Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

October 2019 Examination Guide

SPECIAL NOTICES

Candidates entered for the July 2020 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

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Published March 2020

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

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

Before the examination

Study the syllabus carefully
This is available online at www.cii.co.uk. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas; however, you should be prepared to read around the subject. This is important particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

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

Read widely
If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements.* While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide

This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks, *however, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible, and then comparing your answers to the model ones, should be seen as an essential part of your exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the examination 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 36 marks.
Section B consists of two case studies worth a total of 64 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.

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

Answer format

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

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.

EXAMINER COMMENTS

General

The AF7 Pension Transfers examination is designed to test a mixture of technical knowledge and its application, and 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 studies with related 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

Most candidates did reasonably well in this question, but a lack of detail in candidates' answers prevented many getting high marks. Some candidates were unaware of the triage process and some thought it was a light touch pre-advice process to filter out cases that would be advised not to transfer. It is important that candidates understand all the specific compliance requirements and their implications before sitting this exam.

Question 2

Many candidates did well in this question however some candidates discussed potential enhanced tax-free cash and GMP in relation to the Retirement Annuity Contract which suggests a lack of knowledge in this area. Candidates should ensure they are familiar with the features, benefits and drawbacks of all contracts that may hold safeguarded rights.

Question 3

Where questions ask for factors that would be considered, candidates are required to list specific facts that would be analysed before forming any conclusions. In this question most candidates identified the scheme factors that would be considered but did not identify the factors specific to the benefits held within the scheme.

Question 4

The method of the calculation of cash equivalent transfer values (CETVs) and transfer value comparators (TVCs) is essential knowledge when providing pension transfer advice. This question asked for a description of how a TVC is calculated. Many candidates gained some marks, but it was clear that there is a general lack of in-depth knowledge in this area which is disappointing considering its importance in the pension transfer process.

Question 5

Additional information questions require candidates to provide a list of extra information that is not provided in the case studies but would be required before advice could be given. Candidates should take note of the focus of the question in relation to the additional information and the number of marks available to help structure answers.

Most candidates performed well in this question.

Question 6

The areas of consideration that should be focused on when assessing a person's attitude to transfer risk have been specifically outlined by the Financial Conduct Authority. Apart from a few very good answers, this question was generally answered poorly which is disappointing in view of its importance to the advice process.

Question 7

Some candidates answered this question quite generically listing areas that would be considered in an APTA rather than providing specific factors drawn from the case study information as instructed. Overall this question demonstrated a general lack of understanding of what an APTA should contain which is disappointing considering it is a key analysis within the pension transfer process.

Question 8

Candidates generally performed well in this question.

Question 9

This was very disappointingly answered overall as candidates simply listed generic benefits and drawbacks of transferring rather than tailoring them specifically to the case study scenario which was required. For each generic benefit or drawback, candidates were required to link the generic benefit or drawback to the case study, if it is applicable, to obtain marks.

Question 10

Generally answered well but some candidates were lacking in the detail required to gain high marks. Death benefits appear regularly in all pension exam papers and should be reviewed thoroughly before attempting this exam.

Question 11

Candidates were asked to consider sustainability of income and investment strategies following a transfer into a flexible benefit plan. Candidates overall were lacking in detail in their answers.

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Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

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SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2019/2020, 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: 32 marks
Section B: 68 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 32 marks

1. The Financial Conduct Authority states that where a firm operates a triage service as part of their defined benefit transfer advice process, it should be conducted on a non-advised basis.

(a) Describe how a triage service works, including the benefits for the consumer. **(6)**

(b) Explain what is meant by 'non-advised' in the context of a triage service. **(3)**

2. Colin, aged 62, has a retirement annuity contract valued at £120,000. The policy offers a guaranteed annuity rate.

Outline the factors relating to the retirement annuity contract that you would consider before advising Colin on whether to transfer his pension fund to access his benefits flexibly. **(5)**

3. Shaba is a deferred member of a defined benefit pension scheme. She has received her annual funding statement which shows the scheme is underfunded and she has some concerns about the security of her benefits.

State the factors that you would consider in assessing the security of Shaba's scheme benefits. **(8)**

4. Cliff, aged 48, is single and has deferred benefits in a previous employer's defined benefit pension scheme. The scheme has a normal pension age of 65 and includes escalation of 5% per annum and a 50% spouse's pension.

The cash equivalent transfer value (CETV) is £425,000 and he has been given a transfer value comparator (TVC) that compares his CETV to the estimated costs of providing the same benefits in a defined contribution environment money purchase scheme.

