Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

October 2019 Examination Guide

SPECIAL NOTICES

Candidates entered for the July 2020 examination should study this examination guide carefully in order to prepare themselves for the examination.

Practice in answering the questions is highly desirable and should be considered a critical part of a properly planned programme of examination preparation.

AF5 – Financial planning process

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

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

Before the examination

Read the 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.

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

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

Make full use of the Examination Guide
The best way to understand what the examiners require is to study the CII Examination Guides. You can obtain copies of the two most recent examination guides free of charge at www.cii.co.uk. 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. The examiner's comments on candidates' actual performance in each question should be noted carefully.

Know the layout of the tax tables
Familiarise yourself with the tax tables printed at the back of each examination paper and 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 take your own tax tables into the examination.*

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

Understand the nature of assessment
Assessment is by means of a three-hour written paper. This Examination Guide contains a full examination paper and model answers. The model answers show the types of responses the examiners are looking for and which would achieve maximum marks. *However, you should note that there are alternative answers to some question parts which would also gain high marks.* For the sake of clarity and brevity not all of these alternative answers are shown.

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

Appreciate the standard of the examination
Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

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

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

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

Understand the skills the exam seeks to test

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

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

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

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

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

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

Two weeks before the examination

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

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

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

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

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

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

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

In the examination

What will I receive?

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

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

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

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

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

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

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

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

EXAMINER COMMENTS

Candidates overall performance:

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

The examination covered a wide range of standard financial planning topics and included consideration of a small element of business planning which was clearly indicated in the fact-find that was sent to candidates in advance of the examination. The majority of candidates performed very well in this area and this demonstrated a good level of preparation on the part of many candidates.

There were no areas of the paper that caused any major difficulties for candidates and overall performance was satisfactory.

Question 1

This question required candidates to identify the additional information that would be required to enable candidates to assess if Simon and Grace would be able to retire at age 60. This objective was clearly stated on the fact-find and most of the candidates were able to provide a wide range of answers to this question.

Question 2

This was a two-part question focusing on their pension arrangements.

Part (a) required candidates to identify the reasons why a SIPP may not be suitable for Simon. Most candidates were able to provide a wide range of answers and were able to identify the key reasons why a SIPP arrangement would be of limited benefit to Simon at this point.

Part (b) required candidates to explain to Simon and Grace why it is important to carry out regular reviews of their pension arrangements. The majority of candidates provided very good answers to this question and recognised the need to ensure that their arrangements are on track to meet their objectives. Only a limited number of candidates recognised the need to review issues such as the Annual Allowance for pensions. Although this is currently not an issue for Simon and Grace, this question focused on the importance of future reviews when this particular issue could become significant, particularly to Simon, depending on the success of his company.

Question 3

This was a three-part question.

Part (a) focused on the drawbacks for Grace of continuing to invest in the Commercial Property fund in her group personal pension plan. This was well answered by the majority of candidates who had identified this as a potential problem from the fact-find. This has been a topical issue in recent years so it was pleasing to note that most candidates were able to identify the drawbacks of this type of fund.

Part (b) asked candidates to explain to Grace why she might consider using a Targeted Absolute Return fund in her group personal pension plan. This type of fund was identified in the fact-find as a potential investment for Grace. Most candidates demonstrated a good level of preparation and were able to explain why this fund might be suitable for her. Most candidates explained clearly how this fund would operate and why it may be suitable for Grace.

Part (c) focused on how pound-cost-averaging from investing regular contributions could be used to assist Simon and Grace in their objective of retiring at age 60. Some candidates did not perform particularly well on this question as they did not apply their answers to Simon and Grace's personal and financial situation. Candidates were rewarded for recognising the fact that this method of investing was flexible and would suit the affordability criteria for Simon and Grace who would be unlikely to invest lump sums at this stage, given their other financial commitments.

Question 4

This was a three-part question.

Part (a) required candidates to explain in detail to Simon and Grace how they could consolidate their existing investments onto an investment platform and why this may be suitable for them in meeting their long-term objectives. Some candidates did not perform well on this question as they focused purely on why this may be suitable. They did not explain how this process would be achieved. Few candidates were able to explain how *in specie* transfers could be used to ensure no tax was triggered by the transfers onto the platform in respect of the OEIC and shareholdings.

