Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment Planning

March 2026 Exam Guide

SPECIAL NOTICES

Candidates entered for the September 2026 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.

AF4 – Investment planning

Contents

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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.

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.

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.

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 information contained within the tax tables printed at the back of each Exam Guide. These tax tables will be provided to candidates as part of the exam 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 exam.*

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

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

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

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

Appreciate the standard of the 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.

In the exam

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 exam 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 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.

Tackling questions

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

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

Answer format

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

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

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

Calculators

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

EXAMINERS' COMMENTS

Candidates' overall performance

Overall, candidates performed well in this paper, performing to an equivalent level when compared to the September 2025 exam.

The specific composition of the exam tests a combination of 'core' and 'peripheral' content from across the syllabus, allowing well-prepared candidates the opportunity to perform to a pass standard, while offering better-prepared candidates the capability to excel without prejudicing less-good candidates.

When evaluating the performance of candidates who have not reached a pass standard, the most common characteristic seen in recent sittings is that of superficial knowledge, resulting in answers that are either too brief or too vague. In March 2026, too many candidates provided answers that were only able to be awarded a small number of the available marks in question-parts, often identifying those marks equivalent to RQF Level 3 or 4 and not containing the level of detail and/or focus that is expected at Level 6. As examples, at this Level, it is reasonable to expect candidates to know not only the factor, e.g. 'interest rates' or 'unemployment' but also its directionality, e.g. 'decreasing increase rates' or 'higher unemployment'.

This is particularly relevant, and important, in question-parts testing macro-economics and where the question-part asks the candidate to consider the effect, impact or consequence. Using the above exemplar, candidates with superficial knowledge either state 'interest rate' without directionality or state the inverse position, e.g. 'decrease in interest rates' when the model answer requires 'increase in interest rates'.

Over recent years there has been a shift in the format of the unit, away from longer, narrative-style answers toward shorter, more focused answers. This has resulted in improvements in candidate technique with more relevant and succinct answers. However, in March 2026, a small proportion of candidates interpreted this as meaning they do not have to write as much, regardless of their level of knowledge and/or the requirements of the question-part. This has led to answers being too short and not providing enough detail to be awarded many of the available marks.

As an example, a question-part that carries 8 available marks requires 8 distinct points in its answer. A candidate whose answer contains only 3 distinct points can only be awarded a maximum of 3/8ths of the available marks, assuming all their points are correct. Candidates should always pay attention to the number of available marks in every question-part as an indicator of the depth and breadth of the required answer.

In addition, in Question 1(g)(ii) and Question 2(c)(ii) a small proportion of candidates set out a list of general investment-related risks, often duplicating the list in both question-parts. The behaviour of presenting the same list of risks for all risk-related question-parts has been decreasing in recent sittings, as candidates' awareness has increased of the specific focus of the individual question-parts testing risk. However, a notable number of candidates still set out the same list of risks, many of which are not relevant at all to the question-part and therefore missed out on the opportunity to be awarded a number of the available marks.

Across the calculation questions, the majority of candidates showed all the relevant workings and compared to previous, recent sittings appeared to present answers that were more closely aligned with the format of the model answers in previous exam guides, thereby allowing them to be awarded a greater proportion of the available marks. In this sitting, those who did not perform well either used incorrect variables in the correct formula or the incorrect formula.

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

Question 1

In part (a) candidates performed well, with the majority of candidates being awarded in the upper half of the available marks. The few candidates who did not perform well either provided multiple, different examples of the same factor or their answers related to general factors not specific to the stated investment objective.

In part (b), candidates performed adequately, with the majority being awarded around half of the available marks. In part (b)(i), those candidates who did not perform well generally stated different examples of the same point. In part (b)(ii) it was disappointing to see that candidates did not perform well with the majority of candidates listed general due diligence factors relating to the selection of a platform itself rather than those relating to its technology provider. There were several high-profile, multi-year platform migrations between technology providers currently going on across the industry, which are real world applications that candidate can use to enhance their knowledge and revision.

