Chartered Insurance Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

February 2022 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2022 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.

AF1 – Personal tax and trust planning

Contents

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Telephone: 020 8989 8464
Email: customer.serv@cii.co.uk

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. 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, these are provided in the portal as you sit the exam (see page 6).*

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

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

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

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

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

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

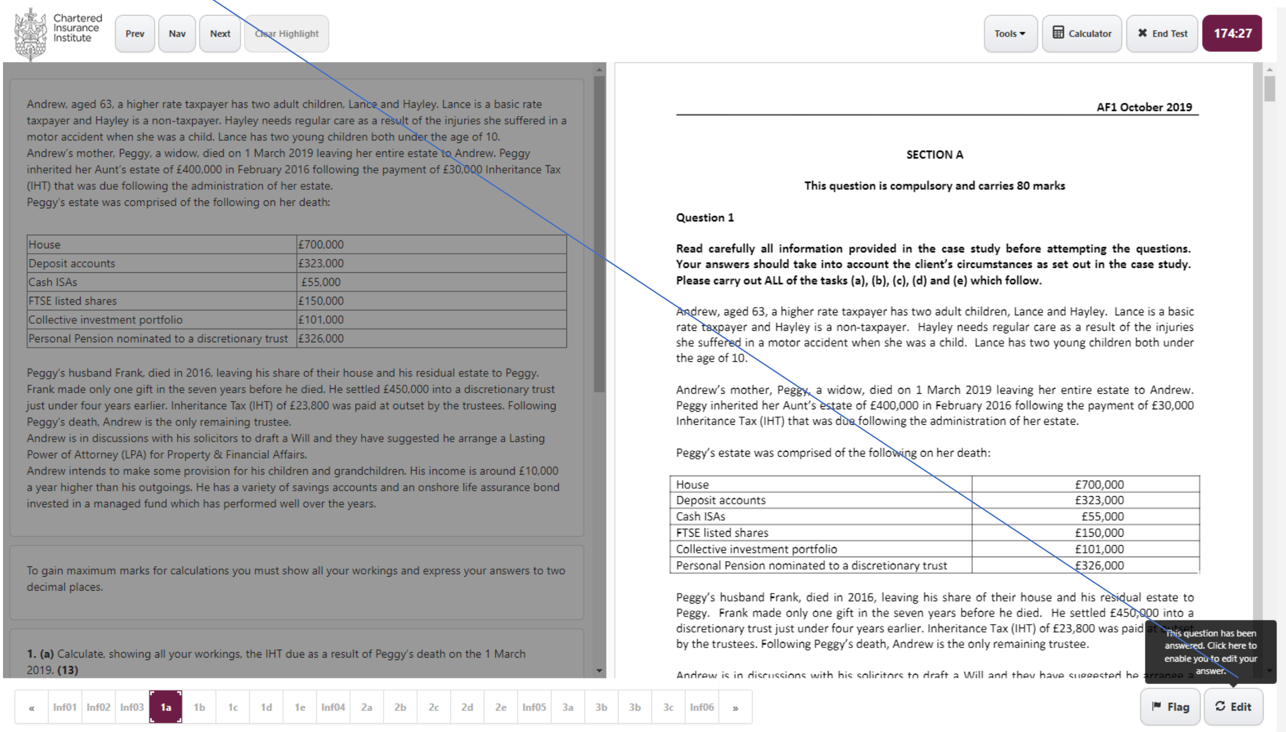
On-screen written exam demonstration (Demo 1)

The familiarisation test allows you to experience using the assessment platform before your exam. You can try the familiarisation test at any time
https://uat-cii.psionline.com/phoenix/instant/launch?auth=EH6jtrqPu3J6znVp&username=ILDemo1&test=05a75b4f-1c90-4a74-a22d-ec4aa8d4ca48&autoopen=1&samewindow=1&theme=custom/alternative/CII

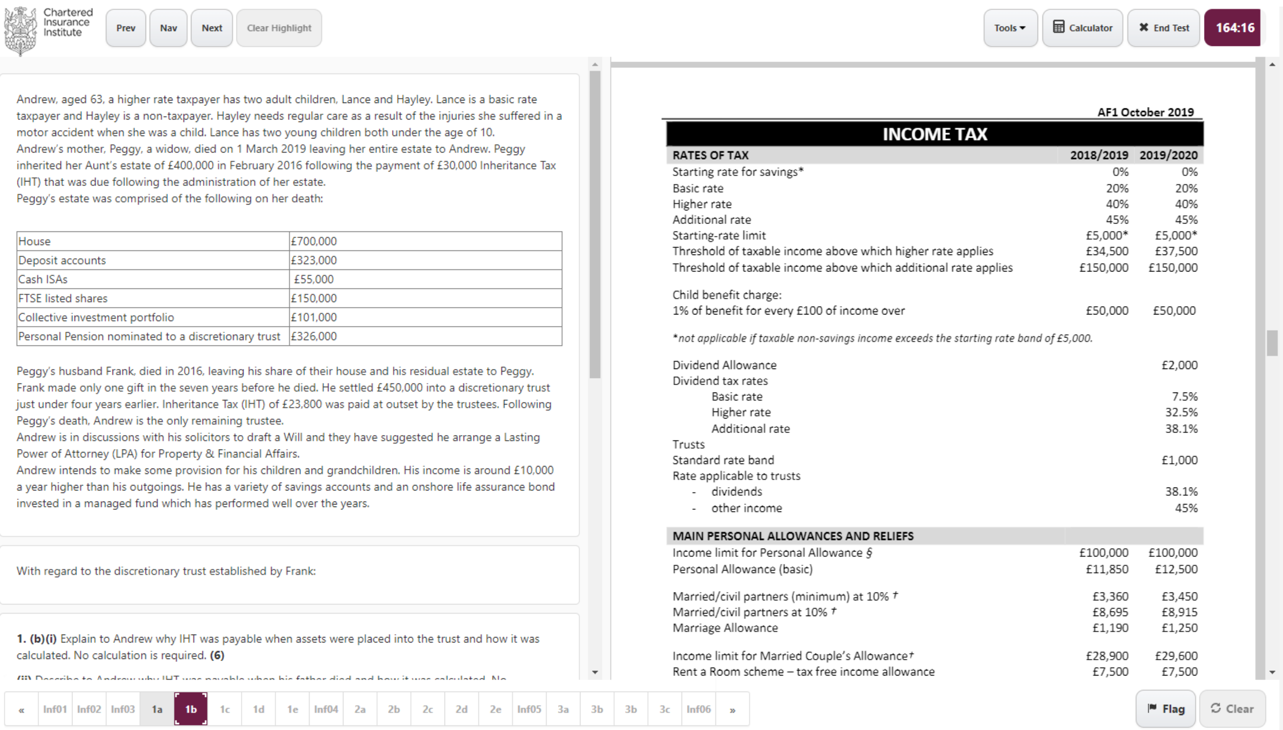
Please note, although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

