Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

April 2019 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 2019 examination should study this examination guide carefully in order to prepare themselves for the examination.

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

AF7 – Pension planning

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 two-hour written paper in two sections. All questions are compulsory:

Section A consists of 36 marks.
Section B consists of two case studies worth a total of 64 marks.

You will be expected to carry out a variety of tasks based upon the information provided.

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

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

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

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

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

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

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

Tackling questions

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

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

Answer format

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

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

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

Calculators

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

EXAMINERS' COMMENTS

General

The AF7 Pension Transfers examination is designed to test a mixture of technical knowledge and its application, information analysis and evaluation skills that would be required by an individual advising on the transfer of safeguarded pension rights.

The examination has two sections. The first containing four short questions and the second containing two case studies with related questions.

The following comments have been made by the senior examiner for this examination as a guide for candidates attempting the examination in the future and should be considered carefully as part of the preparation for sitting this examination.

Question 1

Most candidates did well in part (a) of this question however part (b) was quite poorly answered with many candidates not understanding the difference between a 'category' and a 'partial transfer' and many not answering the question part at all.

A good knowledge of the regulatory compliance rules and guidance relating specifically to pension transfers is recommended for this exam paper. In particular, the rules and guidance contained in the FCA Handbook COBS Chapter 19.

Question 2

Although it could be argued that this question relates to a specialist area of knowledge, the question and answer required were at a very superficial level. Anybody advising on Pension Transfers should have at least a basic understanding of the Transfer Club and the benefits of it and the scheme involved are very large and have hundreds of thousands of members. This question was answered poorly by most candidates.

Question 3

This question was a practical application test of available lifetime allowance transitional protections that would be a consideration when giving pension transfer advice and very important when larger funds are involved. Most candidates answered this question well, but some did confuse Fixed and Individual Protection rules. Some candidates wasted time discussing all the other previous versions of transitional protections, but the question specifically asked for the currently available ones only. Candidates should ensure they focus their answers specifically on the question being asked.

Question 4

In October 2018 there was a significant change in the way pension transfer advice was presented and this mainly focused around Appropriate Pension Transfer Analysis (APTA) which includes a Transfer Value Comparator (TVC). It is essential for anybody providing pension transfer advice to fully understand what these, and the other changes, mean to the advice process and this question required candidates to outline twelve of the factors that the FCA require to be considered within an APTA and it was expected that candidates should perform well in this question. Unfortunately, while some candidates had learned something about APTA there were a great many who had not, which was disappointing considering the significance of this area.

Question 5

Most candidates performed well in this question asking candidates to outline the HM Revenue & Customs requirements that must have been satisfied for Simon to be eligible to take his scheme pension on the grounds of ill-health.

Question 6

Candidates were asked to outline factors that would be considered when determining whether a pension transfer was appropriate. Candidates were specifically told to base their answers on the case study information however some struggled with what is required by this type of question.

A factors question requires candidates to consider information that is given to them in the case study and analyse that information to extract what is important to the question being asked and why it is important. Candidates are not required to outline what additional information might be needed but base answers on what is presented to them.

Question 7

This question required candidates to outline benefits of taking a secure income via different specified options and then outline the death benefits payable from each option. Most candidates performed reasonably well. High marks were gained by linking benefits to information given in the case study rather than just generic benefits. Some candidates demonstrated a lack of knowledge around annuity protection and described both income and lump sum options being available which is incorrect. Candidates should ensure they are familiar with all pension income options, the death benefit options and taxation, as these must be considered as part of the suitability of a pension transfer.

Question 8

This question was not answered well by most candidates. The question along with others in previous exam papers suggest quite a large knowledge gap in this area both in terms of the process and benefits relating to nomination forms, which is disappointing.

Question 9

Fact-finding type questions are common, with candidates being asked to identify additional information they would request in relation to a case study and an objective, that they do not already have, but would require as part of the advice process. The questions usually give an indication as to who or what the information relates to.

Most candidates answered both parts of this question well.

Question 10

This question was another 'factors' question similar to question 6 and similar issues with the answers that were given. Many candidates answered this with a list of questions they would ask rather than stating information provided in the case study that would be considered.

Question 11

Most candidates performed well in this question however some did not gain high marks due to the benefits and drawbacks given being too generic and not linked to the case study information provided.

Question 12

Most candidates performed well in this question which asked candidates to state six stress tests that should be undertaken as part of an annual review of the cashflow model.

