610,000

Additional funds required £790,000 - £610,000 = £180,000

Borrowing is within limits of 50%/which it can borrow.

(c) (i)
- Interest paid on mortgage can be offset against rental income
- in full.
- Income tax payable at their highest marginal rate on balance.
- Split evenly between them.
- No NI due as not earned income.

(ii) *Candidates would have gained full marks for any six of the following:*
- The disposal is charged against Capital Gains Tax.
- Which may qualify for entrepreneurs' relief.
- As the property is let to a trading company
- in which they have an interest.
- They can use their annual exempt allowance.
- And the excess is taxed at 10%.
- If sold within 2 years
- If Entrepreneurs' Relief doesn't apply gains taxed at 18% or 28%.

(d)
- Corporation tax relief on interest on loans/borrowing taken out to purchase property.
- No rent being paid out.
- Increased cashflow as expenses reduced.
- Company would use up spare cash.
- And become geared and have long term debt.
- Increased economic risks e.g. interest rate rises/economic downturn.

(e) SSAS Ownership

Candidates would have gained full marks for any six of the following:

Advantages

- No tax liability on rent.
- No Capital Gains Tax on property.
- Protected from creditors.
- Rental income increases value of small self-administered scheme (SSAS).
- Outside their estates for Inheritance Tax.
- Rent paid into SSAS does not count towards annual allowance.
- Can retain personal cash assets.
- No borrowing needed against main residence.

(f)

- Initially issue a warning letter.
- Followed by statutory notice of non-compliance.
- Issue fixed penalty notice/fine/£400.
- Escalation penalty notice/increasing daily fine.
- Prohibited recruitment conduct penalty notice.

All questions in the April 2018 paper will be based on English law and practice applicable in the tax year 2017/2018, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are those that were used in April 2018 examinations. The October 2018 will use the published 2018/2019 Tax Tables which can be found online on the CII website: www.cii.co.uk.

INCOME TAX

RATES OF TAX	2016/2017	2017/2018
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	£32,000	£33,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge from 7 January 2013:		
1% of benefit for every £100 of income over	£50,000	£50,000

**not applicable if taxable non-savings income exceeds the starting rate band.*

Dividend Allowance		£5,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,000	£11,500
Married/civil partners (minimum) at 10% †	£3,220	£3,260
Married/civil partners at 10% †	£8,355	£8,445
Transferable tax allowance for married couples/civil partners	£1,100	£1,150
Income limit for age-related allowances†	£27,700	£28,000
Rent a Room relief	£4,250	£7,500
Blind Person's Allowance	£2,290	£2,320
Enterprise Investment Scheme relief limit on £1,000,000 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.

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

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£113
Primary threshold	£157
Upper Earnings Limit (UEL)	£866

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 157.00*	Nil
157.01 – 866.00	12%
Above 866.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £113 per week. This £113 to £157 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 157.00**	Nil
157.01 – 866.00	13.8%
Excess over 866.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.85 where profits exceed £6,025 per annum.
Class 3 (voluntary)	Flat rate per week £14.25.
Class 4 (self-employed)	9% on profits between £8,164 - £45,000. 2% on profits above £45,000.

PENSIONS

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

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, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*

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

**tapered at a rate of £1 for every £2 of adjusted income in excess of £150,000 where threshold income exceeds £110,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2016/2017	2017/2018
	£10,000	£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	2016/2017	2017/2018
Individuals, estates etc	£11,100	£11,300
Trusts generally	£5,550	£5,650
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%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2016/2017	2017/2018
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- 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

	2016/2017	2017/2018
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*	£100,000	£100,000
- 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*

	2016/2017	2017/2018
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%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO_2) emissions. There is no reduction for high business mileage users.

For 2017/2018:

- The percentage charge is 9% of the car's list price for CO_2 emissions of 50g/km or less.
  - For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 13%.
  - For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 17%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 18% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

There is an additional 3% supplement for diesel cars not meeting Euro IV emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£22,600 for 2017/2018) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,600 = £3,842.

1. **Accessories** are, in most cases, included in the list price on which the benefit is calculated.
2. **List price** is reduced for capital contributions made by the employee up to £5,000.
3. **Car benefit** is reduced by the amount of employee's contributions towards running costs.
4. **Fuel scale** is reduced only if the employee makes good **all** the fuel used for private journeys.
5. **All car and fuel benefits** are subject to employers National Insurance contribution's (Class 1A) of 13.8%.

