Chartered Insurance Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

October 2017 Examination Guide

SPECIAL NOTICES

Candidates entered for the April 2018 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
Fax: 020 8530 3052
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 or from Customer Service. 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 purchase copies of the most recent Examination Guides online at www.cii.co.uk. CII members can download free copies of older Examination Guides online at www.cii.co.uk/knowledge.

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 question 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

AF1 tests a candidate's ability to apply their knowledge to the scenarios set out in the case studies. Many candidates did not to make sufficient use of the information provided and as a result they did not achieve many of the marks available.

When preparing for AF1 candidates are encouraged to do as many practice questions from previous Examination Guides as possible. By writing down your answers and then comparing them to the model answers contained in the Examination Guide you will develop an understanding of the level of detail the examiner expects to see in your answers, and also appreciate how the information in the case study should be used to help formulate your answers.

Candidates are also advised that a careful study of the syllabus should also be undertaken ahead of the exam itself as this will ensure you are fully aware of the breadth of the subjects that could be tested.

Question 1

In the majority of cases, answers to part (a) were not well laid out. Candidates need to practice setting out their answers to calculations before they sit the exam and in particular consider that the examiner needs to be able to understand their answer. Many candidates seem to cram the calculation into as small a space as possible with lots of crossing out making it difficult to follow their method.

Some candidates did not clearly differentiate between the different income streams. This is an important part of an Income Tax calculation and failure to show the different income streams clearly often causes candidates to miss marks. It can also make it difficult for the candidate to calculate the tax liability accurately. Also, some candidates showed the corporate bond unit trust as dividend income. Candidates are expected to know that it is the underlying investment that determines the tax treatment of the unit trust, not the wrapper the investment is contained within.

Candidates need to pay greater attention to changes in legislation – a significant number were grossing up the corporate bond interest and dividend income.

Most candidates calculated the Adjusted Net Income (ANI) incorrectly as they did not deduct the gross value of Penny's gift aid donation (and some candidates only used 11 months of gift aid payments, however, the case study shows that the donations started in May 2016 which is more than a year previously). Many candidates did not show that the personal allowance (PA) reduces the non-savings income and instead just showed the total income being reduced by the PA. Many candidates did not increase the basic-rate band (BRB) by the gross value of the gift aid.

Some candidates reduced the ANI by the pension contribution, some taxed the pension contribution, and some extended the BRB by the pension contribution. As the pension contribution was made by the employer it is not taxable and cannot be used to reduce ANI or extend the BRB.

Some candidates made errors in calculating the tax payable because they did not copy down figures calculated earlier correctly or because they made an error using their calculator.

In part (b)(i) candidates performed well overall. The most commonly seen error was to deduct the gift aid from the total. Gift aid does not factor in to the calculation of adjusted income (which is very different from adjusted net income despite the names being very similar). Some candidates missed out the investment income and some did not include the ISA income.

In part (b)(ii) candidates performed well overall. A few candidates used the wrong tax charge. The tax rate used is determined by Penny's income tax position (calculated in the previous question). As Penny has sufficient higher-rate tax band remaining for the annual allowance (AA) tax charge to 'fit' within it, the tax rate that should be applied is 40%.

Some candidates did not answer the question asked (the tax payable). Some stopped at the point they had calculated the reduced AA and some stopped at the point they calculated the amount the AA exceeds the tapered AA.

Part (c)(i) was not well answered, as there was very little evidence that candidates can apply knowledge to a practical situation. Very few candidates seem to understand how the income would be taxed in Ian's hands. For example, that his PA is used first and so there would be no need to make use of his personal savings allowance (PSA) and there would be no starting rate band as the only income that would exceed his PA is dividend income (which would fall within his DA and so he would be a non-taxpayer – something many candidates do not understand). Only a few candidates really answered the question that was asked.

Many candidates explained that 'full PA would be regained' despite the salary and P11D benefits exceeding £100,000 and so some PA would still be lost. Many candidates stated that the 'full AA would be regained' but adjusted income would be £152,000 (and so £1,000 taper would still apply). Overall, there was very little use made of the tax calculations performed in parts (a) and (b). Some candidates stated that dividend income should be split between them, however this would not have reduced Penny's tax liability as much as assigning them fully to Ian as the dividend income is included when calculating her ANI and adjusted income.

In part (d)(i) some candidates did not show much application to the circumstances set out in the case study. For example, some candidates talking about the children being 'minors' when the case study clearly shows they are not. This failure to use the information provided in the case study costs marks and is easily avoided by making all answers specific to the individuals shown in the case study rather than defaulting to generics.

