Chartered
Insurance
Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment Planning

September 2022 Examination Guide

SPECIAL NOTICES

Candidates entered for the March 2023 examination should study this examination guide carefully in order to prepare themselves for the examination.

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

AF4 – Investment planning

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

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

Before the examination

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

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

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

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

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

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

Know the layout of the tax tables

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

Know the structure of the examination

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

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

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

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

Appreciate the standard of the examination

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

Read the Assessment information and Exam policies for candidates

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

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

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

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

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

Tackling questions

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

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

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

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

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

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

EXAMINERS' COMMENTS

Candidates' overall performance

Overall, candidates performed well in this paper although slightly less well than in the May 2022 examination.

The specific composition of the paper tested a mix of core and peripheral content from across the syllabus, offering well-prepared candidates the opportunity to perform to a pass standard, while offering better-prepared candidates the capability to excel without prejudicing those less prepared candidates.

Across the calculation questions, the majority of candidates showed all the relevant workings and those who did not perform well either used incorrect variables in the correct formula or the incorrect formula. Across the rest of the questions candidates who did not perform well generally demonstrated two behaviours:

Firstly, superficial knowledge that resulted in vague answers. It is important that candidates read the question carefully and ensure that their answers are aligned with the requirements of the question, i.e. focused and not generic. Candidates should appreciate that as an Advanced Diploma unit, AF4 is testing at a higher level than R02 and J10, with a corresponding increase in the expectations for the content of candidates' answers.

Secondly, regurgitation of previous Examination Guides' model answers, often on a verbatim basis. This was particularly evident in long lists of the main investment risks and the behavioural finance biases, regardless of their relevance to the question(s).

Fewer candidates wrote expansive, narrative-style answers, in the belief that the more they wrote, the greater the number of marks they would be awarded. An increasing number of candidates now provide succinct answers using a bullet-point style format. This allows candidates to align the number of distinct points in their answer with the number of available marks for the question. In general, this produces a more effective exam technique and increases the number of marks awarded.

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

Question 1

In part (a)(i) candidates performed very well, with most candidates gaining the majority of or full marks. The CAPM formula is one of the core formulae that are tested frequently. Those candidates who did not perform well generally did not show all their workings although a small number of candidates came up with an incorrect output.

In part (a)(ii) candidates performed very well with the majority being awarded full marks. It was pleasing to see candidates synthesise the question-part with information contained within the case study.

In part (a)(iii) candidates did not perform well, with the majority of candidates listing the main assumptions of CAPM or MPT rather than the central principles of CAPM. As referred to above, it is a common candidate behaviour to see either the same list of main risks offered as the answer to any risk related question and the list of CAPM/MPT assumptions offered as the answer to any investment theory related question.

In part (a)(iv) candidates performed well with the majority identifying two or more of both benefits and drawbacks.

Overall part (b) was performed adequately to not well by candidates. In parts (b)(i) & (b)(ii) candidates who did not perform well, either got the descriptions the wrong way round or duplicated the same explanation for both questions. Most candidates performed well in part (b)(ii) as it is the better-known of the two types of duration although it was pleasing to see an improvement in candidate performance in part (b)(i) compared to the last time Macaulay was tested.

In part (b)(iii) candidates did not perform well. In part (b)(iv) candidates performed adequately with almost all candidates being awarded one or two marks. Candidates who did not perform well offered sectors that were equity and not fixed interest; stock market indices from the UK and internationally, and - in a few instances - various types of investment product.

In part (c) candidates performed very well. It is likely that candidates were assisted by events in the real world given the timing of the September 2022 sitting, with many candidates referring to current financial events and named politicians, which indicates candidates connected the question to the real-world situation and not just the case study.

In part (d)(i) candidates performed well, with the majority gaining over half of the marks available, with better candidates synthesising data provided in the case study. In part (d)(ii) candidates performed adequately. Candidates who did not perform well generally either described negative correlation or provided superficial answers that outlined correlation in general, rather than comment on the actual figure in the case study.