Candidates performed well in part (c), with the majority of candidates being awarded over half of the available marks. In part (c)(i), candidates did not perform well, with the majority not knowing what happens to a Green Savings Bond upon maturity. Candidate knowledge of the tax treatment was better, and it was pleasing to see many candidates produce Mihail's income with the tax treatment of the interest. In part (c)(ii), candidates performed very well with some being awarded full marks. It is evident that candidates have responded to NS&I products becoming core content by undertaking detailed revision of the products' features. Those candidates who did not perform well in part (c)(ii), either focused on the Premium Bonds because they did not know about Green Savings Bonds or stated incorrect features. Also, a number of candidates stated general features of all NS&I products rather than the 'product-specific features' as asked by the question-part.

In part (d), candidates performed very well, with the majority of candidates being awarded over half of the available marks, including several gaining full marks. In part (d)(i), the time-weighted return formula is robustly revised, and the nature of the question-part allowed candidates to demonstrate their knowledge. Those few candidates who did not perform well either performed the money-weighted return calculation or applied the time-weighted return formula but for a single holding period. In part (d)(ii), most candidates were awarded the maximum marks available. Those candidates who did not perform well got the reasons the wrong way around.

In part (e), candidates performed well, although this was influenced by the performance in part (e)(i), where the majority of candidates were awarded full marks. The Sharpe Ratio is one the core measures of risk-adjusted returns and is well-revised by candidates. However, the inclusion of the market return in Table 2 meant that candidates had to evaluate the table more closely to select the appropriate values. Those candidates who did not perform well used this value in their calculations. In parts (e)(ii), most candidates performed well, with the majority understanding what can be deduced from a positive Sharpe ratio. In part (e)(iii), those candidates who did not perform well described what alpha measures, likely as they did not know what Sharpe itself measures, in the hope that stating what Y *does not* do would be sufficient to describe what X *does* do. Unlike with the time-weighted and money-weighted returns that are the two main measures, Shape and alpha are not the only two measures and therefore their composition and use are not opposite.

In part (f), candidates performed very well, with the majority of candidates awarded over half of the available marks and several being awarded full marks. In part (f)(i), the majority of candidates knew the diversification rules well. Those candidates who did not perform well either stated only part of the rules or presented answers with numbers seemingly unrelated. In part (f)(ii), candidates performed well. Well-prepared candidates were awarded full marks, but a number of candidates did not perform well when asked to outline the rules in more detail, e.g. knowing that an OEIC can borrow up to 10% but not knowing only on a temporary basis, or vice versa. Candidates who did not perform well also got the OEIC and investment trust limits the wrong way around.

In part (g), candidates performed adequately, with the majority of candidates being awarded around half of the available marks. In part (g)(i), candidates showed a good awareness of the objectives of gearing. Those candidates who did not perform well provided superficial answers that lacked detail, focusing upon the objectives of an investment trust as an investment vehicle. In part (g)(ii), candidates did not perform well. Too many candidates stated shortfall risk and loss risk, which were too generic.

In part (h), candidates performed well, with the majority being awarded over half of the available marks. This is especially pleasing given the latent levels of candidate knowledge in those syllabus areas covering macro-economics. In part (h)(i), the better-prepared candidates identified the required 'surplus' in the capital account. Candidates who did not perform well either omitted this attribute for the capital account and/or described how a balance of payments deficit would be corrected, reflecting the above comment in respect of candidate knowledge of macro-economics. In part (h)(ii), candidates showed an improved knowledge of the consequences of twin deficits. Candidates who did not perform well either provided multiple examples and/or stated the directionality wrong for the relevant marks, e.g. 'falling interest rates'.

Question 2

In part (a), candidates did not perform well, with the majority of candidates being awarded around half of the available marks. While most candidates demonstrated a basic knowledge of the characteristics, few had a more detailed knowledge to gain additional marks. Those candidates who did not perform well generally described the Indices themselves, rather than the characteristics of the constituents, or set out spurious differences, notably the number of staff/employees that a company must have. Several candidates also repeated the model answer from the October 2024 exam that tested the differences between listing rules for the main and AIM markets.

In part (b), candidates performed well, with the majority of candidates being awarded over half of the available marks, with some candidates being awarded full marks. In part (b)(i), those candidates who did not perform well either got the benefits the wrong way around or provided multiple examples of the same point. In part (b)(ii), candidates demonstrated good knowledge of the benefits of collective funds, notably around diversification. It was pleasing to see many candidates awarded those marks derived from reading the case study. Those candidates who did not perform well either provided multiple examples of the same benefit or presented brief answers with insufficient distinct points.

