Chartered
Insurance
Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment Planning

March 2023 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 2023 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.

AF4 – Investment planning

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

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

Before the examination

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

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

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

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

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

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

Know the layout of the tax tables
Familiarise yourself with the information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the examination paper. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to take your own tax tables into the examination.*

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

Section A consists of one case study, worth 80 marks. You will be expected to carry out a variety of tasks, after analysing the information provided.

Section B consists of two shorter case studies worth a total of 80 marks. Again you will be expected to carry out a variety of tasks based upon the information provided.

Each question part will clearly show the maximum marks which can be earned.

Appreciate the standard of the examination
Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

Read the Assessment information and Exam policies for candidates
The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates. For further information contact Customer Service.

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Tackling questions

Tackle the three questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the examination paper. This can make the difference between achieving a pass or a narrow fail.

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

Answer format

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

Where you are asked to perform a calculation, it is important to show **all** the steps in your answer. The majority of the marks will be allocated for demonstrating the correct method of calculation.

Provided handwriting is legible, candidates will **not** lose marks if it is ‘untidy’. Similarly, marks are not lost due to poor spelling or grammar.

Calculators

If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, **non-programmable** calculator. The use of electronic equipment capable of being programmed to hold alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

EXAMINERS' COMMENTS

Candidates' overall performance

Overall, candidates performed well in this paper, performing slightly better compared to the September 2022 examination.

This examination tests core and peripheral content from across the syllabus, allowing those prepared candidates the opportunity to perform to a pass standard, while offering the better-prepared candidates the capability to excel without prejudicing less good candidates.

Across the calculation questions, the majority of candidates showed all the relevant stages within their workings, allowing them to be awarded a greater proportion of the available marks. Those who did not perform well either used incorrect variables in the correct formula or the incorrect formula.

The majority of candidates who did not perform well exhibited a level of knowledge below that of an Advanced Diploma unit, with superficial or vague answers that were not able to be awarded many of the available marks.

Fewer candidates wrote expansive, narrative-style answers, usually written in the belief that the more they wrote, the more marks would be awarded, in favour of more candidates answering with a succinct, bullet-point focused style. This enables a more effective exam technique and in general results in more marks being awarded.

It was evident in this sitting that better-prepared candidates had made effective use of previous Exam Guides in familiarising themselves with the nature of the questions asked. However, it was also evident that some candidates repeated model answers from similar questions in previous papers, often on a verbatim basis, in the hope that different questions would have the same model answers.

A well-prepared candidate having undertaken robust revision would have been able to achieve the pass standard.

Question 1

In part (a) candidates performed very well, with the majority of candidates gaining over half of the available marks with some achieving the maximum marks available. Those candidates who did not perform well either focused on gains rather than income – stating and then using the CGT AEA in their calculation – or used incorrect PSA and PA figures for Johanna, despite the case study showing that neither were available to her.

In part (b) candidates performed adequately. The main investment-related risks are core content and candidates have a good level of knowledge in this area. Candidates who did not perform well either presented long lists of general investment risks, including the regurgitation of previous model answers around similar questions, or identified risks that did not apply to emerging market equities, usually those relating to fixed interest funds.

In part (c) candidates performed adequately. In part (c)(i) most candidates understood the options to renew or encash the Certificates. In part (c)(ii) candidates' knowledge was poor with too many candidates stating that the return was 'indexed' without reference to the measure of indexation, i.e. inflation and those that did state inflation usually stated it was the RPI not CPI. As with index-linked gilts, a notable proportion of candidates believe that 'index' refers to a stock market index and not inflation.

In part (d) candidates performing adequately to well. In part (d)(i) the majority of candidates were awarded 2-3 marks, with better-prepared candidates identifying 4 or 5 relevant points. In part (d)(ii) candidates did not perform well although it is the first time this product type has been tested since its launch. Most candidates were awarded 1-2 marks. Candidates who did not perform well either stated that Green Savings Bonds were tax-free or were subject to CGT.

At this level, it is surprising that candidates believe NS&I products are subject to CGT. A small number of candidates even stated in part (d)(i) that NS&I products are all taxable as income then went on to state in part (d)(ii) that the return is taxable as capital gain.

In part (d)(iii) candidates performed adequately. Candidates who did not perform well used a variety of incorrect totals for Green Savings Bonds and Index-Linked Savings Certificates, with several offering limits in excess of £1 million for each and stating that Index-Linked Savings Certificates were open to new investment.

In part (e) candidates performed adequately with the majority being awarded around half of the marks available. Investment styles are tested frequently however it seems candidates may have been expecting a question on EMH, as those candidates who did not perform well, generally answered as if describing one of its forms rather than value as an investment style.

