Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

July 2020 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 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.

AF5 – Financial planning process

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Read the Qualifications Brochure
Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current CII Qualifications Brochure and important notes for candidates, which is *essential reading* for all candidates. It is available online at www.cii.co.uk.

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which 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.

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 examination 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 tax tables printed at the back of the Examination Guide. 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 use your own tax tables in the examination.*

Note the assumed knowledge
For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment
Assessment is by means of a three-hour paper. 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.

Familiarise yourself with the fact-find
The examination has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final examination paper.

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 sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions
You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock examination using the Examination Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail over the two-week period as you would for the real examination.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the examination day.

Understand the skills the exam seeks to test

The examination is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual examination.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

Two weeks before the examination

What will I receive?
A fact-find will be available to candidates two weeks before the examination and it can be viewed athttps://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents It will contain client information which will form the basis of the report you will be required to prepare in the examination.

How should I use my time over the two-week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

Preparing the groundwork – considering possible solutions
Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices etc.

AF5 Examination Technique Exam Guide
To help you prepare for the AF5 examination a FREE AF5 Examination Technique Exam Guide is available to download on the following link https://www.cii.co.uk/learning/qualifications/unit-financial-planning-process-af5/.

In the examination

What will I receive?

The fact-find

You will not be able to take your pre-released copy of the fact-find into the examination with you. You will be issued with an identical fresh copy. There will not be any new or different information contained within the fact-find.

Supplementary information

A summary of the client's key financial objectives will be supplied as part of the examination. You should spend some time studying this information before you commence your financial plan.

The tasks

The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format

You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

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.

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

Calculators

The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.

EXAMINERS' COMMENTS

Candidates overall performance:

Overall performance was of a good standard and the majority of candidates had prepared well for the examination. Many candidates achieved good marks in all areas of this paper.

The examination covered a wide range of standard financial planning topics. The Fact Find that was sent to candidates in advance of the examination identified a number of topics of potential testing and it was very pleasing to note that the majority of candidates performed very well in these areas. This demonstrated a good level of preparation on the part of many candidates.

Question 1 (a)

This question required candidates to identify the additional information that would be required to enable an adviser to establish if Tim and Kathy's current savings, pensions and investments are suitable to meet their needs as they have recently retired. This was generally well answered by most candidates.

Question 1 (b)

This question required candidates to describe in detail the process that should be followed to establish if Tim and Kathy's existing pensions and investment are likely to be sustainable throughout their retirement. Most candidates prepared well for this question and recognised the fact that Tim and Kathy have only recently retired so a detailed planning process would be required to establish the sustainability of their assets. Many candidates performed very well here and gave comprehensive answers.

Question 1 (c)

This question required candidates to identify and explain the key client-specific factors that apply to Tim and Kathy that should be considered when assessing their capacity for loss. Some candidates performed well here but unfortunately, a number of candidates gave generic answers, rather than identifying key 'client-specific' factors. Many candidates gave a list of factors that would apply generally, rather than considering Tim and Kathy's position and providing a detailed response in respect of their situation. Issues such as the receipt of Kathy's compensation payment were important here but only a limited number of candidates recognised this as a key factor to consider when assessing their capacity for loss.

Question 2 (a)

This question asked candidates to explain the key issues that Tim and Kathy should consider when setting up fixed monthly withdrawals from the OEIC portfolio, instead of continuing to draw the natural dividend income. Some candidates were able to provide a good answer to this question and recognised issues such as the Capital Gains Tax implications of this course of action but unfortunately, a number of candidates failed to explain the key issues and did not appear to understand the implications of this important financial concept. The issue of income withdrawals was identified in the Fact Find so this should not have presented any difficulties for candidates.

Question 2 (b)

This question required candidates to explain why Kathy's compensation payment should be paid free of tax. Most candidates were able to score reasonable marks here without any difficulty. The issue of Kathy's compensation payment was identified in the Fact Find and it was pleasing to note that most candidates had researched the taxation of these payments.

Question 3 (a)

This question asked candidates to describe the benefits of using a portion of Kathy's pension plan to purchase a 5-year fixed-term annuity to provide them with an income to cover their essential expenditure. Most candidates performed very well here and had no difficulties with providing detailed answers to this question.