The demonstration test is designed to allow you before the day to go through the end-to-end process from logging in to answering test questions. **We strongly advise you try the demonstration test once you have received your login details and well in advance of the exam to help pre-empt any potential exam day issues.**

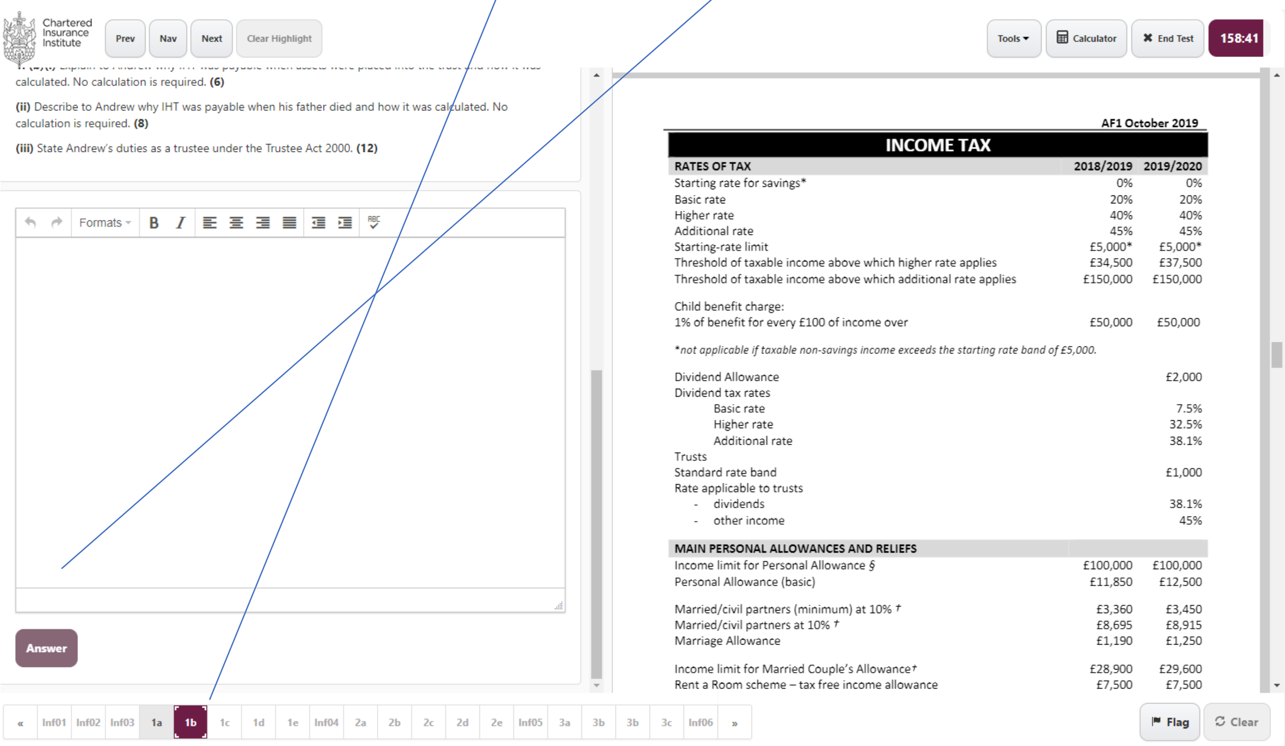
1. From the AF1 demonstration test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to **edit** them.



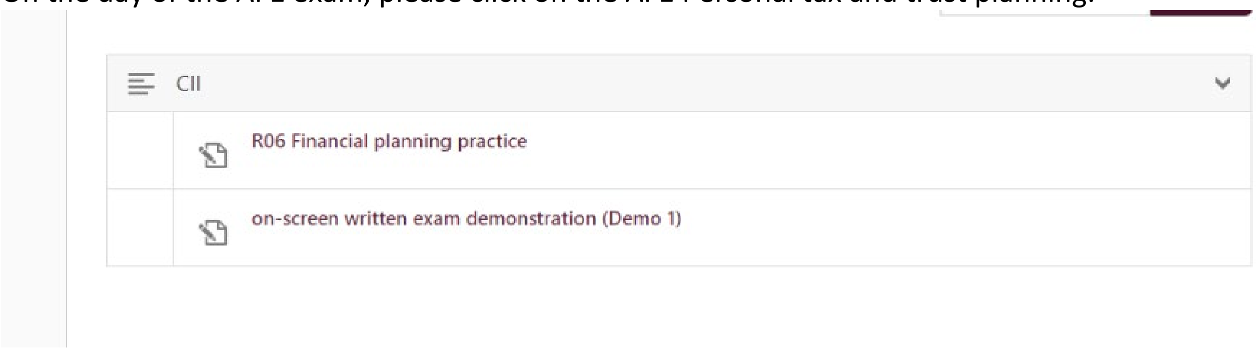
2. Tax tables are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CIIs multiple choice exams. Please do not bring your own copies into the exam.