Part (b) required candidates to identify the key factors that Grace should consider when selecting ethical investments. This question was well answered by the majority of candidates and did not cause any difficulties.

Part (c) required candidates to focus on the actions that Simon and Grace should take in respect of their pensions and investments to increase the prospect of them having sufficient income to retire at age 60. Many candidates performed well and were able to recommend and justify a large number of actions that were suitable for Simon and Grace. A small number of candidates focused only on their pensions and did not consider any actions in respect of their investments, so did not achieve high marks.

Question 5

This was a two-part question focusing on the future sale of Simon's business. This was identified as an objective for Simon in the fact-find.

Part (a) asked candidates to explain to Simon how a future sale of the business will be treated for Capital Gains Tax. The majority of candidates performed very well and recognised the availability of Entrepreneurs Relief for Simon and how this would be applied.

Part (b) required candidates to explain to Simon how he can maintain Business Relief (BR) following the sale of his business to mitigate future Inheritance Tax. Few candidates recognised the fact that the two-year clock would not start again for BR if Simon reinvested the sale proceeds into a BR-qualifying investment. Many candidates focused their answer on Capital Gains Tax, rather than Inheritance Tax.

Question 6

This was a two-part question focusing on the Offshore Bond and the repayment of student loans for Harry and Emma.

Part (a) focused on how Simon and Grace could use the Offshore Bond to provide tax-efficient funds to support Harry and Emma whilst they are at university. Most candidates performed well and had clearly considered the merits and tax-efficiencies of assigning some or all of the Bond to the children. The majority of candidates were able to correctly identify the tax treatment of the Bond.

Part (b) asked candidates to identify the key factors that Simon and Grace should consider before deciding if they will provide funds to repay Harry's student loan after he graduates from University. Most candidates answered the question reasonably well and were able to identify the key factors including the significant impact that this might have on Simon and Grace's future financial objectives.

Question 7

This was a three-part question focusing on Simon and Grace's protection arrangements. This issue was clearly identified in the fact-find as an area of concern for Simon and Grace and it was very pleasing to note that many candidates had taken the time to consider suitable protection options for Simon and Grace in advance of the examination.

Part (a) required candidates to comment on the suitability of their existing protection arrangements. This was generally well answered by most candidates.

Part (b) asked candidates to explain the benefits for Simon if he sets up a Relevant Life policy for himself through this company. Most candidates performed well and provided a good range of benefits for Simon.

Part (c) required candidates to recommend and justify a suitable protection policy that Simon could set up via his company to provide a long-term regular income benefit in the event of incapacity to replace his existing Accident, Sickness and Unemployment (ASU) policy. The fact-find clearly identified the fact that Simon was concerned about the existing ASU policy and the majority of candidates provided a good recommendation for an Executive Income Protection policy. A small number of candidates did not recognise the fact that this would be paid to Simon's company, rather than Simon.

Question 8

This question required candidates to explain to Simon why the National Savings and Investments Premium Bonds may not be suitable for him in meeting his longer-term objectives. This question was well-answered by most candidates who were able to identify the key reasons why the existing Premium Bond holding was unsuitable for Simon.

FACT-FIND

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

PART 1: BASIC DETAILS

	Client 1	Client 2
Surname	Hayes	Hayes
First name(s)	Simon	Grace
Address	Langdale Crescent, Bath	Langdale Crescent, Bath
Date of birth	03.09.74	30.06.74
Domicile	UK	UK
Residence	UK	UK
Place of birth	Bristol	Taunton
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Rugby	Theatre

Notes:

Simon and Grace are married with two children. They both work full-time and are planning to retire when Simon reaches age 60. They have appointed you to review their existing financial arrangements to ensure that they are able to meet their retirement objectives.

