Chartered Insurance Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

September 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the February 2027 exam should study this exam guide carefully in order to prepare themselves for the exam.

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

AF1 – Personal tax and trust planning

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This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on ***online.exams@cii.co.uk*** to discuss your needs.

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Exam Guide is to help you understand how examiners seek to assess the knowledge and skill of candidates. You can then use this understanding to help you demonstrate to the Examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the exam, it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under exam conditions.

Before the exam

Study the syllabus carefully
It is crucial that you study the relevant syllabus carefully, which is available online at www.cii.co.uk, on the relevant qualification page. All the questions in the exam are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

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
To get the most out of your learning, it's important to explore beyond just one textbook. Relying solely on a single study text may not give you all the depth or perspectives you need. While the main study materials are designed to cover the syllabus, they might not always explain things in a way that works for you—or offer alternative viewpoints that deepen your understanding.

That's why reading around the subject is so valuable. If a topic feels unclear or you're curious to see how others approach it, looking at different sources can really help. Think of it as building a richer, more rounded picture of what you're learning.

Build confidence in your knowledge and ability to apply it.

Make full use of the Exam Guide
This Exam Guide contains a full exam 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 Exam Guides can be treated as 'mock' exam papers. Attempting them under exam conditions as far as possible and then comparing your answers to the model ones should be seen as an essential part of your exam preparation.
The Examiner's comments on candidates' actual performance in each question provide further valuable guidance. You can obtain copies of the two most recent exam guides free of charge on the relevant qualification page at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the tax tables printed at the back of the Exam Guide. 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 use your own tax tables in the exam, these are provided in the portal when you sit the exam.*

Know the structure of the exam

- Assessment is by means of a three-hour online written exam in two sections.
- All questions are compulsory.
- **Section A** consists of one case study, worth 80 marks.
- **Section B** consists of two shorter case studies worth a total of 80 marks.
- You will be expected to carry out a variety of tasks, after analysing the information provided.
- Each question part will clearly show the maximum marks which can be earned.

You can also access previous exam papers and test specifications **here**.

Appreciate the standard of the exam

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.

Assessment Information and Rules and Policies for candidates

Please review the assessment information and rules and policies for candidates. Full details of the administrative arrangements and the regulations governing your exam entry are available online.

On-screen written exam familiarisation

The familiarisation test allows you to experience using the assessment platform before your exam.

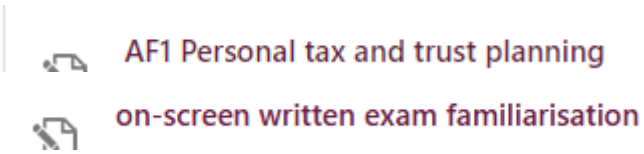
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

You can access the familiarisation test at any time. It can be found **here**.

We strongly recommend that you take the familiarisation test to ensure you are familiar with the on-screen assessment platform experience.

If you have previously sat any of the CII's multiple-choice exams, please note this familiarisation experience has a different set up.

On the day of the AF1 exam, upon accessing the platform, you will need to click on **AF1 Personal tax and trust planning** to start the exam:



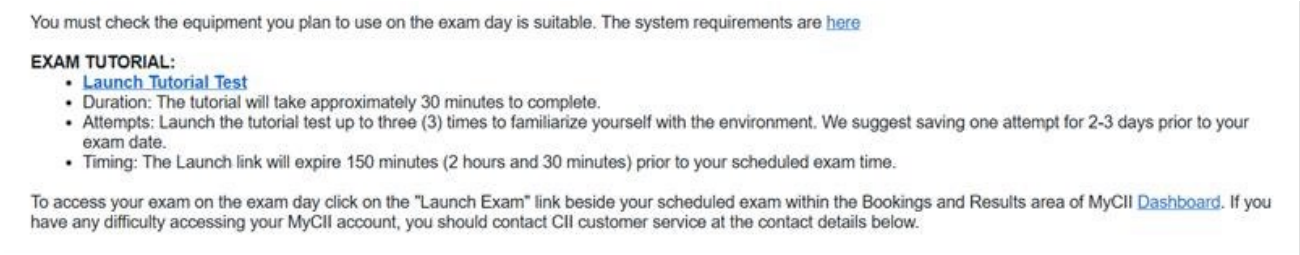
We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

Please note the exam timer will not start until you click the exam titled: **AF1 Personal tax and trust planning.**

Important information for remote invigilation candidates only

If you are taking the exam through remote invigilation, **we strongly advise that you try the online Tutorial test** once you have received your exam login details and well in advance of the actual exam day. This test is different to the familiarisation test.

You will receive the below information via email before your exam date.



You must check the equipment you plan to use on the exam day is suitable. The system requirements are here

EXAM TUTORIAL:

- Launch Tutorial Test
- Duration: The tutorial will take approximately 30 minutes to complete.
- Attempts: Launch the tutorial test up to three (3) times to familiarize yourself with the environment. We suggest saving one attempt for 2-3 days prior to your exam date.
- Timing: The Launch link will expire 150 minutes (2 hours and 30 minutes) prior to your scheduled exam time.

To access your exam on the exam day click on the "Launch Exam" link beside your scheduled exam within the Bookings and Results area of MyCII Dashboard. If you have any difficulty accessing your MyCII account, you should contact CII customer service at the contact details below.