Some candidates stated that the surviving spouse being able to take loans is a benefit, but loans will reduce the estate of the surviving spouse and therefore reduce the inheritance received by their child which is not a benefit.

Many candidates displayed poor knowledge of pension benefits payable on death. For example, many candidates seemed to think that where benefits are payable as a result of a nomination the only option is a lump sum payment paid into the survivor's estate. This is not the case as where the member is survived by a spouse (as in this example) there is also the option of a dependant's flexi-access drawdown (FAD), which can then become a successors FAD on the survivor's death (thereby remaining out of everyone's estates). The issue was not an Inheritance Tax issue; it was about ensuring that the wishes of Penny and Ian can be achieved (and avoiding any possibility of the survivor changing the nomination on second death in favour of someone other than the deceased spouses child).

Part (d)(ii) was not well answered and very little knowledge was displayed. Common errors included: not understanding the age of the member at date of death affects the tax position; stating that the tax rate is the beneficiaries 'marginal rate' (in other words, forgetting that the benefits are being paid into a trust); not knowing the trust rate is 45%; thinking it is a chargeable lifetime transfer (CLT) and so taxed at 20% (which is the lifetime rate of Inheritance Tax, so not realising this cannot apply as the transfer is occurring because someone has just died).

Many candidates did not answer the question asked and instead covered the tax treatment of investments within a trust or the income paid from it.

Part (e)(i) was not well answered, however the vast majority of candidates did attempt the calculation (even when it was clear they were unsure of the process) and so were awarded some marks. This is an example of good exam technique.

Part (e)(ii) was not well answered. For example, only a few candidates considered why she wanted to cash in the investment, or that this may be difficult due to the illiquidity of Enterprise Investment Scheme (EIS) shares.

Few candidates showed that she is in good health and even fewer mentioned her other assets and the need to consider where they are invested. Many candidates did not consider that her attitude to risk and capacity for loss would be factors to consider. A surprisingly high number of candidates did not show that a factor to consider was that the performance of the EIS may improve.

Part (f)(i) was not well answered with poor knowledge displayed by many candidates. Many candidates seemed to think that it is a **choice** as to whether she is removed as an attorney or not. Few candidates used the information that they are joint attorneys (this was stated in the case study). Most candidates either ignored this or covered both possibilities (i.e. joint and joint and several). Where information is provided to candidates it must be used if maximum marks are to be achieved.

Part (f)(ii) was not well answered as there was very little precision or knowledge displayed in candidates' answers. Very few candidates considered all circumstances that could occur (i.e. death occurring before bankruptcy, whilst bankrupt or after discharge).

Part (g)(i) was well answered in most cases. Some candidates did not read the question carefully enough and as a result failed to cover Penny and Ben or dis-inherited Emma.

Part (g)(ii) was generally well answered.

Question 2

Part (a) was generally well answered. Many candidates would have achieved higher marks if they had noted that the case study shows that she is living in the UK now and has a job and a home.

Part (b) was generally well answered, however some common errors included candidates calculating the loss assuming she disposed of all her shares (i.e. they did not use the information shown in the case study which stated that she is only selling 10,000 shares) and failing to establish an 'average' value for the share price (or using an incorrect method to calculate this figure). Most candidates did not calculate her remaining basic-rate band (BRB) (or did so incorrectly as they failed to consider her PA). Many candidates simply decided she was a HRT payer (as her salary is £120,000) or a basic-rate tax (because she has some BRB remaining), and most candidates did not realise that the higher taxed gains must use the remaining BRB first.

Finally, some candidates did not correctly add together the Capital Gains Tax that they had calculated as due on the shares and the property (in other words, no mark could be awarded because their arithmetic was wrong). It is always worthwhile double checking that arithmetic is correct.

Part (c) was generally well answered. Some candidates did not provide sufficient detail in their answer and some candidates mistakenly showed 5% applying to the whole payment. It was clear that these candidates had not appreciated that the information needed to answer this question was contained in the tax tables provided to candidates in the back of the exam paper. Candidates are advised to spend time ahead of any exam ensuring that they know what information is included in these tables.

Part (d) (i) was generally well answered, with some candidates gaining high marks.

Part (d) (ii) was generally poorly answered. Many candidates could have done better if they had structured their answer around the three main taxes (Income Tax, Capital Gains Tax and Inheritance Tax) and then made an educated guess based on the question asking for the benefits to her. Those candidates who did make a more substantive attempt would have gained further marks if their answer had provided greater detail. For example, where candidates stated (correctly) that she would 'benefit from entrepreneur's relief' a further mark was available for showing what the benefit of this is (i.e. that she will only pay Capital Gains Tax at 10% even if she is a higher rate tax payer when the cottage is sold).