In part (e)(i) candidates performed adequately. Candidates who did not perform well presented lists of investment risks unrelated to the case study, including those that would apply to investing in fixed interest or commercial property rather than equities.

In part (e)(ii) candidates performed well with the majority gaining over half of the available marks. Those candidates who did not perform well generally listed client-related factors or repeated different manifestations of the same fund-related factor, e.g. fund manager performance; added-value; alpha and stock picking.

Overall candidates performed very well in part (f). As with question 1 part (c), candidates were assisted by the topicality of the question. Candidates who did not perform well generally provided vague answers, e.g. 'inflation' or 'economy' without qualifying the consequence, particularly by showing directionality, e.g. 'rising interest rates' rather than simply 'interest rate'.

In part (g) candidates performed adequately to not well. Better-prepared candidates identified conditions relating to PAIFs but many candidates based their answer on REITs, including a number of candidates who believed that PAIFs are closed-ended and can gear without limit.

Part (h) on investor biases, was performed well by candidates. Candidates who performed well either applied the bias to the details contained in the case study and/or provided relevant, wider descriptions of the two biases. Candidates who did not perform well described one of more of the other main biases or in a few instances duplicated their answer in both parts (h)(i) and (h)(ii).

Question 2

In part (a) candidates performed well. In part (a)(i) the majority of candidates gained the majority of or the full marks available. This was the second time this syllabus area has been tested and it was pleasing to see an improvement in candidate performance compared to the first occasion.

In part (a)(ii) candidates performed adequately. As with question 1 part (d), candidates who extracted relevant reasons from the data contained in the case study performed better than those who provided general reasons why any fund might fall in value. The topicality of the fund sector in question assisted candidates. Candidates who did not perform well either provided a superficial answer or duplicated reasons relating to the fund manager/stock picking.

Part (b) was performed adequately by candidates, although their answers were generally polarised, with candidates either being awarded the majority of or full marks or being awarded the 23.89% output mark only. Those candidates who did not perform well either used an incorrect formula, TWR and MWR were used several times, or attempted to recreate workings having performed the calculation on a calculator, resulting in shown workings that were irrelevant or incorrect. A surprising number of candidates' answers were out by a factor of 10 or more, with outputs ranging from 239% to 400% and even >600%. If these candidates had considered their answer in the context of the values contained in the case study, i.e. that a starting value of £5,000 and an end value of £11,780 over a period of four years could not produce a CAR of 400% per annum, they would have realised that their answer was not plausible.

In part (c) candidates performed very well. This syllabus area is tested frequently, and candidates tend to be well-prepared. Few, if any, candidates did not perform well.

In part (d) candidates performed adequately to well. This syllabus area was tested for the first time and with it being very topical, candidates demonstrated a good level of knowledge. The majority of candidates gained over half of the marks available, although their performance was not as good on the social and governance categories. Candidates who did not perform well either provided vague examples not distinct to ESG or repeated various types of the same example several times.

Part (e) was performed well by candidates. The Sharpe Ratio is core content and one of the main formulae that is tested frequently. The majority of candidates gained the majority of or full marks. Candidates who did not perform well either used positive 38% in their calculation or offered positive 3.74 as their output, possibly in the belief that a Sharpe Ratio cannot be negative. As with question 2 part (b), this suggests poor exam technique where candidates did not check their workings or consider their answer in the context of the information in the case study.

In part (e)(ii) the majority of candidates gained full marks. The small proportion of candidates who did not perform well generally stated drawbacks of CAPM/MPT.

Part (f) was performed adequately by candidates. In part (f)(i) the majority of candidates provided the objective of a volatility managed fund, with better-prepared candidates also describing it. In part (f)(ii) candidates performed well, with the majority of candidates synthesising the question with information contained in the case study. This suggests that candidates know more about why a managed volatility fund could be suitable rather than what one actually is.

Question 3

In part (a) candidates performed well. This style of question and respective syllabus areas are tested frequently with well-prepared candidates are gaining the maximum marks available. Those candidates who did not perform well either stated generic client factors or specific features of a platform around income generation or cash account operation, both of which have been tested in recent sittings. This suggests candidates who did not know the answer regurgitated previous Examination Guide content.