3. Once you have typed in your answer ensure you click the red ‘**Answer**’ box, this will save your answer and move you onto the next question. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.



4. On the day of the AF1 exam, please click on the AF1 Personal tax and trust planning:



5. The above screenshot is also a space where you can jot down any notes on paper that may assist you during the exam. Please note, the exam timer will not start until you click the exam titled: AF1 Personal tax and trust planning.

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

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

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

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

Tackling questions

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

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

Answer format

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

Marks are not lost due to poor spelling or grammar.

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

Calculators

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

Tips for laying out calculations in on-screen written exams

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

While there are no marks for presentation, laying the calculation out well will make it easier for the examiner to identify all of the marks you have achieved. It does not matter how long the calculation is, if it is well set out. There is no preferred format but following the below guidelines is often helpful:

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in an IHT calculation:
  - Main residence £500k,
  - Onshore Bond £100k.
- Identify all allowances, exemptions, tax bands, tax rates used in £ terms.
- Use subtotals where appropriate. For example:
  - Total assets - £1,500,000
  - Nil rate band (NRB) – (£325,000)
  - Residence nil rate band (RNRB) – (£175,000)
  - Assets after allowances - £1,000,000
- Show all your workings. This could include:
  - grossing up of pension contributions,
  - how you work out the allowances if they are not standard,
- Make notes where appropriate. For example:
  - Bond loss is excluded
  - ISA income ignored
- Double check all of your figures.

EXAMINERS' COMMENTS

Candidates' overall performance

Candidates generally performed well in this sitting of the AF1 examination and those who had prepared thoroughly achieved high marks.

The calculation questions were answered particularly well and it was pleasing to see candidates generally performed more consistently across the paper.

However, it is disappointing that candidates continue to struggle with questions on residency and questions relating to the payment of Income Tax/National Insurance Contributions (NIC's) for self-employed individuals, despite these areas being frequently tested at this level.

There were also obvious gaps in level 4 knowledge around trustee delegation (Q1(f)), mutual Wills (Q2(d)(i)) and the taxation of interest in possession trusts (Q3(d)), which candidates are expected to have studied in J02.

In addition to this, candidates should be reminded to ensure they keep up to date with industry changes, as many candidates provided answers to Question 1(e), which tested the tax treatment of a cash ISA on death, based on the rules prior to 6 April 2018.

Question 1

Part (a)(i) asked candidates to calculate the Inheritance Tax (IHT) liability on Cora's estate. This required candidates to calculate the reduction in the nil rate band (NRB) due to the transfer of £200,000 into a discretionary trust in 2017 and the quick succession relief (QSR) available following the inheritance Cora had received from her partner Dimitri when he died on 1 May 2019. This was generally answered well and it was pleasing to see the better prepared candidates successfully calculating QSR.

In part (a)(ii), candidates had to identify the action Cora could have taken to **immediately** reduce the impact of IHT on her estate following Dimitri's death. This was not well answered and many provided answers which included gifting and the use of exemptions, which candidates had been specifically asked to exclude from their answer. However, the majority of candidates earned a mark for identifying a Deed of Variation (DOV) or Disclaimer could have been used to redirect Cora's inheritance from Dimitri.

Part (b)(i) required candidates to explain the responsibilities of the executors, Ariana and Christos, in respect of the **reporting and payment** of the IHT liability on Cora's estate. This was poorly answered and many candidates missed the emphasis on reporting and payment and instead provided answers on the general duties of executors.

Candidates were asked in part (b)(ii) to explain briefly the extent to which Ariana and Christos can access the assets in the estate prior to the payment of IHT. This question was again not well answered and few candidates identified the current account may be used to pay the tax directly to HM Revenue & Customs under the Direct Payment Scheme.

In part (b)(ii), candidates had to state the penalties payable for late reporting of an IHT account. Some candidates correctly identified the initial £100 penalty for the late delivery of an account but this question part was generally poorly answered.

Part (c) asked candidates to describe the IHT position for the estate and the 2017 discretionary trust if the cash gifts made on 1 October 2014 had been chargeable lifetime transfers (CLTs). This required candidates to identify the impact of a CLT made within seven years prior to the creation of the 2017 discretionary trust and the effect this would have in reducing the NRB available when calculating the IHT for the trust, but not when calculating the IHT liability on the estate. This question part was answered fairly well by those candidates who had prepared well for the exam although few candidates provided answers with the level of detail necessary to score high marks.

Candidates were asked in part (d)(i) to explain how the income from Cora's investments would be treated and taxed in the tax year of Cora's death. The majority of candidates correctly identified the interest from the ISA is not taxable, however, some candidates struggled to identify the difference in the taxation of the dividends received before death (taxed as Cora's income in the tax year she died) and after death (taxed against the estate).

Part (d)(ii), which asked candidates to explain briefly how any gain would be treated for tax purposes if the unit trusts were disposed of by the executors during the administration of the estate, was generally well answered, although few candidates achieved full marks.

Part (e) required candidates to explain the impact of Cora's death on the tax treatment of her cash ISA. Candidates familiar with the change in rules from 6 April 2018 answered this question well, however, it was disappointing that many candidates provided answers based on the rules prior to 6 April 2018 in which an ISA lost its tax-free status on death.