In part (f) candidates performed very well. The TWR/MWR formulae are core content, so it is pleasing to see candidates revising these thoroughly, with almost all candidates being awarded the majority of or full marks. Those candidates who did not perform well did not show all of the relevant workings, generally because they did not break the calculation into the two holding periods. In part (f)(ii) candidates performed well, with many achieving the maximum marks available. Candidates who did not perform generally explained MWR rather than TWR.

In part (g) candidates performed adequately. Most candidates were awarded 1-2 marks for each part, although some better-prepared candidates were awarded the maximum marks available in part (g)(i). In part (g)(i) those candidates who did not perform well generally thought that the ACD and the fund manager were the same and described functions of the latter. In part (g)(ii) those candidates who did not perform well generally repeated their answer to part (g)(i).

In part (h) candidates performed adequately to well. In part (h)(i) the majority of candidates identified 'tax-free' and 'dividend allowance available' marks with better-prepared candidates also being awarded the mark for the dividend tax rate. Candidates who did not perform well stated that VCTs were taxable and/or SEISs were tax-free.

In part (h)(ii) the majority of candidates were able to identify at least four of the seven marks available. However, it was disappointing to see a number of candidates who had identified the correct information in part (h)(i) then used the incorrect rate in this calculation. A small number of candidates also stated higher-rate dividend tax in part (h)(i) but applied higher-rate Income Tax in the calculation in part (h)(ii).

In part (h)(iii) candidates did not perform well, with most confusing reinvestment and disposal relief. In part (h)(iv) candidates performed better than in part (h)(iii) due to disposal relief being a more general characteristic of EIS and SEIS. Candidates who did not perform well, generally got their answers to parts (h)(iii) and (h)(iv) the wrong way around.

Question 2

In part (a) candidates performed very well. In part (a)(i) the majority of candidates achieved the maximum marks available. This was particularly pleasing as to achieve this, candidates had to show an additional stage of working in line with how the unit tests calculations, which suggests candidates are using the exam guide model answers as a key source of revision. Candidates who did not perform well either jumped straight to the last stage of the calculation or got the dividend and divisor the wrong way around. In part (a)(ii) the majority of candidates identified the 'manager added value' and 'against benchmark' marks, with good candidates being awarded the mark for 'risk-adjusted return measure'.

In part (b) candidates performed adequately to well. In part (b)(i) the majority of candidates were awarded 3-4 marks. Most candidates identified the 'can encash whole segment' and 'can assign/gift segments' marks, with a small number of good candidates going on to state the it 'may keep Syed as BRT'. In part (b)(ii) the majority of candidates were awarded almost all or the full marks available. Candidates who did not perform well stated that the regular withdrawal facility is tax-free rather than tax-deferred.

In part (b)(iii) candidates performed well, showing a good understanding of the principle and objective of top-slicing, connecting the generic nature of the question with the content of the case study. Candidates who did not perform well generally provided vague answers or repeated their answers to part (b)(i) or (b)(ii).

In part (c) candidates did not perform well. A small number of better-prepared candidates provided a focused answer but overall candidate knowledge was patchy. Most candidates did not perform well, providing answers that compared the main differences between unfettered FoF vs fettered FoF; advisory vs discretionary and in a very small number of instances, open-ended vs closed-ended collective funds.

In part (d) candidates performed adequately. Macro-economics is core content but an area of the syllabus that regularly proves challenging to candidates. In part (d)(i) the majority of candidates were awarded 1-2 marks with better-prepared candidates identifying the 'investment income/primary income' and 'transfer payments/secondary income' marks. Candidates who did not perform well offered a wide range of generic financial words and terms, many of which were unrelated to macro-economics.

In part (d)(ii) candidates did not perform well although it was pleasing to see hardly any duplication of answers across part (d)(i) and part (d)(ii), meaning candidates understood that the components parts are different. In part (d)(iii) candidates performed poorly, although those who had not performed well in parts (d)(i) & (d)(ii) were unlikely to be able to answer part (d)(iii) well. Most candidates who did not perform well offered answers based upon international trade or domestic political policy.

Question 3

In part (a) candidates performed adequately to well. Dividend cover is core content and tested frequently. In part (a)(i) most candidates were awarded 4-5 marks out of the 6 available and correctly subtracted the relevant values from the Table. Candidates who did not perform well generally used the individual rather than total profit basis. In part (a)(ii) candidates performed adequately with the majority identifying the relevance of the dividend cover figure being 'close to 1/low cover'. Those candidates who did not perform well generally stated that the dividend cover was strong and/or sustainable with a small number commenting on the dividend cover as if it were the actual dividend or the dividend yield.

In part (b) candidates performed adequately. In part (b)(i) almost all candidates identified that 'yield is high/more than twice the benchmark', indicating that they had referred back to the case study. Candidates who did not perform well either performed a calculation to show the dividend yield or described the relationship between dividend, dividend yield and share price, rather than comment on the yield.