In part (c), candidates performed adequately, with the majority of candidates being awarded around half of the available marks. In part (c)(i), those candidates who did not perform well either provided superficial answers or incorrect answers, e.g. the wrong direction for currency movement. In part (c)(ii), good candidates used their answers to part (c)(i) to focus upon the relevant risks and reasons but with different directionality. Those candidates who did not perform well either provided superficial answers, e.g. 'is more volatile', as the reason for Volatility risk and/or duplicated lists of risks from previous exam guides, where neither the risk nor reason was specific to the question-part.

In part (d), candidates performed well, with the majority of candidates being awarded over half of the available marks. In part (d)(i), most candidates were aware of the characteristics of one of the two forms of Stamp Duty. Candidates who did not perform well either got the characteristics the wrong way around or outlined commonality, for example 'it is 0.5%' or 'it is payable on the purchase of shares' rather than difference, as well as stated incorrect rounding's. A surprising number of candidates outlined Stamp Duty Land Tax for Stamp Duty. In part (d)(ii), candidates performed less well. The question-part was designed to test both which types of asset, in Table 1, were liable to Stamp Duty Reserve Tax (SDRT) and the threshold/level of the Panel on Takeovers and Mergers (PTM) levy. Those candidates who did not perform well generally applied SDRT to all three assets in the table as well as the PTM levy to all three. Several candidates used the previous, lower PTM figure. A small number of candidates did not show all their workings and were not able to be awarded several of the available marks.

In part (e), candidates performed adequately, with the majority of the candidates being awarded around half of the available marks. The main investment styles are core content and in general, candidates demonstrate a good level of knowledge. Candidates who did not perform well generally described other types of investment style, notably growth, or described elements of the Efficient Market Hypothesis in its various forms.

Question 3

In part (a), candidates performed well, with the majority of candidates being awarded in the upper half of the available marks. Return on equity (ROE) and return on capital employed (ROCE) are core content and there is almost an expectation from candidates that one will be tested in each sitting, with revision therefore being robust. In part (a)(i), most candidates performed very well. Those candidates who did not perform well either did not calculate the operating profit minus interest & taxation subtraction correctly or used the revenues as the nominator in this calculation stage. A small number of candidates also omitted the 'x100' stage, making their sum out by a factor of one hundred. In part (a)(ii), it was very pleasing to see that most candidates understood the reasons for the fall in the ROE figure based upon their answer to part (a)(i). Candidates who did not perform well generally got the directionality of the factors the wrong way around, e.g. 'decrease in taxation' that would cause the ROE to increase and not decrease.

In part (b), candidates performed adequately, with the majority of candidates being awarded around half of the available marks. MPS has been tested previously, so it was disappointing not to see any noticeable improvement in candidate knowledge around this product, which is used very regularly in real world applications. In part (b)(i), those candidates who did not perform well generally described an MPS rather that its features. In parts (b)(ii) and (b)(iii), there was a degree of converse points, e.g. 'reduced compliance' in part (b)(ii), with 'increased compliance' in part (b)(iii). In general, this can assist candidates when comparing benefits and drawbacks, although the benefits in part (b)(ii) related to a different entity for the drawbacks in part (b)(iii).

In part (c), candidates performed adequately, with the majority of candidates being awarded around half of the available marks. In part (c)(i), candidates performed very well, evaluating the data in Table 2 to be awarded full marks. Those candidates who did not perform well provided expansive explanations of the characteristics set out in the table, rather than comparing the specifics, with several candidates getting the characteristics the wrong way around. Candidates should also be aware when describing characteristics of fixed interest securities of the difference between coupon and running/interest yield. In part (c)(ii) candidates performed less well, with the majority identifying only the change in price. Candidate knowledge of fixed interest securities, whether corporate bonds or gilts, remains poor and a number of candidates either stated that prices and yields move in the same direction or that both moved in the incorrect direction. A notable number of candidates who did not perform well also stated that the differing maturities meant that the price of one would rise and the price of the other would fall. In part (c)(iii) candidates performed well, with the majority of candidates being awarded full marks. This suggests that revision of duration is becoming more robust, in response to its testing in recent sittings. Those candidates who did not perform well either used the coupon in their calculations or did not apply the '1+' addend into the denominator.