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	D.O.B	Health	Occupation	Financially dependent ?
Harry	Son	18	16.08.01	Good	Student	Yes
Emma	Daughter	16	05.05.03	Good	Student	Yes

Notes:

Harry has just started university. Harry has taken out a student loan to cover his tuition fees. Simon and Grace will pay Harry’s accommodation and living costs whilst he is at university. Emma is planning to go to university in 2021.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Publisher	Admissions Manager
Job title	Managing Director	Manager
Business name	Wickrow Publishing Ltd	Lake College
Business address	Bath	Bath
Year business started	2014	
Remuneration		
Salary	£54,000	£36,000
State Pensions		
Overtime		
Benefits		
Benefits-in-kind	N/A	N/A
Pension Scheme	See Part 11	See Part 11
Life cover	N/A	See Part 8
Private Medical Insurance	N/A	N/A
Income Protection Insurance	N/A	N/A
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		

Notes:

Simon is the sole owner of Wickrow Publishing Ltd which publishes academic textbooks. Simon set up the company in 2014 and employs staff on short-term contracts whenever required. He has no permanent employees. Simon plans to build up the business with a view to selling it to fund his retirement.

Grace works full-time as an Admissions Manager at a local college. Grace has worked for the same college for the last 12 years. She receives death-in-service of three times her basic salary as well as membership of her employer Qualifying Workplace Pension Scheme.

Previous Employment	Client 1	Client 2
Previous employer	Academic Publications Ltd	
Job title	Print-setter	N/A
Length of service	11 years	
Pension benefits	See Part 11	

Notes:

Grace worked part-time as a researcher before she joined the college. She has no other pensions.

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant		
Bank	Securebank	Securebank
Doctor		
Financial Adviser		
Solicitor	Wilson Woods LLP	Wilson Woods LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		Client 2		Joint	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions						
Private Pensions						
Salary (gross)	4,500		3,000			
Benefits-in-kind						
Savings income (gross)						806
Rental (gross)						
Dividends		13,950				5,625

The savings income is interest derived from their joint Deposit Savings Account.

Simon's dividend income of £12,000 is paid on an annual basis from his company and he also receives dividends of £1,950 from his portfolio of individual stocks and shares.

The joint dividend income is paid from the Global Growth OEIC funds.

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

Expenditure

	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent			1,304			
Council tax						2,500
Buildings and contents insurance						560
Gas, water and electricity						1,800
Telephone			60			
TV licence and satellite			55			
Property maintenance						1,000
Regular Outgoings						
Life assurance (see Part 8)						
Health insurance (see Part 9)	25					
Savings Plans (see Part 10)						
Car tax, insurance and maintenance				1,000	800	
Petrol and fares	300	200				
Loans						
School fees						
Childcare						
Further education						
Subscriptions						
Food, drink, general housekeeping			700			
Pension contributions (see Part 11)		120				
Other Expenditure						
Magazines and newspapers						
Entertainment			100		600	
Clubs and sport				500	100	
Spending money	300	300				
Clothes						1,000
Financial support for Harry			1,000			
Other (Holidays)						2,500
Total Monthly Expenditure	625	620	3,219			
Total Annual Expenditure	7,500	7,440	38,628	1,500	1,500	9,360
Total Outgoings						**65,928**

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

Notes:

Simon and Grace will provide some financial support to Harry whilst he is at university. They may decide to repay his student loan for him when he graduates. They will also provide support for Emma when she starts university.

Simon and Grace do not plan any other major expenditure in the next few years.

PART 6: ASSETS

	Asset	Client 1 £	Client 2 £	Joint £	Income (Gross) £
1.	Main residence			525,000	
2.	Contents/car	45,000	50,000	75,000	
3.	Current account			4,000	
4.	Deposit Savings Account			62,000	806
5.	National Savings & Investments Premium Bonds	40,000			
6.	Stocks and shares ISAs – UK Equity Growth OEIC (accumulation units)	78,000			
7.	Stocks and shares ISAs – UK Ethical Investment fund – OEIC (accumulation units)		52,000		
8.	OEICs – Global Growth funds			225,000	5,625
9.	Offshore Investment Bond – Global Managed fund			96,000	
10.	Individual UK company shares	65,000			1,950

Notes:

Simon and Grace hold their property as joint-tenants and they have a repayment mortgage of £275,000 on this property (see Part 7).

Simon purchased the Premium Bonds with the proceeds of a recent inheritance from his late uncle. He is unsure if he should retain these for the longer-term.

Simon and Grace have used their ISA allowances in full for the past few years but have not yet used their ISA allowance for the current tax year (2019/2020).

The Global Growth OEICs were purchased for a base cost of £120,000 in 2010. They are invested in several funds which have performed well over the past few years. No withdrawals have been made from these holdings which are held directly with individual fund companies.