In part (b)(ii) most candidates were awarded 3-4 marks out of the 6 available with some good candidates achieving the maximum marks. It was pleasing to see many candidates identify that the income would be less than Reg's need and 'dividend allowance about to reduce/dividend rate of tax can increase'. Candidates who did not perform well generally gave various vague reasons relating to company share performance or price. As mentioned in part (a)(ii), in part (b)(ii) also too many candidates conflated the terms dividend; dividend cover and dividend yield as if they all meant the same thing.

In part (c) candidates performed very well. Candidate knowledge was good and most candidates were awarded 5-7 marks, with better candidates extracting information contained in the case study to identify available marks. Candidates who did not perform well offered factors relating to MPT/CAPM, notably systematic and non-systematic risk, or other general equity-related factors not linked to a specific, listed company.

In part (d) candidates performed adequately. In part (d)(i) most candidates identified the 'focusing on dividend figures' mark based upon the content of the case study with better candidates also identifying the relevance of the adviser having highlighted the financial information. Candidates who did not perform well gave reasons for incorrect biases.

In part (d)(ii) most candidates identified 'allocating solely dividend to meet income need' with only a few candidates being awarded the second mark. Candidates who did not perform well, as with part (d)(i), offered reasons based upon incorrect biases.

In part (e) candidates performed very well. The majority of candidates were awarded the maximum marks available. Few candidates did not perform well, with those who did not either providing vague answers with general investment-related words and terms or comparing different asset classes rather than direct equities with equities-based collective funds.

In part (f) candidates performed well. The majority of candidates were awarded most of or all the marks available. Few candidates did not perform well, with those who did not perform well either repeating the same objective several times over or including factors that would be included in an annual review than a rebalancing.

Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment planning

March 2023 examination

SPECIAL NOTICES
All questions in this paper are based on English law and practice applicable in the tax year 2022/2023, unless stated otherwise in the question, and should be answered accordingly.
It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit AF4 – Investment planning

Instructions to candidates

Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:

- Section A: 80 marks
- Section B: 80 marks

- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B.

- You are strongly advised to attempt **all** questions to gain maximum possible marks. The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.

- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.

- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

- It is important to show all steps in a calculation, even if you have used a calculator.

- If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

- Tax tables are provided at the back of this question paper.

- Answer each question on a new page and leave six lines blank after each question part.

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

SECTION A

This question is compulsory and carries 80 marks

Question 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the clients' circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c), (d), (e), (f), (g) and (h) which follow.

Mathieu, aged 52, and Johanna, aged 54, are married. Mathieu is employed as a project manager by an international construction business with a salary of £90,000 per annum and Johanna has recently become a partner in a law firm with her partnership share income in excess of £175,000 per annum.

They have been clients of their financial adviser, Sadhika, and over the past two decades have accumulated capital, with Johanna mainly using National Savings & Investments (NS&I) products and Mathieu mainly using tax-sheltered investments. Johanna has just received correspondence from NS&I notifying her of the forthcoming maturity of one of her existing issues of Index-Linked Savings Certificates.

Details of specific products from Johanna's portfolio are set out in **Table 1** below:

Table 1

Product	Current value
Various issues of Index-Linked Savings Certificates	£117,000
Premium Bonds	£28,000
Green Savings Bonds	£75,000

Details of specific products from Mathieu's portfolio are set out in **Table 2** below:

Table 2

Product	Current value	Current yield per annum
Various VCTs	£220,000	6.2%
Various SEISs	£43,000	3.4%

In addition, Mathieu and Johanna also hold a general investment account (GIA). In previous years investment was made solely into UK fixed interest assets, although in the most recent year, investments have been made into a UK equity OEIC, the Style Unconstrained fund. The most recent factsheet for Style Unconstrained shows that it has moved between first and fourth quartiles over the past twelve months. Sadhika believes that this is down to the fund employing a value-based approach.

Mathieu and Johanna have just received the annual statement of their holding in the fund, details of which are set out in **Table 3** below:

Table 3 - Style Unconstrained fund

Valuation at start of 1st period	Valuation at end if 1st period	Additional investment at start of 2nd period	Valuation at end of 2nd period / current value	Current yield
£151,000	£172,000	£18,000	£160,000	2.8%

The authorised corporate director (ACD) for Style Fund Managers has recently announced it intends to launch a global emerging markets version of the Style Unconstrained strategy. As Mathieu and Johanna have always invested in UK equities, they would like to understand more about investing on a global basis.

As an alternative to topping-up their GIA, Mathieu has mentioned he could make additional new investments into one of his venture capital trusts (VCTs) and seed enterprise investment schemes (SEISs) as he believes both will issue prospectuses for new subscriptions before the end of the current tax year. Mathieu is particularly interested in SEISs as earlier this tax year he disposed of some shares in a UK-listed company, which has created a gain for Capital Gains Tax (CGT) purposes.

