Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

April 2021 Examination Guide

SPECIAL NOTICES

Candidates entered for the September 2021 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 Transfers

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Published June 2021

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MPORTANT 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 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.*

Know the structure of the examination
Assessment is by means of a two-hour online paper in two sections. All questions are compulsory:

Section A consists of 33 marks.
Section B consists of two case studies worth a total of 67 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 finish the examination 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 answering.
- 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.

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

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

There were some very good answers to this question. However, a number of candidates failed to answer the question that had been asked and instead explained what the abridged advice process is (i.e. no Appropriate Pension Transfer Analysis, no Transfer Value Comparator etc).

Question 2

Overall performance was mixed with some candidates providing generic things that would be relevant to DB transfers as opposed to establishing capacity for loss.

Some candidates concentrated solely on assets and other income without considering wider factors. This showed a lack of understanding and a belief that capacity for loss is only about the other capital and income that a client has.

Question 3

Those candidates that had a knowledge of Retirement Annuity Contracts (RACs) and Guaranteed Annuity Rates scored reasonably well. Where candidates did not understand RACs they tended to provide answers that would be relevant to Section 32 plans or Defined Benefit schemes, such as Guaranteed Minimum Pension (GMP), rates of revaluation, protected Pension Commencement Lump Sum (PCLS) etc and as a result scored less well.

Question 4

Generally candidates scored well on this question. Candidates who performed poorly were often determined to give a definition of the safe withdrawal rate rather than outline the factors that should be taken into account when determining a safe withdrawal rate for a client.

Question 5

Most candidates did quite well on this question. A lot of candidates asked about GMP; candidates need to carefully analyse the information given in the case study and should have been aware that since Jake joined the scheme after April 1997 there would not be any GMP.

Question 6

There were some excellent answers to this question, it appears that candidates are now getting to grips with this type of analysis question.

However, there were still some generic, factfinding answers and candidates who answered in this way scored very poorly.

There seemed to be a bit of misunderstanding from some candidates about the property purchase with candidates believing that a withdrawal from the Self-Invested Personal Pension (SIPP) would be used to purchase the property. The wording in the case study says, 'he would like to know if his SIPP can be used to make this purchase'.

Question 7

This question was reasonably well answered.

Question 8

This question was very poorly answered. A significant number of candidates thought the administrators would be directed by Jakes Will. Very few candidates demonstrated a good level of knowledge.

Most candidates were determined to describe the tax treatment of the death benefits (which we have often asked previously) rather than answering the question being asked in terms of how benefits may be distributed. Also there was some misunderstanding with the children often being described as dependants or as successors.

Question 9

This question was not answered well, which was surprising since this is a new and topical area. It was obvious that a lot of candidates had not read the question properly and instead listed everything that would need to go into the suitability report itself. That said, some candidates had clearly studied this area with a small number gaining high marks.

Question 10

This question was reasonably well answered.

Question 11

Performance on this question was mixed. Whilst there were some very good answers, a number of candidates clearly failed to make use of the supplementary information to the exam paper.

Even where candidates did refer to the supplementary information, they appear to not understand the tables – e.g. quite a few believe the revaluation split for 2009 is based on the period of revaluation as opposed to the period of accrual. Quite a few candidates also thought the long service uplift applied to the pension as opposed to the cap.

Unit AF7 – Pension transfers

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 2020/2021, 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.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244 this is the number to use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

If you are sitting in a test centre and encounter a problem please alert the invigilator.

For candidates sitting via remote invigilation or at a test centre

- **Two hours** are allowed for this paper which carries a total of 100 marks as follows:
- Section A: 33 marks
- Section B: 67 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.
- 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.
- Supplementary information is also included at the end of the tax tables on the right-hand side of the interface.
- For each answer, please type in the full question number you are answering e.g. 1
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off.**
- Please familiarise yourself with **all** questions before starting the exam.

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

SECTION A

The following questions are compulsory and carry a total of 33 marks

1. A short form advice process known as abridged advice was introduced for pension scheme transfers on 1 October 2020.

You are advising a client with deferred benefits in a defined benefit pension scheme using the abridged advice process.