Part (b) was performed well by candidates. ROCE and ROE are core content and one of them is tested in almost every sitting, so candidates are well-prepared. The question-part was made more distinct by the tabular data which required candidates to identify those values that were relevant. In part (b)(i) a good proportion of candidates gained full marks. Those candidates who did not perform well either used incorrect variables from the Table or attempted to calculate the ROE figure.

In part (b)(ii) the majority of candidates gained two or more out of the three marks available. Those candidates who did not perform well either stated the comparative differences the wrong way round or attempted to calculate Rockflour Boutique's ROCE despite the question providing a reference figure to use. In part (b)(iii) candidates performed well with better-prepared candidates identifying the drawback for Sandra as a shareholder.

In part (c) candidates performed very well. In part (c)(i) this syllabus area was tested for the second time and it was pleasing to see a notable improvement in candidate performance compared to the first occasion. This suggests candidates are using the previous Examination Guides as a key resource in their revision with the majority of candidates gaining most or the maximum marks available. Candidates performed particularly well when identifying matching pairs of differences rather than individual differences in isolation.

In part (c)(ii) the majority of candidates referred back to the case study and gained the majority of the marks available. Those candidates who did not perform well either got Sandra's tax status wrong or used an incorrect dividend tax rate. Candidates should ensure that they use the Tax Tables provided where needed for calculations..

Part (d) was performed well by candidates. In part (d)(i) the majority of candidates gained the majority of or the full marks available. Candidates who did not perform well generally stated that the full £120,000 gain could be invested in an EIS without or used the SEIS rate of Income Tax relief and/or investment limit. A small number of candidates did not take into account the personal allowance and/or used incorrect Income Tax bands despite, remember these are set out in the Tax Tables.

In part (d)(ii) candidates performed well as the core tax-sheltered products are tested frequently and candidates are well-prepared. The majority of candidates gained over half the available marks with a good proportion of candidates achieving full marks. Those candidates who did not perform well generally stated incorrect minimum periods of ownership, e.g. three years for business relief or five years for CGT exemption, as well as the tax treatment upon disposal of the EIS shares.

Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment planning

September 2022 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2022/2023, unless stated otherwise in the question, and should be answered accordingly.

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

Instructions

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

Unit AF4 – Investment planning

Instructions to candidates

Read the instructions below before answering any questions

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

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

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

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

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

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

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

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

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

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

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

SECTION A

This question is compulsory and carries 80 marks

Question 1

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

Edyta is an investment adviser within an authorised advisory firm. She is currently planning an investment portfolio for a new retail client, Yoav, who recently received an inheritance. Yoav's objective is long-term capital growth with a target return of 7.1% per annum after charges. He has a cautious attitude to risk and has not previously held an investment portfolio. From their discussions so far on investing, from a behavioural finance perspective Edyta believes Yoav to be displaying the endowment effect and herding behaviours.

The portfolio will invest on a UK basis across three asset classes: equities, fixed interest and commercial property. Edyta is currently evaluating various collective funds as part of the portfolio construction and asset allocation. Assumptions in respect of the expected portfolio return are set out in **Table 1** below:

Table 1

Expected market return	Risk-free rate of return	Beta
4.3%	3.75%	1.25

For the fixed interest component of the portfolio, Edyta is aware that some bond fund managers use Macaulay duration and others use modified duration. Recent commentaries from different bond managers suggest a consensus view that interest rates are expected to rise, although there are seemingly conflicting reasons why managers hold this view.

For the equity component of the portfolio, Edyta is considering whether to use a core and satellite approach, with a passive approach for large cap exposure and an active approach for mid and small cap exposure. This approach would allow the equity exposure to remain within Yoav's overall attitude to risk. For the core approach, she is considering using exchange traded funds (ETFs). For the satellite approach, she is evaluating two open-ended investment company (OEIC) funds, performance details of which are set out in **Table 2** below:

Table 2

	UK Opportunities	UK Extra Growth
1 year Alpha	-0.7%	0.6%
Beta	1.2	1.4
Correlation	0.86	

For the commercial property component of the portfolio, Edyta is assessing an open-ended fund, Mixed Use Prime. The fund's most recent annual report shows that increased volatility in commercial property prices and a fall in rent collection created a risk of Mixed Use Prime being in breach of its qualifying conditions as a property authorised investment fund (PAIF).