Simon and Grace invested £55,000 into the Offshore Investment bond five years ago with a view to providing funds for Harry and Emma's university education. No withdrawals have been made to date from the bond.

Simon has built up holdings in various UK company shares over many years. These are individually held in certificated form. He has never made any changes to these and receives dividends throughout the year from the various holdings.

PART 7: LIABILITIES

Mortgage Details	Client 1	Client 2	Joint
Lender			Securebank
Type of mortgage			Repayment
Amount outstanding			£275,000
Start date			2018
Term/maturity			25 years
Monthly payment			£1,304
Interest rate			3%
Life policies			None

Notes:

Simon and Grace have a fixed-rate repayment mortgage. The fixed rate expires in 2022. They do not have a life policy to cover this mortgage.

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

Notes:

Simon and Grace have no other outstanding loans.

Other Liabilities (e.g. tax)

Notes:

Simon and Grace have no other outstanding liabilities.

PART 8: LIFE ASSURANCE POLICIES

	Life/Lives assured	Ownership	Sum assured £	Premium £	Term	Start date	In trust?	Surrender Values £
1.	Grace		108,000	N/A	Age 65		No	N/A

Notes:

Grace has a death-in-service policy from her employer. This will pay three times her basic salary whilst she remains in service with the company.

Simon and Grace are aware that they have insufficient Life Cover and wish to address this.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/ Review	Deferred Period	Premium £
ASU	Simon	2,000 per month	2014	7 years	30 days	25 per month

Notes:

Simon took out an Accident, Sickness and Unemployment (ASU) policy when he first set up the business. He is aware that this policy may be unsuitable for him and has asked you to review this.

PART 10: REGULAR SAVINGS

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

Notes:

Simon and Grace do not currently make any regular savings.

PART 11: PENSION DETAILS

Occupational pension scheme

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

Notes:
Simon and Grace do not have any occupational pension schemes.

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

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

Notes:
Simon and Grace do not have any additional voluntary contribution plans.

Personal Pensions

	Client 1	Client 2
Type	Personal Pension	Group Personal Pension
Company	Assure Life	Monarch Life
Fund	Adventurous Managed fund	UK Commercial Property fund
Contributions	£250 p.m. employer contribution	5% Employer/5% Employee
Retirement age	65	65
Current value	£24,000	£47,000
Date started	April 2014	January 2007

Notes:

Simon set up a new personal pension plan for himself when he started Wickrow Publishing Ltd. His company pays an employer contribution of £250 per month. He is considering the possibility of increasing the employer contributions now the business is established.

Grace is a member of her employer's Qualifying Workplace Pension scheme and contributes 5% of her basic salary. Her employer matches this contribution. Grace wishes to review her fund choice within her pension plan. She originally selected a UK Commercial Property fund. She is interested in a new range of Targeted Absolute Return funds that are available under her scheme.

Nominations are up-to-date on both of these pension plans in favour of each other.

Previous pension arrangements

	Client 1	Client 2
Employer	Academic Publications Ltd	
Type of scheme	Personal Pension plan	
Date joined scheme	April 2003	
Date left	January 2014	
Current Value	£67,000	

Notes:

Simon has two deferred personal pension plans from his previous periods of employment with a total value of £87,000. The larger pension has a value of £67,000 from his period of employment with Academic Publications Ltd.

Simon also has a smaller pension with an approximate value of £20,000 with Ross Life. Simon does not have any up-to-date details of this pension plan. He has not reviewed either of these pensions since he set up his business in 2014. The Academic Publications and Ross Life pensions are invested in several UK and Global Equity funds. He wishes to simplify the administration of these two pension funds and has asked you to advise him on how this could be achieved.

Simon has made nominations on each of these pension plans in favour of Grace.

State Pension

	Client 1	Client 2
State Pension		
Total		

Notes

Simon and Grace have never checked their State Pension entitlement.

PART 12: INHERITANCES		
Wills	**Client 1**	**Client 2**
Do you have a current Will?	Yes	Yes
Notes:		
Simon and Grace have up-to-date Wills leaving everything to the survivor.		
Trusts	**Client 1**	**Client 2**
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		
Gifts	**Client 1**	**Client 2**
Give details of gifts made and received	None	None

Notes:		
Inheritances	**Client 1**	**Client 2**
Give details of any inheritances expected	None	None
Notes:		
Simon and Grace do not expect to inherit any large sums in the near future.		