Questions

*To gain maximum marks for calculations you **must** show **all** your workings and express your answer to **two** decimal places.*

(a) State the main tax allowances that would be potentially available to Mathieu and Johanna in respect of income generated from their GIA and calculate, **showing all your workings**, the total income they could generate between them in the current tax year, without liability to personal taxation. **(6)**

(b) Identify **six** main risks of investing in a global emerging markets equities fund and provide **one** reason for **each** risk. **(12)**

(c) **(i)** State the options that are available to Johanna at the forthcoming maturity of the issue of Index-Linked Savings Certificates. **(3)**

(ii) Explain briefly to Johanna how the total maturity value of the Index-Linked Savings Certificates is calculated. *No calculations are required.* **(4)**

(d) **(i)** Identify **four** main benefits of investing in NS&I products. **(4)**

(ii) Outline the tax treatment of Johanna's holding of NS&I Green Savings Bonds. **(3)**

(iii) Calculate, **showing all your workings**, the **maximum** amount of new money that Johanna could invest into the NS&I products held in her portfolio. **(5)**

(e) Describe the main characteristics of a value-based investment style. **(7)**

(f) **(i)** Calculate, **showing all your workings**, the time-weighted rate of return (TWR) for the Style Unconstrained fund over the period of the most recent annual statement. **(9)**

(ii) Explain briefly why Mathieu and Johanna would use the TWR rather than the money weighted return (MWR) when evaluating the performance of the fund. **(3)**

(g) **(i)** Describe briefly the main functions of the authorised corporate director (ACD) in respect of the structure and operation of an OEIC. **(4)**

(ii) Describe briefly the main functions of the depositary in respect of the structure and operation of an OEIC. **(4)**

(h) **(i)** Explain briefly the tax treatment of dividends paid from a VCT and from a SEIS. **(3)**

(ii) Calculate, **showing all your workings**, the total dividends that would be paid to Mathieu, including any tax liability, if he invested a further £15,000 into a VCT and a further £20,000 into a SEIS in the current tax year. *Assume the yield remains the same for the existing holdings and the new investments.* **(7)**

(iii) Explain briefly reinvestment relief in respect of investment into a new SEIS. **(3)**

(iv) Explain briefly disposal relief in respect of investment into a new SEIS. **(3)**

Total marks available for this question: (80)

SECTION B

Both questions in this section are compulsory and carry an overall total of 80 marks

Question 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. Please carry out ALL of the tasks (a), (b), (c) and (d) which follow.

Daksh is a financial adviser within an authorised advisory firm. He has recently met with Syed a new retail client and is currently analysing his existing investment portfolio. The portfolio consists of three products: an onshore investment bond, a stocks and shares ISA and a general investment account (GIA).

Syed has been retired for several years and his income need of £45,000 per annum is met currently from State and occupational pension income. However, as a result of a change in his circumstance, Syed would like to explore ways of generating both a £40,000 lump sum and an ongoing £5,000 per annum income stream from the bond. Syed originally invested £75,000 into the bond approximately twelve years ago and has yet to access any of the capital. The bond is structured on a segmented basis.

The stocks and shares ISA invests in a FTSE 250 listed investment trust. Financial details relating to this investment are set out in **Table 1** below:

Table 1

Amount invested	Current value	Benchmark return	Tracking error
£50,000	£56,250	11%	5%

The GIA invests in a multi-manager fund, Torsion Series III, which is about to change its mandate from an unfettered fund of funds to a manager of managers approach and Syed has asked Daksh to explain the difference.

In addition, Syed is concerned about the economic outlook as he has read that both the UK's current and capital account have been in deficit for some time, although he does not fully understand what this means.

Questions

*To gain maximum marks for calculations you **must** show **all** your workings and express your answer to **two** decimal places.*

(a) **(i)** Calculate, **showing all your workings**, the information ratio of the FTSE 250 listed investment trust. **(7)**

(ii) Comment on what can be deduced from the information ratio figure as calculated in your answer to **part (a)(i)** above. **(4)**

(b) **(i)** Outline the main benefits to Syed offered by segmentation of the onshore investment bond. **(5)**

(ii) Describe the regular withdrawal facility of the onshore investment bond including the tax treatment based upon Syed's Income Tax position. **(6)**

(iii) Describe briefly the basic principle and objective of top-slicing relief. **(4)**

(c) Identify the main differences between an unfettered fund of funds and a manager of managers fund. **(4)**

(d) **(i)** State the main component parts of the UK's current account. **(4)**

(ii) State the main component parts of the UK's capital account. **(3)**

(iii) Describe briefly **three** ways in which a current account deficit could be balanced out. **(3)**

Total marks available for this question: 40

Question 3

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. Please carry out ALL of the tasks (a), (b), (c), (d), (e) and (f) which follow.

Reg, aged 67, is a retail client of an authorised advisory firm. Following the death of his partner and subsequent additional permitted subscription, Reg has received 11,500 shares in Tall Curve plc as a stock transfer into his existing stocks and shares ISA. The ISA currently consists of a portfolio of collective funds and Reg has not previously owned any direct equities.

