Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

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.

AF7 – Pension planning

Contents

Published August 2018

Telephone: 020 8989 8464
Fax: 020 8530 3052
Email: customer.serv@cii.co.uk

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 two-hour written paper in two sections. All questions are compulsory:

Section A consists of 35 marks.
Section B consists of two case studies worth a total of 65 marks.

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 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. The majority 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

General

The AF7 Pension Transfers examination is designed to test a mixture of technical knowledge and its application, information analysis and evaluation skills that would be required by an individual advising on the transfer of safeguarded pension rights.

The examination has two sections. The first containing four short questions and the second containing two case study-based questions.

The following comments have been made by the senior examiner for this examination as a guide for candidates attempting the examination in the future and should be considered carefully as part of the preparation for sitting this examination.

Question 1

Candidates were asked to describe the steps that must be followed in the statutory transfer process and their related timescales. This is an area that advisers should be familiar with when providing pension transfer advice and most candidates answered this question well. Most candidates achieved more than half marks and quite a few achieved full marks. Marks were not achieved by some candidates due to them not reading the question correctly and not providing sufficient detail within answers.

Question 2

The effect of increased inflation on a cashflow model and the impact on the potential suitability of a transfer were tested in this question. It was pleasing to see that some candidates did have a reasonable knowledge in this area. However, a level of detail was lacking in most answers. Some candidates gave long explanations relating to the effect of inflation on cash equivalent transfer values which was not required. Candidates should ensure they carefully read questions being asked and focus their answers accordingly.

Question 3

This question tested the key documentation that an adviser should retain for compliance purposes in respect of an advised pension transfer from a defined benefit scheme.

Most candidates answered this question well and gained high marks.

Question 4

Potential death benefits relating to defined benefit schemes and flexi-access drawdown within a specific scenario was tested in this question. Candidates generally did not perform well in part (a) but performed better in part (b). Lack of detail let some candidates down, but in many cases in was clear there was a lack of knowledge in this area. Death benefits are tested regularly and in detail in all pension exams and candidates should be familiar with this area before attempting them.

Question 5

This question was designed to ask candidates to consider why a critical yield may be high, and why it may not be particularly relevant to a specific set of circumstances within the case study. Candidates did reasonable well in this question overall. However, many candidates did not link their answers to the case study information provided and therefore did not achieve full marks. Candidates should link answers to case study questions to the information provided wherever possible.

Question 6

This was quite a straightforward question outlining reasons why a cash equivalent transfer value might have increased. Most candidates achieved at least half of the marks available, but many did not give enough potential reasons to gain higher marks. Some candidates identified areas that would impact on the transfer value but stated that they would have “changed” rather than stating the direction they would have changed which was required to be awarded high marks.

Question 7

Candidates were asked to outline ‘factors’ from the case study that would be considered as part of the transfer advice process. Many candidates simply listed a long list of information items, most of which were fact-finding information rather than specific factors relating to the case study. Candidates should carefully read questions and answer what is being asked and follow the instructions given. Candidates should use past exam guides to clearly understand the difference between a question asking for ‘factors relating to the case study’ and a question asking for ‘additional information’ otherwise valuable marks are not achievable.

Question 8

The reasons why funds should be held in cash were required to answer this question. Candidates were given a specific scenario and asked to explain why cash was an appropriate investment. This question was not answered well as there was a lack of detail provided. However, some candidates did achieve at least half marks.

Question 9

Unlike question 7, this question did require candidates to state ‘additional information’ that would be required, and therefore was more of a missing information of fact-finding question. This question asked what information you would request specifically from Ian. However, many candidates just wrote down everything they could think of that may be needed both personal and scheme related. This approach will gain some marks but will not gain high marks and will waste time that could be spent on other answers. Again, candidates should read questions carefully and focus their answers.

Question 10

This question tested the application of the Pension Protection Fund rules to the case study scenario. Most candidates did not link their answers to the case study and instead just wrote generic answers relating to Pension Protection Fund, resulting in high marks not being gained.

Question 11

This question required candidates to explain why a transfer would not be recommended for the specific scenario given in the case study. Many candidates achieved just over half marks but as with a lot of the candidates and questions across this whole examination, there was a lack of detail and too many generic answers to achieve high marks.

Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

April 2018 examination

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

- Two 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 AF7 – Pension transfers

Instructions to candidates

Read the instructions below before answering any questions

Two hours are allowed for this paper which carries a total of 100 marks as follows:

Section A: 35 marks
Section B: 65 marks

- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- 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.
- Additional information relevant to pension planning is also included 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

The following questions are compulsory and carry a total of 35 marks

Questions

1. Karin, aged 56, requested a cash equivalent transfer value (CETV) from her scheme administrators on 1 April 2018. She expects the CETV to be in the region of £400,000.

Describe the steps that must be followed in the statutory transfer process including the timescales that will apply, and who is responsible for each of the steps. **(10)**

2. You are preparing a lifetime cash flow model for a client who is considering transferring their defined benefit pension into a personal pension plan to utilise flexi-access drawdown.

Describe how an increase in the inflation assumption used will impact the cash flow model and the potential suitability of a transfer. **(7)**

3. State the key documentation that an adviser should retain on file for compliance purposes in respect of an advised pension transfer from a defined benefit scheme. **(8)**

4. Arthur, aged 62, is divorced with two non-dependant children. He is a deferred member of a defined benefit pension scheme and is considering how to take his benefits in retirement.

Outline the potential death benefits payable to his children, including their income tax treatment, if Arthur takes his benefits from:

(a) the defined benefit pension scheme; **(4)**

(b) a flexi-access drawdown plan following a transfer. **(6)**

Total marks available for this question: 35

SECTION B

All questions in this section are compulsory and carry an overall total of 62 marks

Case study 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.

David, who is single and has never married, will reach age 59 in May 2018. He is a deferred member of the following defined benefit pension schemes, both of which were previously contracted-out.

	Francisco Ltd	**Bertram Ltd**
Date of joining scheme	9 September 1983	1 January 1999
Date of leaving scheme	31 December 1998	30 June 2017
Projected pension at normal pension age	£18,983 per annum	£11,240 per annum
Normal pension age	65	60
Cash equivalent transfer value	£465,000	£393,200
Partial transfer allowed	Yes	No
Transfer value enhanced	No	Yes
Early retirement factors	Available from age 60 with 3% per annum reduction	Available from age 55 with 3% per annum reduction

David is self-employed and plans to retire no later than age 60. He estimates he will initially need a net retirement income of between £17,000 and £20,000 per annum. While he would prefer part of his income to be secured from the commencement of his retirement, he would like to have the flexibility to take ad hoc lump sums as required. David will receive his State Pension at age 66. He has a low to medium attitude to risk.

David has requested advice on whether the transfer of some of his pension benefits to a personal pension plan would help to meet his objectives.

Questions

5. The critical yield for the Bertram Ltd pension scheme to age 60 is 32.4% per annum.

(a) Explain briefly why this critical yield is so high. **(3)**

(b) Explain why the critical yield may be less relevant when deciding whether David should transfer the benefits from the pension scheme to access them flexibly. **(6)**

6. David received a cash equivalent transfer value (CETV) from the Francisco Ltd pension scheme in March 2015. At that time the CETV was £340,000.

Outline **seven** possible reasons for the increase in the CETV. **(7)**

7. Based on the information provided in the case study relating to David's two pension schemes.

Outline the factors that you would consider when advising him whether or not he should transfer some or all of his deferred benefits in order to meet his objectives. **(10)**

8. One option David is considering is to draw his scheme pension from the Bertram Ltd pension scheme at age 60. He would then also take a partial transfer from the Francisco Ltd pension scheme to cover his additional income needs until reaching State Pension age. The intention is that the transferred funds would be exhausted at the point David's State Pension comes into payment.

Explain why you would recommend that the transferred funds should be held in cash rather than invested in any other asset classes. **(7)**

Total marks available for this question: 33

Case study 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.

Ian, aged 45, is married to Kate, aged 42. They have two daughters aged 15 and 13.

Ian was made redundant from Prinson Ltd in November 2017. Ian and Kate have recently set up a coffee shop and the first signs are that the business is doing well.