Question 3

In part (a) some candidates calculated the answer twice: once with John paying and once with trustees. The question clearly shows that John will pay the tax and marks are not awarded for providing two contradictory answers.

A significant number of candidates included the potentially exempt transfer (PET) in the cumulation. A PET only becomes chargeable on death within seven years and as John has not died, it should be ignored in calculating the tax due on setting up the trust. Finally, a number of candidates ignored the gift exemptions.

In part (b)(i) many candidates stated that John can apply for holdover relief (which he can) but this is not a benefit for the trustees.

Many candidates focused on the difference in the tax rate between dividends and savings income, but this is only within the trust and so no benefit to the beneficiaries (who are taxed on trust income). Many candidates showed the dividends as payable to the beneficiaries, forgetting that income from a discretionary trust loses its identity and is taxed as trust income.

In part (b)(ii) many candidates talked about trust income entering the pool, rather than the tax on the income entering the pool. Many candidates talked about the basic rate tax band in the trust (although some stated this was a nil-rate band) but many did not take into account the information shown in the case study (that he has already established a trust in 2010) and so showed this as a £1,000 band rather than a £500 band. A few candidates showed the band as £333, presumably because they believe the PET created a trust. Very poor knowledge overall displayed about how tax pooling within a discretionary trust works.

In part (c) some candidates displayed an excellent understanding of how the cumulation principle works, however far more did not. Many candidates dismissed the 2010 chargeable lifetime transfer (CLT) as being 'over seven years old' and so ignored it when calculating the tax due on the PET. Many candidates who included it in determining the tax payable on the PET then also included it when calculating the tax payable on the 2017 CLT (it drops out as it was made more than 7 years prior to the 2017 CLT).

Part (d) was not well answered by most candidates. This is an application-based question and many candidates did not fully consider all aspects in their answer. Most candidates stated that the gifts will have reduced the estate but showed the tax payable on these gifts still falling to the executors. The tax due on a gift falls to the gift recipient (John's son in the case of the PET and the trustees in the case of the discretionary trust) not the executor. It disappointing that so many candidates failed to demonstrate any understanding of this.

Most candidates did not consider that the growth in the value of the gift assets is also outside of the estate. Only a few candidates showed that the introduction of the residence nil rate band (RNRB) would have reduced the tax due on the estate. Only a few candidates considered that the estimates of growth in the value of the estate may not have been met, or that the increase in the level of cover provided by the whole of life policy may have risen at a rate in excess of that initially estimated.

THE CHARTERED INSURANCE INSTITUTE

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

October 2017 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2017/2018, 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 AF1 – Personal tax and trust 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) and (g) which follow.

Penny, aged 54, and Ian, aged 56, married in 2014. It is the second marriage for each of them and in both cases their first marriages ended in divorce. Penny has a son, Ben, aged 26, from her first marriage. Ian has a daughter, Emma, aged 27, from his first marriage. Emma had been running her own business but this business has now failed. She is living with her father and Penny, and is concerned she may be declared bankrupt.

Penny is the Managing Director of a successful online shopping website. In 2017/2018, she will receive a salary of £110,000 per annum. As part of her remuneration package, the company provide membership, for both Penny and Ian, of the company's private medical insurance plan. The taxable value of this benefit in 2017/2018 is £2,000. In addition, the company pay £40,000 per annum into Penny's self-invested personal pension plan (SIPP). This is the only contribution that is made into the plan and Penny has no unused annual allowance available to carry forward. The contribution for the tax year 2017/2018 was paid on 1 May 2017.

Ian has worked as a journalist and broadcaster since he left university. He is currently writing his first book and will have no earned income for the tax year 2017/2018. The couple can afford to live comfortably on Penny's earnings plus their investment income. The investment income they will receive in 2017/2018 is as follows:

Owner	Investment	Amount (£)	Income (£)
Joint	30-day notice deposit account	125,000	1,250
Joint	Portfolio of equity unit trusts	330,000	9,240
Joint	Portfolio of corporate bond unit trusts	48,000	1,200
Penny	Stocks and Shares ISA	135,000	4,415
Ian	Stocks and Shares ISA	87,000	1,566

In May 2016, Penny and Ian started making a monthly payment of £250 via direct debit to a UK registered charity. The payment is made from their joint current account. The couple have signed the appropriate forms to allow the payment to benefit from gift aid.

Penny's SIPP is currently valued at £890,000 and Ian's personal pension plan (PPP) is valued at £675,000. These are their only pension plans. Both have completed nomination forms in favour of the other in the event of their death.

Ian's mother, Rosemary, is aged 85. She has pension income of £70,000 per annum which more than meets her income needs plus other investments and assets totalling £2,750,000. She is in good physical health and is mentally competent.