Question 3 (b)(i)

Candidates were required to recommend and justify a suitable and tax-efficient strategy to enable Tim to draw a regular flexible monthly income payment from his self-invested personal pension (SIPP). Candidates performed well and most were able to identify a suitable and tax-efficient strategy and justify their chosen strategy without any difficulty.

Question 3 (b)(ii)

Candidates were required to explain why their chosen strategy (identified in part (b)(i) would be of benefit to both Kathy and their children, on Tim's death. This question did not present any problems for most candidates who were able to provide a good range of answers.

Question 4 (a)

This question required candidates to explain why a range of Exchange Traded Funds (ETFs) may be a suitable investment for Tim's self-invested personal pension (SIPP). Tim's interest in ETFs was identified in the Fact Find and most candidates performed well here and were able to explain very clearly why this type of fund might be suitable for Tim.

Question 4 (b)

This question required candidates to explain the key reasons why the issue of liquidity should be considered in respect of Tim's SIPP portfolio. This is a very topical issue and it was slightly disappointing to note that many candidates failed to identify the fact that the Commercial Property fund, held by Tim, posed a liquidity risk within his portfolio.

Question 5 (a)

Candidates were required to explain in detail to Tim and Kathy the benefits of continuing to make personal pension contributions now they are retired. Overall, very good performance from the majority of candidates.

Question 5 (b)

This question required candidates to recommend and justify the actions that Tim and Kathy can take to improve the tax-efficiency of their current savings and investments. Most candidates performed well and had no difficulties in providing the appropriate recommendations.

Question 6 (a)

This question asked candidates to explain in detail to Tim and Kathy why setting up a whole of life policy with a reviewable premium may be a suitable option to assist them in their Inheritance Tax planning objective. It was pleasing to note that most candidates performed well and recognised the fact that the reviewable premium would be more affordable for Tim and Kathy over the next few years. This would offer them flexibility whilst giving them time to reduce their IHT liability by other actions such as gifting as they settle into retirement.

Question 6 (b)

This question required candidates to recommend and justify a suitable Trust arrangement to enable Tim and Kathy to begin to mitigate any future Inheritance Tax liability, whilst retaining full and immediate access to their capital. Many candidates were able to identify the use of a Loan Trust but it was slightly disappointing to note that some candidates failed to recognise that transfers into a Loan Trust are not gifts and hence are not treated as either a Potentially Exempt Transfer (PET) or Chargeable Lifetime Transfer (CLT). Some candidates failed to provide sufficient detail to achieve high marks as they did not justify why their chosen Trust would be suitable, nor how it would begin to mitigate the future IHT liability.

Question 7 (a)

This question asked candidates to identify the key benefits of making regular savings into a pension plan for their grandchildren, rather than into a Junior ISA. Most candidates performed well although a number of candidates failed to identify the tax relief available on the pension contributions.

Question 7 (b)

Candidates were asked to state the reasons why a personal pension plan may be more suitable for this purpose than a Stakeholder pension plan. Most candidates performed very well here.

Question 7 (c)

This question required candidates to identify the key reasons why a global equity-based investment strategy might be appropriate for this objective. Most candidates understood the merits of using a global equity-based investment strategy and achieved good marks.

Question 8

Candidates were asked to explain to Tim and Kathy why they should review their investment portfolio more than once a year. It was disappointing to note that a number of candidates failed to identify the specific reasons why Tim and Kathy should review their investment portfolio more than once a year. There are key issues in respect of their personal and financial circumstances which should be considered very carefully and many candidates gave generic answers only. Only a few candidates identified the fact that Kathy is due to receive a compensation payment which could be invested, but they did not identify the higher risk nature of Tim's holdings which would require more frequent review.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets (FSMA) Act 2000. You completed the following fact-find when you met Mr and Mrs Finch recently.

PART 1: BASIC DETAILS		
	Client 1	**Client 2**
Surname	Finch	Finch
First name(s)	Tim	Kathy
Address	Worcester	Worcester
Date of birth	20.02.1959	31.01.1959
Domicile	UK	UK
Residence	UK	UK
Place of birth	Worcester	Stafford
Marital status	Married	Married
State of health	Good	Recovering from injury
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Cricket, Sport	Theatre, Cinema

Notes:

Tim and Kathy retired a few months ago after Kathy suffered an accident at work.