This Exam Tutorial will help you feel confident and prepared for exam day. It guides you through the system and helps identify any potential issues with your equipment in advance, reducing the risk of technical problems during your exam.

Please note you are strongly advised not to use a laptop provided by your employer.
Laptops and IT equipment provided by your employer typically include security protocols that conflict with any remote invigilation software. You should also avoid using a corporate Wi-Fi or any other internet connection that may include firewalls that you cannot personally control.

The exam platform no longer supports Windows 10 or macOS Ventura for any online testing.
These operating systems no longer meet the minimum technical requirements. Continuing to use them may introduce compatibility issues, affecting performance during test sessions.

It is fundamentally important that, if you are sitting an exam via remote invigilation, you read all of the documents on this page; How to prepare for your on-screen written exam by remote invigilation.

If there is anything you are unsure of, or if you have not received the tutorial email, please contact Customer Service (telephone +44 (0)20 8989 8464 Mon to Fri: 9am – 5pm (UK time), email customer.serv@cii.co.uk, Webchat service: Mon-Fri: 8am-4pm (GMT)) as soon as possible, as this may affect your exam sitting.

On the exam day

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, flag the question, 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.

- Before you start writing, take a moment to think carefully about what the question is really asking. Understanding the examiner's requirements is key to producing a strong, focused answer.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Exam 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.

Order of answering questions

Answer the questions in whatever order feels most comfortable. Generally, it is better to leave any questions which are felt to be challenging until the more familiar questions have been attempted but *remember not to spend excessive time on the questions you are most confident about.* You are able to flag questions and then go back to them.

Answering different question parts

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

Always read all parts of a question before starting to answer it, otherwise you may find that after answering part (i), the answer you have given is more appropriate to part (ii) and it may be necessary to duplicate some of the answer.

Answer format

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

Marks <u>are not</u> lost for incorrect spelling or grammar.

Calculators

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

Tips for laying out calculations in on-screen written exams

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

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

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

Please note that it is currently not possible to insert tables for AF1 exams. You are required to type your answers without the requirement for alignment. As guidance, please refer to the model answers provided in any Exam Guides as templates.

There are no special formulas you are required to be aware of included in the system to submit your answers.

EXAMINERS' COMMENTS

Candidates' overall performance:

There were some mixed performances in this AF1 session. Those candidates who had prepared well for the exam generally performed consistently throughout the paper. However, other candidates had difficulty in applying their knowledge to the standard required to pass a level 6 exam.

There were some good answers to questions testing the recent changes to Inheritance Tax (IHT) Business Relief and Flexible ISAs. However, there were some poor answers to questions testing Wills and Powers of Attorney, demonstrating a gap in level 4 knowledge. There were also some mixed performances in the calculation questions, which are often a rich source of marks for AF1 candidates.

Candidates generally performed well calculating the initial IHT payable on a gift into a Flexible Reversionary Trust and calculating the gain chargeable to Capital Gains Tax (CGT) on the sale of a rental property. Although there were some disappointing answers to the IHT and Income Tax calculations, with some candidates making basic errors, and not checking their figures and workings.

Question 1

Part (a) asked candidates to describe the extent to which Zubair's assets qualify for IHT Business Relief following his death on 1 September 2026. This question was generally answered well, and it was pleasing that many candidates had identified the changes from 6 April 2026 which introduced the £2.5m allowance for 100% Business Relief. Although there were some candidates who incorrectly stated company B would qualify for Business Relief.

In part (b)(i), candidates had to calculate the IHT liability on Zubair's estate. This question was answered with mixed success. Some candidates provided some excellent calculations and scored full marks and there were others that gave the correct answer but lost marks for not showing how they had worked out 10% of the net estate for the 36% tax rate. Candidates should also be reminded that Business Relief is applied as a deduction to the total estate. A common error made by candidates was not including the value of company A in the total value of the estate.

Part (b)(ii) required candidates to explain briefly the IHT implications if the value of company A had been £3m when Zubair died. This question was well answered overall and it was particularly pleasing that some candidates identified the whole estate would be taxed at 40% because the charitable legacy would no longer be more than 10% of the net estate.

Part (c) asked candidates to describe how Zubair's dividend income is taxed in the 2026/2027 tax year and state who is responsible for paying the tax. This question was answered reasonably well, and a lot of candidates correctly identified the difference in the treatment of the dividends received before and after death. Although many candidates failed to include the £500 de minimis for small estates in their answers. This was disappointing, given this was only recently introduced on 6 April 2024 and has been tested in recent AF1 exams.

Part (d) required candidates to explain why, for tax reasons, the executors should consider assigning the onshore investment bond to Zubair's children instead of surrendering it and distributing the proceeds to the children. This question was not well answered, and some candidates incorrectly stated the gain would be assessed as Zubair's income if surrendered by the executors. It is also very disappointing that some candidates at this level continue to incorrectly state that investment bonds are subject to CGT, rather than Income Tax.

In part (e), candidates had to identify five benefits and five drawbacks to Illana of investing in an onshore investment bond and gifting it into a Flexible Reversionary Trust for IHT planning. This is not an area of trust planning that has been frequently tested in AF1 previously and whilst candidates did reasonably well, the marks commonly awarded were those applicable to flexible/discretionary trusts more generally, rather than the marks specific to Flexible Reversionary Trusts.