Describe how the estimated costs of providing the same benefits in a money purchase scheme are calculated, and state the assumptions used. **(10)**

Total marks available for this question: 32

SECTION B

All questions in this section are compulsory and carry an overall total of 68 marks

Case study 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client's circumstances as set out in the case study.

Eve, aged 44, is single and has no children. She is in excellent health and there is a history of longevity in her family. Eve has a cautious attitude to investment risk and all of her savings are held in cash ISAs and a building society savings account.

Eve started her current job as an IT manager in 2017 and she is a member of the company's group personal pension plan (GPP). Her current salary is £48,000 per annum and both Eve and her employer contribute 6% of her salary into the GPP each year.

Eve also has deferred benefits in her previous employer's defined benefit pension scheme. The scheme administrator has provided the following information about Eve's benefits:

Date of joining scheme	1 March 1999
Date of leaving scheme	1 March 2017
Scheme pension at date of leaving	£16,500 per annum gross
Pension commencement lump sum	Via commutation
Spouse's pension	50% of member's pre-commutation pension
Increases in deferment	Statutory minimum
Increases to pension in payment	Statutory minimum
Normal pension age	65
Cash equivalent transfer value (CETV)	£364,620

The defined benefit scheme is currently underfunded, and a recovery plan is in place. As a result of the underfunding the CETV figure shown is a reduced figure. Several of Eve's ex-colleagues have transferred out and Eve would like some advice about whether she should also transfer.

Eve does not envisage fully retiring until she reaches her State Pension age of 67. However, she would like to be in a position to reduce her working hours by the time she reaches the age of 55. Her long-term aim is to be able to work on a freelance basis, so the possibility of being able to access her pension funds flexibly is attractive to her. Eve feels that she would need a minimum net income of £24,000 per annum in today's terms once she fully retires and she would like this income to increase in line with inflation.

Questions

5. List the additional information that you would require from the administrator of the defined benefit scheme before making a personal recommendation to Eve. **(10)**

6. Outline the factors you should focus on when assessing Eve's attitude to transfer risk. **(7)**

7. Outline the **client specific** factors that you should consider when undertaking an appropriate pension transfer analysis (APTA). **(7)**

8. You have recommended that Eve should leave her benefits in the defined benefit scheme. Based on the information provided in the case study:

Explain in detail the reasons why you have made this recommendation. **(10)**

Total marks available for this question: 34

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.

Anupa, aged 59, lives with her partner Tom, aged 60. The couple have one daughter, Jasmine, aged 34, who is financially independent. Their home is currently valued at £650,000, is mortgage free and held as tenants-in-common. The couple have mirror Wills that leave their entire estates to each other in the event of death.

Tom recently retired and is in receipt of a scheme pension of £36,000 per annum gross. In addition to his pension income, Tom has £25,000 in a savings account and £42,000 in stocks and shares ISAs in line with his adventurous attitude to risk.

Having obtained State Pension forecasts, they each expect to receive a State Pension income of just under £9,000 per annum, which together with Tom's scheme pension is expected to fully meet their income requirements from their State Pension age of 66.

Anupa intends to retire in June 2020 when she reaches her 60th birthday. In advance of her pending retirement, Anupa recently requested and received the following information in respect of her entitlement under a former employer's defined benefit pension scheme:

	Bowforce Retirement Plan
Date of joining scheme	12 September 1987
Date of leaving scheme	25 June 2016
Normal pension age (NPA)	65
Projected pension at NPA	£26,500 per annum
Cash Equivalent Transfer Value	£682,000
Early retirement	From age 60 with a 5% per annum reduction
Death benefits pre-retirement	Return of contributions with interest currently totalling £42,800; plus, statutory minimum survivor pensions
Death benefits post-retirement	50% of member's pension at date of death payable to the member's spouse, civil partner or cohabiting financial dependent
Guarantee period	5 years
Contracted-out status	Contracted-out to 5 April 2016
Escalation in payment	Fixed 5%
Revaluation in deferment	Guaranteed minimum (GMP) fixed rate Non-GMP statutory minimum

In addition to the above pension, Anupa has £26,100 in a workplace pension scheme and modest cash savings totalling £4,300. She has a moderate attitude to risk.

The couple's objectives are:

- A joint net income of £50,000 per annum in retirement. This would reduce to around £40,000 in the event of either death. The income would need to increase with inflation.
- For Jasmine to inherit at least some of Anupa's pension benefits.