PART 13: ATTITUDE TO RISK

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

Notes:
Simon and Grace have recently completed a full risk-profiling assessment and have been identified as having different risk profiles. Simon is a high-risk investor. Grace is a medium-risk investor. Grace is keen to ensure that her investments are managed as ethically as possible.

PART 14: BUSINESS RECORDS

Compliance		
Date fact-find completed	01.10.19	
Client agreement issued	01.10.19	
Data Protection Act	01.10.19	
Money laundering	01.10.19	
Consultations		
Dates of meetings	01.10.19	
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		

Notes:

PART 15: OTHER INFORMATION

Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

October 2019 examination

SPECIAL NOTICES

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

It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

Instructions

- 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 AF5 – Financial planning process

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.

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

- **In this examination you should use the fresh copy of the fact-find provided. You are not allowed to bring into the examination the pre-released copy of the fact-find.**

- **Client objectives are provided overleaf and you should read them carefully before attempting the tasks.**

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

- 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 task on a new page and leave six lines blank after each task.

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.

CLIENTS' FINANCIAL OBJECTIVES

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

Immediate objectives

- To review the suitability and tax-efficiency of their current savings and investments.
- To ensure that the family has sufficient protection in place.

Longer-term objectives

- To implement a suitable strategy to enable Simon and Grace to retire at age 60.
- To ensure that their investment holdings remain suitable for the long-term.
- To ensure that Simon is able to sell his business as tax-efficiently as possible.

Attempt ALL tasks

Time: 3 hours

1. Identify the additional information that you would require to enable you to assess if Simon and Grace will be able to retire at age 60. **(12)**

2. Simon is considering setting up a self-invested personal pension (SIPP) to consolidate his pension plans.

(a) Identify the reasons why a SIPP may not be suitable for Simon. **(12)**

(b) Explain to Simon and Grace why it is important to carry out regular reviews of their pension arrangements. **(8)**

3. (a) Identify the drawbacks for Grace of continuing to invest in the Commercial Property fund in her group personal pension plan. **(10)**

(b) Explain to Grace why she might consider using a Targeted Absolute Return fund in her group personal pension plan. **(8)**

(c) Explain to Simon and Grace how 'pound-cost-averaging' from investing regular contributions could be used to assist them in their objective of retiring at age 60. **(8)**

4. (a) Explain, in detail, to Simon and Grace how they could consolidate their existing ISAs, OEICs and individual shares onto an investment platform and why this may be suitable for them in meeting their long-term objectives. **(14)**

(b) Identify the key factors that Grace should consider when selecting ethical investments. **(7)**

(c) Recommend and justify the actions that Simon and Grace should take in respect of their pensions and investments to increase the prospect of them having sufficient income to retire at age 60. **(12)**

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

5. **(a)** Explain to Simon how a future sale of his business will be treated for Capital Gains Tax. **(6)**

(b) Explain to Simon how he can maintain Business Relief following the sale of his business to mitigate future Inheritance Tax. **(6)**

6. **(a)** Explain, in detail, how Simon and Grace could use their Offshore Investment Bond to provide tax-efficient funds to support Harry and Emma whilst they are at university. **(10)**

(b) Identify the key factors that Simon and Grace should consider before deciding if they will provide funds to repay Harry's student loan after he graduates from university. **(8)**

7. Simon and Grace are concerned that they may not have adequate protection in place to cover their current and future needs.

(a) Comment on the suitability of Simon and Grace's existing protection arrangements. **(10)**

(b) Explain the benefits for Simon if he sets up a Relevant Life policy for himself through his company. **(7)**

(c) Recommend and justify a suitable protection policy that Simon could set up via his company to provide a long-term regular income benefit in the event of incapacity to replace his existing Accident, Sickness and Unemployment policy. **(14)**

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

8. Explain to Simon why National Savings & Investments Premium Bonds may not be suitable for him in meeting his longer-term objectives. **(8)**

NOTE ON MODEL ANSWERS
The model answers given are those which would achieve maximum marks. However, there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown. An oblique (/) indicates an equally acceptable alternative answer.