Ian is a deferred member of his former employer's defined benefit pension scheme. The scheme is underfunded, and a recovery plan is in place.

Ian's deferred benefits in the pension scheme are as follows:

Date of joining scheme	November 1999
Date of leaving scheme	November 2017
Pension at date of scheme closure	£12,400 per annum gross
Spouse's pension	2/3rds members pre-commutation pension
Increases in deferment	Fixed rate 4% per annum
Increases to pension in payment	Statutory minimum
Normal pension age	65
Early retirement	Available from age 60 with a 5% per annum reduction
Cash equivalent transfer value	£385,000 including a reduction to account for scheme underfunding

Ian would like to consider his options, in respect of the defined benefit pension scheme, and whether he should retain the preserved pension benefits or transfer to a personal pension plan. A transfer value analysis report has been produced that shows a critical yield of 9.2% per annum to age 65.

Ian and Kate are both in good health and both have a medium attitude to risk.

Questions

9. State the additional information that you would require from Ian before advising him on the merits of transferring from his existing defined benefit scheme. **(10)**

10. The Prinson Ltd pension scheme is underfunded, and Ian is concerned that if the sponsoring employer becomes insolvent this may mean the scheme will enter the Pension Protection Fund. In the event this occurs, explain, in detail, how Ian's benefits under the scheme will change in respect of:

(a) the rate of revaluation applied whilst in deferment; **(5)**

(b) the level of pension benefits provided by the scheme in retirement. **(5)**

11. You have recommended that Ian should not transfer his benefits from the Prinson Ltd defined benefit pension scheme to his personal pension plan.

Explain, in detail, the reasons for this recommendation. **(12)**

Total marks available for this question: 32

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)

- Trustees inform Karin of the need for financial advice within one month of her initial request.
- Trustees set a guarantee date within three months of her initial request.
- Trustees provide a statement of entitlement within ten days of the guarantee date.
- Karen must confirm she wishes to proceed with the transfer within three months of the guarantee date.
- Karen must provide evidence that she has received independent financial advice no later than three months from the date she received the statement of entitlement.
- Before making the transfer, the trustees must check that the firm providing the financial adviser holds the relevant regulatory permissions and that the scheme being transferred to is a legitimate arrangement.
- Trustees must transfer the benefits within six months of the guarantee date.

Model answer for Question 2

(a)

- Inflation reduces the spending power of income and therefore a higher income would need to be taken from the fund which may lead to earlier than expected fund depletion.
- Higher returns may be required to sustain the fund value which may lead to an inappropriate level of investment risk being taken.
- Revaluation and escalation will be increased within the defined benefit pension scheme.
- This all may result in making a transfer out of the scheme less suitable for the member.

Model answer for Question 3

- Client fact-find.
- Supplementary defined benefit transfer specific client questionnaire.
- Disclosure documentation.
- Transfer Value Analysis Systems (TVAS) report.
- Statement of entitlement.
- Ceding scheme information.
- Recommended plan research.
- Suitability report.

Model answer for Question 4

(a)
- Balance of the payments under a guarantee period, paid as an income, and taxed as the children's earned income.
- Defined benefit lump sum death benefit payment.

(b)
- Lump sum.
- Nominees lifetime annuity.
- Nominees flexi-access drawdown.
- No income tax is payable if the member dies under age 75 and the death benefit is designated within two years.
- If the member dies over the age of 75 or designation is outside of two years, then any benefit is taxed as earned income for recipient.

Section B

Case Study 1

Model answer for Question 5

(a)
- The initial set up charges and the assumed investment returns will be annualised over less than two full years.

(b)
- Critical yield assumes a lifetime annuity purchase at scheme retirement age.
- David wants to take ad-hoc lump sums as required and therefore the fund will remain invested for a longer period.
- Critical yield assumes that a spouse's pension is being provided but as he is single is unlikely to need a spouse's pension.

Model answer for Question 6

- Previous transfer value may have been reduced due to scheme underfunding.
- Scheme funding may have improved.
- Annuity rates may have fallen.
- Revaluation and escalation rates have increased.
- Life expectancy assumptions have increased.
- Discounting rate has reduced.
- Discretionary increases have been added to the scheme.