In part (f)(i), candidates were tested on the use of a general power of attorney to delegate trustee powers. This is an area tested in J02, but was not well answered, with many candidates displaying an obvious gap in knowledge.

Part (f)(ii) was a straight forward question, in which candidates were asked to identify the circumstances under which the general power of attorney described in part (f)(i) would cease to be effective. This was answered much better than part (f)(i).

In part (f)(iii), candidates had to identify the implications on Christos' role as trustee if his employment abroad was extended beyond the initial six-month period. This question was not well answered, however, well prepared candidates were able to identify he could continue to act as a trustee, unless he remained outside the UK for more than 12 months, in which case the other trustees could remove and replace him as trustee.

Part (g)(i) required candidates to describe briefly the residency status of Christos in the 2022/2023 tax year if he spent six months working abroad from 1 March 2022. This was a relatively straightforward question in which candidates would be expected to achieve full marks. The majority candidates correctly identified Christos would be UK resident in 2022/2023, however, it is disappointing that many candidates were unable to explain this was because he would have spent more than 183 days in the UK in the tax year.

In part (g)(ii), candidates were asked to explain how the residency status of Christos described in part (g)(i) would differ if he had spent twelve months working abroad before returning to the UK. The majority of candidates identified Christos would be non-UK resident in the 2022/2023 tax year although only the better prepared candidates were able to explain the reasons for this.

It should be noted candidates continue to struggle with questions testing residency and it is recommended they revise this area thoroughly and read previous exam guides before entering the AF1 examination.

Question 2

In part (a)(i), a calculation of Ria's Income Tax liability for the 2021/2022 tax year was required, which was generally answered very well, although some candidates did not deduct the basic rate tax relief on the mortgage interest.

Part (a)(ii) asked for a detailed description of when Ria, who is self-employed, would pay her Income Tax and NIC's. This is a question which is frequently tested in AF1 and it is disappointing that many candidates once again struggled to score many marks. A lot of candidates were unable to provide the correct dates for payments on account and what would be payable on those dates.

Part (b) was a calculation of the NICs payable by Ben in the 2021/2022 tax year. This question was generally well answered, although a frequent error made by candidates who did not score full marks was to miscalculate the annual upper earnings limit.

In part (c)(i), candidates had to explain the Income Tax position if Ben and Ria made a lump sum investment into an interest-bearing open ended investment company (OEIC) for each of their children. The majority of candidates identified this would be caught by the parental settlement rules although answers generally lacked the detail required to score high marks.

Part (c)(ii) asked for an explanation of how the Income Tax position would differ from part (c)(i) if Ben and Ria had made a lump sum investment into a stocks and shares JISA for each of their children. This was generally well answered.

Parts (d)(i) and (d)(ii) tested candidates on how a mutual Will operates and why a mirror Will may be more suitable. The majority of candidates were unable to provide enough detail to score meaningful marks and unfortunately there were candidates who failed to score any marks as they misunderstood under which Will the survivor would be bound by the arrangement on first death. **It is recommended candidates revisit this area as part of their ongoing studies.**

Question 3

In parts (a)(i), (a)(ii) and (a)(iii), candidates were asked to calculate the Capital gains Tax (CGT) liability upon the sale of the assets in the 2018, 2019 and 2020 discretionary trusts.

Part (a)(i) was generally well answered, although a common error for those candidates that did not score full marks was a failure to divide the trusts annual exempt amount by the three trusts.

Part (a)(ii) was very well answered.

Part (a)(iii) was also well answered, although some candidates calculated the gain made on sale, failing to recognise CGT does not apply to the sale of gilts.

Candidates were asked in part (b) to explain the impact of Tony's bankruptcy on the discretionary trust set up by Steve. This was generally not well answered as the majority of candidates gave insufficient detail to score high marks. Many candidates also mistakenly thought Tony would automatically cease to be able to continue as a trustee.

Parts (c)(i) and (ii) asked candidates to describe the Income Tax treatment of the Miller Family Trust for income received in the 2021/2022 tax year by the trustees and Marigold. Candidates who understood the taxation of interest in possession trusts generally scored well. Unfortunately many candidates scored poorly as they described the tax treatment of a discretionary trust.

In part (d), candidates were asked to explain how the Miller Family Trust would be treated in the event of Marigold's death in relation to (d)(i) CGT (d)(ii) IHT.

Candidates struggled with part (d)(i), generally failing to demonstrate enough knowledge to achieve high marks.

In part (d)(ii), unfortunately many candidates either did not read the case study or did not know the IHT treatment of a **qualifying** interest in possession trust, incorrectly stating the trust fund would be outside Marigold's estate. Those candidates who did understand the trust fund would form part of Marigold's estate did not provide enough detail to score full marks.

Part (e) required candidates to state the factors that may prompt a review of the Miller Family Trust following Marigold's death. This was generally not well answered with few candidates scoring meaningful marks.

Unit AF1 – Personal tax and trust planning

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2021/2022, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

If you are sitting via remote invigilation please

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

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

For candidates sitting via remote invigilation or at a test centre

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:
  Section A: 80 marks
  Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B, **both questions are compulsory.**
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator.
- **Different to Multiple Choice exams, tax tables are provided at the right-hand side of the interface after the question paper.**
- For each answer, please type in the full question number you are answering e.g. **1a**
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted**
- Please familiarise yourself with **all** questions before starting the exam.

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

SECTION A

This question is compulsory and carries 80 marks

Question 1

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

Cora died on 1 November 2021, aged 78. In her Will, she left her entire estate to her adult children, Ariana and Christos. Both children are Executors of her estate.