Part (f) asked candidates to state the factors Ilana should consider before using a Flexible Reversionary Trust to meet her IHT planning objectives. Many candidates did not perform well in this question even though several of the marks available were generic to the use of flexible/discretionary trusts for IHT planning.

Part (g)(i) asked candidates to calculate the IHT payable by the trustees if Ilana invests £300,000 into a Flexible Reversionary Trust on 1 October 2026. This question was generally very well answered with many candidates achieving full marks. A common error made by candidates who didn't gain full marks was failing to deduct the annual exemptions from the chargeable lifetime transfers.

In part (g)(ii), candidates were asked to briefly explain how the IHT payable on creation of the trust would differ if Ilana paid the tax. Few candidates achieved full marks, but many candidates identified the effective rate of tax when the settlor pays the IHT, is 25%.

Part (g)(iii) required candidates to briefly explain why it would be beneficial for Ilana to defer investing into a Flexible Reversionary Trust until 1 October 2027. This was very well answered and many candidates gained full marks.

Part (h) was a question requiring candidates to outline the action Ilana could take to reduce her potential IHT liability without making an immediate gift of capital. There were some very good answers to this question although some candidates incorrectly included answers that would involve gifting capital.

Question 2

Part (a) began with a calculation of Danny's liability to Income Tax in the 2026/2027 tax year. There were some disappointing answers to this question with many candidates making basic errors. These included not using the dividend allowance, using incorrect dividend rates, not rounding to two decimal places, and failing to correctly add up the total tax liability on earned, savings income and dividend income. There were also some candidates who incorrectly included the starting rate band for savings income in their answer.

Part (b), in which candidates were asked to outline the relevant tax considerations when advising Danny on whether a further investment into a Venture Capital Trust (VCT) would be appropriate, was generally well answered.

Part (c)(i) asked candidates to explain the implications if Danny dies without making a new Will. Although it was generally well answered overall, there were some poor answers to this question.

Part (c)(ii) required candidates to explain the implications if Danny revokes his existing Will and dies before making a new one. Many candidates identified the laws of intestacy would apply and some of the more prepared candidates correctly stated the estate would go to Danny's parents.

Part (d) tested the requirements to make a valid Will and this was well answered by many candidates.

In part (e), candidates were asked to describe how Lucia's overseas rental income will be treated for UK tax purposes under the foreign income and gains (FIG) regime when she arrives in the UK as a qualifying new resident. The FIG regime remains a relatively new area and some candidates answered this question reasonably well.

Part (f) asked candidates to describe how Lucia can make a claim for tax relief under the FIG regime and the deadline for doing this for the 2026/2027 tax year. Many candidates correctly stated Lucia must make the claim in her self-assessment tax return whereas only a few were able to correctly identify the deadline of 31 January 2029, which is the 31 January in the second tax year following the tax year to which the claim relates.

Question 3

Part (a) was a calculation of the amount of the gain that will be chargeable to CGT on the sale of Andrew and Penelope's rental property. This question was generally answered well. Those who didn't scored full marks commonly didn't split the gain between them and some candidates went on to calculate the CGT liability, which is not what the question asked.

Part (b) required candidates to explain how CGT is calculated on the sale of the shares from Andrew's Save As You Earn (SAYE) scheme. This was generally well answered. Some candidates incorrectly included the annual exempt amount in their answer, although this had been used against the property.

In part (c) candidates were asked to explain the benefits to Andrew of transferring the shares into a stocks and shares ISA instead of selling them. Many candidates explained Andrew could transfer up to £20,000 into the ISA and the CGT benefits of doing so. Few candidates explained he would need to do this within 90 days of the date of exercising the SAYE option.

Part (d) asked candidates to explain the impact of Penelope's planned ISA withdrawal of £8,000 and subsequent deposit of £16,000 on her annual subscription limit for the 2026/2027 tax year. The flexible ISA rules have been in place since 6 April 2016 but have not been frequently tested in AF1. There were some good attempts at answering this question, although some candidates incorrectly stated Penelope could only replace up to the amount of her unused allowance following the £6,000 subscription earlier in the tax year.

Part (e) required candidates to describe Andrew's main duties as Joyce's attorney under a financial decisions lasting power of attorney (LPA). There were some mixed answers to this question but those candidates who had prepared well for the exam gained high marks.

In part (f), candidates were asked to explain the circumstances where the financial decisions LPA would come to an end. This was generally well answered.

Unit AF1 – Personal tax and trust planning

Instructions to candidates

Read the instructions below before answering any questions.

All questions in this exam are based on English law and practice applicable in the tax year 2026/2027, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals have long-term UK residence status unless otherwise stated.

If you are sitting via remote invigilation please

- **Write down the following number +44 (0)80 8273 9244. This is the number to call if you experience any technical issues.**
- Show your ID to the camera now, if you did not do so during the ID checks.
- Show the edge of your screen with a mirror, if you did not do this during the room scan.
- Show any blank sheets of paper for notes, if you did not show both sides to the camera during the room scan.