Following his bereavement Reg had several meetings with his financial adviser, which quantified Reg's total gross income as £28,000 per annum. In addition to this figure, an income shortfall was identified of £7,000 per annum over the medium to long term. Reg believes that the shortfall can be met solely from the dividend income he will receive from his new shareholding, although Reg's financial adviser has previously drawn his attention to several factors regarding the company's financial information. The adviser believes that Reg may be exhibiting the investor biases of anchoring and mental accounting.

Tall Curve plc is a constituent of the FTSE SmallCap Index and recently announced that following a sustained fall in the company's share price to a multi-year low, it will implement a share buyback strategy. Current financial details of Tall Curve plc are set out in **Table 1** below:

Table 1

Operating profit	£18,400,000
Taxation and interest	£6,150,000
Preference share dividends	£3,200,000
Number of ordinary shares	14,000,000
Dividend paid to ordinary shareholders	£7,950,000
Share price	692p
Dividend yield	8.2%

As a result of the addition of the shareholding into Reg's portfolio as well as movements in Tall Curve plc's share price since the stock transfer, the adviser has recommended a review of Reg's portfolio and suggested it may be appropriate to rebalance the portfolio. The portfolio's benchmark yield is 3.7% per annum.

Questions

*To gain maximum marks for calculations you **must** show **all** your workings and express your answers to **two** decimal places.*

(a) **(i)** Calculate, **showing all your workings**, the dividend cover for Tall Curve plc on a total profit basis. **(6)**

(ii) Comment on the dividend cover for Tall Curve plc based upon your answer to **part (a)(i)** above. **(4)**

(b) **(i)** Comment on the Tall Curve plc's current dividend yield. **(3)**

(ii) Explain the limitations of Reg relying on the dividend cover and yield from Tall Curve plc when considering his income need. **(6)**

(c) Identify **eight** main factors that could affect the share price of Tall Curve plc. *Exclude market movement from your answer*. **(8)**

(d) **(i)** State **two** reasons why the adviser may believe that Reg is exhibited the investor bias of anchoring. **(2)**

(ii) State **two** reasons why the adviser may believe that Reg is exhibited the investor bias of mental accounting. **(2)**

(e) State **three** advantages to Reg of owning a direct equity compared to his collective funds. **(3)**

(f) Explain the main objectives of the rebalancing process for an investment portfolio where the client has an income need. **(6)**

Total marks available for this question: 40

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) Personal Savings Allowance
Johanna = £0/not available
Mathieu = £500

Dividend Allowance
£2,000 x 2/each = £4,000

Personal Allowance
Johanna = £0/not available
Mathieu = £12,570

Total = £4,500 or £17,070

(b) *Candidates would have scored full marks for any twelve of the following:*

- **Currency**
- Adverse exchange rate movement/lack of/cost of hedging.
- **Economic**
- Different stage of business/economic cycle at same time/reliance upon foreign currency/capital flight.
- **Concentration**
- Index composition/weighting may be different.
- **Political**
- Political decisions/instability.
- **Liquidity**
- May not be able to divest quickly/at fair price.
- **Governance/legal/regulatory**
- Lower accounting standard/less transparency/less corporate governance.
- **Manager**
- May not have local knowledge/experience in geography.

(c) **(i)**
- Renew at a new term of same length.
- Renew at a new term of different length.
- Cash it in.

(ii)
- The original value;
- plus, interest;
- plus, inflation.
- using CPI.

(d) **(i)** *Candidates would have scored full marks for any four of the following:*

- No market risk.
- Accessible/highly liquid/deposit-based.
- Guaranteed/government backed/low default risk;
- without limit/above £85,000/FSCS limit.
- No charges.

(ii) *Candidates would have scored full marks for any three of the following:*

- All/3 years' interest;
- taxable at 45%/additional rate;
- at maturity/end of term.
- Taxed as savings/income tax/PSA not available.

(iii) **Premium Bonds**
£50,000 - £28,000 = £22,000

Green Savings Bonds
£100,000 - £75,000 = £25,000

Index-Linked Savings Certificates
£0/not open to additional investment

(e) *Candidates would have scored full marks for any seven of the following:*

- Bottom-up;
- uses fundamental analysis to find;
- stocks that are under-valued/out of favour/mis-priced.
- Low P/E;/P/B;
- or high dividend yield.
- Potential for re-rating/mean reversion.
- Often contrarian.
- Long-term view.

(f) **(i)** **Period 1**
(£172,000 / £151,000) = 1.139072

Period 2
£160,000 / (£172,000 + £18,000) = 0.842105

(1.139072 x 0.842105) -1 = -0.040785 x 100 = -4.08%

(ii) *Candidates would have scored full marks for any three of the following:*

- Better for comparing funds.
- Not influenced by cash flow/timing;
- as outside of manager control.
- Focuses on individual manager/performance.
- TWR compounds multiple sub-periods/shows change over entire period.