As the portfolio will be sensitive to the UK's macro-economic position, Edyta is concerned about the potential impact of the UK's current account and capital account positions, both of which are currently in deficit.

Questions

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

(a) **(i)** Calculate, **showing all your workings**, the expected return for the portfolio, based upon the Capital Asset Pricing Model (CAPM). **(6)**

(ii) Based upon the data in **Table 1** and your answer to **part (i) above**, comment on the relationship between the figures used in the CAPM equation and Yoav's attitude to risk and objective. **(3)**

(iii) State and explain briefly the **two** central principles of the CAPM. **(4)**

(iv) State **four** benefits and **four** drawbacks of using the CAPM. **(8)**

(b) **(i)** Describe briefly what is measured by Macaulay duration. **(5)**

(ii) Describe briefly what is measured by modified duration. **(3)**

(iii) State **three** factors Edyta should be aware of when assessing Macaulay duration figures across different bond funds. **(3)**

(iv) List **three** Investment Association (IA) sectors that may be suitable benchmarks to use solely for the UK sterling fixed interest asset allocation of the portfolio. *Assume there is no exposure to gilts.* **(3)**

(c) Identify **five** main economic factors that may result in an increase in interest rates. **(5)**

(d) **(i)** Comment on the alpha of the UK Opportunities OEIC fund and state **four** likely reasons to explain the figure. **(5)**

(ii) Comment on the correlation figure for the two OEIC funds and its impact upon the equity component of the portfolio. **(5)**

(e) **(i)** Identify **three** main risks specific to investing in equities on a passive basis using ETFs and state **one** reason for each risk identified. **(6)**

(ii) State **six** fund-related factors that Edyta would consider when deciding whether to invest solely on an active basis. **(6)**

(f) Identify **five** potential economic consequences of the current account and capital account being in deficit over the medium to long-term. **(5)**

(g) State the main conditions that must be met for a property fund to qualify as a property authorised investment fund (PAIF). **(7)**

(h) Describe briefly the investor biases of;

(i) herding; **(3)**

(ii) the endowment effect. **(3)**

Total marks available for this question: (80)

SECTION B

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

Question 2

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

Martim, aged 37, is employed as a marketing executive. Each year he has invested his annual bonus in a stocks and shares ISA. The ISA is his only investment asset and its current value is £55,000. Previously Martim has chosen the underlying investments himself, selecting equity-based collective funds. Four years ago he invested £5,000 into the NextGen Payment Solutions fund, a thematic-based specialist fund. The most recent annual statement from the ISA provider shows that the value of his holding in NextGen Payment Solutions has fallen significantly over the last year. Financial information on the fund is set out in **Table 1** below:

Table 1

IA Sector	Value at start of statement period	Value at end of statement period	Benchmark return	Risk-free rate of return	Standard deviation
Financials and Financial Innovation	£19,000	£11,780	-11.5%	0.9%	10.4

Martim would like to know more about the possible reasons for such a large change over the short period. The provider's communication highlights a volatility managed fund as a possible 'lower risk' alternative and Martim would like to know more about this type of investment.

Martim has been told that his annual bonus for the current year will be £20,000 and he is considering using his ISA allowance in full. He has read a lot about responsible investing but is bewildered by the range of options available to him as well as the terminology used. Martim's time horizon is for 5 - 10 years and he has a low to medium attitude to risk.

