

Financial services products and solutions

LP2: 2019-2020 edition

Web update 1: 6 September 2019

Please note the following update to your copy of the 2019-2020 edition of the **LP2** study text:

Chapter 7, Question answers, page 7/22

Please note the following change (amendments in **bold**):

7.2 To begin, we need to find out Kenny's taxable income by subtracting his personal allowance from his earnings:

$$\mathbf{£25,000 - £12,500 = £12,500}$$

This leaves £25,000 of the basic rate income band remaining (£37,500 - £12,500).

The first £2,000 of Kenny's £15,000 dividend is covered by the dividend allowance and falls within the basic rate income band.

The excess dividend of £13,000 also falls within the basic rate income band and is therefore taxed at 7.5%:

$$£13,000 \times 7.5\% = £975$$