In May 2016, Rosemary invested £60,000 into shares in an Enterprise Investment Scheme (EIS). She claimed £18,000 tax relief against her Income Tax liability for the tax year 2016/2017. The shares are performing poorly and are currently valued at £35,000.

Ian is the executor of Rosemary's Will. Ian and Emma are the attorneys jointly appointed under Rosemary's Health and Welfare and Property and Financial Affairs, Lasting Powers of Attorney (LPA). Both LPAs have been registered. Rosemary's Will currently divides her estate equally between Ian and Emma. Rosemary has become very fond of Penny and her son Ben and would like to make provision for them in her Will.

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**, the amount of Income Tax Penny will pay in the tax year 2017/2018. **(14)**

(b) Penny has been informed that, as her Threshold Income exceeds £110,000 and her Adjusted Income exceeds £150,000, her annual allowance for 2017/2018 will be tapered. *In answering parts (b)(i) and (b)(ii) you should assume no changes are made to the circumstances outlined in the case study.*

(i) Calculate, **showing all your workings**, Penny's Adjusted Income for the tax year 2017/2018. **(4)**

(ii) Using your answer from part (**b**)(**i**) above, calculate, **showing all your workings**, the annual allowance tax charge due as a result of Penny's tapered annual allowance. **(3)**

(c) Penny and Ian would like to reduce the amount of Income Tax and Annual Allowance Tax Charge payable in the tax year 2017/2018.

(i) Explain in detail how changing the ownership of the investments into Ian's sole name will accomplish these objectives. **(6)**

(ii) Explain why the charity donations should be made in Penny's sole name. **(4)**

(d) Penny and Ian wish to ensure that, on first death, the deceased's pension fund is available to the survivor to provide an income for their lifetime. They then wish the remaining funds to pass to their respective children on second death.

(i) Explain why you would recommend they set up spousal bypass trusts to receive the pension fund on first death, rather than rely on a nomination form to direct the death benefits. **(8)**

(ii) Describe the tax treatment of the pension funds at the point they are paid into a spousal bypass trust, at whatever age the member may die. **(4)**

(e) Rosemary is considering selling her shares in the Enterprise Investment Scheme (EIS).

(i) Calculate, **showing all your workings**, the allowable loss available if Rosemary were to sell the shares in October 2017. **(4)**

(ii) Outline the factors that you would take into consideration before advising Rosemary on whether she should sell or retain her shares in the EIS. *You should cover both tax related and general planning factors in your answer.* **(8)**

(f) Emma has informed Ian and Rosemary that she may be declared bankrupt.

(i) Explain how her bankruptcy could affect, if at all, the Lasting Powers of Attorney Rosemary has already registered. **(5)**

(ii) Describe how any inheritance specified in Rosemary's Will as being for Emma's benefit may be treated by the Trustee in Bankruptcy. **(8)**

(g) Rosemary would like to make provision for Penny and Ben in her Will and also prevent any legacy to Emma being accessible by the Trustee in Bankruptcy, should Emma be declared bankrupt.

(i) Describe briefly the actions Rosemary should take to ensure her estate will be distributed as she wishes. **(6)**

(ii) Explain the options available to Ian to ensure Rosemary's wishes are met with regard to her intention to make provision for Penny and Ben, in the event that Rosemary dies before she can change her Will. **(6)**

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.

Cara, aged 45, is single. She is UK domiciled and started working for YTP plc in January 2012. In 2013, she transferred to the company's Singapore office.

At the start of April 2017, Cara left her employment with YTP plc. At the start of May 2017, she gave up the lease on her home in Singapore and then spent some time travelling around the world. She returned to the UK to live in London on 30 September 2017. She has now accepted a position based in London with a new employer and her start date is 1 January 2018 at an annual salary of £120,000. Cara will be paid monthly in arrears on the 25th of each month. Her employment income will be the only taxable income she receives in the tax year 2017/2018.

Following the death of her Uncle in 2014, Cara inherited a house situated in the north of England, the probate value of which was £450,000. The property had stood empty since her Uncle's death. Cara has recently exchanged contracts at an agreed sale price of £520,000 and will incur costs of £6,500 on the sale. The sale will complete before the end of October 2017.

In recent years Cara has purchased the following shares in YTP plc:

Date of purchase	Purchase price (£)	Number of shares
October 2014	4.90	14,000
June 2015	3.33	10,000
October 2016	3.57	11,000

These shares are currently trading at £2.79 per share.

Cara's only other investment was made in October 2012 when she purchased 5,000 shares, at a cost of £1 per share in XQZ Ltd, a start-up company listed on AIM. These shares are currently valued at £3.30 per share.