Questions

9. List **five** benefits and **five** drawbacks for Anupa of transferring her defined benefit pension scheme to a personal pension plan to access benefits flexibly. **(10)**

10. Based on the objectives outlined in the case study:

(a) Explain why the pre-retirement death benefits payable under the Bowforce Retirement Plan do not meet their objectives should Anupa die before drawing her benefits. **(4)**

(b) State **five** actions that could be taken to help meet their objectives. **(5)**

11. You have advised Anupa to transfer the benefits from her defined benefit pension scheme to a personal pension so that she can access her benefits flexibly. Based on the information in the case study:

(a) State the factors you would take into account in assessing the sustainability of the withdrawals that would be required to meet their income needs. **(8)**

(b) State the additional information you would require in order to advise Anupa on a suitable investment strategy for her personal pension plan. **(7)**

Total marks available for this question: 34

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)
- Explains the generic features and benefits and drawbacks of defined benefit pension schemes and flexible benefits along with the transfer process, timescales and costs.
- Helps an individual decide whether to proceed with the pension transfer advice process and avoids paying adviser charges unnecessarily.

(b)
- Information must be generic, not based on an individual's personal circumstances, balanced and contain no adviser opinions.

Model answer for Question 2

- The Guaranteed Annuity Rate on offer.
- The age at which Guaranteed Annuity rate applies.
- Structure of the annuity benefits on offer.
- Pre-crystallisation death benefits.
- Charges and transfer penalties.

Model answer for Question 3

- Extent of the underfunding and strength of the employer covenant.
- Details of recovery plan and timescales for the return to being fully funding.
- Does scheme qualify for Pension Protection Fund if should become necessary.
- Level of Shaba's benefits in the scheme v. Pension Protection Fund compensation limits.
- Escalation, revaluation and spouse's pension offered by the scheme.
- Shaba's length of service and how close she is to scheme normal pension age.

Model answer for Question 4

- Revalue benefits pension from date of leaving to the date of calculation in line with the pension scheme then revalue to normal pension age using Financial Conduct Authority prescribed assumptions.
- Capitalise using Financial Conduct Authority prescribed annuity rates and scheme benefit structure with no allowance for personal circumstances.
- Discount back to date of calculation using gilt returns.
- An allowance for product costs of 0.75% per annum is factored in.
- An allowance for annuity purchase charges of 4% is factored in.

Model answer for Question 5

- Extent of scheme underfunding and strength of the employer covenant.
- The amount of reduction of the cash equivalent transfer.
- Are partial transfers allowed?
- Commutation factors and amount of pension commencement lump entitlement.
- What are the early retirement factors and the earliest age benefits can be taken?
- Any guarantee period or lump sum death benefits?
- Ill-health benefits.
- Whether a spouse’s pension would be payable in respect of a future spouse?
- Split of the pension scheme benefit elements.

Model answer for Question 6

- The risks and benefits of Eve staying in the ceding scheme.
- The risks and benefits of transferring into an arrangement with flexible benefits.
- Eve’s attitude to certainty of income in retirement.
- Whether Eve is likely to access funds in an unplanned way and the likely impact on the sustainability of Eve’s funds over time.
- Eve’s attitude to and experience of managing investments.
- Eve’s attitude to any restrictions on her ability to access funds in the Defined Benefit scheme.

Model answer for Question 7

- She is not married and has no children.
- She is in excellent health with a history of longevity in her family.
- She would like to reduce her working hours from the age of 55.
- She does not plan to retire fully until State pension age.
- She would like to access funds flexibly once she starts to work on a freelance basis.
- Any impact of the proposed transfer on her tax position or access to State benefits.
- She has a cautious attitude to investment risk.

Model answer for Question 8

- She is in excellent health with a family history of longevity and the defined benefit scheme will provide a guaranteed income for life which is suitable for her cautious attitude to investment risk.
- The benefits from her defined benefit scheme plus her State Pension will likely provide all her desired income in retirement.
- The income will be index-linked which meets her objective of inflation proofing.
- Her group personal pension can be used to supplement her income when she reduces her working hours.
- No specific need to make the decision to transfer now and she could reconsider closer to retirement.
- The cash equivalent transfer value has been reduced however the recovery plan in place may return the transfer value to full level in the future.
- Benefits are still protected by the pension protection fund.
- She does not need flexible death benefits as she has no spouse or children.

Model answer for Question 9

Benefits
- Funds can provide the balance of income required on retirement.
- Can reduce the income when State Pension becomes payable.
- The level of income required is within safe withdrawal rate and unlikely to exhaust the fund prior to death.
- Can provide Tom with the level of income following Anupa's death.
- Jasmine can potentially inherit any residual funds remaining.

Drawbacks
- Loss of guaranteed income for life.
- Loss of fixed 5% per annum escalation of income.
- It is not in line with her limited capacity for loss.
- Longevity risk or funds could run out if live longer than expected.
- Costs, adviser charges and complexity.