Model answer for Question 1

Candidates would have gained full max for any twelve of the following:
- Level of income/capital required/future expenditure.
- Contribution history/amount of carry forward.
- Additional employer matching for Grace.
- Value of Simon's business.
- State Pension entitlement/BR19.
- Willingness to transfer holdings to Grace/she is a basic rate taxpayer.
- (Likely) costs of university.
- Plans to repay mortgage.
- Performance/asset allocation/fund choice/charges.
- Any protected tax-free cash
- Expected/required growth rate on investments/projections.
- Inflation/market conditions.
- Capacity for loss/use of other assets/downsizing.

Model answer for Question 2

(a)
- Costs to transfer/exit fees.
- Higher ongoing charges/existing schemes may be cheaper.
- Value is too low for self-invested personal pension.
- No guarantee of better performance/drag on growth (due to charges).
- Unlikely to buy commercial property/does he need full range of SIPP investments?
- Suitable fund choice in existing plans/can match attitude to risk.
- Flexi-access drawdown not needed yet/no need to transfer.
- More admin/complex/time consuming.
- Potential loss of protected tax-free cash.
- May be more difficult to transfer from SIPP in future.
- Market timing/could lose out during transfer process.
- SIPP unlikely to accept *in specie* transfer/insured funds.

(b)
- Changes in personal/financial circumstances/objective/attitude to risk.
- Monitor performance/identify underperforming funds.
- Rebalance/change funds.
- Identify any shortfall in pension arrangements/on target.
- Increase pension contributions/carry forward.
- Costs/charges/cheaper products available/new products available/existing product still suitable.
- Lifetime allowance/annual allowance issues/protection available/tapering.
- Economic/legislative changes/tax.

Model answer for Question 3

(a)

- Can be illiquid/sale restrictions/suspension.
- Pricing issues/can move to a bid basis/bid-offer spread.
- Lack of asset class diversification.
- No geographical diversification/UK only.
- High ongoing charges/transaction costs.
- Forced sales will reduce value of fund.
- Cash holdings dilute returns.
- Property value is subjective/valuer's opinion.
- Taxation risk/changes in taxation rules.
- May not match her attitude to risk/may not match her ethical views.

(b)

- Diversification of assets/can use derivatives.
- Global spread/geographic diversification.
- Reduces volatility/smoothed return.
- Target return over known investment period.
- Can match attitude to risk/planned retirement date/ethical.
- Active management/professional investment manager.
- Can provide positive returns in all/falling market conditions.
- Lower charges (than commercial property fund).

(c)

- Savings discipline/process.
- Benefit from volatility/more units purchased in falling market.
- Avoids market timing risk/investing lump sum just before crash/downturn.
- Suitable for long-term investment/15 years to retirement.
- Contributions can increase/decrease/flexibility.
- Reduces risk of investing in higher-risk funds/enables higher risk funds to be purchased.
- Evens out/averages cost of unit purchases.
- Unlikely to invest lump sums at present/lack of affordability.

Model answer for Question 4

(a)

- Can re-register ISAs/transfer;
- retains tax efficiency.

- Can transfer open-ended investment companies (OEICs) *in specie/*re-register.
- No market timing risk.
- No Capital Gains Tax (CGT) triggered by transfer/OEIC has a capital gain.
- Can Bed & ISA from OEIC funds.

- Can transfer shares *in specie/*using Stock Transfer form.
- Shares convert to a nominee arrangement/easy to buy and sell.

- Quick transfer process/minimal effort for Simon and Grace.
- Online access/easier to monitor/fund switches/rebalance/inter spouse transfers.
- Lower cost/large fund discount.
- Simplified tax reporting/consolidated reports/access to research.
- Wide fund choice/cash account/can match attitude to risk.
- Improved growth.

(b)

- Her level of engagement/commitment.
- Negative/positive screening/ESG/what does she want to exclude?/shades of green.
- Higher risk/more volatile/smaller companies.
- Limited fund choice.
- Difficult to assess large companies/opaque.
- Limited diversification.
- Potentially lower returns/higher charges.

(c)

- Increase personal pension contributions.
- 40% Tax relief for Simon/20% tax relief for Grace/she may benefit from employer matching contribution.
- Check BR19/pay voluntary contributions if necessary.