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

For candidates sitting via remote invigilation or at a test centre

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

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

SECTION A

This question is compulsory and carries 80 marks

Question 1

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

Zubair, a long-term UK resident, died on 1 September 2026. He had been living with his partner, Ilana, in a property they owned as tenants in common. The couple never married and have two adult children.

Zubair was the sole director and shareholder of two companies. Company A is a profitable retail business established in 2020. Company B was started three years ago for the sole purpose of holding a portfolio of rental properties.

Zubair's estate is comprised of the following assets:

Asset	**Value (£)**
Company A	2,000,000
Company B	200,000
House – 50% share	300,000
AIM shares – invested in 2023	80,000
General Investment Account (GIA) – UK equity fund	75,000
Onshore Investment Bond	65,000
Current Account	15,000

Zubair received dividends of £1,200 from his investments in May 2026 and further dividends are due to be paid in November 2026. The administration of Zubair's estate is not expected to be completed before the end of the current tax year.

In his Will, Zubair leaves a legacy of £50,000 to a UK registered charity and the remainder of his estate is to be split equally between his children. He had made no lifetime gifts.

Ilana is now keen to reduce the potential Inheritance Tax (IHT) liability on her own estate. She is considering making a gift into a trust for the benefit of her children whilst retaining some access to the capital.

Ilana made her only lifetime gift of £100,000 into a discretionary trust on 1 October 2020. She also has an existing whole of life policy which was taken out five years ago to cover the IHT on her estate. The policy is not held under trust.

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

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

(a) Describe the extent to which Zubair's assets qualify for Inheritance Tax (IHT) Business Relief following his death on 1 September 2026. **(8)**

(b) **(i)** Calculate, **showing all your workings**, the IHT liability on Zubair's estate following his death on 1 September 2026. **(12)**

(ii) Explain briefly, **using figures where appropriate**, the IHT implications if the value of Company A had been £3,000,000 when Zubair died. **(5)**

(c) Describe how Zubair's dividend income is taxed in the 2026/2027 tax year and state who is responsible for paying the tax. **(10)**

(d) Explain why, for tax reasons, the executors should consider assigning the Onshore Investment Bond to Zubair's children instead of surrendering it and distributing the proceeds to the children. ***You should assume that the children are the lives assured.*** **(8)**

(e) Identify **five** benefits and **five** drawbacks to Ilana of investing in an Onshore Investment Bond and gifting it into a Flexible Reversionary Trust for IHT planning. **(10)**

(f) State the factors Ilana should consider before using a Flexible Reversionary Trust to meet her IHT planning objectives. **(8)**

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.

(g) **(i)** Calculate, **showing all your workings**, the IHT payable by the trustees if Ilana invests £300,000 into a Flexible Reversionary Trust on 1 October 2026. **(6)**

(ii) Explain briefly how the IHT payable on creation of the Flexible Reversionary Trust would differ if Ilana paid the tax. **(4)**

(iii) Explain briefly why it would be beneficial for Ilana to defer investing into a Flexible Reversionary Trust until 1 October 2027. **(3)**

(h) Outline the actions Ilana could take to reduce her potential IHT liability without making an immediate gift of capital. **(6)**

Total marks available for this question: 80

SECTION B

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

Question 2

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

Danny, aged 43, has been divorced from his former wife Melanie for ten years. He has no children

Danny met his Spanish partner, Lucia, two years ago. She has always lived in Spain but will be moving to the UK to live with Danny on 1 October 2026. They have no plans to marry.

Lucia will receive income from Spain when she rents out her current home and is concerned about the tax position of this once she arrives in the UK.

Danny is the director of his own limited company. He draws a salary of £12,570 and dividends of £99,000. He will also receive income from the following investments in the 2026/2027 tax year:

Type	Income received in 2026/2027 (£)
Cash ISA	4,800
Stocks and shares ISA	4,300
Savings deposit account	9,000
UK equities	8,200
Venture Capital Trust (VCT)	7,200

Danny invested in his existing VCT in 2023 and is investing £200,000 in a new issue of VCT shares in the current tax year.

He made a Will when he married Melanie. She was named as one of the executors and Danny's brother was named as the other. In his Will, he left £50,000 to his brother with the rest to Melanie.

Danny's parents have recently suffered hardship, and he has been supporting them financially each month. He expects this to continue for the foreseeable future.

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

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

(a) Calculate, **showing all your workings**, Danny's liability to Income Tax in the 2026/2027 tax year. **(12)**

(b) Outline the relevant tax considerations when advising Danny on whether a further investment in a Venture Capital Trust (VCT) would be appropriate for him. **(5)**

(c) With regard to Danny's Will, explain briefly the implications if he:

(a) dies without making a new Will; **(5)**

(b) revokes his existing Will and dies before making a new one. **(4)**

(d) State the requirements to make a valid Will. **(7)**

(e) Describe how Lucia's overseas rental income will be treated for UK tax purposes under the foreign income and gains (FIG) regime when she arrives in the UK as a qualifying new resident. **(5)**

(f) Describe how Lucia can make a claim for tax relief under the FIG regime and the deadline for doing this for the 2026/2027 tax year. **(3)**

Total marks available for this question: 41

Question 3

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

Penelope and Andrew are both aged 57. They have been married for 25 years and have two financially independent adult children.