Model answer for Question 10

(a)
- A return of contributions with interest would be payable but it is unlikely to be paid to Jasmine because she is not financially dependent.
- Tom would not qualify for the statutory minimum survivor pension and would therefore not have enough income to meet his £40,000 requirement.

(b)
- Transfer to an individual pension arrangement.
- Get married.
- Take out life assurance in trust.
- Ensure that Jasmine is nominated to benefit from pensions.
- Use other assets outside of pension funds.

Model answer for Question 11

(a)
- The level of withdrawal required initially.
- Income requirement will likely stop at State Pension Age but would likely need to recommence upon either death to provide the income required.
- Income needs to increase with inflation.
- Can use pension commencement lump sum to provide tax-free income.
- Their tax status.
- The expected investment returns from their investment strategy.
- They have limited other assets and a low capacity for loss.
- The level of death benefits payable from Tom's pension.

(b)
- The likely investment timeframe.
- Any large capital withdrawals at outset planned.
- Capacity for loss.
- Her past investment experiences.
- Any ethical preferences.
- Her willingness to have frequent reviews and pay for them.
- The charges on the investment funds.

All questions in the July 2020 paper will be based on English law and practice applicable in the tax year 2019/2020, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the October 2019 and July 2020 examination.

INCOME TAX

RATES OF TAX	2018/2019	2019/2020
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	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
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 of £5,000.*

Dividend Allowance		£2,000
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)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance†	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,390	£2,450
Enterprise Investment Scheme relief limit on £2,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.
*** Investment above £1,000,000 must be in knowledge-intensive companies.*

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£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)	£118
Primary threshold	£166
Upper Earnings Limit (UEL)	£962

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 166.00*	Nil
166.01 – 962.00	12%
Above 962.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £118 per week. This £118 to £166 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 166.00**	Nil
166.01 – 962	13.8%
Excess over 962.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.00 where profits exceed £6,365 per annum.
Class 3 (voluntary)	Flat rate per week £15.00.
Class 4 (self-employed)	9% on profits between £8,632 - £50,000. 2% on profits above £50,000.

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
2018/2019	£1,030,000
2019/2020	£1,055,000

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
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*
2018/2019	£40,000*
2019/2020	£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	2018/2019	2019/2020
	£4,000	£4,000

ANNUAL ALLOWANCE CHARGE

20% - 45% determined by the member's taxable income and the amount of total pension input in excess of the annual allowance or money purchase annual allowance.

CAPITAL GAINS TAX

EXEMPTIONS	2018/2019	2019/2020
Individuals, estates etc	£11,700	£12,000
Trusts generally	£5,850	£6,000
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 (2018/2019), two years (2019/2020).*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2018/2019	2019/2020
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

	2018/2019	2019/2020
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*	£125,000	£150,000
- 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*

	2018/2019	2019/2020
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 2019/2020:

- The percentage charge is 16% 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 19%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 22%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 23% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 165g/km and above).

There is an additional 4% supplement for diesel cars not meeting Euro 6 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 (£24,100 for 2019/2020) e.g. car emission 90g/km = 22% on car benefit scale. 22% of £24,100 = £5,302.

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

	2018/2019 Rates	**2019/2020 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

	2018/2019	2019/2020
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£1,000,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%	6%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Electric charging points	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

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

CO_2 emissions of g/km:	50 or less*	51-110	111 or more
Capital allowance:	100% first year	18% reducing balance	6% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2018/2019	2019/2020
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	17.20	17.60
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 110.75	Up to 111.65
Attendance Allowance	Lower rate	57.30	58.70
	Higher rate	85.60	87.65
Basic State Pension	Single	125.95	129.20
	Married	201.45	201.45
Single Tier State Pension	Single	164.35	168.60
Pension Credit	Single person standard minimum guarantee	163.00	167.25
	Married couple standard minimum guarantee	248.80	255.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment*		2,000.00	2,000.00
Bereavement Support Payment**	Higher rate - First payment	3,500.00	3,500.00
	Higher rate - monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		145.18	148.68

**Only applicable where spouse or civil partner died before 6 April 2017.*

*** Only applicable where spouse or civil partner died on or after 6 April 2017.*

CORPORATION TAX

	2018/2019	2019/2020
Standard rate	19%	19%

VALUE ADDED TAX

	2018/2019	2019/2020
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 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 and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.

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

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

First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,000 and £500,000, a flat rate of 5% is charged on the balance above £300,000.

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

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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 (2019/2020): £40,0020

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%