Questions

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

(a) **(i)** Identify **three** benefits of investing in a thematic-based specialist fund. **(3)**

(ii) Identify **five** likely reasons for the level of fall in value of the NextGen Payment Solutions fund over the most recent statement period. **(5)**

(b) Calculate, **showing all your workings**, the compound annual return of NextGen Payment Solutions for the period from Martim's original investment into the fund until the latest end valuation. **(7)**

(c) List **four** main types of socially responsible investing. *Exclude environmental, social and governance (ESG) from your answer*. **(4)**

(d) State **two** examples within each category of the Environmental, Social and Governance (ESG) criteria for investing. *Exclude the terms environment, social and governance from your examples*. **(6)**

(e) **(i)** Calculate, **showing all your workings**, the Sharpe Ratio for NextGen Payment Solutions fund for the period shown in **Table 1**. **(5)**

(ii) State **two** benefits and **two** drawbacks of using the Sharpe Ratio in investment planning. **(4)**

(f) **(i)** Describe briefly the definition and objective of a volatility managed fund. **(3)**

(ii) Outline why a volatility managed fund could be a suitable investment for Martim. **(3)**

Total marks available for this question: 40

Question 3

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

Sandra, aged 54, is employed as the operations director for a hotel company, Rockflour Boutique. She has worked for the business since its inception 15 years ago and her current salary is £70,000 per annum. For several years Sandra received shares in the company as part of her remuneration package but she has not received any shares for the past few years. It has recently been announced that Rockflour Boutique is to be acquired by a competitor, Best Guest, which will result in the sale of Sandra's shareholding. The disposal will create a chargeable gain for Capital Gains Tax (CGT) of £120,000.

Best Guest is keen to keep Sandra as an employee after the acquisition and has offered her a 5% shareholding in the business, so that her overall remuneration can benefit from future business profits. While Sandra has a detailed knowledge of the current business, she knows little about Best Guest other than its published accounts. Both companies have the same accounting period and extract financial information from both companies' accounts as set out in **Table 1** below:

Table 1

	Best Guest Limited	Rockflour Boutique Limited
Turnover	£1,850,000	£4,080,000
Operating profit	£620,000	£1,380,000
Tax and interest	£940,000	£875,000
Total equity	£3,735,000	£3,900,000
Current liabilities	£1,400,000	£2,100,000
Long-term liabilities	£2,955,000	£1,520,000

Sandra has an investment portfolio with a current value of £175,000. The portfolio consists of various directly-held UK equities and collective funds that have been purchased over the years. In previous tax years Sandra intended to use her stocks and shares ISA allowance to increase the portfolio's tax efficiency but her work commitments meant she missed the tax year-end deadline.

As a result of the likely disposal of her existing shareholding, Sandra has scheduled a meeting with her financial adviser, Ekrem. In their most recent annual review meeting, Ekrem discussed the consolidation of the various assets that comprise the portfolio onto a platform. This was prompted by Sandra stating she was receiving an increasing number of valuations and other correspondence with the respective providers, as well as numerous interim and final dividends from the equities.

As she is a higher-rate taxpayer, Sandra believes that she will have a substantial liability to personal taxation following the disposal of her shares. A colleague mentioned they were considering an Enterprise Investment Scheme (EIS) as a possible investment and Sandra is keen to find out more about this type of investment.

Questions

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

(a) State **five** main administration benefits to Sandra of consolidating her existing investment assets onto a platform. **(5)**

(b) **(i)** Calculate, **showing all your workings**, the return on capital employed (ROCE) for Best Guest. **(7)**

(ii) Comment, based upon your answer to **part (i)** above, on the ROCE for Best Guest compared to that of Rockflour Boutique and identify **two** factors that would contribute to the difference in ROCE figures. *Assume that Rockflour Boutique has a ROCE above 20%.* **(3)**

(iii) Explain briefly the **drawbacks** of Sandra using ROCE as a metric when comparing Best Guest and Rockflour Boutique. **(3)**

(c) **(i)** Identify **two** main differences between an interim and a final dividend. **(4)**

(ii) Outline the potential tax benefits to Sandra of receiving a dividend on her new shareholding compared to receiving a bonus in addition to her salary. **(3)**