Andrew works as a marketing manager for a large company and Penelope is a dentist. Both are higher-rate taxpayers.

They bought their first property on a joint tenancy basis on 1 September 2001. They lived in the property for 18 years at which point it was rented until the sale was completed on 31 August 2026. The disposal has resulted in a gain of £250,000.

Andrew has been saving each month into his employer's Save As You Earn (SAYE) scheme. He can exercise the option to buy the shares in October 2026 for 240p each. At that point his savings will total £18,720. Andrew intends to exercise the option to buy the shares and immediately sell them.

Penelope is planning on taking November and December 2026 off work to travel. She will fund this from her flexible cash ISA. She has paid £6,000 into this ISA in the 2026/2027 tax year. Penelope plans to withdraw £8,000 in November 2026 and deposit £16,000 back into the same flexible cash ISA on her return in January 2027. She has not subscribed to any other ISA in the current tax year.

Andrew's mother, Joyce, aged 82, is increasingly becoming dependent on him. Joyce has a large estate, and Andrew has concerns around a future Inheritance Tax liability. They are in the process of appointing Andrew as the sole attorney on a financial decisions lasting power of attorney.

PLEASE ENSURE YOU TYPE YOUR ANSWER TO EACH QUESTION IN THE CORRECT ANSWER BOX.

Questions

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

(a) Calculate, **showing all your workings**, the amount of the gain that will be chargeable to Capital Gains Tax (CGT) on the sale of Andrew and Penelope's rental property. **(6)**

(b) Explain, **using figures**, how CGT is calculated on the sale of the shares from Andrew's SAYE scheme. *Assume the shares are trading at 503p on the date of disposal in October 2026.* **(7)**

(c) Explain the benefits to Andrew of transferring the shares into a stocks and shares ISA instead of selling them. *Assume he has not subscribed to any ISA in the current tax year.* **(6)**

(d) Explain the impact of Penelope's planned ISA withdrawal of £8,000 and subsequent deposit of £16,000 on her annual subscription limit for the 2026/2027 tax year. **(6)**

(e) Describe Andrew's main duties as Joyce's attorney under a financial decisions lasting power of attorney (LPA). **(8)**

(f) Explain the circumstances where the financial decisions LPA would come to an end. **(6)**

Total marks for this question: 39

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)

- Company A will qualify for 100% Business Relief;
- as it is a trading company;
- has been owned by Zubair/sole shareholder for more than 2 years;
- and the value falls within the £2.5m allowance for 100% Business Relief.
- Company B will not qualify for Business Relief;
- as it is an investment company/not a trading company.
- The AIM shares will qualify for 50% Business Relief;
- as he has owned the shares for more than 2 years.

(b) (i) Zubair's estate

Company A	£2,000,000
Company B	£200,000
House – 50% share	£300,000
AIM shares	£80,000
GIA – UK equity fund	£75,000
Onshore Investment Bond	£65,000
Current Account	£15,000
Total estate	£2,735,000
less	
Business relief (Company A)	£2,000,000
Business relief (AIM shares)	£40,000
less	
Charitable legacy	£50,000
Total chargeable estate	£645,000
less NRB	£325,000

No RNRB as £2m taper threshold is value of estate before Business Relief

Taxable estate £320,000

£50,000 / (£320,000 + £50,000) = 13.51%
36% will apply as charitable legacy is more than 10% of net estate

Inheritance Tax (IHT) payable
£320,000 x 36%
= £115,200

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

- 100% Business Relief will be available for the first £2.5m.
- The excess over £2.5m/£500,000;
- will qualify for 50% Business Relief;
- resulting in an IHT liability on the excess of £250,000.
- The whole estate will be taxed at 40% because;
- charitable legacy is no longer more than 10% of the net estate.

Candidates would have gained full marks for any ten of the following:

(c)

- The personal representatives/executors are responsible for paying the tax;
- on income received before and after Zubair's death.
- The dividend of £1,200 paid in May 2026 will be taxed as Zubair's income in the tax year he died;
- at his marginal rate;
- in excess of his available dividend allowance.
- The dividend due to be received in November 2026 will be taxed as income of the estate.
- The whole amount will be taxed;
- at the personal representatives' rate/basic rate/10.75%;
- if it exceeds the £500 de minimis for small estates.
- Personal representatives cannot use any personal allowances.
- There will be no further tax to pay if it does not exceed the £500 de minimis.

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

- Assignment is not a chargeable event;
- provided it's not for money or money's worth.
- The gain would be assessed as income of the beneficiaries when they surrender the bond;
- or the beneficiaries can delay surrender until a time when it is more tax efficient.
- They may benefit from top slicing relief;
- reducing/eliminating any liability to higher/additional rate tax.
- If the executors surrender, they would be liable to basic rate tax only/20%.
- Basic rate tax is treated as having been paid in the fund/tax credit;
- so the executors will have no further liability;
- although upon distribution the amount of the gain will be proportioned and taxed at the beneficiaries' marginal rate;
- without top slicing.

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

Benefits

- Ilana can retain access to capital.
- Payments can be flexible.
- The chargeable lifetime transfer (CLT) or potentially exempt transfer (PET) will be outside Ilana's estate after seven years.
- The growth will be outside Ilana's estate immediately.
- There is no gift with reservation (GWR)/pre-owned assets tax (POAT).
- Payments can be made to the children/beneficiaries whilst Ilana is still alive.