Kathy is due to receive a compensation payment of £100,000 in the next few weeks after her former employer's insurer accepted liability for her accident. Kathy has recovered well following treatment paid for by the company private medical insurance plan and expects to make a full recovery over the next twelve months although her mobility may continue to be affected for a number of years.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	D.O.B	Health	Occupation	Financially dependent?
Amy	Daughter	34	1.03.1986	Good	Teacher	No
Sophie	Daughter	32	5.01.1988	Good	Dentist	No

Notes:

Tim and Kathy have two daughters, Amy and Sophie who are both married with two children each, aged between seven and three.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Retired Management Consultant	Retired Operations Manager
Job title	Management Consultant	Operations Manager
Business name		
Business address		
Year business started		
Remuneration		
Salary		
State Pensions		
Overtime		
Benefits-in-kind	N/A	N/A
Pension Scheme	See Part 11	See Part 11
Life cover	N/A	N/A
Private Medical Insurance	See Part 9	See Part 9
Income Protection Insurance	N/A	N/A
Self Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		
Notes:		
As a result of Kathy's accident, Tim and Kathy both retired early. Neither intend to return to work in future.		

Previous Employment	Client 1	Client 2
Previous employer	BDE Consultants	Kinem Logistics Ltd
Job title	Management Consultant	Operations Manager
Length of service	30 years	28 years
Pension benefits	See Part 11	See Part 11
Notes:		
Tim and Kathy spent most of their working life with one employer.		

PART 4: OTHER PROFESSIONAL ADVISERS

	Client 1	Client 2
Accountant		
Bank	Access Bank	Access Bank
Doctor	Dr Knowles	Dr Knowles
Financial Adviser		
Solicitor	Henson Davies LLP	Henson Davies LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		Client 2		Joint	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions						
Private Pensions						
Salary (gross)						
Benefits-in-kind						
Savings income (gross)		234		338		525
Rental (gross)						
Dividend income		8,300		1,800		

Notes:

The savings income is derived from Tim and Kathy's Cash ISAs and Deposit Savings account.

The dividend income is derived from Tim and Kathy's ISA holdings and Tim's OEICs and Investment Trusts.

	Client 1	Client 2
Income Tax	**£**	**£**
Personal allowances		
Taxable income		
Tax		
National Insurance		
Net Income		

Notes:

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent						
Council tax			216			
Buildings and contents insurance						600
Gas, water and electricity			200			
Telephone			70			
TV licence and satellite			90			
Property maintenance						3,000
Regular Outgoings						
Life assurance (see Part 8)						
Health insurance (see Part 9)						5,200
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				1,200	1,000	
Petrol and fares	210	120				
Loans						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping			600			
Pension contributions (see Part 11)						
Other Expenditure						
Magazines and newspapers				120	60	
Entertainment			400			
Clubs and sport		60		1,400		
Spending money	400	200				
Clothes				1,800	3,000	
Other (Holidays)						2,000
Total Monthly Expenditure	610	380	1,576			
Total Annual Expenditure	7,320	4,560	18,912	4,520	4,060	10,800
Total Outgoings						**50,172**

Do you foresee any major/lump sum expenditure in the next two years?

Notes:
Tim and Kathy have been using their cash savings to fund their current expenditure since they retired.

PART 6: ASSETS

	Asset	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			600,000	
2.	Contents/car			65,000	
3.	Current account			15,000	
4.	Deposit Savings Account – Instant Access			35,000	525
5.	Cash ISA	18,000			234
6.	Cash ISA		26,000		338
7.	Stocks and shares ISAs – UK Smaller Companies funds	180,000			900
7.	Stocks and shares ISAs – Multi-Asset Growth funds		120,000		1,800
9	OEICs – Global Equity funds	290,000			5,800
10	Investment Trusts – Emerging Markets	160,000			1,600

Notes:

Tim and Kathy have invested regularly into their stocks and shares ISAs but are unsure if their chosen investment funds remain suitable now they are retired. They have maximised their ISA allowance for the current tax year.

Tim and Kathy are concerned that the dividend yields on their ISAs, OEICs and Investment Trusts are currently insufficient to meet their longer-term income needs and would like to review these holdings.