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Advanced Diploma in Financial Planning

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SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2018/2019, unless stated otherwise in the question, and should be answered accordingly.

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

Instructions

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

Unit AF7 – Pension transfers

Instructions to candidates

Read the instructions below before answering any questions

Two hours are allowed for this paper which carries a total of 100 marks as follows:

Section A: 31 marks
Section B: 69 marks

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

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

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

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

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

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

- Additional information relevant to pension planning is also included at the back of this question paper.

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

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

SECTION A

The following questions are compulsory and carry a total of 31 marks

1. **(a)** State the eligibility criteria that must be met for a member of a defined benefit scheme to have a statutory right to transfer safeguarded benefits to a personal pension plan. **(3)**

(b) Explain how the statutory right to transfer safeguarded benefits is applied when more than one category of benefit exists in the scheme. **(3)**

2. William is a deferred member of the Armed Forces Pension Scheme. He is about to join the police force and will become a member of the Police Pension Scheme.

He has been advised to transfer his Armed Forces Pension Scheme to the Police Pension Scheme. Both schemes belong to the Transfer Club.

(a) Explain briefly how the Police Pension Scheme will calculate the pension benefits to be credited in respect of the proposed transfer. **(3)**

(b) Explain briefly the potential advantages to William of the Transfer Club. **(4)**

3. Dennis became a deferred member of his previous employer's defined benefit scheme on 30 March 2016. At the date of leaving the scheme his preserved pension was £31,720 per annum.

In June 2016 he was offered a cash equivalent transfer value of £1,110,200 and he chose to transfer this into a self-invested personal pension (SIPP).

In July 2016 he started to make contributions into the SIPP.

Explain to Dennis why he is unable to benefit from any form of currently available lifetime allowance transitional protection. **(6)**

4. The Financial Conduct Authority (FCA) has introduced the requirement to undertake an appropriate pension transfer analysis (APTA) which is tailored to the needs of the client when considering the transfer of a defined benefit pension scheme.

Outline **twelve** factors that the FCA expect to be considered within an APTA. **(12)**

Total marks available for this question: 31

SECTION B

All questions in this section are compulsory and carry an overall total of 69 marks

Case study 1

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

Simon, aged 47, is a widower. He has two children, Abigail, aged 10 and Oliver, aged 11. Simon was widowed in 2016 and is in receipt of a dependant's scheme pension of £6,000 per annum from his late wife's defined benefit pension scheme. No children's scheme pension is provided by his late wife's scheme.

Simon was diagnosed with rheumatoid arthritis five years ago. Whilst the condition is not immediately life threatening, he has been told that his life expectancy is likely to be reduced by 10 to 15 years. Simon's condition has steadily worsened and, in 2017, he left his job, although he continued to do some work on a self-employed basis. Simon's condition has now progressed to the stage where he is unable to work.

Simon has preserved benefits in his previous employer's defined benefit pension scheme. He has recently been advised that he is eligible for an ill-health scheme pension and that no early retirement factor will be applied. He has also been provided with a cash equivalent transfer value (CETV) of £458,000. His benefits in the defined benefit pension scheme are summarised as follows:

Scheme service	1 September 1994 to 1 September 2017
Scheme pension at date of leaving	£17,250 per annum gross
Eligibility for ill-health early retirement	Subject to HM Revenue & Customs criteria
Spouse's pension	50% of member's pre-commutation pension
Children's pensions	25% for each child, payable until the age of 18 or the end of full-time education if later
Guaranteed period	5 years payable as a continuing income
Increases in deferment	Statutory minimum
Increases to pension in payment	Retail Prices Index capped at 5% per annum
Normal pension age	65

The dependant's scheme pension covers some of the family's day-to-day living expenses, but since giving up work entirely Simon has had to use his savings, which have now largely been depleted.

Simon would like to consider his options in respect of his defined benefit pension scheme. He would like a secure income and if a transfer is recommended, he would prefer to use the fund to purchase a lifetime annuity. He would also like to take some or all of the pension commencement lump sum to provide an emergency fund. Simon is also keen to ensure the children are provided for in the event of his death. Simon has a low to medium attitude to investment risk.