- Invest cash/Premium Bonds for greater returns.
- Use ISA allowance for tax efficiency.
- Move OEIC to Grace as she is a basic rate taxpayer.
- Inter spousal transfer/no CGT.
- Excess dividends taxed at 7.5%/saving 25% for Simon.
- Use CGT exemption/excess gains charged at 10% for Grace.
- Monitor fund performance/charges/ensure appropriate diversification.
- Ongoing future reviews.

Model answer for Question 5

(a)
- Can use Entrepreneurs' Relief.
- Simon is sole owner/>5% *and* two+ years ownership.
- Can use Capital Gains Tax (CGT) exemption/offset losses.
- Pays CGT at 10%/saving 10% as he is higher rate taxpayer.
- Company must not hold excessive investments/cash.
- No CGT on death.

(b) *Candidates would have gained full marks (6 max) for any six of the following:*
- As asset has been held for over two years.
- Qualifying trading asset.
- Inheritance Tax (IHT)-free/saving 40% IHT over nil rate band.
- Roll-over sale proceeds into qualifying Business Relief/Enterprise Investment Scheme/AIM shares.
- Must re-invest within 3 years.
- Retains Business Relief (BR)/IHT relief.
- Can pass BR qualifying asset to Grace/children on death.

Model answer for Question 6

(a)
- Assign whole segments of the Bond to children.
- Assignment is not a chargeable event.
- Assignment is not a gift for IHT purposes.
- Tax liability passes to children.
- They have their own Personal Allowance/potentially no tax for the children.
- Saving tax of 40% for Simon/20% for Grace.
- Assign bond to Grace as she is a basic rate taxpayer

- Draw 5% tax-deferred income from Bond.
- Withdrawals are cumulative/no withdrawals to date;
- 25%/30%/£13,750/£16,500.

(b)
- How much is the loan?/What is the interest rate?
- Harry may never have to repay/earnings may never reach threshold
- Debt will be cancelled after 30 years.
- Student Loan does not affect Harry's credit rating.
- Loss of capital/may impact their own retirement objectives/affordability/tax considerations.
- Loss of potential investment growth.
- Will they do same for Emma?
- Political risk/loans may be cancelled in future.

Model answer for Question 7

(a)
- Simon is main bread winner/need both salaries to cover expenditure.
- No Income Protection.
- Accident Sickness Unemployment (ASU) policy is unsuitable/ends in 2021/no unemployment cover.
- ASU pays out only once/cover can be cancelled by insurer.
- No Critical Illness cover/inadequate cover in event of serious illness.
- Grace's Death-In-Service lost if she leaves company.
- Life cover/mortgage protection inadequate.
- No Private Medical Insurance
- Simon has no key man cover to protect business/has no employer benefits/most cost-effective option.
- Pensions can provide lump sum on death.

(b)
- Provides additional life cover/inadequate life cover at present.
- Premiums paid by company/saves premium cost for Simon.
- Deductible against Corporation Tax for company/allowable expense.
- Policy pays out to beneficiary/in Trust/Simon can nominate beneficiary
- Payment is tax-free to beneficiary.
- Not a Benefit in Kind/no tax charge for Simon.
- No impact on pensions lifetime allowance.

(c)
- Executive Income Protection.
- Premiums deductible against Corporation Tax/business expense.
- Pays out income to company.
- Company uses income to pay Simon's salary.
- Cover is not restricted to salary/can cover dividends/pension contributions/NICs.
- Own occupation basis for widest cover/most suitable.
- Taxable to Income Tax and NI for Simon/Paid under PAYE.
- Maximum 3-month deferred period due to limited income/they have savings.
- Maximum cover to maintain lifestyle/replace profits.
- Term to planned retirement/60.
- Simon is in good health/simple underwriting.
- Guaranteed premiums to ensure ongoing affordability.
- Index-linked to maintain spending power.
- Not a Benefit in Kind for Simon.

Model answer for Question 8

- They have excess cash/emergency fund.
- No interest/income paid on Premium Bonds
- No potential for capital growth.
- Unknown returns/may not win a prize.
- Inflation risk/returns unlikely to match inflation.
- Simon needs positive/real returns to retire at age 60.
- Suitable for short-term holding/not suitable for long-term.
- Does not match his attitude to risk.