Cara intends to dispose of 10,000 of the shares in YTP plc and all 5,000 of the shares in XQZ Ltd in 2017/2018. She will use the funds realised, along with the funds from the sale of the property and a mortgage, to purchase two adjoining cottages, each costing £350,000. One cottage will be her primary residence in the UK and the other will be let. She will complete on the purchases before the end of November 2017.

Questions

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

(a) Explain why Cara will be treated as UK resident in 2017/2018. **(5)**

(b) Calculate, **showing all your workings**, Cara's Capital Gains Tax liability for the tax year 2017/2018. *You should assume that Cara arranges her affairs to limit, as much as possible, the Capital Gains Tax payable.* **(12)**

(c) Explain how the amount of Stamp Duty Land Tax payable by Cara in respect of the purchase of the two cottages will be determined. *You are not required to perform a calculation.* **(5)**

(d) Cara is intending to let the second cottage.

(i) State the requirements that must be met for the rental property to be considered a furnished holiday let. **(8)**

(ii) Explain in detail the potential benefits to Cara of letting the property as a furnished holiday let. **(10)**

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) and (d) which follow.

John, aged 75, has been divorced for over 15 years. He has a son, aged 45, and four grandchildren, the oldest of whom is 15. John is in excellent health for his age.

Over the years, John has made the following gifts:

- 1 February 2010: £200,000 into a discretionary trust for the benefit of his brother.
- 10 May 2013: £250,000 gift to his son.

John has made no other gifts.

John now wishes to set up a discretionary trust for the benefit of his grandchildren. His intention is that the trust will cover living expenses for his grandchildren who attend university and also help them purchase their first property. He will establish this trust on 1 November 2017 with a gift of equity based open-ended investment company (OEICs) from his investment portfolio valued at £350,000. The chargeable gain on disposal will be £110,000.

In 2012, John took out an index-linked whole of life policy with a sum assured sufficient to cover the Inheritance Tax liability payable by the executors of his estate on his death. The policy was placed in trust for benefit of the executors. The policy has never been reviewed.

Questions

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

(a) John will establish the discretionary trust for his grandchildren on 1 November 2017.

Calculate, **showing all your workings**, the Inheritance Tax payable on establishing this trust if the trustees pay the tax. **(5)**

(b) John will establish the discretionary trust with a gift of equity based OEICs from his existing portfolio.

(i) Explain the potential tax benefits, for both **trustees** and **beneficiaries**, if payments from the trust are made using the OEICs. **(7)**

(ii) Explain how the tax pool will operate within the discretionary trust. **(9)**

(c) Calculate, **showing all your workings**, the Inheritance Tax liabilities arising in respect of the various gifts John has made if he were to die in March 2018. *You should assume the discretionary trust from part (a) above is established on 1 November 2017.* **(10)**

(d) Explain to John why the sum assured on his whole of life policy may be **higher** than required to cover the Inheritance Tax liability that will arise in respect of **his estate** on his death. **(9)**

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) Taxable Income

	Non-savings (£)	**Savings** (£)	**Dividends** (£)
Salary	110,000		
P11D	2,000		
Bank Interest		625	
Corporate Bond		600	
Dividends			4,620
	112,000	1,225	4,620

Gross Gift Aid
50% x (£250 x 12/ 0.8) = **£1,875**

Adjusted net income
(£110,000 + £2,000 + £625 + £600 + £4,620) - £1,875 gift aid = **£115,970**

Personal Allowance
£11,500 – [(£115,970 - £100,000)/2] = **£3,515**
Non-savings income subject to tax: £112,000 - £3,515 = £108,485

Tax Payable

Non savings: (BRB = £33,500 + £1,875 gift aid) x 20% = **£7,075**
£108,485 – (£33,500 + £1,875) x 40% = **£29,244**

Savings: [(£625 + £600) - £500] x 40% = **£290**

Dividends: £4,620 x 0% (as within dividend allowance) = **£0**

Total income tax payable: £7,075 + £29,244 + £290 = **£36,609**

(b) (i) Adjusted Income

£110,000 salary + £2,000 P11D + £1,225 savings income + £4,620 dividend income + £40,000 employer pension contribution = £157,845

(ii) AA Tax charge

- (£157,845 - £150,000)/2 = £3,922.50 lost annual allowance
- £3,922.50 x 40% = £1,569 AA tax charge for 2017/2018

(c) (i)

- This will save tax at 40% on Penny's share of the savings income that exceeds her personal savings allowance.
- Ian will remain a non-tax payer:
- as the dividend income that exceeds his personal allowance will fall within his £5,000 dividend allowance.
- It will reduce Penny's Adjusted Income and therefore reduce the annual allowance tax charge.
- It will reduce her Adjusted Net Income and therefore increase her personal allowance.
- It removes tax charge from Ian in respect of the gift aid.