Outline the actions that an adviser must take if, following this process, they are unable to make a personal recommendation that the client remains in the defined benefit pension scheme. **(5)**

2. Identify the key factors you would consider in assessing a client's capacity for loss when advising on the potential transfer of safeguarded benefits. **(10)**

3. Frank, aged 62, has a retirement annuity contract (RAC) that offers a guaranteed annuity rate.

Outline the additional information you would need to obtain about the RAC before advising Frank on whether to transfer this pension fund to access these benefits flexibly. **(8)**

4. You have advised a client to transfer their defined benefit pension scheme into a personal pension plan and commence taking an income using drawdown.

Outline the factors that you would consider when determining a safe rate of withdrawal from their transferred funds. **(10)**

Total marks available for this question: 33

SECTION B

All questions in this section are compulsory and carry an overall total of 67 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.

Jake, aged 52, is married to Kay, aged 50. The couple are both in excellent health and have a history of longevity in their families. Jake has two children, aged 12 and 14, from his previous marriage.

Jake is an architect and left full-time employment in 2015 to set up his own business. Kay is a general practitioner and is a member of the NHS Pension Scheme.

The couple's home is mortgage free and valued at £850,000. They also have an investment portfolio of £650,000 that includes a savings account, equity unit trusts and stocks and shares ISAs. They both have a medium to high attitude to risk.

Jake and Kay are unsure about when they will retire, but do not think that this will be before Kay reaches the age of 60. The couple's State pension forecasts show that they can both expect to receive a full State pension.

Kay's NHS Pension Scheme and their State pensions will be sufficient to cover all the couple's expenditure requirements in retirement. Kay would also have sufficient income if Jake were to pre-decease her.

Jake was a member of his previous employer's defined benefit pension scheme. He has recently received a statement of entitlement and the information provided is summarised below:

Scheme service	June 1997 – May 2015
Normal pension age (NPA)	65
Scheme pension at date of leaving	£19,800 per annum (gross)
Revaluation and escalation	In line with CPI to a maximum of 5% per annum
Pension commencement lump sum (PCLS)	By commutation
Spouse's pension	50% of pre-commutation pension
Earmarking order attached	No
Cash equivalent transfer value (CETV)	£623,000

Jake's only other pension arrangement is a self-invested personal pension plan (SIPP), which commenced in 2017 and is valued at £32,500. He currently contributes £1,000 per month (gross) into his SIPP. Jake is planning to purchase premises for the business valued at £550,000 and would like to know if his SIPP can be used to make this purchase.

Jake would like advice about potentially transferring the benefits from his defined benefit pension scheme into his SIPP to meet the following objectives:

- To use the funds in his SIPP to purchase the premises for his business.
- To leave his own pension arrangements as a legacy for his children.

Questions

5. State the additional information you would require from the scheme administrator of Jake's defined benefit pension scheme, before making a personal recommendation regarding the potential transfer of Jake's benefits from the scheme. **(10)**

6. Explain, based on the information provided in the case study, the factors you would consider before making a personal recommendation about the potential transfer of Jake's benefits from the defined benefit pension scheme. **(12)**

7. Assume Jake has transferred his defined benefit pension scheme into his SIPP and used part of the fund to purchase the commercial property.

Explain why you would recommend most of the remaining funds in the SIPP are invested into a portfolio of equities. **(8)**

8. Jake would like his children to benefit from the SIPP fund in the event of his death.

Explain briefly how the death benefits may be distributed if Jake were to die once the children are financially independent, having not completed a nomination form in their favour:

(a) in the event that Kay is still alive; **(3)**

(b) in the event that Kay has predeceased Jake. **(3)**

Total marks available for this question: 36

Case study 2

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.

Tim and his wife Alice are both aged 63 and after spending most of 2020 on furlough they have decided they will retire on 1 May 2021. They have no children and whilst both are currently in good health, Tim has type 1 diabetes. He has explained that whilst it is hard to predict, it is possible the condition may shorten his life expectancy by up to 10 years. Improved treatments mean he could reach average life expectancy for a man of his age or even longer.

Both Tim and Alice will receive full State pensions. The couple's only other pension benefits are defined benefit schemes that come into payment at age 65 as outlined below.