In part (d), candidates did not perform well, with the majority being awarded around half of the available marks. For part (c), candidates' knowledge of fixed interest securities remains superficial, and this was reflected in the answers to both question-parts. In part (d)(i) those candidates who did not perform well provided vague answers relating to fixed interest as an asset class. In part (d)(ii), as with part (d)(i), candidates who did not perform well generally provided vague answers about fixed interest and/or risk, e.g. "reduce risk" without stating which risk(s). Candidates should be aware that at this level, a more detailed knowledge of fixed interest securities, whether gilts or corporate bonds, is required, notably their distinct characteristics and uses within investment planning.

Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment planning

March 2026 examination

SPECIAL NOTICES

All questions in this paper are based on English law and practice applicable in the tax year 2025/2026, 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.

Instructions

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

Unit AF4 – Investment planning

Instructions to candidates

Read the instructions below before answering any questions

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

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

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

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

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

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

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

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

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

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

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

SECTION A

This question is compulsory and carries 80 marks

Question 1

Read carefully all information provided in the case study before attempting the questions. Your answers should take into account the client's 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.

Mihail, aged 52, is employed in the public sector, his salary is £49,500 per annum. His investment objective is medium to long term capital growth, so that he can accumulate sufficient capital to pay off his mortgage earlier than its scheduled term. Mihail saves on a regular basis, using a deposit-based account and National Savings & Investments (NS&I) products. In June 2023, Mihail invested £40,000, into a NS&I Green Savings Bond. Mihail is unsure exactly what happens to Green Savings Bonds at maturity. He is thinking of investing into either NS&I Guaranteed Growth Bonds or Premium Bonds, although he is happy to allow the existing Bonds to remain invested.

Mihail has a stocks and shares ISA, which he opened several years ago on a direct to consumer (D2C) platform. The platform provider has announced they are due to undergo a technology upgrade; Mihail is concerned about how this will impact him. As a consequence, he has made contact with Amelia, a financial adviser with an authorised advisory firm to explore the options about moving his portfolio to a different platform.

The ISA invests in a collective fund, Corbar Hill Growth Managed, which is structured as an open-ended investment company (OEIC). Earlier this tax year, Mihail invested a further lump sum into the ISA. Looking at his ISA online, he has seen that the OEIC's value has increased and believes this is solely due to market performance. Details of the fund's recent performance are set out in **Table 1** below:

Table 1

Valuation at start of 1st period	Valuation at end of 1st period	Additional lump sum at start of 2nd period	Valuation at end of 2nd period/current value
£39,700	£42,200	£10,000	£53,600

Further information in relation to the fund's short-term return is set out in **Table 2** below:

Table 2

Fund return	Market return	Risk-free return	Standard deviation
12.7%	14.6%	3.8%	5.2%

Mihail has noticed that the fund manager also offers Corbar Hill Growth Trust Plc, which is structured as a closed-ended investment trust. This fund appears to share a similar investment mandate to his OEIC, although he has read that the investment trust 'invests on a much more concentrated basis and actively uses gearing'. Mihail does not fully understand these terms and would like to know what they mean.

In a recent fund commentary, Mihail noted that Corbar Hill's view of the economy was that the state of the current and capital accounts would continue to deteriorate, and he would like Amelia to explain the consequences of this to him.

Questions

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

(a) Outline seven additional client-related factors in relation to Mihail's investment objective that Amelia would establish in their initial meeting. **(7)**

(b) **(i)** State **four** main client-related risks that could arise from a service outage caused by a platform's technology upgrade or migration. **(4)**

(ii) State **four** factors relating to the technology provider that Amelia would take into consideration when undertaking due diligence on alternative platforms. **(4)**

(c) **(i)** Outline **three** factors that Mihail should be aware of in respect of the maturity and tax treatment of his Green Savings Bonds. **(3)**

(ii) Compare the main product-specific features of NS&I Guaranteed Growth Bonds and Premium Bonds. **(12)**

(d) **(i)** Calculate, **showing all your workings**, the time-weighted rate of return (TWR) for the Growth Managed fund. **(9)**

(ii) State **four** reasons that Amelia would explain to Mihail as to why TWR is a better measure of performance than the money-weighted rate of return (MWR) in this situation. **(4)**

(e) **(i)** Calculate, **showing all your workings**, the Sharpe Ratio for the Growth Managed fund. **(4)**

