Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

October 2018 Examination Guide

SPECIAL NOTICES

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

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

AF7 – Pension planning

Contents

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

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

Before the examination

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

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

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

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

Make full use of the Examination Guide

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

This guide and previous Examination Guides can be treated as 'mock' examination papers. Attempting them under examination conditions as far as possible, and then comparing your answers to the model ones, should be seen as an essential part of your exam preparation. The examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can 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 two-hour written paper in two sections. All questions are compulsory:

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

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

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

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

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

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

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

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

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

Tackling questions

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

It is vital to label all parts of your answer correctly as many 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

General

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

The examination has two sections. The first containing four short questions and the second containing two case study based questions.

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

Question 1

Candidates were asked to identify ten of the risk factors that the Financial Conduct Authority would expect a firm to consider when providing risk warnings to an individual who is considering the transfer of defined benefit pension benefits to a personal pension plan to access them flexibly.

The Conduct of Business Rules contains the list of risk factors and most candidates performed fairy well in this question. A good knowledge of the regulatory Conduct of Business (COBS) rules and any guidance relating specifically to pension transfers is recommended for this exam paper.

Question 2

This question required candidates to consider the benefits and drawbacks of the partial transfer of a specified element of a defined benefit pension in relation to a given scenario.

Overall candidates did not perform as well as expected in this question. Answers given were too generic about the transfer of defined benefit schemes rather than linked specifically to the scenario given. Candidates should ensure that answers are clearly linked to any scenarios given to gain high marks.

Question 3

Sequencing risk is an important factor to understand and consider when planning to access pension benefits flexibly following the transfer of defined benefit pension benefits.

Generally, candidates did well in both parts of this question. Candidates should be familiar with any risks that could arise in relation to pension transfer advice and the implications and mitigation of them.

Question 4

Candidates were asked to explain why a cash equivalent transfer value (CETV) may have reduced since the last time one was requested 18 months previously. In order to gain marks, candidates needed to identify elements of the CETV calculation process and state how they may have changed to reduce the CETV over the past 18 months

An understanding of this is fundamental knowledge when providing advice on the transfer of defined benefit pension schemes. It has been tested on numerous occasions within previous pension examinations and the answers provided on this occasion were disappointing and suggest a lack of knowledge in this area. Candidates are advised to review fully before attempting this examination again.

Question 5

This question asked candidates to consider the features of a Section 32 Buy Out Bond that would be important and relevant to the scenario given. Other than marks for comments relating to the with-profits fund that most candidates gained, the answers given were generally very disappointing and demonstrated a lack of knowledge in this area.

While Section 32 plans are not a main stream product these days, there are lots of individuals who have them and are coming up to retirement in the near future. As many of these plans contain safeguarded rights it is important for a pension transfer specialist to have at least a basic understanding of how these plans operate.

Question 6

Candidates were asked to explain why a transfer was not recommended based on the information given to them in the case study. Most candidates did fairly well in this question however the lack of detail provided did mean that in some cases high marks were not gained.

It should be noted that when a question refers specifically to the case study provided that candidates link their answers to the objectives and information provided in the case study to gain high marks in the question.

Question 7

This question asked candidates to consider why income would be better taken via a series of pension commencement lump sum (PCLS) payments rather than a series of uncrystalised funds pension lump sum (UFPLS) payments.

The majority of candidates answered this question well however not enough detail was given in most cases to gain high marks. Candidates should take note of the number of marks available for a question and use this as a guide for the level of detail that is required in the answer.

Question 8

Fact-finding type questions are common within exams with candidates being asked to identify additional information they would request in relation to a case study and an objective. The questions usually give an indication as to who or what the information relates to.

In this question the additional information was specifically from Rachel in relation to advising on a pension transfer. Candidates generally did well in this question however many just wrote down everything they could think of that may be required. While this approach will gain some marks, it may not achieve high marks and could waste valuable time. Candidates should take care to focus answers on what is specifically being asked of them.

Question 9

Benefits and drawbacks of transferring a defined benefits entitlement to a personal pension plan are considered in this question in relation to the information presented in the case study.

Many candidates did well in this question however some lost marks for not linking answers to the objectives and information provided in the question and case study.

Question 10

Candidates were asked to consider the suitability and Income Tax position of nominating death benefits either directly to beneficiaries or with use of a discretionary trust.