Cora was never married or in a civil partnership, but she lived with her long-term partner Dimitri until his death on 1 May 2019.

Dimitri's entire estate was inherited by Cora and she received £362,500 after the personal representatives of his estate had settled an Inheritance Tax (IHT) liability of £25,000.

Cora's estate comprised of the following assets as of 1 November 2021:

Asset	Value (£)
House	250,000
Unit Trust - UK equity income fund	370,000
Cash ISA	45,000
Onshore Investment Bond	50,000
Personal Pension in drawdown	300,000
Current Account	15,000

On 1 October 2014 Cora made cash gifts of £100,000 to both Ariana and Christos. On 1 February 2017 Cora transferred £200,000 into a discretionary trust. She made no other lifetime gifts.

In March 2017, Cora set up a whole of life policy with a sum assured of £10,000. The premiums were covered by the normal expenditure out of income exemption. This was set up on an own life basis and placed in trust for Ariana and Christos to cover the IHT liability on her estate. At the time of Cora's death the policy had a surrender value of £2,000.

Ariana and Christos would like to understand more about their responsibilities regarding the administration of their mother's estate and how her investments would be treated for tax purposes. The Unit Trust paid dividends of £2,150 in May 2021 and £1,650 in December 2021 and Cora received an interest payment of £625 from the cash ISA in September 2021.

Ariana and Christos are trustees of the discretionary trust created in 2017 by Cora. Christos has been offered the opportunity of full-time work abroad for an initial six months from 1 March 2022, with an option to extend this for a further six months. He is unsure how this would affect his role as a trustee, as well as his own personal circumstances.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

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

(a) **(i)** Calculate, **showing all your workings**, the Inheritance Tax (IHT) liability on Cora's estate. **(15)**

(ii) State the action Cora could have taken to immediately reduce the impact of IHT on her estate following the death of Dimitri. *You should exclude any exemptions from your answer.* **(3)**

(b) **(i)** Explain the responsibilities Ariana and Christos have in respect of the **reporting and payment** of the IHT liability on Cora's estate. **(6)**

(ii) Explain briefly the extent to which Ariana and Christos can access the assets in the estate prior to the payment of IHT. **(4)**

(iii) State the penalties payable for late reporting of an IHT account. **(3)**

(c) Describe the IHT position for the estate and the 2017 discretionary trust **if** the cash gifts made on 1 October 2014 had been chargeable lifetime transfers (CLTs). *You should exclude any available annual exemptions from your answer.* **(9)**

(d) **(i)** Explain how the income from Cora's investments would be treated and taxed in the tax year of Cora's death. *No calculations are required.* **(9)**

(ii) Explain briefly how any gain would be treated for tax purposes if Ariana and Christos dispose of the Unit Trust during the administration of the estate. *No calculations are required.* **(4)**

(e) Explain the impact of Cora's death on the tax treatment of her cash ISA. **(5)**

(f) (i) Describe how Christos could use a Power of Attorney to delegate his powers as a trustee whilst he is working abroad. **(5)**

(ii) Identify the circumstances under which the Power of Attorney described in **part (f)(i)** above would cease to be effective. **(5)**

(iii) Explain the implications for Christos, in his role as trustee, if his employment abroad is extended beyond the initial six-month period. **(5)**

(g) (i) Describe briefly the residency status of Christos in the 2022/2023 tax year if he spends six months working abroad from 1 March 2022 before returning to the UK. **(2)**

(ii) Explain how the residency status of Christos described in **part (g)(i)** above would differ if he spent a total of twelve months working abroad before returning to the UK. **(5)**

Total marks for this question: 80

SECTION B

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

Question 2

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

Ben and Ria have been married for 12 years and have two children aged 8 and 10.

Ben is employed as a solicitor and earns a salary of £140,000 gross per annum. He also receives a bonus each year of 10% of his salary. Ben's employer provides group income protection and pays the premium for Ben of £2,000 per annum.

Ria is a self-employed garden designer and has operated as a sole trader for the past six years. In the 2021/2022 tax year her gross profits will be £78,000 and she will have allowable business expenses of £19,000. She pays £350 net per month into a self-invested personal pension scheme (SIPP).

Ben and Ria own an investment property on a joint tenancy basis which is fully let out for £850 per month. They have an interest-only mortgage on the property with monthly interest payments of £340. Ben and Ria use a letting agent to manage the property which costs them 13% of the total annual rent.

Ben and Ria are considering a lump sum investment for each of their children; either in a Junior ISA or an open-ended investment company (OEIC).

They have recently made mutual Wills which leave their assets to each other on first death and to their children in equal shares on second death.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

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

(a) **(i)** Calculate, **showing all your workings**, Ria's Income Tax liability for the tax year 2021/2022. **(13)**

(ii) Describe, in detail, when Ria will pay her Income Tax and National Insurance contributions (NICs) for the tax year 2021/2022. *No calculations are required.* **(7)**

(b) Calculate, **showing all your workings**, the NICs payable by Ben in the 2021/2022 tax year. **(7)**

(c) **(i)** Explain the Income Tax position if Ben and Ria made a lump sum investment into an interest-bearing open-ended investment company (OEIC) for each of the children. **(5)**

(ii) Explain briefly how the Income Tax position would differ from **part (c)(i)** above if Ben and Ria made a lump sum investment into a stocks and shares Junior ISA for each of the children. **(2)**

(d) **(i)** Describe briefly how a mutual Will operates. **(4)**

(ii) Explain briefly why a mirror Will might be more suitable for Ben and Ria than a mutual Will. **(2)**

Total marks available for this question: 40

Question 3

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

Steve, aged 65 and Marigold, aged 71 are married. Steve has three adult children from a previous marriage and four grandchildren. Marigold was widowed prior to marrying Steve. She has three adult children.