(g) **(i)** *Candidates would have scored full marks for any four of the following:*

- Compliance and regulatory reporting.
- Responsible for pricing/valuations.
- Appoints/oversees manager.
- Buys/sells shares.
- Maintains shareholder register.
- Maintains liquidity/imposes dilution levy.
- Prepares accounts.

(ii) *Candidates would have scored full marks for any four of the following:*

- Acts as custodian;
- safeguards assets.
- Collects/pays income distributions.
- Monitors ACD;
- on investment/borrowing limits.
- Deals with any wind-up of fund.

(h) **(i)** **VCT**

- Tax-free

SEIS

- Dividend allowance available/ first £2,000 taxed at 0%.
- 8.75% / 33.75% / 39.35%.

(ii) *Total dividends*

VCT

(£220,000 + £15,000) = [£235,000 x 6.2%] = £14,570

SEIS

(£43,000 + £20,000) = [£63,000 x 3.4%] = £2,142

Tax liability

SEIS

£2,142 x 33.75% = £722.93
or
less DA/£2,000 = £142
£142 x 33.75% = £47.93

Total gross = £16,712.00 or
Total net = £15,989.07 or £16,664.07 (if DA applied)

(iii) *Candidates would have scored full marks for any three of the following:*

- 50% of gain;
- exempt;
- up to maximum £50,000.
- Must receive/qualify for Income Tax relief.

(h) **(iv)** *Candidates would have scored full marks for any three of the following:*
- Gain exempt;
- if shares held for/after 3 years.
- Must have qualified for Income Tax relief/relief not withdrawn.
- Applies to loss or gain/loss relief.

Model answer for Question 2

(a) **(i)** 56,250 - 50,000 = 6,250
(6,250 / 50,000) x 100
= 12.5

(12.5 - 11) / 5
1.5 / 5 = 0.3

(ii)
- Manager has added value/outperformed;
- on risk-adjusted basis;
- and consistently;
- against benchmark.

(b) **(i)** *Candidates would have scored full marks for any five of the following:*
- Can encash whole segment/segments in full/all segments.
- May keep Syed as BRT/prevents HRT/maximises any top-slicing.
- Defers gains/chargeable event for longer.
- Takes into account investment performance/actual gain or loss.
- Can reduce chargeable gains/more tax efficient.
- Can assign/gift segments.

(ii) *Candidates would have scored full marks for any six of the following:*
- Up to 5% pa;
- of original investment/£75,000
- Cumulative/unused 5% carried forward.
- Deemed as return of capital.
- Tax-deferred;
- to 20 years/surrender/death.
- Corporation Tax paid internally.
- 20% BRT deemed paid/additional 20% if becomes HRT.

(iii) *Candidates would have scored full marks for any four of the following:*
- Divides excess/gain;
- by number of policy years;
- in order to give average yearly gain;
- in order to reduce/mitigate;
- higher rate tax liability/keep Syed as basic rate taxpayer.

(c) *Candidates would have scored full marks for any four of the following:*
- FoF is multiple funds/MoM is single fund.
- FoF has additional charges/layer of AMC/MoM does not.
- FoF has to sell the fund/ MoM switches only manager.
- FoF has no control over mandate /MoM has more control.
- FoF is less transparent/MoM is more transparent.
- FoF affected by capacity/MoM does not impact external manager's capacity.

(d) **(i)**
- Goods/visible trade.
- Services/invisible trade.
- Plus investment income/primary income/overseas earnings;
- transfer payments/secondary income/capital and asset movement.

(ii)
- Foreign investments/ assets.
- Foreign loans/borrowings.
- Foreign currency/reserves.

(iii) *Candidates would have scored full marks for any three of the following:*
- Met by capital account surplus.
- Foreign investments/loans.
- Sale of foreign currency reserves.
- Central bank intervention.

Model answer for Question 3

(a) **(i)** 18,400,000 - 6,150,000 - 3,200,000 = 9,050,000
(9,050,000 / 7,950,000) = 1.14 x/times

(ii) *Candidates would have scored full marks for any four of the following:*
- Dividends covered by earnings.
- Close to 1/low cover.
- Dividend may have to be cut in the future/ vulnerable.
- Company is paying out majority of profits/less money to invest.
- Company is building up reserves.

(b) **(i)** *Candidates would have scored full marks for any three of the following:*
- Yield is high/more than twice the benchmark.
- Artificially inflated/affected by share price drop.
- May appear attractive/value trap.
- Dividend may be supported by borrowing/paid from reserves.