(ii) Comment, based upon your answer to **part (e)(i)** above, on what can be deduced from the Sharpe Ratio figure. **(3)**

(iii) Describe briefly why Amelia would use the Sharpe Ratio rather than the alpha figure to measure risk-adjusted return. **(3)**

(f) **(i)** State the diversification rules for an OEIC, based upon the minimum number of permissible holdings and relevant percentages. **(5)**

(ii) Outline the respective borrowing rules for an OEIC and an investment trust. **(4)**

(g) **(i)** Describe briefly the objectives of gearing within an investment trust. **(4)**

(ii) Identify **three** investment-related risks that would apply as a consequence of an investment trust increasing its gearing and give **one** reason for each risk. **(6)**

(h) **(i)** Describe briefly **three** main ways in which a current account deficit may be balanced. **(3)**

(ii) Identify **five** potential macro-economic consequences of an economy's current account and capital account both being in deficit over the long-term. **(5)**

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) and (e) which follow.

Dominic, aged 45, is employed by the UK subsidiary of a Japanese car manufacturer. He has worked for the organisation for over 20 years; his current salary is £80,000 per annum. Not long after starting his employment, Dominic started a regular savings plan that is scheduled to mature with a value of £36,000.

In addition to this savings plan, Dominic holds a portfolio of eight directly-held UK equities, which he inherited by way of paper share certificates from a relative five years ago. He has made no changes to the portfolio since he inherited it and continues to receive dividends from the eight equities, which consist of blue chip and small cap companies.

His investment objective is long-term capital growth; he has been thinking about whether he should continue to invest in the direct equities or sell the equities and reinvest the proceeds into a collective fund. He is particularly concerned about the transaction costs. As a consequence, Dominic has arranged a meeting with his financial adviser Carmela, to review his share portfolio as well as discuss the investment of the proceeds from the savings plan.

Carmela has already researched three potential investments for the maturity proceeds, details of which are set out in **Table 1** below:

Table 1

Asset	Type	Market	Index / Benchmark	Proposed Investment
Leaf Hydrocarbons plc	Direct Equity	UK	FTSE 100	£11,300
Cygnets Smaller Companies	Open-ended investment company (OEIC)	UK	FTSE Small Cap	£10,700
Takao Daisen Growth Trust plc	UK listed investment trust	Japan	MSCI Japan Small Cap	£14,000

The Cygnets Smaller Companies factsheet states the fund is managed on a growth at a reasonable price (GARP) basis, and Dominic would like Carmela to explain what this means.

Questions

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

(a) Outline **five** main differences in the characteristics of companies contained in the FTSE 100 Index compared to those in the FTSE Small Cap Index. *Exclude size/market capitalisation from your answer.* **(5)**

(b) **(i)** Identify **four** main benefits to Dominic of retaining his equities portfolio compared to investing in a collective fund. **(4)**

(ii) Identify **five** main benefits to Dominic of selling his equities portfolio and reinvesting into a collective fund. **(5)**

(c) **(i)** Outline **four** main benefits of adding an exposure to Japanese smaller companies within Dominic's portfolio. **(4)**

(ii) Outline **three** main investment-related risks that Dominic should take into account when considering an investment in Japanese smaller companies and give **one** reason for **each** risk. **(6)**

(d) **(i)** Outline briefly the main differences in how Stamp Duty (SD) and Stamp Duty Reserve Tax (SDRT) are levied. **(3)**

(ii) Calculate, **showing all your workings**, the total SDRT and any PTM levy that Dominic would pay, if he had purchased the assets as set out in **Table 1**. **(7)**

(e) Describe briefly the main characteristics of a GARP investment strategy. **(6)**

Total marks available for this question: 40

Question 3

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

Lorene is an investment analyst within an authorised advisory firm. The firm holds discretionary management permissions and has a range of managed portfolio service (MPS) portfolios. While currently only used internally, the firm plans to market its MPS proposition to other advice firms.

As part of this process, Lorene is currently undertaking research for one of the MPS managers in respect of equities and fixed interest securities. One of the equities is Leaf Cyan plc, recent financial information for which is set out in **Table 1** below:

Table 1

	Year to 31st December
Revenues	£5,050,000
Operating Profit	£3,100,000
Interest and taxation	£907,000
Share capital	£1,000,000
Reserves	£825,000
Retained earnings	£2,720,000

In the previous financial year, Leaf Cyan's return on equity (ROE) was 97%. Lorene is analysing the more recent year's figures to identify any changes in the company's financial performance.