Tim purchased the OEICs and Investment Trusts several years ago. He invested a sum of £200,000 into the Global Equity fund OEICs and a sum of £80,000 into the Investment Trusts.

Tim and Kathy are planning to hold the compensation payment from Kathy’s employer in their deposit savings account pending future investment.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies			

Notes:
Tim and Kathy have repaid their mortgage.

Other Loans	Client 1	Client 2	Joint
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			

Notes:
Tim and Kathy have no outstanding loans.

Other Liabilities (e.g. tax)

Notes:
Tim and Kathy have no other liabilities.

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £

Notes:

Tim and Kathy were members of their respective employer's death-in-service schemes but since retiring, these benefits are no longer available to them.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/ Review	Deferred Period	Premium £
Private Medical Insurance	Kathy	N/A	N/A	Annual Review	N/A	5,200 per annum

Notes:

Kathy was offered the option of continuing with the private medical insurance which was previously available through her employer. This was offered on the same basis as whilst she was employed.

Kathy accepted this and now pays the premium on a personal basis.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

Tim and Kathy are not making any regular savings since they retired. They are keen to set up regular savings plans for their grandchildren once they have settled into retirement.

PART 11: PENSION DETAILS

Occupational pension scheme

	Client 1	Client 2
Member of employer's scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant's benefits		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		

Notes:
Tim and Kathy do not have any occupational pension benefits.

Additional Voluntary Contributions (including free standing additional voluntary contributions).

	Client 1	Client 2
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		

Notes:
Tim and Kathy do not have any additional voluntary contributions plans.

Personal Pensions

	Client 1	Client 2
Type	Self-Invested Personal Pension	Personal Pension
Company	Assure SIPP Ltd	UK Life Ltd
Fund	Global Equity, UK Equity and Commercial Property funds	UK Managed fund
Contributions		
Retirement age		
Current value	£670,000	£575,000
Date started		

Notes:

These fund values include benefits that were transferred in from previous pension schemes.

Tim and Kathy have stopped all contributions into their pensions following retirement.

Tim and Kathy wish to look at how to generate a regular and sustainable income from these pension plans throughout retirement.

Tim wishes to diversify his current investments within his SIPP and is considering investing into a range of Exchange Traded Funds.

Previous pension arrangements

	Client 1	Client 2
Employer		
Type of scheme		
Date joined scheme		
Date left		
Current Value		

Notes:

All previous pension arrangements were transferred into their current plans.

State Pension

	Client 1	Client 2
State Pension		
Total		

Notes:

Tim and Kathy have not yet checked their State Pension entitlement.

PART 12: INHERITANCES

Wills	Client 1	Client 2
Do you have a current Will?	Yes	Yes
Notes:		
Tim and Kathy have up-to-date Wills which leave everything to each other on first death and then to their two daughters in equal shares on second death.		

Trusts	Client 1	Client 2
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		

Gifts	Client 1	Client 2
Give details of gifts made and received	None	None

Notes:
Tim and Kathy are concerned about a future Inheritance Tax liability on their estate on second death and are considering options to mitigate this.

Inheritances	Client 1	Client 2
Give details of any inheritances expected	None	None
Notes:		
Both Tim and Kathy's parents are in good health and neither expect to receive any inheritances in the future.		

PART 13: ATTITUDE TO RISK

What level of risk are you prepared to take to achieve your financial objectives?

Notes:
Tim and Kathy have completed a full risk-profiling assessment. Tim has been identified as a high-risk investor and Kathy is a medium-risk investor. Neither Tim nor Kathy have any ethical preferences.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.04.2020	
Client agreement issued	01.04.2020	
Data Protection Act	01.04.2020	
Money laundering	01.04.2020	
Dates of meetings	01.04.2020	
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

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Instructions to candidates

Read the instructions below before answering any questions

All questions in this examination are based on English law and practice applicable in the tax year 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.