(ii)

- This will increase her basic-rate band/increase the amount taxed at 20%.
- It will also increase her personal allowance and so reduce the amount of tax she pays.
- Ian is a non-tax payer;
- and so will incur a tax charge in respect of the gift aid in his name.

(d) (i)

- Setting up the trust allows the member to be sure that the surviving spouse is provided for
- ; via withdrawals/loans from the trust.
- The member can choose the trustees;
- one of whom could be the surviving spouse.
- It ensures that the member's child can receive the pension benefits on second death/means the surviving spouse cannot take the whole payment as lump sum.

- A nomination can be changed after the first death by the survivor;
- and trustees/scheme administrators are not obliged to follow the instructions on a nomination form.
- As a result, the funds could be paid to someone other than the surviving spouse/child.

(ii) If the member dies before age 75, funds will be paid into the spousal by-pass trust tax free if the payment is made within the two-year window.
If the member dies after reaching age 75/payment made outside two-year window the funds are subject to a 45% tax charge.

(e) **(i)**

- (£60,000 - £35,000) x 30% = £7,500
- Allowable loss = £35,000 – (£60,000 - £7,500) = £17,500

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

- The allowable loss can be set against her Income Tax.
- Expectations of the performance of the shares in the future.
- Her attitude to risk and capacity for loss.
- Her plans for the funds/what does she plan to do with the funds/reason for the encashment.
- She does not need any additional income.
- Enterprise Investment Scheme offers an Inheritance Tax benefit.
- There is likely to be an Inheritance Tax liability on her estate when she dies.
- Overall make up/risk of her current investments.
- She is in good health.
- Investment powers included in the Lasting Power Attorney (LPA).
- Liquidity of the shares.
- Any Capital Gains Tax deferred.

(f) **(i)**

- She will remain as an attorney on the H&W Lasting Power Attorney;
- but will no longer be able to act as an attorney on the P&F Lasting Power Attorney.
- As the power is granted jointly;
- P&F LPA will be revoked/ will need to be replaced;
- unless a replacement attorney has been named.

(ii)

- If she is declared bankrupt after the inheritance is received;
- then the trustee in bankruptcy will be able to claim the inheritance as an asset.

- If she is declared bankrupt before the inheritance is received;
- and death occurs before she is discharged;
- she must notify the trustee in bankruptcy (TIB) within 21 days of becoming aware she entitled to receive this inheritance

- Subject to the TIB serving the appropriate notices within the prescribed time limit/within 42 days, the executors must then pay the inheritance to the trustee in bankruptcy, even if the distribution occurs after she is discharged.

- If death occurs after she is discharged she does not need to notify the trustee in bankruptcy/Official Receiver.

- The legacy is not classed as part of her estate until after Rosemary's death.

(g) (i)

- Write a new Will/codicil;
- which should be properly executed;
- and include a statement stating that the previous Will is revoked.
- Will/codicil should include the establishment of a discretionary trust;
- for the benefit of Emma to reflect Rosemary's wish to protect her estate from the trustee in bankruptcy.
- The new Will/codicil should also make provision for Penny and Ben.

(ii)

- Deed of variation signed by Emma and Ian within two years of Rosemary's death.
- However, Emma will not be able to disclaim her inheritance if she is an undischarged bankrupt.

- Potentially exempt transfer to Ben from Ian/Emma.
- Exempt transfer from Ian to Penny.

Question 2

(a)

- She is likely to spend more than;
- 183 days in the UK (during the tax year 2017/2018)
- and if she does she will meet the automatic residence test.
- Even if she does not meet the automatic residence test she will be resident under the sufficient ties test
- due to having an accommodation tie;
- a work tie;
- and a 90-day tie.

(b) **Gain on property**

£520,000 – (£450,000 + £6,500) = **£63,500**

Loss on YTP plc shares

£141,170/ 35,000 = average share price of £4.03
Loss per share = £4.03 - £2.79 = £1.24
10,000 x £1.24 = **£12,400 loss**

Gain on sale of XQZ Ltd

(£3.30 - £1.00) x 5,000 = **£11,500**

Remaining BRB for 2017/18

Remaining BRB = (£33,500 + £11,500 PA) – [(£120,000/12) x 3] = **£15,000**

Amount of gain subject to tax: Deduct losses and exemption from gain subject to highest taxation

£63,500 gain in respect of property – (£12,400 loss on YTP shares + £11,300 CGT annual exemption) = **£39,800**

Gain taxed within BRB – lowest taxed gains applied first

£11,500 gain on XQZ shares x 10% = **£1,150** tax owed.
Balance of BRB applied to property: (£15,000 - £11,500) x 18% = **£630** tax owed.