Drawbacks

- The gift will be included in her estate for IHT purposes if she dies within 7 years.
- There will be an immediate 20% charge on CLT in excess of the nil rate band (NRB).
- Ilana's right to receive capital can be defeated/deferred by the trustees.
- The surrender of full segments are chargeable events/the 5% tax deferred allowance is not available for the settlor's payments.
- Periodic/exit charges may apply.

(f)

- Capital payments will accumulate in her estate if she doesn't spend them.
- Her health/longevity.
- Her potential IHT liability.
- Her previous gift/remaining or available NRB.
- How much capital can she afford to gift.
- Does she need regular/flexible payments.
- Is she happy the trustees can defeat her right to capital.
- The trust fund could be exhausted if she receives all capital.
- Alternative methods of achieving her objectives/loan trust/discounted gift trust (DGT).

(g) **(i)**

- CLT in 2020
- £100,000 less £6,000 (2 x annual exemption) = £94,000
- NRB remaining £325,000 less £94,000 = £231,000
- £300,000 - £6,000 (2 x annual exemption) = £294,000
- £294,000 - £231,000 = £63,000
- x 20%
- = £12,600

(ii)

- The gift would be grossed up by 20%;
- as the tax is based on the loss to Ilana's estate;
- and will include the tax payable by Ilana;
- giving an effective rate of 25%.

(iii)

- The CLT made on 1 October 2020 will not reduce the NRB available;
- as it will have been made more than 7 years ago.
- There will be no immediate IHT charge on the gift into the flexible reversionary trust (FRT).

(h) *Candidates would have gained full marks for any six of the following:*

- Put whole of life policy in trust.
- Gift surplus income/gifts out of normal expenditure.
- Loan trust.
- Invest in Business Relief qualifying assets.
- Leave legacies in Will to exempt beneficiaries.
- Leave 10% of net estate to charity to qualify for 36% rate.
- Spend more.

Model answer for Question 2

(a)

	Earned income/ salary	**Savings income**	**Dividend income**	**Totals**
	£12,570			
		£9,000		
			£99,000	
			£8,200	
	£12,570	£9,000	£107,200	**£128,770**
No PA due to total earnings No PSA due to income taxed at ART				
Income Taxed at BRT	£12,570 x 20% = **£2,514.00**	£9,000 x 20% **£1,800.00**	£500 x 0% £15,630 x 10.75% **= £1,680.23**	£5,994.23
Income taxed at HRT £125,140 - £37,700 = £87,440			£87,440 x 35.75% **= £31,259.80**	£31,259.80
Income taxed at ART (£128,770 - £125,140) = £3,630			£3,630 x 39.35% **= £1,428.41**	£1,428.41
Income Tax				£38,682.44
-VCT relief (limited to Income Tax liability)				£38,682.44
Total Income Tax				£0

(b)

- Timescale/need 5 years to retain Income Tax relief.
- Dividend income is Income Tax free/not taxed at 39.35%.
- Gains are free of Capital Gains Tax (CGT)/he can use his CGT annual exempt amount (AEA) elsewhere (equities).
- Income tax relief is capped to his Income Tax liability/he could invest less.
- IHT Business Relief not available/remains in estate for IHT purposes.

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

- Divorce does not revoke a Will.
- Melanie does not benefit/Melanie's bequest will go to Danny's parents;
- unless the wording states that divorce should not affect her entitlement.
- On divorce Melanie was removed as executor.
- Danny's brother's remains the executor/he will receive his £50,000.
- Lucia will receive nothing.

(ii)

- The laws of intestacy would apply.
- Administrators would need to be appointed to administer the estate.
- The estate will go to Danny's parents if they are still alive.
- His brother would not receive his £50,000.

(d)

- Aged over 18.
- Of sound mind.
- Under no pressure to make the Will.
- In writing.
- Signed by Danny/testator;
- in the presence of two independent witnesses;
- who must also sign.

(e)

- As a qualifying new resident Lucia can claim 100% relief;
- from UK tax on her;
- overseas rental income;
- for the first four tax years of UK residence;
- She can bring/remit income into the UK without any tax.

(f)

- Lucia must make the claim in her self-assessment tax return;
- with a separate claim for each of the four eligible tax years.
- The deadline for 2026/2027 will be 31 January 2029.

Model answer for Question 3

(a) Period of ownership
1 September 2001 - 31 August 2026 = 300 months (25 years)
Principal residence = 216 months (18 years)
Plus last 9 months = 216 + 9 = 225

300 months - 225 months = 75 months are chargeable/
(216+9)/300 = 75% is exempt (£187,500)

Proportion charged to CGT = £250,000 x 75/300 = £62,500/
£250,000 x 25% = £62,500
Split between them/£31,250

(b)
- Andrew has saved £18,720 to buy shares.
- Divide this by the share price of 240p means he can buy;
- 7,800 shares.
- 7,800 shares x the current price of 503p (£39,234).
- Deduct the base cost (exercise price) of £18,720 = chargeable gain (£20,514).
- As he has no AEA (used against the property);
- the whole of the gain is chargeable at 24%.