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- You are strongly advised to attempt **all** tasks to gain maximum possible marks. The number of marks allocated to each task is given next to the task and you should spend your time in accordance with that allocation.
- **In this examination you should use the fresh copy of the fact-find. You are not allowed to bring into the examination the pre-released copy of the fact-find.**
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- Read carefully all tasks and information provided before starting to answer. Your answer will be marked strictly in accordance with the task set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation, even if you have used a calculator.
- Tax tables are provided at the right-hand side of the interface after the fact-find.
- The fact-find and the tax tables are provided on the right-hand side of the interface.
- For each answer, please type in the full question number you are answering eg **1a.**
- Have you shown your ID during the ID check? If not, show it to the camera now please.
- Did you show the edge of your screen with a mirror during the room scan? If not, use a mirror to show it now please.
- If you have blank paper for notes, did you show both sides to the camera? If not, show both sides to the camera now please.

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

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your clients have the following financial objectives:

Immediate objectives

- To review the tax-efficiency and suitability of Tim and Kathy's current pensions and investments.
- To establish a suitable investment strategy for Kathy's compensation payment.
- To ensure they have sufficient income throughout retirement.

Longer-term objectives

- To mitigate any potential Inheritance Tax liability.
- To provide financial security for the survivor on first death.
- To set up a regular savings strategy to provide funds for their grandchildren.

Attempt ALL tasks

Time: 3 hours

1. **(a)** Identify the additional information you would require to enable you to establish if Tim and Kathy's current savings, pensions and investments are suitable to meet their needs now they are retired. **(13)**

(b) Describe, in detail, the process an adviser would follow to establish if Tim and Kathy's existing pensions and investments are likely to be sustainable throughout their retirement. **(10)**

(c) Identify and explain the key client-specific factors that apply to Tim and Kathy that you should consider when assessing their capacity for loss. **(10)**

2. **(a)** Explain to Tim and Kathy the key issues that they should take into consideration when setting up fixed monthly withdrawals from the OEIC portfolio, instead of continuing to draw the natural dividend income. **(10)**

(b) Explain why Kathy's compensation payment should be paid free of tax. **(4)**

3. Tim and Kathy are keen to identify the most suitable and sustainable sources of income in retirement.

(a) Describe the benefits of using a portion of Kathy's pension plan to purchase a 5-year fixed-term annuity to provide them with an income to cover their essential expenditure. **(10)**

(b) **(i)** Recommend and justify a suitable and tax-efficient strategy to enable Tim to draw a regular flexible monthly income payment from his self-invested personal pension (SIPP). **(7)**

(ii) Explain why your recommended strategy in **part (b)(i)** above would benefit both Kathy and their children, on Tim's death. **(6)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

4. Tim is considering the investment strategy within his existing self-invested personal pension (SIPP).

(a) Explain to Tim why a range of Exchange Traded Funds may be a suitable investment for his SIPP. **(10)**

(b) Explain to Tim the key reasons why the issue of liquidity should be considered when reviewing the investments held within his SIPP portfolio. **(8)**

5. (a) Explain in detail to Tim and Kathy the benefits of continuing to make personal pension contributions now they are retired. **(10)**

(b) Recommend and justify the actions that Tim and Kathy can take to improve the tax-efficiency of their current savings and investments. **(8)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

6. Tim and Kathy are concerned about the potential Inheritance Tax liability on their estates on second death.

(a) Explain in detail to Tim and Kathy why setting up a whole of life policy with a reviewable premium may be a suitable option to assist them in their Inheritance Tax planning objective. **(11)**

(b) Recommend and justify a suitable Trust arrangement to enable Tim and Kathy to begin to mitigate any future Inheritance Tax liability, whilst retaining full and immediate access to their capital. **(14)**

Candidates will be rewarded for supporting their recommendations with relevant evidence and demonstrating how their recommendations work holistically to meet their client's objectives.

7. Tim and Kathy are planning to set up regular savings plans for their grandchildren.

(a) Identify the key benefits of making regular savings into a pension plan for their grandchildren, rather than into a Junior ISA. **(8)**

(b) State the reasons why a personal pension plan may be more suitable for this purpose than a Stakeholder pension plan. **(5)**

(c) Identify the key reasons why a global equity-based investment strategy might be appropriate for this objective. **(8)**

8. Explain to Tim and Kathy why they should review their investment portfolio more than once a year. **(8)**

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) *Candidates would have gained full marks for any thirteen of the following:*

- Income needs/capital/expenditure/emergency fund required.
- BR19/State Pension entitlement/State benefits for Kathy.
- Asset allocation/Fund choice/held on platform.
- Fund performance/expected investment return.
- Costs/charges/penalties.
- Nominations completed on pensions.
- Are flexible death benefits available?
- Flexi-Access Drawdown (FAD)/Uncrystallised Fund Pension Lump Sum (UFPLS) available under Kathy's pension.
- Any protected Pension Commencement Lump Sum (PCLS).
- Willingness to change ownership of assets for tax-efficiency.
- Is commercial property fund currently gated/suspended?
- Amount of gifting for grandchildren/Budget for Inheritance Tax (IHT) mitigation?
- Inflation/market expectations.
- Capacity for loss/plans to downsize.