Gain taxed at HR

Balance of property gain taxed at HR: (£39,800 – £3,500) x 28% = **£10,164** tax owed

Total CGT payable

£1,150 + £630 + £10,164 = **£11,944** Capital Gains Tax due

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

- In respect of the cottage that will be her primary residence;
- the Stamp Duty Land Tax will be charged at 0% on the first £125,000;
- 2% on the next £125,000;
- and at 5% on the balance.
- A premium of 3% will be added to each band in respect of the rental property.
- If regarded by HM Revenue & Customs as a linked/connection transaction; stamp duty.
- the combined purchase price of the two properties/£700,000 will be used to calculate the

(d) **(i)**

- Must be available for rent on a commercial basis;
- for a minimum of 210 days;
- per tax year.
- Must be let for a minimum of 105 days.
- It cannot be in longer term occupation for more than 155 days;
- with longer term occupation being periods of more than 31 days.
- The property must be furnished.
- Property must be located in the UK/EEA.

(ii) *Candidates would have gained full marks for any ten of the following:*

- Profits are considered relevant earnings for pension purposes.
- Income Tax relief available on all borrowing costs.
- A loss in a tax year can be offset against the furnished holiday let profits in future tax years.

- She can claim plant and machinery capital allowances;
- for furniture, equipment, fixtures etc.

- If she sells the property she can claim entrepreneurs' relief;
- providing it has met the conditions to qualify as a FHL for at least one year at point of sale.
- This will mean she pays CGT at a rate of 10%, even if she is still a higher-rate taxpayer.
- Alternatively, she can claim Business Asset Rollover Relief;
- and defer the gain by reinvesting the proceeds of the sale into another qualifying asset.

- If she dies whilst owning the property, 100% Business Relief will apply;
- providing she has owned the FHL business for at least two years at date of death.

Question 3

(a)

- (£350,000 - £6,000 gift exemptions) - £325,000 x 20% = **£3,800** tax payable
  Note: CLT not included as more than seven years ago and PET not included as a PET only becomes chargeable on death within seven years and John is still alive.

(b) (i) Benefits to the trustees:

- Trustees can apply holdover relief on transfer of capital to a beneficiary avoiding the need to pay Capital Gains Tax within the trust.

Benefits to the beneficiaries:

- Capital payments can be offset against beneficiary's Capital Gains Tax exemption.
- Beneficiaries can use their personal allowance against income paid from the trust.
- Within these allowances the payments from the trust are tax free/tax paid within the trust can be reclaimed.

(ii)

- Tax paid within the trust enters the pool ;
- after expenses;
- at a rate of 7.5% on dividends payments;
- within the £500 basic rate tax band;
- and at a rate of 38.1% thereafter.

- The pool is reduced by tax credits claimed by beneficiaries.
- At the end of each tax year an assessment is made/tax return is completed by the trustees.
- If the pool is in credit, then this rolls over to the following tax year.
- If the pool is in debit, then the trustees must make a payment to HM Revenue & Customs to cover the difference.

(c) **Value of 1 February 2010 CLT in cumulation**
£200,000 - £6,000 gift exemptions = **£194,000**

Nil rate band available to set against 10 May 2013 gift
£325,000 - £194,000 value of 2010 CLT = **£131,000**

Gift 10 May 2013
£250,000 - £6,000 gift exemptions = **£244,000** chargeable value of gift.
£244,000 - £131,000 remaining NRB = **£113,000** subject to IHT.
£113,000 x 40% = **£45,200**
£45,200 x 60% taper relief = **£27,120** IHT payable by John's son.

Nil rate band available to set against 1 November 2017 CLT
£325,000 - £244,000 (chargeable value of 10 May 2013 gift) = **£81,000**

CLT 1 November 2017
(£344,000 [(1)] – £81,000) NRB x 40% = **£105,200**
£105,200 - £3,800 (tax paid when trust established) = **£101,400** IHT payable by trustees.

[(1)] £350,000 less 2 x annual gift exemptions.

(d)

- He now benefits from a £100,000 residence nil rate band which will rise to £175,000 (by 2020/21).
- This applies long as his estate is valued at no more than £2 million and the property is left to direct descendant.

- Gifts to the value of £600,000 have been made.
- Any Inheritance Tax payable on these gifts will fall to the gift recipients.
- The growth in value on these gifts is outside of the estate.