Steve settled £150,000 each into discretionary trusts between 2018 and 2020, intended for the benefit of his children and grandchildren. He has not set up any other trusts.

Details of the trusts are given below:

Discretionary Trust – year of settlement	**Trust Asset**	**Base cost (£)**	**Current Value (£)**
2018	Buy-to-let property	150,000	200,000
2019	Global Equity Unit Trust	150,000	185,000
2020	Gilts	150,000	160,000

The trustees of the discretionary trusts are Steve and his three children. Tony, the eldest child, was declared bankrupt in December 2021.

Marigold is the life tenant of the Miller Family Trust; a qualifying interest in possession trust created by her late husband. Her children are the remaindermen.

The Miller Family Trust is currently valued at £450,000 and comprises of open-ended investment companies (OEICs) invested in equity and corporate bond funds. In the 2021/2022 tax year, the trust received dividend income of £8,000 and interest of £5,000. The trustees distribute the income to Marigold as it arises.

In the 2021/2022 tax year, Marigold will receive a State Pension and annuity income totalling £60,000 a year gross.

PLEASE ENSURE YOU ANSWER EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

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

(a) Calculate, **showing all your workings**, any Capital Gains Tax (CGT) that would be due on the sale of the investments held within the discretionary trust set up in:

(i) 2018, assuming sale costs of £5,000. **(6)**

(ii) 2019, assuming sale costs of £10. **(2)**

(iii) 2020, assuming sale costs of £50. **(2)**

(b) Explain the impact of Tony's bankruptcy on the discretionary trusts set up by Steve. **(7)**

(c) Describe the Income Tax treatment of the Miller Family Trust for income received in the 2021/2022 tax year by:

(i) the trustees. **(3)**

(ii) Marigold. **(5)**

(d) Explain how the Miller Family Trust will be treated in the event of Marigold's death in relation to:

(i) CGT. **(6)**

(ii) Inheritance Tax (IHT). **(3)**

(e) State the factors that may prompt a review of the Miller Family Trust following Marigold's death. **(6)**

Total marks for this question: 40

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

Model answer for Question 1

(a) **Chargeable Lifetime Transfer (CLT)**

Transfer into discretionary trust 2017	£200,000
Less available gift exemptions	£6,000 = £194,000
Remaining nil rate band (NRB)	£325,000 - £194,000 = £131,000.
Cora's estate	
House	£250,000
Equity Unit Trust	£370,000
Cash ISA	£45,000
Onshore Investment Bond	£50,000
Current Account	£15,000
Total	**£730,000**
Less NRB	£131,000
Less residence nil rate band (RNRB)	£175,000
Taxable estate	**£424,000**
Inheritance Tax (IHT)	
x 40%	£169,600
Less quick succession relief (QSR)	
£25,000 x £362,500/£387,500	
= £23,387.10	
x 60%	£14,032.26
Tax payable =	**£155,567.74**

(ii)
- Redirect her inheritance from Dimitri via a Deed of variation (DOV)/disclaimer.
- Increase the cover on her existing whole of life policy.
- Take out a new 3-year term assurance policy to cover the nil rate band (NRB) until the gift into the discretionary trust falls out of charge.

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

- Ariana and Christos will need to calculate the net value of the estate
- including details of the CLT on 1 February 2017
- and quick succession relief (QSR)
- report this to HM Revenue & Customs
- by completing IHT400
- within 12 months of Cora's death.
- Any tax due should be paid by the end of the 6^{th} month after Cora died.

(ii)

- Ariana and Christos are generally unable to access the assets in the estate
- until they have obtained a Grant of Probate
- which they cannot apply for until IHT has been paid
- except the current account which may be used to pay the tax directly to HM Revenue & Customs under the Direct Payment Scheme.

(iii)

- Initial £100 for late delivery of the account
- Additional £100 if delivered between 6 and 12 months late.
- Further penalties of up to £3,000 after 12 months.

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

- CLTs in October 2014 would have reduced the NRB available when the 2017 discretionary trust was created
- as they were made in the 7 years prior to the creation of the 2017 trust.
- An initial charge of 20%
- would have applied to the 2017 trust on the excess (£75,000) over the NRB.

- The CLTs would have reduced the NRB available to the 2017 discretionary trust when Cora died
- and the excess over the NRB would have been taxed at 40%
- reduced by taper relief
- and a credit would have been given for the 20% initial charge.

- The CLTs would not have reduced the NRB when calculating the IHT liability on the estate
- as they were made more than 7 years prior to Cora's death.

- The CLT would reduce the NRB available to the 2017 discretionary trust for the purposes of calculating periodic and exit charges.

(d) **(i)**

- Dividends from the unit trust would be paid gross.

- The dividend received before the date of death (£2,150) would be taxable as Cora's income in the tax year she died
- and subject to Income Tax at Cora's marginal rate
- in excess of any available personal allowance/dividend allowance (£2,000)
- The executors would be responsible for paying any tax due.

- Any dividends received after the date of death (£1,650) would be taxed against the estate
- at the rate applicable to personal representatives/7.5%
- Personal representatives cannot use any allowances.
- The interest from the ISA is not taxable.

(ii)

- The executors are treated as having acquired the Equity Unit trust at the market value on the date of Cora's death
- and would be subject to Capital Gains Tax (CGT) on any increase in value from the date of death and the date of disposal.
- Any gains in excess of the annual exempt amount/£12,300
- would be taxed at 20%

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

- The ISA will become a continuing ISA
- until it is closed by the executors Ariana and Christos
- or the administration of the estate is completed
- otherwise the ISA provider will close the account 3 years and 1 day after Cora died.
- The account will retain its tax advantages
- although the value will still be included in Cora's estate for IHT purposes.