In relation to the fixed interest securities, Lorene is looking at two corporate bonds that are currently held within one of the MPS portfolios' funds. Details of the two bonds are set out in **Table 2** below:

Table 2

Bond	Credit rating	Annual coupon £	Maturity in years	Price £	Duration in years
X	AA-	3.30	20	116.00	15.8
Y	BBB+	8.75	2	92.50	1.9

The MPS manager actively manages duration and is currently looking to reduce interest rate risk as they believe monetary policy may need to be tightened.

Questions

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

(a) **(i)** Calculate, **showing all your workings**, the return on equity (ROE) for Leaf Cyan plc. **(7)**

(ii) Comment, based upon your answer to **part (a)(i)** above, on the ROE and identify **three** factors connected to the ROE formula likely to have contributed to any change compared to the previous year. **(4)**

(b) **(i)** Outline briefly the **main** features of an MPS and state the **main** types of fund structure that it will hold. **(5)**

(ii) Identify **three** main benefits to an advice firm of using a **third-party** MPS. **(3)**

(iii) Identify **three** main drawbacks to an advice firm of using an **in-house** MPS. **(3)**

(c) **(i)** Compare the characteristics of Bonds X and Y, as per the details in **Table 2** above and describe briefly what can be deduced from this information. **(6)**

(ii) Explain briefly the potential impact of both securities on the fund, if monetary policy were to be tightened. **(3)**

(iii) Calculate, **showing all your workings**, the modified duration for Bond X. *Assume the Bond has a gross redemption yield of 2.16%.* **(3)**

(d) **(i)** State **three** reasons why a fund manager would hold high yield bonds within a fixed interest fund. **(3)**

(ii) State **three** reasons why a fund manager would increase their exposure to investment grade bonds within a strategic bond fund. **(3)**

Total marks available for this question: 40

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

Model answer for Question 1

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

- Family details/state of health.
- Other assets/possible inheritances/emergency fund.
- Details of existing mortgage/balance/any early redemption charge.
- Mortgage term.
- Other liabilities/capital requirements.
- ESG/investment preferences.
- Capacity for Loss/Attitude to Risk.
- Investment knowledge/experience.

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

- Unable to access account.
- Unable to make contributions.
- Unable to trade/switch/being out of the market.
- Leak of personal data/data breach.
- Lack of transaction history/legacy.

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

- Is technology/provider different to existing platform.
- Financial strength of tech provider.
- Capacity of tech provider/other projects underway.
- Track record/previous outages/reputation.
- Business continuity plan/service level agreement/actions in response to any future outage.

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

- Maturity proceeds paid out automatically/no option to remain invested.
- Three years' interest paid in current tax year;
- likely to make Mihail a higher rate taxpayer.
- Reduced PSA of £500.

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

GGB

- Higher maximum/£1 million upper limit;
- per issue.
- Higher minimum/£500.
- Can invest on joint basis.
- Choice of fixed terms.
- No access/cannot withdraw during term.
- Interest rate fixed/guaranteed.
- Taxable/subject to Income Tax/PSA available.
- Interest paid in year of maturity.

Premium Bond

- Lower maximum/£50,000 upper limit.
- Lower minimum/£25.
- Can invest on single basis only.
- No minimum term/open-ended.
- Instant access/no penalty.
- Prize fund rate variable/might not win anything.
- Potential for better/higher returns.
- Prizes not subject to Income Tax or CGT.

(d) **(i)** **Period 1**

42,200 / 39,700 = 1.0629722

Period 2

53,600 / (42,200 + 10,000) = 1.0268199
(1.0629722 x 1.0268199) -1 = 0.0914810
x 100 = 9.15%

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

- Not influenced by/eliminates;
- distortion/effect/timings of;
- additional cashflows;
- as compounds sub periods.
- Focuses on manager performance/comparing funds.

(e) **(i)** 12.7 – 3.8 = 8.9
8.9 / 5.2 = 1.7115384 = 1.71

(ii) *Candidates would have scored full marks for any three of the following:*
- Sharpe is positive.
- Good risk-adjusted return/outperforming risk-free rate.
- Manager's skill influencing performance.
- Active management paying off/cost justified.