(b)

- Establish income required/expenditure/cashflow model.
- Establish guaranteed sources of income/State Pension/annuity?
- Inflation assumption.
- Growth assumption based on their attitude to risk/asset allocation.
- Consider longevity/term of income required/investment term.
- Current annuity rates/safe withdrawal rates/sustainable income.
- Calculate fund required/identify shortfalls/projections.
- Charges/willingness to deplete assets/tax considerations.
- Ongoing review/monitoring.
- Stress-test/higher income needs/care costs.

(c) *Candidates would have gained full marks for any ten of the following:*

- They have a high level of assets/adequate emergency fund;
- so they are able to tolerate loss/volatility.
- Limited earning ability/now retired.
- Medium/high attitude to risk.
- Level of income/capital/expenditure.
- They have no liabilities/debts.
- Due to receive compensation payment/£100,000.
- They have no financial dependants.
- Kathy is recovering from injury/cost for Private Medical Insurance (PMI)/life expectancy.

- No inheritances expected.
- State Pension due at age 66/in 5 years.
- They have investment experience/knowledge.

Model answer for Question 2

(a)
- Pound cost ravaging/sequencing risk/market timing.
- Capital erosion.
- Capital withdrawals could be liable to Capital Gains Tax (CGT).
- They are not using Kathy's exemptions.
- CGT is complicated to calculate each month/complex/fees.
- Reduces natural dividend income.
- Known level of monthly income.
- Dividend income fluctuates/not guaranteed.
- Cash reserves/other assets available to them.
- Capital withdrawals reduce future fund growth/investment returns could exceed fixed withdrawals.

(b)
- Payment for compensation for injury/accident.
- Kathy was injured at work.
- Employer accepted liability/liability was agreed with insurer.
- Payment for loss of income or earnings is taxable.

Model answer for Question 3

(a)
- Guaranteed/secure income.
- Can review pension options in future/Retains flexible income options within Personal Pension Plan (PPP).
- Bridges income gap until State Pension age.
- Can benefit if annuity rates rise in future/enhanced annuity.
- Potential for capital growth on residual fund/can increase risk.
- IHT benefits from residual fund.
- Low cost option/low admin.
- Spouses pension/Value protection.
- Escalation to protect against inflation.
- No investment risk.
- (Annuity) uses Kathy's Personal Allowance.

(b)(i)
- Flexi-Access Drawdown (FAD).
- Income payments can change/can match expenditure.
- Can utilise Personal Allowance/Provides tax planning opportunities
- Phasing/can use Pension Commencement Lump Sum (PCLS) on a monthly basis.
- Matches attitude to risk.
- Potential for capital growth.
- No Income or CGT on growth/IHT efficient.

(b)(ii)
- IHT-efficient.
- Can nominate children.
- Flexi-Access Drawdown/lump sum/flexible death benefits.
- For Kathy and children.
- Tax-free if he dies before 75.
- Retention of tax-free pension wrapper (on future growth).

Model answer for Question 4

(a)
- Offers wide diversification.
- Able to invest in commodities/specialist investments.
- Potential for growth.
- Liquid/easily traded/traded as a share.
- Low cost option.
- No Stamp Duty.
- Known price/Real time pricing.
- Easy to monitor/available on platform.
- Different management styles/active/passive/index tracking.
- Matches his attitude to risk/he is an experienced investor.

(b)
- Applies to commercial property/equity funds are normally liquid.
- Property Fund can be gated/suspended.
- Delays in payment of income/restriction in access to lump sum/Pension Commencement Lump Sum (PCLS).
- Unable to switch funds/providers.
- Newly retired so income needs are unknown/need for flexibility.
- May result in forced sale/lower values/bid basis.
- Unable to value Self-Invested Personal Pension (SIPP) accurately.
- SIPP is a major asset/reliant on SIPP.