Questions

5. Outline the HM Revenue & Customs requirements that must have been satisfied for Simon to be eligible to take his scheme pension on the grounds of ill-health. **(4)**

6. Based on the information provided in the case study, identify the factors that an adviser should consider and the relevance of these factors when considering the appropriateness of transferring Simon's defined benefit pension scheme. **(12)**

7. Simon would like a secure income from either his defined benefit pension scheme or from a lifetime annuity following a pension transfer.

(a) Outline **four** benefits to Simon of taking a scheme pension from the defined benefit pension scheme. **(4)**

(b) Outline **six** potential benefits to Simon of transferring the value of his defined benefit pension and purchasing a lifetime annuity with annuity protection. **(6)**

(c) State the death benefits payable under each of the two options being considered in **parts (a) and (b)** above, including their Income Tax treatment. **(6)**

8. Simon would like to ensure that his children will receive any annuity protection lump sum death benefit if a lifetime annuity is purchased.

Explain why it is important that a nomination form should be completed to this effect. **(4)**

Total marks available for this question: 36

Case study 2

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

Asher, aged 64, is married to Esther, aged 65. They have two children aged 34 and 32, neither of whom are financially dependent on them.

Esther retired a couple of months ago and is now in receipt of a defined benefit pension income of £18,653 per annum. In addition to this, Esther will start to receive a State Pension of £9,500 per annum from May 2019.

Asher is currently self-employed and would like to retire when he reaches his 65th birthday in June 2019. He recently received details of his retirement options at age 65 from a former employer's defined benefit pension scheme as shown in the table below:

Full immediate pension of	£6,520 per annum
or	
Pension Commencement Lump Sum	£30,688
Plus, a reduced pension of	£4,602 per annum
or	
Cash equivalent transfer value (CETV) of	£228,200

The only other pension that Asher has accrued is a forecasted State Pension of £8,200 which will become payable when he reaches State Pension age in March 2020.

Asher and Esther estimate they will require a total joint annual net income of £35,000 in retirement. Their only other assets are a mortgage free main residence valued at £340,000, cash savings of £15,000 and a stocks and shares ISA portfolio in Asher's name valued at £62,000.

Asher would like advice in respect of his former employer's defined benefit scheme. He is unsure whether he should take his benefits from the scheme or transfer to a personal arrangement in order to access his benefits flexibly.

Asher has an adventurous attitude to investment risk whereas Esther is cautious.

Questions

9. Before advising Asher on the most appropriate option for him in respect of his former employer's pension scheme, state the additional information you would require regarding:

(a) the pension income payable under the scheme; **(3)**

(b) Asher and Esther's personal and financial circumstances and objectives. **(8)**

10. Asher is considering transferring out of his defined benefit scheme to access his benefits flexibly.

Based on the information provided in the case study, state the factors that an adviser should consider when assessing Asher and Esther's capacity for loss. **(6)**

11. List **five** potential benefits and **five** potential drawbacks of Asher transferring the value of his defined benefit pension into a personal pension plan to access benefits flexibly. **(10)**

12. As part of the advisory process, a lifetime cashflow model has been put in place for Asher and Esther.

State **six** stress tests that should be undertaken as part of an annual review of the cashflow model. **(6)**

Total marks available for this question: 33

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)
- Benefit accrual must have ceased in the scheme and a Statement of Entitlement must have been received.
- The request to transfer must have been made more than 12 months from the scheme's normal retirement age and no previous benefit crystallisation event can have occurred.

(b)
- Each benefit category can be considered on its own merits and not all benefit categories have to be transferred.
- If safeguarded benefits are transferred then all that category must be transferred, unless the receiving scheme does not accept guaranteed minimum pension (GMP) liability, in which case the right to transfer only exists in relation to the non-GMP element.

Model answer for Question 2

(a)
- The Police Pension Scheme will apply the transfer value from Armed Forces Pension Scheme to its benefit structure and convert it into a specific number of years' service of equivalent value.
- The number of years' service credited may be different to the original length of service due to differences in the schemes' benefit structures.

(b)
- No loss of benefit value on transfer between schemes.
- Total service in both schemes is linked to the future final salary.
- Potentially higher pension than would be received from Armed Forces scheme if future salary increases faster than inflation.

Model answer for Question 3

- He does not qualify for Fixed Protection 2016 as a contribution was made to his self-invested personal pension (SIPP) in July 2016.
- He does not qualify for Individual Protection 2016 as the value of his scheme pension on 5 April 2016 was £634,000, which is less than the £1 million required.