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

- He could appoint an attorney under a General Power of Attorney
- in accordance with S25 Trustee Act 1925
- to delegate some or all of his trustee functions
- for a maximum of 1 year.
- Notice must be served within 7 days of its execution
- to the appointor/other trustees
- with details of the reason for the delegation.

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

- On the death;
- mental incapacity;
- or bankruptcy of Christos.
- After one year
- or sooner if specified in the Power of Attorney.
- Christos can cancel it himself.

(iii)

- Christos cannot delegate his powers for longer than 12 months.
- He can continue to act as a trustee
- unless he remains outside the UK for longer than 12 months
- in which case the other trustees could remove and replace him as a trustee
- under S36 Trustee Act 1925.

(g) **(i)**

- Christos would be UK resident in the 2022/2023 tax year
- as he would have spent more than 183 days in the UK in the tax year.

(ii)

- Christos would become non-UK resident in the 2022/2023 tax year
- as he was working overseas full time/at least 35 hours a week,
- he spent fewer than 91 days in the UK in the tax year
- of which fewer than 31 days were spent working
- and there was no significant break from working overseas.

Model answer for Question 2

(a)	**(i)**	Gross profit	£78,000
		Expenses	(£19,000)
		Net profits	£59,000
		Property income £850 x 12 = £10,200/2	£5,100
		Less agent fee 13%	(£663)
			£4,437
		Total	£63,437
		Less Personal Allowance (PA)	(£12,570)
		Taxable income	£50,867

£350 x 12 = £4,200
/0.8 = £5,250
Increase BRB by gross pension contribution

£37,700 + £5250 = £42,950
x 20% = £8,590
£7,917 x 40% = £3,166.80

Total Income Tax = £11,756.80

Less basic rate tax relief on mortgage interest
£340/2 = £170 x 12 = £2,040
x 20% basic rate tax relief = £408

Total Income Tax liability = £11,348.80

(ii)

- Ria will pay a first payment on account on 31 January 2022.
- This will be 50% of her previous year's liability
- including Class 4 National Insurance Contributions (NICs).

- Ria will pay a second payment on account on 31st July 2022.
- This will be 50% of her previous year's liability including Class 4 NICs

- She will pay a balancing payment on 31st January 2023.
- Plus her Class 2 NICs.

(b) Ben will pay Class 1 NICs.
His earnings are £140,000 + £14,000 = £154,000/52 =

£2,961.54 per week

Up to £184 – nil
£184 – £967 = £783
@ 12% = £93.96
£2,961.54 – £967 = £1,994.54
@ 2% = £39.89
£93.96 + £39.89 = £133.85 x 52 = £6,960.20

(c) **(i)**
- Income of more than £100 gross in a tax year/£200 for joint gift
- that comes from capital gifted by the parents
- is taxed on the parents
- as the children are aged under 18.
- This could be covered by their personal savings allowances (PSA) if not used elsewhere.

(ii)
- The parental settlement rule does not apply to income from a Junior ISA (JISA).
- The income will not be treated as Ben and Ria's.

(d) **(i)**
- A Will has been made by Ben and Ria both stating the same.
- On first death the survivor is bound by the arrangement
- On second death the estate must go to the two children.
- This is the case even if the children have pre-deceased the survivor.

(ii)
- They can still make identical wills which leaves everything to the survivor and on second death equally to the children
- but a mirror will does not bind Ria in the event of Ben's death and vice versa.

Model answer for Question 3

(a) **(i)** £200,000 - £150,000 = £50,000
Less cost of sale £5,000 = £45,000

Annual Exempt Amount (AEA)
£12,300/2 = £6,150
£6,150/3 trusts = £2,050

£45,000 - £2,050 = £42,950
x 28%
= £12,026

(ii) £185,000 - £150,000 = £35,000
Less cost of sale £10 = £34,990

AEA
£2,050

£34,990 - £2,050 = £32,940
x 20% =
£6,588

(iii)
- £0
- CGT does not apply to the sale of gilts.

(b)
- Tony is a trustee and potential beneficiary of the trust.

- As they are discretionary trusts, he has no right to income or capital.
- Even though he is a trustee, the trust assets do not belong to him.
- Therefore, the trust assets cannot be accessed by the Trustee in Bankruptcy (TIB).

- He can continue to act as a trustee.
- However, the other trustees may decide to remove him
- if they no longer consider him suitable to act as a trustee.

(c) **(i)**
- Trustees will pay basic rate tax on all the income received within the trust.
- 20% on interest income and 7.5% on dividend income.
- Trustees do not get a PA.

(ii)
- She will receive the income with a basic rate tax credit.
- The first £500 of interest income would be covered by Marigold's Personal Savings Allowance (PSA) as a higher rate taxpayer.
- She will then need to pay an additional 20% on the remaining interest of £4,500.

- She can use her dividend allowance of £2,000.
- She would need to pay an additional 25% on the excess above this (£6,000)

(d) **(i)**

- There will be no CGT liability.
- The base cost of the assets will be reset to the market value
- on the date of Marigold's death.

- If the trustees sell assets within the trust following Marigold's death
- this would be subject to CGT
- if the gain exceeds the trustees annual exempt amount.

(ii)

- The value of the trust will form part of Marigold's estate.
- When added to her other assets, any amount exceeding her available tax-free allowances would be subject to IHT.
- This will be payable by the trustees of the Miller Family Trust.

(e)

- If there is a desire/need to wind up the trust and distribute the assets to the beneficiaries in full.
- The objectives for the trust i.e. income and capital needs of the remaindermen.
- Are the investments appropriate?
- The tax status of the remaindermen.
- Timescale before large capital distributions are made/age of the remaindermen.
- Risk profile/capacity for loss (CFL) of the beneficiaries.