- **Tim:** Income projected to be £30,000 per annum assuming no commutation for pension commencement lump sum (PCLS). All income will increase at the greater of 3% per annum, or CPI capped at 5% and on death a 60% dependant's pension will be payable to Alice. The cash equivalent transfer value (CETV) offered is £1,050,000 and he was a member of the scheme for just over 27 years.

- **Alice:** Income projected to be £37,000 per annum assuming no commutation for PCLS. All income will increase at a fixed rate of 5% per annum, and on death a 50% dependant's pension will be payable to Tim. The CETV offered is £1,258,000 and she was a member of the scheme for just over 33 years.

Neither Tim nor Alice have registered for any form of transitional protection.

In addition to their pensions the couple's home is mortgage-free and valued at £790,000, and they have an emergency fund of £30,000 held in a joint bank account. They have no other savings having fully used their £240,000 equity ISA portfolios to repay their outstanding mortgage and car loans in preparation for retirement.

A recent budget exercise shows the couple will need a joint retirement income of £60,000 per annum net until they reach the age of 70, at which time they expect their income needs to reduce to around £48,000 per annum net. They have estimated that on first death the income needs of the survivor will reduce by approximately 20%.

The couple have recently completed attitude to risk (ATR) questionnaires. These show Alice has a low ATR and Tim has a medium ATR.

The couple have made it clear that their priority is ensuring they have sufficient income throughout their retirement, the majority of which should be secure. They would like to explore the option of accepting one of the CETVs with the intention that the withdrawals would fully cover their income needs, until the remaining defined benefit pension scheme comes into payment at age 65, and their State pensions come into payment at age 66.

Questions

9. After a discussion with Tim and Alice you have agreed to undertake the full pension transfer advice process for them.

Outline the information that must be included in the one-page summary at the front of the suitability report you will produce. **(10)**

10. Explain, based on the information shown in the case study, why you have decided to recommend that Tim's pension is the one that should be transferred rather than Alice's. **(12)**

11. Explain the compensation available in respect of the pension income received by Alice in the event her scheme enters the Pension Protection Fund before she starts taking her benefits at the scheme pension age of 65. **(9)**

Total marks available for this question: 31

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

- Inform the client that they are unable to take a view/unable to sign the Section 48 notice unless full advice is given.

- Check if the client wishes to receive full pension transfer advice; and
- check the client understands the associated costs/explain them associated costs,

- including the implications of the costs if the client is suffering from serious ill-health/experiencing serious financial difficulty/eligible for a carve out.

Model answer for Question 2

Candidate would have scored full marks for any ten of the following:
- Proximity to retirement/drawing an income/taking capital.
- Likely longevity/health/investment term.

- Any dependants;
- and their likely dependence on the safeguarded benefits/life cover in place.

- Partner's assets/income sources?

- Income needs in retirement/expenditure;
- split between essential and discretionary spending;
- and likely pattern of expenditure/anticipated changes.

- Other financial objectives/retirement objectives/capital needs/ad-hoc.

- Other investments/defined contribution pension funds/rental income.
- Secure income sources/State pension forecast.
- Debt outstanding.

Model answer for Question 3

Candidate would have scored full marks for any eight of the following:

- At what age(s) does the Guaranteed Annuity rate (GAR) apply?
- What rate(s) of GAR applies?
- Is the GAR single life or joint life?/is there a guaranteed period?
- Is the GAR level or escalating?
- Payment frequency.
- Is it written in trust?
- Pre-retirement death benefits.
- Investment funds available/past performance.
- Charges/penalties/market value reduction.

Model answer for Question 4

- Age of the client.
- Health/likely longevity/investment term.

- Potential need to leave a legacy/changes to expenditure on first death.

- Amount/pattern of expenditure/income.
- Inflation proofing required/inflation assumption.
- Tax rate of member.
- Secure income sources (and when they come into payment).
- Other funds available.
- Assumed growth rate/attitude to risk.
- Charges payable.

Model answer for Question 5

Candidate would have scored full marks for any ten of the following:

- Amount of Pension commencement lump sum (PCLS)/basis for calculation of PCLS.
- Commutation factor.