(d) **(i)** Calculate, **showing all your workings**, how much of the £120,000 chargeable gain Sandra could invest into a new EIS to maximise the Income Tax relief available in the current tax year. *Assume Sandra has the full personal allowance available and the dividends she receives are less than her dividend allowance.* **(7)**

(ii) Describe the tax benefits and qualifying rules of an EIS, including the time limits for deferral relief. *Exclude Income Tax relief from your answer*. **(8)**

Total marks available for this question: 40

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

Model answer for Question 1

(a) **(i)** (4.3 - 3.75) = 0.55
1.25 x 0.55 = 0.6875
3.75 + 0.6875 = 4.4375 = 4.44

(ii) *Candidates would have scored full marks for any three of the following:*
- Beta above 1/excess market risk.
- Outside AtR range.
- CAPM doesn't account for charges.
- Gap between target return and expected return/target return above expected return.

(iii)
- Non-systematic/specific risk can be eliminated/diversified;
- is not rewarded.

- Sensitivity to systematic/market risk;
- dictates expected return.

(iv) **Benefits**
Candidates would have scored full marks for any four of the following:
- Easy to use/calculate.
- Robust/proven/trusted.
- Allows for systematic/market risk.
- Ignores non-systematic risk/assumes it has been removed.
- Output is the expected return/easy to compare.

Drawbacks
Candidates would have scored full marks for any four of the following:
- Risk-free rate may not be suitable/correct.
- Assumptions can be unrealistic/the market return may be different.
- Assumes beta as the correct/suitable measure of market risk.
- Beta is unstable.
- Doesn't include costs and charges.
- Assumes single holding period/one-size fits all.
- Theoretical/single factor/simplistic.

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

- Weighted
- average term;
- in years;
- for purchase price to be repaid;
- by cash flows/coupons
- and redemption value.

(ii)

- Sensitivity;
- of bond's price;
- to changes in interest rates/yield to maturity.

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

- Macaulay is relative/can be used to compare funds.
- Affected by coupon/price.
- Becomes less accurate as change in yield increases.
- Assumes linear relationship between interest rate and bond price.
- May not reflect fund style/mandate.

(iv)

- Sterling Corporate Bond.
- Sterling Strategic Bond.
- Sterling High Yield.

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

- Business/economic cycle.
- Expansionary fiscal policy.
- Tightening monetary policy.
- QT/unwinding QE.
- Rising inflation.
- Currency weakness/economic imbalance.
- Market forces/credit spreads widening/UK downgraded.

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

- Manager has not added-valued/active management not justified/better off passive.

- Investment style/underlying stocks out of favour/poor stock selection.
- Annual/short-term measure/calculation period for alpha.
- High PTR/transaction charges.
- One-off event.
- Smaller companies/sector has higher volatility.

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

- Correlation is strong;
- positive.
- Will increase returns in rising market.
- Will increase volatility/market risk;
- as betas are more than 1.
- Will reduce diversification.

(e) **(i)**

- **Market/Systematic Risk.**
- Limited protection in falling market/will follow market down/cannot hold cash. *or* No ability to outperform in rising market/will only deliver market return.
- **Style Risk.**
- Replication strategy may cause underperformance/tracking error/drift from index return.
- **Counterparty Risk.**
- Failure of counterparty provider.

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

- Costs/charges.
- Fund/ style/objective/mandate.
- Alpha/outperformance/past performance.
- Volatility/standard deviation.
- Sharpe/Information ratio.
- Investment house reputation/financial strength.
- Manager experience/track record.
- Dividends/yield.

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

- Rising interest rates.
- Economy growth falls.
- Currency devaluation.
- Capital flight out of UK.
- Unemployment rises.
- Increase borrowing/debt-dependence/reliance on foreign currency reserves.
- Inflation increases.

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

- At least 60% of net income;
- from exempt property business/ringfenced.
- Value of property must be at least 60%;
- of total assets.
- Must pay 3 types of income.
- Shares widely held.
- No corporate investor;
- holding 10% or more of NAV.

(h) **(i)** **Herding**

- Follow others/crowd.
- Fear of missing out.
- Ignore price/greater fool theory.