(iii)
- Measures absolute risk not relative risk.
- Does not use a benchmark or the market return.
- Accounts for fund's volatility/uses SD.

(f) **(i)**
- Minimum 16 holdings.
- Maximum/up to 10%;
- in 4 companies.
- Maximum/up to 5%;
- in 12/the rest.

(ii) **OEIC**
- Temporary basis;
- up to 10%.

IT
- Permanent basis;
- unlimited.

(g) **(i)** *Candidates would have scored full marks for any four of the following:*
- To increase available funds;
- without using cash/raising capital from shareholders.
- To maintain/not have to sell existing assets.
- To increase existing assets/make new investments/opportunities.
- To participate in corporate events/meet funding commitments.
- To increase returns.

(ii) *Candidates would have scored full marks for any six of the following:*
- **Volatility**
- Greater fluctuation in share price.
- **Pricing**
- May move to/increase discount to NAV.
- **Interest rate**
- Greater sensitivity to increase in interest rates/higher borrowing costs.
- **Refinancing**
- Difficult/unable to refinance existing borrowing/on worse terms.

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

- Met by capital account surplus.
- Foreign investment/loans.
- Sale of foreign currency/reserves.
- Central bank intervention.

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

- Currency weakens/devalues.
- Rising inflation.
- Rising interest rates.
- Capital flight/foreign investment/loans fall.
- Lower economic growth/higher unemployment.
- Increased government borrowing/debt issuance.
- Depletion of foreign currency/reserves.

Model answer for Question 2

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

- FTSE 100 more international / Small Cap more domestic.
- FTSE 100 more exposed to currency risk / Small Cap less exposed.
- FTSE 100 concentrated in fewer sectors / Small Cap more diverse.
- FTSE 100 more mature/established / Small Cap newer/higher growth potential.
- FTSE 100 less volatile / Small Cap more volatile.
- FTSE 100 more liquid / Small Cap less liquid.
- FTSE 100 higher dividend payers / Small Cap lower dividend payers.

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

- Greater control over investment strategy.
- Greater visibility/transparency.
- Lower costs/no AMC.
- Higher concentration/potential for higher growth.
- Ability to vote at AGM/participate in corporate actions.

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

- Systematic risk lower/greater diversification.
- Non-systematic risk lower/hold more stocks.
- Professional management/expertise.
- Can invest in line with his own objective.
- Less administration.
- Focus on growth/lower dividend income.
- Rebase CGT position/use of AEA.
- FSCS protection.

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

- Low correlation with UK markets.
- Greater diversification/reduced systematic risk.
- Potential for positive currency movement/strengthening in Yen.
- Market less efficient/stocks under-researched.
- Strong corporate governance/balance sheets.
- Highly innovative companies/higher growth potential.

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

- **Currency**
- Yen weakening/adverse exchange rate movement.
- **Volatility**
- Price movements greater than large cap indices/stocks.
- **Liquidity**
- Lower trading volumes/wider price spreads.
- **Information**
- Under-researched/harder for foreign investors to do due diligence.

(d) **(i)**

- SD is Paper based/stock transfer form / SDRT is electronic/CREST.
- SD is rounded to nearest £5 / SDRT rounded to nearest penny.
- SD has £1,000 minimum threshold / SDRT has no minimum.

(ii) **SDRT**

11,300 + 14,000 = 25,300
25,300 x 0.5% = £126.50

PTM Levy

£1.50 x 2 = £3.00

Total

£126.50 + £3.00 = £129.50

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

- Bottom-up approach.
- Avoid overpaying/consider fair value.
- Companies with above average growth.
- Mix of value and growth.
- Worth paying a premium for;
- companies with long-term;
- sustainable advantage.

Model answer for Question 3

(a) **(i)**

3,100,000 – 907,000 = 2,193,000
1,000,000 + 825,000 + 2,720,000 = 4,545,000
2,193,000 / 4,545,000 = 0.4825082
x 100 = 48.250825 = 48.25%

(ii)

- ROE has fallen significantly.
- Decrease in operating/net profit.
- Increase in interest/taxation.
- Increase in retained earnings/reserves/share capital.

(b) **(i)**

Candidates would have scored full marks for any five of the following:

- Decisions made by investment committee.
- Range of risk-adjusted portfolios.
- Traded and rebalanced at same time/periodically.