Model answer for Question 7

- Strength of employer covenants and the health of the sponsoring employer.
- Both schemes are protected by Pension Protection Fund.
- Bertram & Co cash equivalent transfer value has been enhanced.
- David wants part of his income to be secure and part of it to be accessed flexibly.
- Francisco Limited would pay a higher initial income than Bertram & Co.
- David is not married therefore a spouse's pension is not required.
- An actuarial reduction will apply to Francisco Limited pension scheme if drawn before age 65.
- The Bertram & Co scheme is available from age 60 without penalty.
- He will receive his State Pension at age 66.
- Francisco Limited will permit a partial transfer.

Model answer for Question 8

- David has a low to medium attitude to risk and intends to deplete the fund over the next six years up until State Pension age.
- He has no need to take any investment risk and he has a known amount of required income.
- Cash in liquid and immediately available when required.
- Fixed interest and equities may be volatile.
- Property may be illiquid.

Case Study 2

Model answer for Question 9

- Income and capital required in retirement.
- Expected retirement age.
- Other assets and pensions available.
- Debts and other liabilities.
- Any plans to use the pension funds to help with their business.
- Importance of guarantees.
- Importance of death benefits.
- Any expected inheritances.
- Investment experience.
- Family history of longevity.

Model answer for Question 10

(a)

- Benefits accrued before 6 April 2009 are revalued in line with Consumer Price Index (CPI) capped at 5% and the average over the deferment period may be less than 4%.
- The remaining benefits are revalued in line with CPI capped at 2.5% which will be less than 4%.

(b)

- Pension will be reduced to 90% of his revalued entitlement.
- Spouses pension will reduce to 50% of his reduced entitlement.
- All his benefits will escalate in line with CPI capped at 2.5%.

Model answer for Question 11

- No loss of guarantees or investment risk.
- They are both in good health therefore no longevity risk.
- They have a new business which carries a high level of risk.
- Any future pension contributions will be subject to investment risk.
- No apparent reason to transfer at this time and make an irreversible decision.
- Cash equivalent transfer value is currently reduced due to underfunding.
- A recovery plan is in place to return to fully funded in the future.
- Critical yield is high and likely to be unachievable based on attitude to risk.
- The pension scheme appears to be his only pension benefit therefore has little capacity for loss.
- High level of spouse pension payable.
- High level of fixed revaluation.
- Simple to understand and there is no need for ongoing advice costs.

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

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*

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%

Supplementary Information Pension Papers – AF7 2017/2018

Revaluation

Guaranteed Minimum Pension – Fixed rate

Date of leaving service	Fixed rate of revaluation
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%
Between 6 April 2012 and 5 April 2017	4.75%
After 5 April 2017	3. 5%

Non GMP benefits – statutory minimum rates

Date of leaving service	Statutory rate of revaluation
Before 1 January 1986	No requirement to revalue benefits
Between 1 January 1986 and 31 December 1990	CPI capped at 5% in respect of non GMP benefits accrued from 1 January 1985
Between 1 January 1991 and 5 April 2009	CPI capped at 5% in respect of all non GMP benefits
After 5 April 2009	CPI capped at 5% in respect of all non GMP benefits accrued before 6 April 2009 CPI capped at 2.5% in respect of all benefits accrued after 5 April 2009

NOTE: Statutory revaluation is based on RPI for revaluation prior to 2011

Escalation

Statutory rates of escalation: Member reached State Pension age before 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment **State:** Fully in line with CPI
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3% **State:** Any increases in CPI in excess of 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: Statutory escalation was based on RPI prior to 2011

Statutory rates of escalation: Member reaches State Pension age on or after 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: No increase to GMP is made by the State (via the State Pension) for individuals who reach State Pension age on or after 6 April 2016

Pension Protection Fund

Compensation cap at age 65 (2017/2018): £38,505.61

Revaluation of deferred benefits within PPF

Service	Rate of revaluation
All service before 6 April 2009	CPI capped at 5%
All service after 5 April 2009	CPI capped at 2.5%

Escalation of benefits in payment from PPF

Service	Rate of revaluation
All service before 6 April 1997	No increases
All service after 5 April 1997	CPI capped at 2.5%