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

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

INCOME TAX

RATES OF TAX	2018/2019	2019/2020
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

**not applicable if taxable non-savings income exceeds the starting rate band of £5,000.*

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

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

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

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,780	£2,780
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,105	£16,105

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£118
Primary threshold	£166
Upper Earnings Limit (UEL)	£962

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

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £118 per week. This £118 to £166 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*

Total earnings £ per week	**CLASS 1 EMPLOYER CONTRIBUTIONS**
Below 166.00**	Nil
166.01 – 962	13.8%
Excess over 962.00	13.8%

*** Secondary earnings threshold.*

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

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013	£1,500,000
2013/2014	£1,500,000
2014/2015	£1,250,000
2015/2016	£1,250,000
2016/2017	£1,000,000
2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.

25% of excess over lifetime allowance if taken in the form of income, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*
2018/2019	£40,000*
2019/2020	£40,000*

~ increased to £80,000 for pension input between April - 8 July 2015. If not used, can be carried forward to pension input period of 9 July 2015 - 6 April 2016, subject to a maximum of £40,000.

**tapered at a rate of £1 for every £2 of adjusted income in excess of £150,000 where threshold income exceeds £110,000.*

MONEY PURCHASE ANNUAL ALLOWANCE	2018/2019	2019/2020
	£4,000	£4,000

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

EXEMPTIONS	2018/2019	2019/2020
Individuals, estates etc	£11,700	£12,000
Trusts generally	£5,850	£6,000
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Entrepreneurs' Relief* – Gains taxed at:	10%	10%
Lifetime limit	£10,000,000	£10,000,000

**For trading businesses and companies (minimum 5% employee or director shareholding) held for at least one year (2018/2019), two years (2019/2020).*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2018/2019	2019/2020
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

A lower rate of 36% applies where at least 10% of deceased's net estate is left to a registered charity.

MAIN EXEMPTIONS

	2018/2019	2019/2020
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£125,000	£150,000
- UK-registered charities	No limit	No limit

**Available for estates up to £2,000,000 and then tapered at the rate of £1 for every £2 in excess until fully extinguished*

	2018/2019	2019/2020
Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building
50% relief: certain other business assets

Reduced tax charge on gifts within 7 years of death:

- Years before death	0-3	3-4	4-5	5-6	6-7
- Inheritance Tax payable	100%	80%	60%	40%	20%

Quick succession relief:

- Years since IHT paid	0-1	1-2	2-3	3-4	4-5
- Inheritance Tax relief	100%	80%	60%	40%	20%

CAR BENEFIT FOR EMPLOYEES

The charge for company car benefits is based on the carbon dioxide (CO_2) emissions. There is no reduction for high business mileage users.

For 2019/2020:

- The percentage charge is 16% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 19%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 22%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 23% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 165g/km and above).

There is an additional 4% supplement for diesel cars not meeting Euro 6 emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£24,100 for 2019/2020) e.g. car emission 90g/km = 22% on car benefit scale. 22% of £24,100 = £5,302.

1. **Accessories** are, in most cases, included in the list price on which the benefit is calculated.
2. **List price** is reduced for capital contributions made by the employee up to £5,000.
3. **Car benefit** is reduced by the amount of employee's contributions towards running costs.
4. **Fuel scale** is reduced only if the employee makes good **all** the fuel used for private journeys.
5. **All car and fuel benefits** are subject to employers National Insurance contribution's (Class 1A) of 13.8%.

PRIVATE VEHICLES USED FOR WORK

	2018/2019 Rates	2019/2020 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

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

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

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

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2018/2019	2019/2020
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	17.20	17.60
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 110.75	Up to 111.65
Attendance Allowance	Lower rate	57.30	58.70
	Higher rate	85.60	87.65
Basic State Pension	Single	125.95	129.20
	Married	201.45	201.45
Single Tier State Pension	Single	164.35	168.60
Pension Credit	Single person standard minimum guarantee	163.00	167.25
	Married couple standard minimum guarantee	248.80	255.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment*		2,000.00	2,000.00
Bereavement Support Payment**	Higher rate - First payment	3,500.00	3,500.00
	Higher rate - monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		145.18	148.68

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

CORPORATION TAX

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

	Residential
Value up to £125,000	0%
£125,001 - £250,000	2%
£250,001 and £925,000	5%
£925,001 and £1,500,000	10%
£1,500,001 and over	12%

Stamp Duty Land Tax (SDLT) is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.

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

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

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

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