This is an important part of the whole planning process and the scenario given in the case study is an not an uncommon one found in practice these days. The answers were disappointing with most candidates getting very few marks other than the death benefit taxation on direct nomination. Many candidates did not attempt to consider suitability.

Chartered Insurance Institute

AF7

Advanced Diploma in Financial Planning

Unit AF7 – Pension transfers

October 2018 examination

SPECIAL NOTICES
All questions in this paper are based on English law and practice applicable in the tax year 2018/2019, unless stated otherwise in the question, and should be answered accordingly.
It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

Instructions

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

Unit AF7 – Pension transfers

Instructions to candidates

Read the instructions below before answering any questions

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

Section A: 36 marks
Section B: 64 marks

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

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

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

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

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

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

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

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

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

SECTION A

The following questions are compulsory and carry a total of 36 marks

Questions

1. The Financial Conduct Authority's (FCA) Conduct of Business Sourcebook no longer includes specific risk warnings that must be given to a customer who wishes to transfer their benefits from a defined benefit pension scheme to access their pension fund flexibility. Instead, the FCA expects firms to develop their own appropriate risk warnings and provides a list of the risk factors they expect firms to consider.

Identify **ten** risk factors that should be considered. **(10)**

2. Robert, aged 55, was a member of his previous employer's defined benefit pension scheme until last month. This is Robert's only pension provision. The scheme, which increases all benefits in payment in line with statutory minimums and offers partial transfers, has the following deferred benefits:

- Guaranteed minimum pension (GMP): £3,490 per annum
- Pre-1997 excess benefits: £14,600 per annum
- Post-1997 benefits: £28,785 per annum

Robert would like to access his pension funds to provide an income whilst he establishes his own business. He expects he will need an income for six to twelve months, and that thereafter the income from his new business will be sufficient until his expected retirement age of 67.

Robert's target income in retirement is £30,000 net per annum, increasing in line with inflation. He has a low to medium attitude to risk and limited savings.

Outline **four** potential benefits and **four** potential drawbacks of transferring Robert's pre-1997 excess benefits to a personal pension plan, whilst retaining his GMP and post-1997 benefits within his previous employer's defined benefit pension scheme. **(8)**

3. Sanjay is taking withdrawals from his flexi-access drawdown plan to provide him with income in retirement.

(a) Explain why Sanjay may need to be concerned about sequencing risk. **(4)**

(b) Outline **four** strategies that could be used to reduce its potential impact. **(4)**

4. Lucy, aged 44, has recently received a cash equivalent transfer value (CETV) in respect of her previous employers defined benefit pension scheme. She is upset to find that it is lower than the value offered to her eighteen months ago.

Explain, in detail, the reasons that may have contributed to the reduction in her CETV. **(10)**

Total marks available for this question: 36

SECTION B

All questions in this section are compulsory and carry an overall total of 64 marks

Case study 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.

Graham, aged 55, was recently widowed. He is in good health, with a family history of longevity. He has recently left the employment of the local authority to look after his two children, Oliver, aged 16, and Isobel, aged 13. His intention is to take a career break until Isobel finishes secondary school.

Graham has a low to medium attitude to risk and limited investment experience. He is now in receipt of a dependant's scheme pension of £15,000 per annum and needs an additional £10,000 net per annum to cover his outgoings during his career break. He has an investment portfolio of £25,000 which consists of £20,000 split between a bank account and cash ISA and the remaining £5,000 is in a stocks and shares ISA. He has no mortgage or other debts as these were all repaid following the death of his wife and intends to keep these funds for emergencies.

Graham has a Section 32 policy established in 1993 following a transfer from a contracted-out defined benefit scheme which he was a member of between 1984 and 1992. When Graham left his defined benefit scheme his accrued benefits were valued at £1,400 per annum, mostly in respect of guaranteed minimum pension (GMP). The policy is wholly invested in a with-profits fund and the provider has confirmed that a transfer value of £200,500 is currently available.

Graham joined the Local Government Pension Scheme (LGPS) in 1993. At the point that he started his career break he had an accrued pension of £18,750 per annum plus a pension commencement lump sum (PCLS) entitlement of £56,250. He plans to return to work when Isobel finishes school and expects to retire at State Pension age requiring a net index-linked secured income of around £30,000 per annum.