(ii) **Endowment effect**

- Greater value as inherited/already owned.
- Retain unsuitable investments/emotional attachment.
- Fear of selling.

Model answer for Question 2

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

- Potential higher returns.
- Expertise of fund manager/scope for alpha/outperformance.
- Invest in early-stage companies/start of trend/long time horizon.
- Lower/negative/non-correlation to other equities/diversification.

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

- Economic/business cycle downturn.
- Increase in interest rates/inflation/discount rates.
- Higher beta/volatility/standard deviation.
- Poor stock-picking by manager.
- Tech/growth out of favour/sector rotation.
- Exposure to unlisted companies/deemed illiquid.
- One off event causes write-down/devaluation of underlying assets.

(b) (£11,780 / £5,000) = 2.356
$\sqrt[4]{}$ 2.356 or 2.356 $^{\wedge 1/4 \text{ or } 0.25}$ = 1.23892159
-1 x 100 = 23.89%

(c)
- Positive screening/engagement.
- Negative screening/ethical.
- Impact/microfinance.
- Sharia-complaint/religious.

(d) **Environmental**
Candidates would have scored full marks for any two of the following:
- Reduction of Pollution/waste/recycling.
- Climate Change/decarbonisation/ renewable energy use.
- Conservation/treatment of wildlife.

Social
Candidates would have scored full marks for any two of the following:
- Human rights/education.
- Employee working conditions/benefits/diversity.
- Charities/community/affordable housing.

Governance
Candidates would have scored full marks for any two of the following:
- Accounting practices.
- Board diversity/gender equality.
- Conflicts of interest/bribery/corruption.

(e) **(i)** [(£11,780 - £19,000) / £19,000] x 100 = -38%
(-38% - 0.9%) = -38.9%
(-38.9 / 10.4) = -3.7403846 = -3.74

(ii) **Benefits**
Candidates would have scored full marks for any two of the following:
- Compare different funds/managers.
- Shows risk-adjusted return.
- Identify if returns are from excess risk/beta or manager/stock-picking.

Drawbacks
Candidates would have scored full marks for any two of the following:
- Need to consider other factors/trends over time/do not consider in isolation.
- Can be distorted by fund/manager’s strategy/higher risk.
- Assumes normal distribution of returns/standard deviation as measure of risk.
- Doesn’t take into account trading/turnover/costs.

(f) **(i)** *Candidates would have scored full marks for any three of the following:*
- Target a specified return/maximise returns;
- while limiting volatility/to specified volatility target;
- using correlation/diversification;
- of asset classes/lower risk assets;
- to produce higher risk-adjusted returns.

(ii) *Candidates would have scored full marks for any three of the following:*
- In line with AtR.
- Provides diversification within a small portfolio.
- Could reduce market/volatility risk/hedge against market fall.
- Sufficient time horizon.
- Known/target level of volatility.

Model answer for Question 3

(a) *Candidates would have scored full marks for any five of the following:*
- In one place/single view.
- Access to tools.
- Auto ISA.
- Consolidated tax statement/voucher.
- Less administration.
- 24 7/on demand access/view online.

(b) **(i)** £2,955,000 + £3,735,000 = £6,690,000
(£620,000 / £6,690,000) = 0.09267
x 100 = 9.27%

(ii)
- Rockflour has used capital more efficiently/Best Guest has used capital less efficiently.
- Rockflour has higher operating profit/Best Guest has lower operating profit.
- Rockflour has lower long-term liabilities/Best Guest has higher long-term liabilities.

(iii)
- ROCE is a single metric/single period/need to compare over time/doesn't factor in when funds are raised over period
- Affected by one-off factors/distorted by high cash/doesn't account for current liabilities/doesn't account for depreciation or amortisation.
- Sandra is a shareholder only/ROCE calculates return for all sources/shareholders and creditors.

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

- Interim declared during financial year/before AGM
- Final declared after financial year/at AGM

- Interim declared by board.
- Final declared by shareholders.

- Interim can be revoked.
- Final cannot be revoked.