(c)
- Andrew can transfer up to £20,000 of Save As You Earn (SAYE) shares into a stocks and shares ISA;
- within 90 days;
- of the date of the exercise of his SAYE option.
- The value transferred counts towards the ISA subscription limit.
- No CGT is paid on the transfer into the ISA.
- Shares in the ISA can later be disposed of free of CGT.

(d)
- Penelope has subscribed £6,000 to her ISA in 2026/2027 leaving £14,000 unused allowance.
- Because the ISA is flexible;
- the planned withdrawal of £8,000 in November 2026 creates a replacement allowance of the same amount (£8,000).
- As the new deposit is made within the same tax year;
- (£8,000 is the replacement amount) and £8,000 is a new subscription.
- Penelope therefore has £6,000 of unused allowance remaining in 2026/2027.

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

- Making decisions in Joyce's best interest.
- Only making decisions that are authorised by the lasting power of attorney (LPA).
- Andrew cannot do IHT planning without Court of Protection (COP) approval.
- Gifts can be made on customary occasions/charities that Joyce was supporting.
- Keeping records of attorney actions.
- Consulting Joyce prior to taking action, wherever possible;
- and with others who may have an interest in her affairs.
- Keeping his own money separate from that of Joyce's.
- Keeping Joyce's affairs confidential.
- Ensuring that there is no conflict of interest.

(f)

- If Joyce has mental capacity and wishes to bring the LPA to an end;
- or dies.
- If Andrew loses mental capacity;
- becomes bankrupt;
- dies;
- or is removed by the COP.

Glossary of terms

Some abbreviations candidates can use in online written exams:

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

All questions in the February 2027 paper will be based on English law and practice applicable in the tax year 2026/2027, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2026 and February 2027 exams.

INCOME TAX

RATES OF TAX	2025/2026	2026/2027
Starting rate for savings*	0%	0%
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting-rate limit	£5,000*	£5,000*
Threshold of taxable income above which higher rate applies	£37,700	£37,700
Threshold of taxable income above which additional rate applies	£125,140	£125,140
High income child benefit charge:	1% of benefit per £200 of adjusted net income between £60,000 – £80,000	

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

Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend allowance	£500	£500
Dividend tax rates		
Basic rate	8.75%	10.75%
Higher rate	33.75%	35.75%
Additional rate	39.35%	39.35%
Trusts		
Income exemption up to**	£500	£500
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

*** Where net income exceeds £500, the full amount is subject to Income Tax. Further, the £500 may need to be divided between other trusts in existence.*

From 6 April 2026, carried interest is taxed as Income Tax, not Capital Gains Tax.
Qualifying carried interest is subject to a 72.5% multiplier before applying Income Tax rates.
Class 4 NICs may also apply.

MAIN PERSONAL ALLOWANCES AND RELIEFS		
Income limit for Personal Allowance *§*	£100,000	£100,000
Personal Allowance (basic) *§*	£12,570	£12,570
Married/civil partners (minimum) at 10% *†*	£4,360	£4,530
Married/civil partners at 10% *†*	£11,270	£11,700
Marriage/civil partners' Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance*†*	£37,700	£39,200
Rent a Room scheme	£7,500	£7,500
Blind Person's Allowance	£3,130	£3,250
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	20%

§ 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. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £39,200 (£37,700 for 25/26) until minimum reached.
**** Investment above £1,000,000 must be in knowledge-intensive companies.*

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	Weekly
Lower Earnings Limit (LEL)	£129
Primary threshold	£242
Upper Earnings Limit (UEL)	£967

Total earnings £ per week	CLASS 1 EMPLOYEE CONTRIBUTIONS
Up to 242.00*****	Nil
242.00 – 967.00	8%
Above 967.00	2%

**This is the primary threshold below which no NI contributions are payable. However, the lower earnings limit is £129 per week. This £129 to £242 band is a zero-rate band introduced in order to protect lower earners' rights to contributory State benefits e.g. the New State Pension.*

Total earnings £ per week	CLASS 1 EMPLOYER CONTRIBUTIONS
Below £96.00**	Nil***
Over £96.00	15%

***Secondary threshold.*

****No employer NICs on the first £967 pw for employees generally under 21 years, apprentices under 25 years and veterans in first 12 months of civilian employment. No employer NICs on the first £481 pw for employees at freeports and investment zones in Great Britain in the first 36 months of employment*

Employment allowance £10,500 Per business – not available if sole employee is a director

CLASS 2 (self-employed) *	
Flat rate per week	£3.65
Small profits threshold per year	£7,105

Class 2 contributions are credited automatically where profits equal or exceed £7,105 per annum.

Class 2 contributions can be made voluntarily where profits are below £7,105 per annum.