Model answer for Question 4

- The rates of return for investments should reflect the underlying investments chosen.
- Income from the existing scheme should be projected to retirement age using rates prescribed by the Financial Conduct Authority (FCA).
- Consider the impact of transferring on the members tax position and any means tested State benefits.
- A comparison should be made between the existing and proposed scheme in respect of the pattern of income required and the death benefits.
- A consideration of any trade-offs needed in order to prioritise client needs along with alternative ways of meeting client objectives.
- An age beyond average longevity should be used for any planning calculations.
- More cautious assumptions should be used whenever appropriate.
- All charges of both schemes and advice charges should be considered.
- A Transfer Value Comparator should be produced.

Model answer for Question 5

- The scheme administrator must be provided with medical evidence that Simon is unable to continue to work and is unlikely to recover.
- Simon must have ceased work.

Model answer for Question 6

- Simon has a low to medium attitude to risk, a low capacity for loss and would prefer a secure income.
- He has a reduced life expectancy therefore may be eligible for an impaired life annuity.
- The existing scheme contains a spouse's pension and the transfer value will include an allowance for this, but no spouse exists.
- He wants his children to be taken care of after his death.
- His dependants' pension in payment will cease on his death but his Defined Benefit (DB) scheme will pay a children's pension to each child until they reach the age of 18 or cease full-time education although he is likely to live beyond this age.
- The DB scheme offers generous escalation in payment and no actuarial reduction for taking the benefits early due to ill health.
- Higher pension commencement lump sum (PCLS) may be available following a transfer.

Model answer for Question 7

(a)
- The scheme is offering an unreduced scheme pension and inflation proofing in payment.
- There is a children's pension included within the scheme.
- There will be no ongoing advice or management fees.

(b)
- Simon may be eligible for a higher income if he qualifies for an impaired life annuity.
- Simon can choose the format of the annuity.
- Annuity protection will potentially provide a lump sum death benefit, and this will be payable tax-free if death happens before age 75.
- The PCLS may be higher than the existing scheme.

Model answer for Question 8

- It will ensure that the scheme administrator is aware of Simon's wishes.
- It is important if Simon decides to remarry or the children are no longer dependant as the Trustees may decide to pay the lump sum to someone else.
- Will help to minimise delays in making the payment.

Model answer for Question 9

(a)
- The level of spouse's pension.
- The level of escalation in payment.
- Details of any guarantee period.

(b)
- Attitude to transfer risk.
- Family longevity.
- Any planned capital expenditure.
- Requirement for guarantees or flexibility.
- Pattern of income.
- Survivors income requirement.
- Importance of death benefits.
- Any expected inheritances.

Model answer for Question 10

- Children are no longer financially dependent.
- They have no mortgage.
- They have savings and investments of £77,000.
- They have a net income requirement of £35,000 per annum which will not be fully met from their joint guaranteed income.
- The loss of Esther's pension income on her death is likely to have a much greater effect on Asher than the death of Asher's would financially on Esther.

Model answer for Question 11

Benefits:
- Can vary the income being withdrawn.
- Potential for investment growth.
- PCLS is likely to be greater.
- Death benefits will likely be higher and more flexible.
- Death benefits will be tax-free if death is before age 75.

Drawbacks:
- Loss of guaranteed pension/exposure to investment risk.
- Loss of escalation in payment/inflation risk.
- Longevity risk.
- Sequencing risk.
- Costs/charges/complexity.

Model answer for Question 12

- Future returns lower than expected.
- The need to increase the income more than expected (e.g. long-term care).
- Sudden loss of assets/stock market crash.
- Large unplanned capital withdrawal.
- Inflation greater than anticipated.
- Living longer than expected.

All questions in the October 2019 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 2018 and April 2019 examination.

INCOME TAX

RATES OF TAX	2017/2018	2018/2019
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	£33,500	£34,500
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.*

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)	£11,500	£11,850
Married/civil partners (minimum) at 10% †	£3,260	£3,360
Married/civil partners at 10% †	£8,445	£8,695
Transferable tax allowance for married couples/civil partners	£1,150	£1,190
Income limit for Married couple's allowance†	£28,000	£28,900
Rent a Room relief	£7,500	£7,500
Blind Person's Allowance	£2,320	£2,390
Enterprise Investment Scheme relief limit on £1,000,000 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.
*** maximum for 'standard' investment but for 'knowledge intensive' investment, the limit is £2,000,000.*

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)	£116
Primary threshold	£162
Upper Earnings Limit (UEL)	£892

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 162.00*	Nil
162.01 – 892.00	12%
Above 892.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £116 per week. This £116 to £162 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 162.00**	Nil
162.01 – 892	13.8%
Excess over 892.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.95 where profits exceed £6,205 per annum.
Class 3 (voluntary)	Flat rate per week £14.65.
Class 4 (self-employed)	9% on profits between £8,424 - £46,350. 2% on profits above £46,350.