- Interim only if Articles expressly permit.
- Final not subject to Article/right of shareholders.

(ii)
- Can use dividend allowance/first £2,000 tax-free.
- Not subject to National Insurance.
- Taxed at 33.75% compared to 40%.

(d) **(i)** £12,570 x 0% = £0
£37,700 x 20% = £7,540
£19,730 x 40% = £7,892
Total/Income Tax liability = £15,432

Maximum investment = (£15,432 / 30) x 100 = £51,440

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

Deferral/rollover relief;
- for up to 1 year before;
- 3 years after;
- sale of the business/disposal.

- Can invest up to £1,000,000/if knowledge intensive £2,000,000.
- Original gain deferred;
- without time limit.
- Gain on EIS exempt from CGT;
- if held for 3 years.
- Loss relief available;
- against capital or income.
- Exempt from IHT/qualifies for business relief;
- if held for 2 years.

Glossary of terms

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

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

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

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

All questions in the March 2023 paper will be based on English law and practice applicable in the tax year 2022/2023, unless stated otherwise and should be answered accordingly.

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

INCOME TAX

RATES OF TAX	2021/2022	2022/2023
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£150,000	£150,000

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

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

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

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£3,530	£3,640
Married/civil partners at 10% †	£9,125	£9,415
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance†	£30,400	£31,400
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,520	£2,600
Enterprise Investment Scheme relief limit on £2,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

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

Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,845	£2,935
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£16,480	£17,005

NATIONAL INSURANCE CONTRIBUTIONS

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

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

**£190 per week/£9,880 per annum before 6 July 2022.*
***This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £123 per week. This £123 to £242* band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	**CLASS 1 EMPLOYER CONTRIBUTIONS**
Below 175.00***	Nil
175.00 – 967.00	15.05%
Excess over 967.00	N/A

**** Secondary earnings threshold.*

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

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2022/2023	£1,073,100

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*

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

MONEY PURCHASE ANNUAL ALLOWANCE	2021/2022	2022/2023
	£4,000	£4,000

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

EXEMPTIONS	2021/2022	2022/2023
Individuals, estates etc	£12,300	£12,300
Trusts generally	£6,150	£6,150
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property and carried interest	8%	8%
Trustees and Personal Representatives	20%	20%
Business Asset Disposal Relief* – Gains taxed at:	10%	10%
Lifetime limit	£1,000,000	£1,000,000

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2021/2022	2022/2023
Transfers made on death		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

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

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

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

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

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

Reduced tax charge on gifts within 7 years of death:

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

Quick succession relief:

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

PRIVATE VEHICLES USED FOR WORK

	2021/2022 Rates	2022/2023 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2021/2022	2022/2023
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£1,000,000	£1,000,000
Plant & machinery* first year allowance for companies to 31/3/2023: Super-deduction		130%
Special rate		50%
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	6%	6%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Electric charging points	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

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

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

**If new and unused*

MAIN SOCIAL SECURITY BENEFITS

		2021/2022	2022/2023
		£	£
Child Benefit	First child	21.15	21.80
	Subsequent children	14.00	14.45
	Guardian's allowance	18.00	18.55
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 59.20	Up to £61.05
	Aged 25 or over	Up to 74.70	Up to £77.00
	Main Phase		
	Work Related Activity Group	Up to 104.40	Up to 107.60
	Support Group	Up to 114.10	Up to 117.60
Attendance Allowance	Lower rate	60.00	61.85
	Higher rate	89.60	92.40
Basic State Pension	Single	137.60	141.85
	Married	275.20	283.70
New State Pension	Single	179.60	185.15
Pension Credit	Single person standard minimum guarantee	177.10	182.60
	Married couple standard minimum guarantee	270.30	278.70
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	59.20	61.05
	Age 25 or over	74.70	77.00
Statutory Maternity, Paternity and Adoption Pay		151.97	156.66

CORPORATION TAX

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

VALUE ADDED TAX

	2021/2022	2022/2023
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

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

Additional SDLT rules still apply as below:

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

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

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

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

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