Questions

5. Taking account of Graham's personal circumstances and objectives, outline the features specific to his Section 32 policy that should be considered before recommending whether it should be transferred to a personal pension plan. **(9)**

6. Based on the information provided in the case study, explain why you would recommend that Graham should not transfer the value of his benefits out of his defined benefit pension scheme. **(11)**

7. You have recommended that Graham transfers his Section 32 policy into a personal pension plan to access benefits flexibly.

Explain why Graham should take the additional £10,000 per annum required as a series of pension commencement lump sum payments rather than taking an uncrystalised funds pension lump sum (UFPLS) payment each year. **(10)**

Total marks available for this question: 30

Case study 2

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

Rachel, aged 52, is self-employed and lives with her partner William, aged 56. They each have two children from previous relationships and apart from sharing the household expenditure, Rachel and William keep their financial affairs entirely separate.

In addition to £21,000 in cash savings, Rachel has a stocks and shares ISA valued at £76,000 and a personal pension plan currently valued at £115,000. Both are invested in accordance with her medium to high attitude to risk. Rachel also has the following benefits accrued under her former employer's defined benefit pension scheme:

Date of joining scheme	January 1986
Date of leaving scheme	March 2012
Total pension at date of leaving	£26,000 per annum
Normal retirement age	65
Early retirement	From age 60 with an actuarial reduction of 6% per annum
Dependant's pension	50% in deferment and retirement. Payable to a spouse or civil partner only.
Increases in deferment	Statutory minimum
Increases to pension in payment	Statutory minimum
Cash equivalent transfer value (CETV)	£760,000

Whilst Rachel is happy for all jointly held assets to pass to William in the event of her death, she is keen to ensure that her two children inherit her remaining assets where possible. As a result, Rachel is considering transferring the value of her benefits to a personal pension plan to help ensure her children receive some value from her pension in the event of her death.

Questions

8. State the additional information you would require from Rachel prior to advising her on the suitability or otherwise of transferring the value of her defined benefit entitlement into a personal pension plan. **(9)**

9. List **five** potential benefits and **five** potential drawbacks of Rachel transferring the value of her defined benefit entitlement into a personal pension plan. **(10)**

10. You have recommended that Rachel transfers the value of her defined benefit entitlement into a personal pension plan.

Evaluate the suitability, and outline the children's Income Tax position if the death benefits are nominated:

(a) directly to her children; **(8)**

(b) to a bypass trust with her children as potential beneficiaries. **(7)**

Total marks available for this question: 34

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

- Health.
- Loss of guarantees.
- Whether the client has a partner or dependants.
- Inflation.
- Whether the client has shopped around.
- Sustainability of income.
- Tax.
- Charges.
- Impact on means tested State benefits.
- Debt.

Model answer for Question 2

Benefits
- The remaining defined benefit pension is likely to provide the target retirement income.
- The retained guaranteed income is suitable for his attitude to risk and capacity for loss
- There is no reduction in the inflation-proofed income available in retirement.
- Can meet his income needs over the next six to twelve months.

Drawbacks
- The amount of guaranteed income in retirement will be reduced.
- The money purchase annual allowance (MPAA) may be triggered.
- Increased potential for a lifetime allowance (LTA) charge in the future.
- Cost of advice and product charges.

Model answer for Question 3

(a)
- Regular withdrawals amplify poor returns experienced in the early years of a drawdown plan which increases the possibility that the funds will run out too soon.

(b)
- Take less income during periods of poor performance.
- Utilise a rising equity glidepath strategy.
- Calculate and use a Safe Withdrawal Rate.
- Use an investment strategy that has volatility protection.

Model answer for Question 4

- The previous cash equivalent transfer value (CETV) was enhanced by the Trustees.
- The scheme funding has deteriorated.
- Inflation is lower leading to lower revaluation and a lower projected pension with lower escalation and higher annuity rates all resulting in a lower capitalised value being required.
- Life expectancy has reduced.
- Higher equity returns leading to a higher discount factor.

Model answer for Question 5

- The Guaranteed Minimum Pension (GMP) will be revalued at 7.5% each year and paid in full at age 65.
- The Section 32 meets his requirement for index-linked secure income and he is in good health with a history of family longevity.
- Performance or with-profits funds and any terminal bonus or market value reduction being applied.
- A with-profits fund is suitable for his attitude to risk and investment experience.
- On death before retirement the value of the fund will go into his estate.
- On death after retirement the GMP can only provide a 50% spouses pension and cannot be paid to his children therefore currently would be lost.