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

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
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*
2018/2019	£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	2017/2018	2018/2019
	£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	2017/2018	2018/2019
Individuals, estates etc	£11,300	£11,700
Trusts generally	£5,650	£5,850
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.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2017/2018	2018/2019
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

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

MAIN EXEMPTIONS		
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£100,000	£125,000
- UK-registered charities	No limit	No limit

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

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

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

Reduced tax charge on gifts within 7 years of death:

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

Quick succession relief:

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

CAR BENEFIT FOR EMPLOYEES

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

For 2018/2019:

- The percentage change is 13% 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 16%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 19%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 20% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 190g/km and above).

There is an additional 4% supplement for diesel cars not meeting Euro IV 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 (£23,400 for 2018/2019) e.g. car emission 90g/km = 19% on car benefit scale. 19% of £23,400 = £4,446.

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

	2017/2018 Rates	2018/2019 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

	2017/2018	2018/2019
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
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%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	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	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2017/2018	2018/2019
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.70	17.20
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 109.65	Up to 110.75
Attendance Allowance	Lower rate	55.65	57.30
	Higher rate	83.10	85.60
basic State Pension	Single	122.30	125.95
	Married	195.60	201.45
new State Pension	Single	159.55	164.35
Pension Credit	Single person standard minimum guarantee	159.35	163.00
	Married couple standard minimum guarantee	243.25	248.80
	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
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		140.98	145.18

**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

	2017/2018	2018/2019
Standard rate	19%	19%

VALUE ADDED TAX

	2017/2018	2018/2019
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.

Additional Information Pension Paper – AF7 2018/2019

Revaluation

Guaranteed Minimum Pension – Fixed rate

Date of leaving service	Fixed rate of revaluation
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%
Between 6 April 2012 and 5 April 2017	4.75%
After 5 April 2017	3. 5%

Non GMP benefits – statutory minimum rates

Date of leaving service	Statutory rate of revaluation
Before 1 January 1986	No requirement to revalue benefits
Between 1 January 1986 and 31 December 1990	CPI capped at 5% in respect of non GMP benefits accrued from 1 January 1985
Between 1 January 1991 and 5 April 2009	CPI capped at 5% in respect of all non GMP benefits
After 5 April 2009	CPI capped at 5% in respect of all non GMP benefits accrued before 6 April 2009 CPI capped at 2.5% in respect of all benefits accrued after 5 April 2009

NOTE: Statutory revaluation is based on RPI for revaluation prior to 2011

Escalation

Statutory rates of escalation: Member reached State Pension age before 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment **State:** Fully in line with CPI
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3% **State:** Any increases in CPI in excess of 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: Statutory escalation was based on RPI prior to 2011

Statutory rates of escalation: Member reaches State Pension age on or after 6 April 2016

Accrual	Statutory rate of escalation
GMP: Accrual prior to 6 April 1988	**Scheme:** No requirement to provide any increases in payment
GMP: Accrual between 6 April 1988 and 5 April 1997	**Scheme:** CPI capped at 3%
Non GMP: Accrual prior to 6 April 1997	**Scheme:** No requirement to increase in payment
Non GMP: Accrual between 6 April 1997 and 5 April 2005	**Scheme:** CPI capped at 5% (LPI)
Non GMP: Accrual from 6 April 2005	**Scheme:** CPI capped at 2.5%

NOTE: No increase to GMP is made by the State (via the State Pension) for individuals who reach State Pension age on or after 6 April 2016

Pension Protection Fund

Compensation cap at age 65 (2018/2019): £39,006.18

Revaluation of deferred benefits within PPF

Service	Rate of revaluation
All service before 6 April 2009	CPI capped at 5%
All service after 5 April 2009	CPI capped at 2.5%

Escalation of benefits in payment from PPF

Service	Rate of revaluation
All service before 6 April 1997	No increases
All service after 5 April 1997	CPI capped at 2.5%