- OEICS/unit trusts.
- ETFs.
- Investment Trusts.

(ii)

Candidates would have scored full marks for any three of the following:

- Manager expertise.
- Operational efficiency/less time on research/admin;
- focus on clients/enhances advice proposition.
- Reduced compliance/regulation/conflict of interest.

(iii)

Candidates would have scored full marks for any three of the following:

- Potential conflict of interest.
- Increased operational time/admin;
- Risk to advice proposition/impact on client sentiment.
- Increased compliance/regulation.

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

- X is trading above par / Y is trading below par.
- X will have a capital loss / Y will have a capital gain;
- if held to redemption/maturity.

- X is long dated / Y is short dated.
- X has lower running yield / Y has higher running yield.
- X has lower redemption yield / Y has higher redemption yield.
- X has higher credit rating / Y has lower credit rating.
- X has lower chance of default/default risk / Y has higher chance of default.
- X more sensitive to interest rate changes (low coupon long duration) / Y less sensitive to interest rate changes.

(ii)
- Price of both bonds likely to fall.
- Yield on both bonds likely to rise.
- Bond X fall more / Bond Y fall less.

(iii) 15.8 / (1 + 0.0216)
= 15.46

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

- Higher level of income.
- Manage duration/hold shorter duration bonds.
- Opportunity for re-rating/upgrade to investment grade.
- High yield less researched/opportunity for mispricing.
- Diversification away from/lower correlation with investment grade.

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

- Increase credit quality/reduce credit risk.
- Manage duration.
- Increase liquidity/reduce liquidity risk.
- Increase diversification to equities/high yield.
- Add value though individual issue/credit analysis.

Glossary of terms

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

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

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

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

All questions in the September 2026 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 for exams from 1 September 2025 until 31 August 2026.

INCOME TAX

RATES OF TAX	2024/2025	2025/2026
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%	8.75%
Higher rate	33.75%	33.75%
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.*

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% †	£4,280	£4,360
Married/civil partners at 10% †	£11,080	£11,270
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance†	£37,000	£37,700
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£3,070	£3,130
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%	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. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,700 (£37,000 for 24/25) 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)	£125
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 £125 per week. This £125 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	£3,50
Small profits threshold per year	£6,845

Class 2 contributions are credited automatically where profits equal or exceed £6,845 per annum.
Class 2 contributions can be made voluntarily where profits are below £6,845 per annum.

Class 3 (voluntary)	Flat rate per week £17.75.
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.*

	2024/2025	2025/2026
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	£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**

**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	2024/2025		2025/2026
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	**Pre 30/10/2024**	**Post 30/10/2024**	**2025/2026**
Individuals:			
Up to basic rate limit	10%	18%	18%
Above basic rate limit	20%	24%	24%
Surcharge for residential property - Basic Rate	8%	n/a	0%
Higher Rate	4%	n/a	n/a
Surcharge for carried interest**	8%	4%	**32%
Trustees and Personal Representatives:			
Residential property	24%	24%	24%
Other chargeable assets	20%	24%	24%
Business Asset Disposal Relief*	10%		14%
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%*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2024/2025	2025/2026
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
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

		2024/2025 £ (per week)	2025/2026 £ (per week)
Child Benefit	First child	25.60	26.05
	Subsequent children	16.95	17.25
	Guardian's allowance	21.75	22.10
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 71.70	Up to 72.90
	Aged 25 or over	Up to 90.50	Up to 92.05
	Main Phase		
	Work-related Activity Group	Up to 126.45	Up to 128.60
	Support Group	Up to 138.20	Up to 140.55
Attendance Allowance	Lower rate	72.65	73.90
	Higher rate	108.55	110.40
Basic State Pension	Category A full rate	169.50	176.45
	Category B (lower) full rate	101.55	105.70
New State Pension	Full rate	221.20	230.25
Pension Credit	Standard minimum guarantee - single	218.15	227.10
	Standard minimum guarantee - couple	332.95	346.60
	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	71.70	72.90
	Age 25 or over	90.50	92.05
Statutory Maternity, Paternity and Adoption Pay		184.03	187.18

CORPORATION TAX

	2024/2025	2025/2026
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

	2024/2025	2025/2026
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 SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *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%