PRIVATE VEHICLES USED FOR WORK

	2016/2017 Rates	2017/2018 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2016/2017	2017/2018
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
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	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

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

CO_2 emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2016/2017	2017/2018
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.55	16.70
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.65
Attendance Allowance	Lower rate	55.10	55.65
	Higher rate	82.30	83.10
basic State Pension	Single	119.30	122.30
	Married	190.80	195.60
new State Pension	Single	155.65	159.55
Pension Credit	Single person standard minimum guarantee	155.60	159.35
	Married couple standard minimum guarantee	237.55	243.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment Support Payment*		2,000.00	2,000.00
Higher rate - lump sum		N/A	3,500.00
Higher rate - monthly payment		N/A	350.00
Standard rate – lump sum		N/A	2,500.00
Standard rate – monthly payment		N/A	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		139.58	140.98

*Only applicable where spouse or civil partner died on or after 6 April 2007**

CORPORATION TAX

	2016/2017	2017/2018
Standard rate	20%	19%

VALUE ADDED TAX

	2016/2017	2017/2018
Standard rate	20%	20%
Annual registration threshold	£83,000	£85,000
Deregistration threshold	£81,000	£83,000

STAMP DUTY LAND TAX

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

Stamp Duty Land Tax (SDLT) is payable in England, Wales and Northern Ireland only. Land and Buildings Transaction Tax (LBTT) is payable in Scotland at different rates to the above.

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

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

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

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly	Monthly	Yearly
Lower Earnings Limit (LEL)	£112	£486	£5,824
Primary threshold	£155	£672	£8,060
Upper Earnings Limit (UEL)	£827	£3,583	£43,000

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 155.00*****	Nil
155.01 – 827.00	12%
Above 827.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £112 per week. This £112 to £155 band is a zero rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. Basic State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below 156.00**	Nil
156.01 – 827.00	13.8%
Excess over 827.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.80 where profits exceed £5,965 per annum.
Class 3 (voluntary)	Flat rate per week £14.10.
Class 4 (self-employed)	9% on profits between £8,060 - £43,000. 2% on profits above £43,000.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE	ANNUAL ALLOWANCE
2006/2007	£1,500,000	£215,000
2007/2008	£1,600,000	£225,000
2008/2009	£1,650,000	£235,000
2009/2010	£1,750,000	£245,000
2010/2011	£1,800,000	£255,000
2011/2012	£1,800,000	£50,000
2012/2013	£1,500,000	£50,000
2013/2014	£1,500,000	£50,000
2014/2015	£1,250,000	£40,000
2015/2016	£1,250,000	£40,000 *§*
2016/2017	£1,000,000	£40,000

ANNUAL ALLOWANCE CHARGE

20% - 45% member's tax charge on the amount of total pension input in excess of the annual allowance.

MONEY PURCHASE ANNUAL ALLOWANCE	2015/2016	2016/2017
	£10,000*	£10,000*

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, which is subsequently taxed under PAYE.

§ increased to £80,000 from 6 April - 8 July 2015. If not used, can be carried forward to 9 July 2015 - 5 April 2016, subject to a maximum of £40,000.
** transitional rules apply to the calculation for pre/post 8 July 2015 position.*

CAPITAL GAINS TAX

EXEMPTIONS	2015/2016	2016/2017
Individuals, estates etc	£11,100	£11,100
Trusts generally	£5,550	£5,550
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES		
Individuals:		
Up to basic rate limit	18%	10%
Above basic rate limit	28%	20%
Surcharge for residential property and carried interest	0%	8%
Trustees and Personal Representatives	28%	20%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2015/2016	2016/2017
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

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

MAIN EXEMPTIONS		
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- UK-registered charities	No limit	No limit
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	£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%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO_2) emissions. There is no reduction for high business mileage users.

For 2016/2017:

- The percentage change is 7% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 11%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 15%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 16% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

There is an additional 3% supplement for diesel cars not meeting Euro IV emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£22,200 for 2016/2017) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,200 = £3,774.

1. **Accessories** are, in most cases, included in the list price on which the benefit is calculated.
2. **List price** is reduced for capital contributions made by the employee up to £5,000.
3. **Car benefit** is reduced by the amount of employee's contributions towards running costs.
4. **Fuel scale** is reduced only if the employee makes good **all** the fuel used for private journeys.
5. **All car and fuel benefits** are subject to employers National Insurance contribution's (Class 1A) of 13.8%.

PRIVATE VEHICLES USED FOR WORK

	2015/2016 Rates	2016/2017 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2015/2016	2016/2017
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£500,000	£200,000
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	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

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

CO_2 emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

CORPORATION TAX

	2015/2016	2016/2017
Standard rate	20%	20%
Small companies rate	20%	N/A
Small companies limit	£300,000	N/A
Effective marginal rate	20%	N/A
Upper marginal limit	£1,500,000	N/A

VALUE ADDED TAX

	2015/2016	2016/2017
Standard rate	20%	20%
Annual registration threshold	£82,000	£83,000
Deregistration threshold	£80,000	£81,000

MAIN SOCIAL SECURITY BENEFITS

		2015/2016	2016/2017
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.55	16.55
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.30
Attendance Allowance	Lower rate	55.10	55.10
	Higher rate	82.30	82.30
Retirement Pension	Single	115.95	119.30
	Married	185.45	190.80
Single Tier State Pension	Single	N/A	£155.65
Pension Credit	Single person standard minimum guarantee	151.20	155.60
	Married couple standard minimum guarantee	230.85	237.55
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment (lump sum)		2,000.00	2,000.00
Widowed Parent's Allowance		112.55	112.55
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		139.58	139.58