(ii) *Candidates would have scored full marks for any six of the following:*
- Dividend info is historical/income need is for future.
- Dividend cover is low/dividend is at risk/not sustainable.
- Dividend not fixed/can change.
- Can be distorted by other/one-off factors.
- Will be affected/reduced by share buybacks.
- Dividend allowance about to reduce/excess subject to dividend rate of tax/ dividend tax rate can increase.
- Focuses on/ignores capital value.

(c) *Candidates would have scored full marks for any eight of the following:*

- Economic outlook/stage of economic cycle.
- Changes in legislation/regulation.
- Change in sector sentiment/competition/business risk.
- Corporate event/profit warning/guidance/dividend cut.
- Investor or market sentiment/broker or credit rating change.
- Takeover speculation/activity.
- Change in/bad management.
- Accounting issue/fraud/scandal.
- Inclusion/removal from an index.

(d) **(i)** **Anchoring**

- Focusing on dividend figures.
- Ignoring whether dividend is cheap/expensive/may change.

(ii) **Mental accounting**

- Allocating solely dividend to meet income need.
- Focusing on dividend only at expense of capital.

(e) *Candidates would have scored full marks for any three of the following:*

- Greater potential growth/no loss of return through diversification.
- No on-going costs/AMC.
- Greater control/involvement/voting rights.
- Direct link between share price and return/can trade real time.

(f) *Candidates would have scored full marks for any six of the following:*

- Realign/return portfolio to original;
- asset allocation/weighting;
- to match AtR/CfL.
- Correct portfolio style/drift.
- Take profits/sell outperforming funds.
- Top up/buy underperforming funds.
- Invest inflows/new money.
- Maintain/increase cash.
- Ensure income can be maintained/is sustainable against target.
- Utilise tax allowances.

Glossary of terms

Some abbreviations candidates can you use in financial planning online exams:

1. AA – Annual allowance
2. ACD – Authorised capital director
3. AEA – Annual exempt amount
4. AER – Annual equivalent rate
5. AMC – Annual management charge
6. APR – Annual percentage rate
7. APS – Additional permitted subscription
8. ART – Additional-rate tax
9. AtR – Attitude to risk
10. BRT – Basic-rate tax
11. CAPM – Capital Asset Pricing Model
12. CDS – Credit default swap
13. CfL – Capacity for loss
14. CGT – Capital Gains Tax
15. CPI – Consumer Prices Index
16. CTF – Child trust fund
17. DA – Dividend allowance
18. DB – Defined benefit
19. DC – Defined contribution
20. DCF – Discounted cash flow
21. D/E – Debt-to-equity
22. DJIA – Dow Jones Industrial Average
23. DIM – Discretionary investment management
24. DFM – Discretionary fund manager
25. EBIT/EBITDA – Earnings before interest and tax/depreciation and amortisation
26. EIS – Enterprise investment scheme
27. EMH – Efficient market hypothesis
28. ESG – Environmental, social and governance
29. ETC – Exchange traded commodity
30. ETF – Exchange traded fund
31. ETN – Exchange traded note
32. ETP – Exchange traded product
33. EPS – Earnings per share
34. FAD – Flexi-access drawdown
35. FCA – Financial Conduct Authority
36. FoF – Fund of funds
37. FOS – Financial Ombudsman Service
38. FSCS – Financial Services Compensation Scheme
39. FTSE – Financial Times Stock Exchange
40. GAARP – Growth at a reasonable price
41. GDP – Gross domestic product
42. GIA – General investment account
43. HRT – Higher-rate tax
44. HTBISA – Help to Buy individual savings account
45. IA – Investment Association
46. ICVC – Investment company with variable capital

47. IHT – Inheritance Tax
48. ISA – Individual savings account
49. IPO – initial public offering
50. IFISA – Innovative finance individual savings account
51. IT – Income Tax
52. JISA – Junior individual savings account
53. LCF – Lifetime cash flow
54. LISA – Lifetime individual savings account
55. LTA – Lifetime allowance
56. MoM – Manager of managers
57. MPC – Monetary Policy Committee
58. MPT – Modern portfolio theory
59. MSCI – Morgan Stanley Capital International
60. MVR – market value reduction
61. MPS – Model portfolio service
62. MSCI – Morgan Stanley Capital International
63. MVR – Market value reduction
64. MWR – Money-weighted rate of return
65. NASDAQ – National Association of Securities Dealers Automated Quotations
66. NAV – Net asset value
67. NICs – National Insurance contributions
68. NPA – Normal pension age
69. NRA – Normal retirement age
70. NRB – Nil rate band
71. NS&I – National Savings and Investments
72. OCF – Ongoing charges figure
73. OEIC – Open-ended investment company
74. OPA – Ordinary power of attorney
75. OEIC – open ended investment company
76. P/B – Price-to-book
77. P/E – Price-earnings/price-to-earnings
78. PAIF – Property authorised investment fund
79. PAYE – Pay As you Earn
80. PET – Potentially exempt transfer
81. PIA – Property Income Allowance
82. PID – Property income distribution
83. PPP – Personal pension plan
84. PCLS – Pension commencement lump sum
85. PRA – Prudential Regulation Authority
86. PA – Personal Allowance
87. PSA – Personal Savings Allowance
88. PTM – Panel of Takeovers and Mergers
89. QE – Quantitative easing
90. QT – Quantitative tightening
91. REIT – Real estate investment trust
92. ROCE – Return on capital employed
93. ROE – Return on equity
94. RPI – Retail Prices Index
95. S&P – Standard and Poor’s
96. SICAV - Société d'investissement à capital variable