Model answer for Question 5

(a)
- £3,600 (gross)/£2,880 (net) maximum/20% tax relief.
- Contribution not linked to earnings/they are non-earners.
- Available to age 75.
- Tax-efficient growth.
- IHT-free fund.
- 25% Pension Commencement Lump Sum (PCLS) available in future.
- Can match attitude to risk.
- Can benefit from pound cost averaging.
- Flexible death benefits/tax-free on death before 75.
- Flexible Income options/future tax-efficient income.

(b)

- Use future ISA allowance for Capital Gains Tax and Income Tax efficiency.
- Transfer Open-Ended Investment Company (OEIC)/Investment Trust into joint names/Kathy's name.
- Using interspousal exemption/no CGT/no gain no loss/base cost retained.
- Uses Kathy's dividend allowance/£2,000.
- Saves dividend tax of 7.5%.
- Use both CGT exemptions/register any losses.
- Make pension contributions.
- Enterprise Investment Scheme (EIS)/AIM shares for IHT efficiency.

Model answer for Question 6

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

- Set up on 2nd death basis.
- Set up in discretionary/flexible Trust.
- Discretionary Trust offers flexibility of beneficiary.
- Can appoint children/executor as Trustees.
- Proceeds do not form part of estate/no Probate.
- Sum assured to match current IHT liability.
- Can be indexed to match increase in estate.
- Simple underwriting/both young/no further underwriting.
- Premium will be cheaper/affordability.
- Premiums out of normal income/IHT exempt.
- Premium guaranteed for maximum 5/10 years.
- Policy can be cancelled at any time/flexibility/may not be needed in future/gives Tim and Kathy time to set up alternative plans/gifting.
- Retains access to existing funds.

(b)

- Loan Trust.
- Discretionary Trust.
- Trustees should be Tim and Kathy/and the children.
- Trustees retain control/flexible beneficiaries.
- Protects against divorce/bankruptcy of beneficiary.
- Use Investment Bond as a non-income producing asset/administrative efficiency.
- Draw up to 5% income from Investment bond.
- No immediate tax implications/return of capital for up to 20 years/tax-deferred.
- Not a Potentially Exempt Transfer (PET) or Chargeable Lifetime Transfer (CLT)/not a gift.
- No Inheritance Tax charge on entry.
- Can draw income or lump sums at any time/repayable on demand.
- Growth on invested fund is free of IHT immediately.
- Sums withdrawn should be spent or gifted.
- On 2nd death loan returns to the estate/subject to IHT.

Model answer for Question 7

(a)
- 20% tax relief on contributions/£720.
- Pension is Inheritance Tax free.
- Long investment horizon/longer timescale.
- Can use higher risk investments/more equity.
- No access until 55/no risk of squandering money at age 18.
- Education for the grandchildren in long-term investing.
- They can continue contributing beyond age 18.
- Grandparents can set up pension/they can control/not controlled by parents.

(b)
- Wider investment choice.
- Wider provider choice/available on platforms.
- Can be cheaper.
- Invest in real funds/not mirror funds.
- Greater flexibility in retirement options.

(c)
- Potential for growth/improved returns/larger pot on retirement.
- Equities tend to outperform other assets.
- Long investment timeframe;
- pound cost averaging;
- which reduces risk/smooth volatility/benefit from volatility.
- Reinvested dividend income.
- Inflation protection.
- Geographic/currency diversification.

Model answer for Question 8

- Recently retired and income and capital needs unclear.
- Attitude to risk/capacity for loss may change in retirement/rebalance/performance/charges.
- Personal circumstances may change.
- Compensation payment received?
- Have they set up fixed monthly withdrawals from OEIC/level of natural dividend income.
- Investment trust/OEIC/Exchange Traded Fund (ETF)/require ongoing monitoring (these are high risk investments).
- Political/economic/legislative/taxation changes/new products.
- Use of annual tax allowances.

All questions in the October 2020 paper will be based on English law and practice applicable in the tax year 2020/2021, unless stated otherwise and should be answered accordingly.

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

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

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*

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%