- The growth in value of his assets may have been at a lower rate than expected.
- The index used to increase the whole of life sum assured may have increased at a faster rate than expected.

All questions in the April 2018 paper will be based on English law and practice applicable in the tax year 2017/2018, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the April 2018 examinations.

INCOME TAX

RATES OF TAX	2016/2017	2017/2018
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	£32,000	£33,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge from 7 January 2013:		
1% of benefit for every £100 of income over	£50,000	£50,000

**not applicable if taxable non-savings income exceeds the starting rate band.*

Dividend Allowance		£5,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,000	£11,500
Married/civil partners (minimum) at 10% †	£3,220	£3,260
Married/civil partners at 10% †	£8,355	£8,445
Transferable tax allowance for married couples/civil partners	£1,100	£1,150
Income limit for age-related allowances†	£27,700	£28,000
Rent a Room relief	£4,250	£7,500
Blind Person's Allowance	£2,290	£2,320
Enterprise Investment Scheme relief limit on £1,000,000 max	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.

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

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£113
Primary threshold	£157
Upper Earnings Limit (UEL)	£866

Total earnings £ per week	**CLASS 1 EMPLOYEE CONTRIBUTIONS**
Up to 157.00*****	Nil
157.01 – 866.00	12%
Above 866.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £113 per week. This £113 to £157 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 157.00**	Nil
157.01 – 866.00	13.8%
Excess over 866.00	13.8%

*** Secondary earnings threshold.*

Class 2 (self-employed)	Flat rate per week £2.85 where profits exceed £6,025 per annum.
Class 3 (voluntary)	Flat rate per week £14.25.
Class 4 (self-employed)	9% on profits between £8,164 - £45,000. 2% on profits above £45,000.

PENSIONS

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

LIFETIME ALLOWANCE CHARGE

55% of excess over lifetime allowance if taken as a lump sum.
25% of excess over lifetime allowance if taken in the form of income, which is subsequently taxed under PAYE.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*

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

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

MONEY PURCHASE ANNUAL ALLOWANCE	2016/2017	2017/2018
	£10,000	£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	2016/2017	2017/2018
Individuals, estates etc	£11,100	£11,300
Trusts generally	£5,550	£5,650
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

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

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

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2016/2017	2017/2018
Transfers made on death after 5 April 2015		
- Up to £325,000	Nil	Nil
- Excess over £325,000	40%	40%
Transfers made after 5 April 2015		
- Lifetime transfers to and from certain trusts	20%	20%

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

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

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

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

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

Reduced tax charge on gifts within 7 years of death:

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

Quick succession relief:

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

CAR BENEFIT FOR EMPLOYEES

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

For 2017/2018:

- The percentage charge is 9% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 13%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 17%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 18% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 200g/km and above).

There is an additional 3% supplement for diesel cars not meeting Euro IV emission standards. However, the maximum charge remains 37% of the car's list price.

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£22,600 for 2017/2018) e.g. car emission 100g/km = 17% on car benefit scale. 17% of £22,600 = £3,842.

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

PRIVATE VEHICLES USED FOR WORK

	2016/2017 Rates	**2017/2018 Rates**
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2016/2017	2017/2018
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

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

CO_2 emissions of g/km:	75 or less*	76-130	131 or more
Capital allowance:	100%	18%	8%
	first year	reducing balance	reducing balance

*_If new_

MAIN SOCIAL SECURITY BENEFITS

		2016/2017	2017/2018
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.55	16.70
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.30	Up to 109.65
Attendance Allowance	Lower rate	55.10	55.65
	Higher rate	82.30	83.10
basic State Pension	Single	119.30	122.30
	Married	190.80	195.60
new State Pension	Single	155.65	159.55
Pension Credit	Single person standard minimum guarantee	155.60	159.35
	Married couple standard minimum guarantee	237.55	243.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment Support Payment*		2,000.00	2,000.00
Higher rate - lump sum		N/A	3,500.00
Higher rate - monthly payment		N/A	350.00
Standard rate – lump sum		N/A	2,500.00
Standard rate – monthly payment		N/A	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		139.58	140.98

*Only applicable where spouse or civil partner died on or after 6 April 2007**

CORPORATION TAX

	2016/2017	2017/2018
Standard rate	20%	19%

VALUE ADDED TAX

	2016/2017	2017/2018
Standard rate	20%	20%
Annual registration threshold	£83,000	£85,000
Deregistration threshold	£81,000	£83,000

STAMP DUTY LAND TAX

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

Stamp Duty Land Tax (SDLT) is payable in England, Wales and Northern Ireland only. Land and Buildings Transaction Tax (LBTT) is payable in Scotland at different rates to the above.

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

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

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