Model answer for Question 6

- He intends to go back to work and may benefit from the transfer club.
- The pension is guaranteed which is suitable for his low to medium attitude to risk and limited capacity for loss.
- He has a family history of longevity and requires an inflation-linked income which Local Government Pension Scheme (LGPS) can provide him as it is linked to Consumer Prices Index (CPI) in full.
- Death benefits are available for the children until they finish full-time education or reach age 23.
- LGPS will meet most of his retirement income requirement with the remainder being provided by his dependants pension and State Pension.

Model answer for Question 7

- Pension commencement lump sum (PCLS) payments are tax-free whereas 75% of an uncrystalised fund pension lump sum (UFPLS) payment is taxable.
- He is receipt of a dependants pension that uses his personal allowance therefore the taxable income from an UFPLS would be taxed at 20%.
- PCLS payments do not trigger the MPAA whereas an UFPLS payment would and his future money purchase pension contributions after returning to work will be restricted.
- PCLS payments would require a smaller amount of the pension fund to be withdrawn leaving more funds invested to grow and to provide higher death benefits.
- UFPLS may be taxed under ‘month 1’ rules initially requiring a tax reclaim to be submitted.

Model answer for Question 8

- Health.
- Intended retirement age.
- Importance or guarantees v. benefit flexibility.
- Requirement for inflation proof pension.
- Any expected inheritances.
- Level of income required in retirement.
- Any debts to be repaid.
- Likelihood of marriage to William in the future.
- Ages of the children and any likely dependency period.

Model answer for Question 9

Benefits:
- Able to access pension benefits from age 55.
- Can access benefits flexibly if required.
- Potentially higher pension commencement lump sum.
- Will be able to provide death benefits for the children.
- Potential for future growth.

Drawbacks:
- Loss of guaranteed pension income.
- Loss of inflation linked income.
- Income may not be sustainable, and funds could run out.
- Cost of advice and product charges.
- Increased potential for lifetime allowance charge in the future.

Model answer for Question 10

(a)
- Nomination form makes her wishes clear to the trustees however it is not legally binding, and they could decide to pay some or all of the funds to William based on their financial interdependency or if they had got married before death.
- Children can take a lump sum or an income from the death benefits if they wish.
- The funds can grow tax-free while they remain in a pension fund.
- Death benefits paid tax-free if death of the member is before age 75 and designated within two years otherwise they are taxed as the recipients earned income under Pay As You Earn (PAYE).

(b)
- Funds are distributed at the trustees discretion however a letter of wishes can be provided to them prior to death.
- The assets are not part of the beneficiaries estate for bankruptcy or divorce purposes.
- Can be complex and may have periodic and exit charges.
- If death occurs after age 75 then there is a 45% tax charge levied on the fund on entry into the trust.
- Any income paid from the trust is paid with a 45% tax credit which may be reclaimable depending on the beneficiaries tax status effectively taxing the income at their marginal rate.

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

The Tax Tables which follow are applicable to the October 2018 and April 2019 examinations.

INCOME TAX

RATES OF TAX	2017/2018	2018/2019
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£33,500	£34,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

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

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

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic)	£11,500	£11,850
Married/civil partners (minimum) at 10% †	£3,260	£3,360
Married/civil partners at 10% †	£8,445	£8,695
Transferable tax allowance for married couples/civil partners	£1,150	£1,190
Income limit for Married couple's allowance†	£28,000	£28,900
Rent a Room relief	£7,500	£7,500
Blind Person's Allowance	£2,320	£2,390
Enterprise Investment Scheme relief limit on £1,000,000 max**	30%	30%
Seed Enterprise Investment relief limit on £100,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

§ the Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).
† where at least one spouse/civil partner was born before 6 April 1935.
*** maximum for 'standard' investment but for 'knowledge intensive' investment, the limit is £2,000,000.*

Child Tax Credit (CTC)

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

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	**Weekly**
Lower Earnings Limit (LEL)	£116
Primary threshold	£162
Upper Earnings Limit (UEL)	£892

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

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £116 per week. This £116 to £162 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the new State Pension.*

Total earnings £ per week	**CLASS 1 EMPLOYER CONTRIBUTIONS**
Below 162.00**	Nil
162.01 – 892	13.8%
Excess over 892.00	13.8%

*** Secondary earnings threshold.*

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

PENSIONS

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

LIFETIME ALLOWANCE CHARGE

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

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2011/2012	£50,000
2012/2013	£50,000
2013/2014	£50,000
2014/2015	£40,000
2015/2016	£40,000~
2016/2017	£40,000*
2017/2018	£40,000*
2018/2019	£40,000*