97. SD – Stamp Duty
98. SDLT – Stamp Duty Land Tax
99. SDRT – Stamp Duty Reserve Tax
100. SIPP – Self-invested personal pension plan
101. SEIS – Seed enterprise investment scheme
102. SRI – Socially responsible investing
103. TER – Total expense ratio
104. TWR – Time-weighted rate of return
105. UCITS – Undertakings for collective investment in transferable securities
106. UCIS – Unregulated collective investment scheme
107. UFPLS – Uncrystallised fund pension lump sum
108. VCT – Venture capital trust

All questions in the October 2023 paper will be based on English law and practice applicable in the tax year 2023/2024, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable for examinations from 1 September 2022 until 31 August 2023.

INCOME TAX

RATES OF TAX	2021/2022	2022/2023
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	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£150,000

Child benefit charge:
1% of benefit per £100 of adjusted net income between £50,000 – £60,000

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

Dividend Allowance	£2,000	£2,000
Dividend tax rates		
Basic rate	7.5%	8.75%
Higher rate	32.5%	33.75%
Additional rate	38.1%	39.35%
Trusts		
Standard rate band	£1,000	£1,000
Rate applicable to trusts		
- dividends	38.1%	39.35%
- other income	45%	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic) *§*	£12,570	£12,570
Married/civil partners (minimum) at 10% *†*	£3,530	£3,640
Married/civil partners at 10% *†*	£9,125	£9,415
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance*†*	£30,400	£31,400
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,520	£2,600
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)	£2,845	£2,935
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,480	£17,005

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£123
Primary threshold	£242*
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	**CLASS 1 EMPLOYEE CONTRIBUTIONS**
Up to 242.00**	Nil
242.00* – 967.00	13.25%
Above 967.00	3.25%

**£190 per week/£9,880 per annum before 6 July 2022.*
***This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242* 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 175.00***	Nil
175.00 – 967.00	15.05%
Excess over 967.00	N/A

**** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.15 where profits exceed £6,725 per annum.
Class 3 (voluntary)	Flat rate per week £15.85.
Class 4 (self-employed)	10.25% on profits between £11,908 – £50,270. 3.25% on profits above £50,270.

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 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2022/2023	£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
2014/2015 – 2022/2023	£40,000*

**Reducing 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	2021/2022	2022/2023
	£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	2021/2022	2022/2023
Individuals, estates etc	£12,300	£12,300
Trusts generally	£6,150	£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%
Business Asset Disposal Relief* – Gains taxed at:	10%	10%
Lifetime limit	£1,000,000	£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	2021/2022	2022/2023
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 EXEMPTION		
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*	£175,000	£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

	2021/2022 Rates	2022/2023 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
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

		2021/2022	2022/2023
Plant & machinery (excluding cars) 100% annual investment allowance (first year)		£1,000,000	£1,000,000
Plant & machinery* first year allowance for companies to 31/3/2023:	Super-deduction		130%
	Special rate		50%
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 1 April 2016 (Corporation Tax) or 6 April 2016 (Income Tax)

CO_2 emissions of g/km:	0*	1-50	Over 50
Capital allowance:	100% first year	18% reducing balance	6% reducing balance

**If new and unused*

MAIN SOCIAL SECURITY BENEFITS

		2021/2022	2022/2023
		£	£
Child Benefit	First child	21.15	21.80
	Subsequent children	14.00	14.45
	Guardian's allowance	18.00	18.55
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 59.20	Up to £61.05
	Aged 25 or over	Up to 74.70	Up to £77.00
	Main Phase		
	Work Related Activity Group	Up to 104.40	Up to 107.60
	Support Group	Up to 114.10	Up to 117.60
Attendance Allowance	Lower rate	60.00	61.85
	Higher rate	89.60	92.40
Basic State Pension	Single	137.60	141.85
	Married	275.20	283.70
New State Pension	Single	179.60	185.15
Pension Credit	Single person standard minimum guarantee	177.10	182.60
	Married couple standard minimum guarantee	270.30	278.70
	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	59.20	61.05
	Age 25 or over	74.70	77.00
Statutory Maternity, Paternity and Adoption Pay		151.97	156.66

CORPORATION TAX

	2021/2022	2022/2023
Standard rate	19%	19%

VALUE ADDED TAX

	2021/2022	2022/2023
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 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and over	12%

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%