Class 3 (voluntary)	Flat rate per week £18.40.
Class 4 (self-employed)	6% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2012/2013 & 2013/2014	£1,500,000
2014/2015 & 2015/2016	£1,250,000
2016/2017 & 2017/2018	£1,000,000
2018/2019	£1,030,000
2019/2020	£1,055,000
2020/2021 – 2023/2024*	£1,073,100

**Lifetime allowance abolished from 6 April 2024.*

	2025/2026	2026/2027
Lump sum and death benefit allowance (LSDBA)	£1,073,100	£1,073,100
Lump sum allowance (LSA)	£268,275	£268,275

LSA and LSDBA may be higher if transitional protections are available.
Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

Money purchase annual allowance (MPAA)	£10,000	£10,000

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**
2025/2026	£60,000**
2026/2027	£60,000**

**Between 2016/17 and 2019/20 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £150,000 to a minimum of £10,000 where 'threshold income' is over £110,000.*

**Between 2020/21 and 2022/23 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £240,000 to a minimum of £4,000 if 'threshold income' is also over £200,000.*

***From 2023/24 the annual allowance is reduced by £1 for every £2 of 'adjusted income' over £260,000 to a minimum of £10,000 if 'threshold income' is also over £200,000.*

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

ANNUAL EXEMPTIONS	2025/2026	2026/2027
Individuals, estates etc	£3,000	£3,000
Trusts generally	£1,500	£1,500
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000
TAX RATES	**2025/2026**	**2026/2027**
Individuals:		
Up to basic rate limit	18%	18%
Above basic rate limit	24%	24%
Higher Rate	n/a	n/a
Trustees and Personal Representatives:		
Residential property	24%	24%
Other chargeable assets	24%	24%
Business Asset Disposal Relief*	14%	18%
Lifetime limit	£1,000,000	£1,000,000

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

*** For 25/26, rate for carried interest for all tax bands is 32%*

For 26/27, rate for carried interest for all tax bands is 34.075%

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2025/2026	2026/2027
Transfers made on death		
- Up to £325,000 (nil-rate band)	Nil	Nil
- Excess over £325,000	40%	40%
- Reduced rate (where appropriate charitable contributions are made)	36%	36%
Transfers		
- Lifetime transfers to and from certain trusts	20%	20%

MAIN EXEMPTION		
Transfers to		
- Long-term UK resident spouse/civil partner	No limit	No limit
- Spouse/civil partner who is not a long-term UK resident (from long-term UK resident spouse/ civil partner)	£325,000	£325,000
- UK-registered charities	No limit	No limit
- Residence nil rate band*	£175,000	£175,000

**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
- Annual small gifts exemption per donor	£250	£250

Gifts from surplus income are immediately exempt, as long as they are made from income, are made regularly and do not impact donor's standard of living.

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

100% relief on first £2.5m* of combined qualifying agricultural property relief and business property relief assets.

50% relief on qualifying assets exceeding £2.5m

AIM listed shares generally restricted to 50% relief regardless of value

* The £2.5m allowance is frozen until April 2031.
50% relief: certain other business assets

Reduced tax charge on gifts made in excess of the nil rate band 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%

MAIN SOCIAL SECURITY BENEFITS

		2025/2026	2026/2027
		£ (per week)	£ (per week)
Child Benefit	First child	26.05	27.05
	Subsequent children	17.25	17.90
	Guardian's allowance	22.10	22.95
Employment and Support Allowance	Assessment Phase Age 16 - 24	Up to 72.90	75.65
	Aged 25 or over	Up to 92.05	95.55
	Main Phase Work-related Activity Group	Up to 128.60	Up to 133.50
	Support Group	Up to 140.55	Up to 145.90
Attendance Allowance	Lower rate	73.90	76.70
	Higher rate	110.40	114.60
Basic State Pension	Category A full rate	176.45	184.90
	Category B (lower) full rate	105.70	110.75
New State Pension	Full rate	230.25	241.30
Pension Credit	Standard minimum guarantee - single	227.10	238.00
	Standard minimum guarantee - couple	346.60	363.25
	Maximum savings ignored in calculating income	10,000.00	10,000.00
Bereavement Support Payment	Higher rate – First payment	3,500.00	3,500.00
	Higher rate – monthly payment	350.00	350.00
	Lower rate – First payment	2,500.00	2,500.00
	Lower rate – monthly payment	100.00	100.00
Jobseeker's Allowance	Age 18 - 24	72.90	75.65
	Age 25 or over	92.05	95.55
Statutory Maternity, Paternity, Adoption, Neonatal Care, Shared Parental and Parental Bereavement Pay		187.18	194.32

CORPORATION TAX

	2025/2026	2026/2027
Small profit rate - for taxable profits below £50,000	19%	19%
Main rate - for taxable profits above £250,000	25%	25%

Companies with profits between £50,000 and £250,000 will pay tax at the effective rate of 26.5%. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

	2025/2026	2026/2027
Standard rate	20%	20%
Annual registration threshold	£90,000	£90,000
Deregistration threshold	£88,000	£88,000

STAMP DUTY LAND TAX

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

Additional Stamp Duty Land Tax (SDLT) rules apply as follows:

- *First-time buyers benefit from SDLT relief on first £300,000 for properties up to £500,000 when purchasing their mainresidence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, a flat rate of 5% is charged on the balance above £300,000.*
- *Additional residential and all corporate residential properties £40,000 or more – add 5% to SDLT rates, 8% to LBTT. LTT has separate higher rate bands.*
- *Additional SDLT of 2% may apply to purchases by non-UK residents over £40,000.*

- *SDLT may be charged at 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *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. Therates for LTT and LBTT are different to the rates shown above.*

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