- Minimum/earliest age from which benefits can be taken.
- At what age (if any) can benefits be taken from the scheme without reduction?
- What early/late retirement factors apply?

- Any lump sum death benefits/benefits payable on death before retirement.
- What is the schemes definition of dependant?
- Guarantee period/ill-health benefits.

- Funding status of the scheme/has the Cash Equivalent Transfer Value been reduced or enhanced/employer covenant.
- Is the scheme likely to be eligible for the Pension Protection Fund?

- Are partial transfers allowed?

Model answer for Question 6

Candidate would have scored full marks for any twelve of the following:
- The couple are in excellent health/have a history of longevity in their families;
- so would potentially benefit from the income from the Defined Benefit (DB) scheme for a long period.

- Kay's NHS pension and their State pensions will be sufficient to cover their expenditure requirements/he will not need to take an income from the Self-Invested Personal Pension (SIPP).
- He may need to draw an income on Kay's death/the income Jake will acquire on Kay's death.

- Jake would like to leave his own pension arrangements as a legacy for his children.
- This is more easily achieved under the SIPP/less easily achieved through DB.
- and any children's pensions from the DB scheme will cease once the children are no longer dependent.

- Jake would like to use his SIPP to purchase premises for the business;
- and following transfer there will be sufficient funds to purchase the property;
- however, this means his income and pension are both tied into his business/ concentration risk/lack of diversification/increases the risk of the transfer.

- Jake's attitude to risk is medium to high/attitude to risk is suitable for a potential transfer;
- and the couple have capacity for loss/have significant other assets/secure retirement income/they have investment experience;

- The couple are unsure about when they will retire/do not think they will retire before Kay reaches the age of 60.
- Transferring is an irrevocable decision/no need to make a decision now.

Model answer for Question 7

Candidate would have scored full marks for any eight of the following:
- The contributions may benefit from pound cost averaging.

- It is in line with his (medium to high) attitude to risk.
- He has investment experience/the couple have investment portfolio that is invested (in part) in equities.
- He has capacity for loss.

- He does not plan to take any income from the SIPP;
- as he intends the funds to be a legacy for his children;
- and the investment term is long/suitable (for equity investment)/it is at least 10 years until the couple plan to retire.
- If future income is required Equities are liquid/property is illiquid.

- Provides diversification/negatively correlated with property.

Model answer for Question 8

If Kay is still alive

(a)
- Kay (as Jake's dependant) can receive a continuing income.
- Some or all of the benefits can still be paid to the children;
- but only in the form of a lump sum.

If Kay has pre-deceased Jake:

(b)
- Assuming Jake has not remarried/has no surviving dependants;
- the scheme administrator can nominate anyone they choose to receive the funds;
- and the recipient/the children will have the choice of a lump sum or a continuing income.

Model answer for Question 9

Candidate would have scored full marks for any ten of the following:

- A summary of the personal recommendation;
- along with a signpost showing where in the report the client can obtain a more detailed explanation.

- A statement confirming the recommendation is in relation to full advice.

- Information about the ongoing advice/services/advice charges;
- with a statement showing the client is not obliged to accept these/can opt out of receiving these at any time.

- An explanation of the risks associated with the pension transfer;
- and an invitation to the client to consider whether they fully understand those risks/sign to say they understand these risks.

- The anticipated charges of the receiving scheme;
- and a comparison to the revalued income in the ceding scheme.

- Amount payable in cash terms for the initial advice;
- and the number of months it would take to pay this from (the revalued monthly) income of the ceding scheme.

Model answer for Question 10

Secure income

- Alice's pension provides a higher secure income;
- with greater inflation protection;
- and their objective is to have as much secured income as possible.

Health/death benefits

- Tim has a reduced life expectancy/Tim is likely to pre-decease Alice;
- and taking benefits from her pension will ensure she has a higher secure income following Tim's death.
- If Alice pre-deceases Tim the withdrawals required from the scheme to cover the balance of his income needs are likely to be well within the safe withdrawal rate.
-
- If Tim dies before age 75 then withdrawals from the transferred benefits will be tax free/the dependant's income from his scheme pension will be taxed as Alice's pension income.