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

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

MONEY PURCHASE ANNUAL ALLOWANCE	2017/2018	2018/2019
	£4,000	£4,000

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

EXEMPTIONS	2017/2018	2018/2019
Individuals, estates etc	£11,300	£11,700
Trusts generally	£5,650	£5,850
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000

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

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

INHERITANCE TAX

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

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

MAIN EXEMPTIONS

	2017/2018	2018/2019
Transfers to		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£100,000	£125,000
- UK-registered charities	No limit	No limit

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

	2017/2018	2018/2019
Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Small gifts exemption	£250	£250
Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

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

Reduced tax charge on gifts within 7 years of death:

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

Quick succession relief:

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

CAR BENEFIT FOR EMPLOYEES

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

For 2018/2019:

- The percentage charge is 13% of the car's list price for CO_2 emissions of 50g/km or less.
- For cars with CO_2 emissions of 51g/km to 75g/km the percentage is 16%.
- For cars with CO_2 emissions of 76g/km to 94g/km the percentage is 19%.
- Cars with CO_2 emissions of 95g/km have a percentage charge of 20% and thereafter the charge increases by 1% for every complete 5g/km to a maximum of 37% (emissions of 190g/km and above).

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

Car fuel The benefit is calculated as the CO_2 emissions % relevant to the car and that % applied to a set figure (£23,400 for 2018/2019) e.g. car emission 90g/km = 19% on car benefit scale. 19% of £23,400 = £4,446.

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

PRIVATE VEHICLES USED FOR WORK

	2017/2018 Rates	2018/2019 Rates
Cars		
On the first 10,000 business miles in tax year	45p per mile	45p per mile
Each business mile above 10,000 business miles	25p per mile	25p per mile
Motor Cycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

MAIN CAPITAL AND OTHER ALLOWANCES

	2017/2018	2018/2019
Plant & machinery (excluding cars) 100% annual investment allowance (first year)	£200,000	£200,000
Plant & machinery (reducing balance) per annum	18%	18%
Patent rights & know-how (reducing balance) per annum	25%	25%
Certain long-life assets, integral features of buildings (reducing balance) per annum	8%	8%
Energy & water-efficient equipment	100%	100%
Zero emission goods vehicles (new)	100%	100%
Qualifying flat conversions, business premises & renovations	100%	100%

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

CO_2 emissions of g/km:	50 or less*	51-110	111 or more
Capital allowance:	100% first year	18% reducing balance	8% reducing balance

**If new*

MAIN SOCIAL SECURITY BENEFITS

		2017/2018	2018/2019
		£	£
Child Benefit	First child	20.70	20.70
	Subsequent children	13.70	13.70
	Guardian's allowance	16.70	17.20
Employment and Support Allowance	Assessment Phase		
	Age 16 – 24	Up to 57.90	Up to 57.90
	Aged 25 or over	Up to 73.10	Up to 73.10
	Main Phase		
	Work Related Activity Group	Up to 102.15	Up to 102.15
	Support Group	Up to 109.65	Up to 110.75
Attendance Allowance	Lower rate	55.65	57.30
	Higher rate	83.10	85.60
basic State Pension	Single	122.30	125.95
	Married	195.60	201.45
new State Pension	Single	159.55	164.35
Pension Credit	Single person standard minimum guarantee	159.35	163.00
	Married couple standard minimum guarantee	243.25	248.80
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Payment*		2,000.00	2,000.00
Bereavement Support Payment**	Higher rate - First payment	3,500.00	3,500.00
	Higher rate - monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseekers Allowance	Age 18 - 24	57.90	57.90
	Age 25 or over	73.10	73.10
Statutory Maternity, Paternity and Adoption Pay		140.98	145.18

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

CORPORATION TAX

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

VALUE ADDED TAX

	2017/2018	2018/2019
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

STAMP DUTY LAND TAX

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

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

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

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

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

Additional Information Pension Paper – AF7 2018/2019

Revaluation

Guaranteed Minimum Pension – Fixed rate

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

Non GMP benefits – statutory minimum rates

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

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

Escalation

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

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

NOTE: Statutory escalation was based on RPI prior to 2011

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

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

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

Pension Protection Fund

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

Revaluation of deferred benefits within PPF

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

Escalation of benefits in payment from PPF

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