Glossary of terms

Some abbreviations candidates can use in on-screen written exams:

1. ATR – Attitude to risk
2. BRT – Basic rate taxpayer
3. BIK – Benefit in kind
4. CLT – Chargeable lifetime transfer
5. CFL – Capacity for loss
6. CGT – Capital Gains Tax
7. COP – Court of Protection
8. DOV – Deed of variation
9. DIS – Death-in-Service
10. DFM – Discretionary Fund Manager
11. EIS – Enterprise Investment Scheme
12. ESG – Environmental, Social and Governance
13. EPT – Excluded property trust
14. EPA – Enduring power of attorney
15. ERC – Early repayment charges
16. FAD – Flexi-access drawdown
17. FSCS – Financial Services Compensation Scheme
18. FOS – Financial Ombudsman Service
19. GAR – Guaranteed annuity rate
20. HRT – Higher rate taxpayer
21. IHT – Inheritance Tax
22. IT – Income Tax
23. IVA – Individual Voluntary Arrangement
24. LPA – Lasting power of attorney
25. LTA – Lifetime allowance
26. MVR – Market value reduction
27. MPAA – Money purchase annual allowance
28. NICs – National Insurance Contributions
29. NPA – Normal pension age
30. NRA – Normal retirement age
31. NRB – Nil rate band
32. OPG – Office of the Public Guardian
33. OEIC – Open ended investment company
34. PAYE – Pay As you Earn
35. PPP – Personal pension plan
36. PCLS – Pension commencement lump sum
37. PA – Personal allowance
38. PSA – Personal savings allowance
39. RAC – Retirement annuity contract
40. RNRB – Residence nil rate band
41. SIPP – Self-invested personal pension plan
42. SEIS – Seed Enterprise Investment Scheme
43. UFPLS – Uncrystallised fund pension lump sum
44. VCT – Venture capital trust

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

The Tax Tables which follow are applicable to the February 2022 and April 2022 examinations.

INCOME TAX

RATES OF TAX	2020/2021	2021/2022
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,500	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£150,000

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

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

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

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic) *§*	£12,500	£12,570
Married/civil partners (minimum) at 10% *†*	£3,510	£3,530
Married/civil partners at 10% *†*	£9,075	£9,125
Marriage Allowance	£1,250	£1,260
Income limit for Married Couple's Allowance*†*	£30,200	£30,400
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,500	£2,520
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)	£2,830	£2,845
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,385	£16,480

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£120
Primary threshold	£184
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	**CLASS 1 EMPLOYEE CONTRIBUTIONS**
Up to 184.00*****	Nil
184.00 – 967.00	12%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £120 per week. This £120 to £184 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 170.00**	Nil
170.00 – 967.00	13.8%
Excess over 967.00	N/A

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £3.05 where profits exceed £6,515 per annum.
Class 3 (voluntary)	Flat rate per week £15.40.
Class 4 (self-employed)	9% on profits between £9,568 - £50,270. 2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 & 2021/2022	£1,073,100

LIFETIME ALLOWANCE CHARGE

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

25% of excess over lifetime allowance if taken in the form of income.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2015/2016	£40,000~
2016/2017 – 2021/2022	£40,000*

~ increased to £80,000 for pension input between 6 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.

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

MONEY PURCHASE ANNUAL ALLOWANCE	2020/2021	2021/2022
	£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	2020/2021	2021/2022
Individuals, estates etc	£12,300	£12,300
Trusts generally	£6,150	£6,150
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Business Asset Disposal Relief* – Gains taxed at:	10%	10%
Lifetime limit	£1,000,000	£1,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2020/2021	2021/2022
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

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

MAIN EXEMPTIONS

Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£175,000	£175,000
- UK-registered charities	No limit	No limit

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

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

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

Reduced tax charge on gifts within 7 years of death:

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

Quick succession relief:

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

PRIVATE VEHICLES USED FOR WORK

	2020/2021 Rates	2021/2022 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

	2020/2021	2021/2022
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£1,000,000	£1,000,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	6%	6%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Electric charging points	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

Motor cars: Expenditure on or after 1 April 2016 (Corporation Tax) or 6 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

		2020/2021	2021/2022
		£	£
Child Benefit	First child	21.05	21.15
	Subsequent children	13.95	14.00
	Guardian's allowance	17.90	18.00
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 58.90	Up to £59.20
	Aged 25 or over	Up to 74.35	Up to £74.70
	Main Phase		
	Work Related Activity Group	Up to 74.35	Up to 104.40
	Support Group	Up to 113.55	Up to 114.10
Attendance Allowance	Lower rate	59.70	60.00
	Higher rate	89.15	89.60
Basic State Pension	Single	134.25	137.60
	Married	268.50	275.20
New State Pension	Single	175.20	179.60
Pension Credit	Single person standard minimum guarantee	173.75	177.10
	Married couple standard minimum guarantee	265.20	270.30
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	58.90	59.20
	Age 25 or over	74.35	74.70
Statutory Maternity, Paternity and Adoption Pay		151.20	151.97

CORPORATION TAX

	2020/2021	2021/2022
Standard rate	19%	19%

VALUE ADDED TAX

	2020/2021	2021/2022
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

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

Important note regarding Stamp Duty Land Tax (SDLT) and residential property purchases:

- **For purchases between 1 July 2021 and 30 September 2021, SDLT does not apply up to £250,000.**
- **For purchases above £250,000, the band rates above apply as normal.**
- **For purchases from 1 October 2021, the band rates above apply as normal.**

Additional SDLT rules still apply as below.

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

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

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

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

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