Lifetime allowance (LTA)

- Alice is likely to incur a LTA tax charge if she transfers/she will not have a LTA tax charge if she does not transfer;
- whereas Tim is less likely to incur a LTA tax charge/likely to incur a lower LTA tax charge.

PCLS

- Although Alice's scheme on transfer would provide more PCLS;
- the couple have not expressed any need for PCLS.

Attitude to risk (ATR)

- A transfer appears to be more in line with Tim's ATR than Alice's.

Model answer for Question 11

- 90% of the pension;
- with no cap;
- and no need for the long service uplift.
- Pension revalued to date of payment/age 65;
- Pension split pre and post 2009;
- with pre 09 benefits revalued at Consumer Prices Index (CPI) capped at 5%;
- and post 09 benefits revalued at CPI capped at 2.5%.

- Once in payment the pension accrued pre 1997 will not increase;
- and the post 1997 income will increase at CPI capped at 2.5%.

All questions in the September 2021 paper will be based on English law and practice applicable in the tax year 2021/2022, unless stated otherwise and should be answered accordingly.

The Tax Tables and Supplementary Information which follow are applicable to the February 2021 and April 2021 examinations.

INCOME TAX

RATES OF TAX	2019/2020	2020/2021
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	£37,500	£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

*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance

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) *§*	£12,500	£12,500
Married/civil partners (minimum) at 10% *†*	£3,450	£3,510
Married/civil partners at 10% *†*	£8,915	£9,075
Marriage Allowance	£1,250	£1,250
Income limit for Married Couple's Allowance*†*	£29,600	£30,200
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,450	£2,500
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	£2,830
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,385

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£120
Primary threshold	£183
Upper Earnings Limit (UEL)	£962

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 183.00*	Nil
183.00 – 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 £120 per week. This £120 to £183 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 169.00**	Nil
169.00 – 962.00	13.8%
Excess over 962.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.05 where profits exceed £6,475 per annum.
Class 3 (voluntary)	Flat rate per week £15.30.
Class 4 (self-employed)	9% on profits between £9,500 - £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
2020/2021	£1,073,100

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.

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*
2020/2021	£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 by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2019/2020	2020/2021
	£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	2019/2020	2020/2021
Individuals, estates etc	£12,000	£12,300
Trusts generally	£6,000	£6,150
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%
	10%	10%
Business Asset Disposal Relief* – Gains taxed at:		
Lifetime limit	£10,000,000	£1,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2019/2020	2020/2021
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers		
- 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*	£150,000	£175,000
- 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%

PRIVATE VEHICLES USED FOR WORK

	2019/2020 Rates	2020/2021 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

	2019/2020	2020/2021
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£1,000,000	£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	6%	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

		2019/2020	2020/2021
		£	£
Child Benefit	First child	20.70	21.05
	Subsequent children	13.70	13.95
	Guardian's allowance	17.20	17.90
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 57.90	Up to £58.90
	Aged 25 or over	Up to 73.10	Up to £74.35
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 74.35
	Support Group	Up to 111.65	Up to 113.55
Attendance Allowance	Lower rate	58.70	59.70
	Higher rate	87.65	89.15
Basic State Pension	Single	129.20	134.25
	Married	201.45	268.50
Single Tier State Pension	Single	168.60	175.20
Pension Credit	Single person standard minimum guarantee	167.25	173.75
	Married couple standard minimum guarantee	255.25	265.20
	Maximum savings ignored in calculating income	10,000.00	10,000.00
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	58.90
	Age 25 or over	73.10	74.35
Statutory Maternity, Paternity and Adoption Pay		148.68	151.20

CORPORATION TAX

	2019/2020	2020/2021
Standard rate	19%	19%

VALUE ADDED TAX

	2019/2020	2020/2021
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%

Important note: For residential properties purchased between 8th July 2020 and 31st March 2021, Stamp Duty Land Tax does not apply up to £500,000. For purchases above £500,000, the band rates above apply as normal. Additional SDLT rules still apply as below.

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 may be 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%

Supplementary Information Pension Papers – AF7 2020/2021

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

Compensation cap at age 65 (2020/2021): £41,461

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%