

Chartered
Insurance
Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

September 2025 Exam Guide

SPECIAL NOTICES

Candidates entered for the February 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.

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.

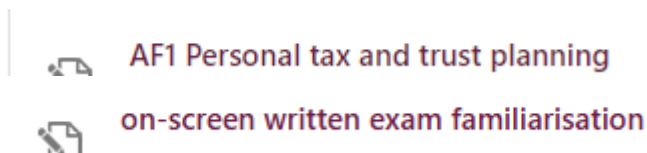
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

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 are not 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:

The AF1 exam covers a wide syllabus and requires an application of level 6 knowledge to the three case studies provided.

Candidates must have a good knowledge of both trusts and taxation and therefore need to have studied at least R03 and J02 (or equivalents) as a minimum.

Most candidates made a good start to the exam and we saw some excellent answers on the questions on lifetime transfers and IHT, with many candidates scoring maximum marks in both question 1 (a)(i) and (ii).

However, it was disappointing to see a lack of knowledge in some of the standard syllabus areas such as the duties of executors, how ISAs are treated on death, basic CGT implications of couples separating and divorcing and the tax implications of chargeable gains on investment bonds held in trust. We also saw limited knowledge of general powers of attorney.

Candidates should ensure that as well as using past exam guides for revision and the AF1 case study workbook, they also study in full the supporting J02 and R03 textbooks to give themselves the best chances of a pass at this level 6 examination.

We would also like to remind candidates that at the start of each set of questions it states: 'to gain maximum marks for calculations **you must show all your workings and express your answers to two decimal places**'. Where this is not then carried out, candidates are limiting their chance straight away of not being able to score high or maximum marks.

We are also noticing that some candidates are not giving enough detail in their answers or at times, no answer is attempted; we would strongly encourage any future candidate to give an answer to every question and look at the marks available to understand how much detail is needed.

Question 1

Part (a)

Overall candidates performed well with a pleasing number gaining very high marks in part (a)(i). In part (a)(ii) where candidates recognised the impact of the CLT made in 2015 - within 7 years of the PETs in 2020 – high marks were gained. It is very important to read a question in full, as the question stated that '*you should exclude the transfer of the property in 2019 from your answer*', and those candidates that did include it lost valuable time in giving detail that could not gain marks.

Part (b)

Knowledge of the impact of a house being gifted and staying there either rent free or whilst paying a market rent was limited. Although many candidates recognised that a gift with reservation had been made, the answers lacked the detail regarding the IHT potentially payable on the GWR and the PET which meant limited marks could be gained. This was equally the case in part (b)(ii).

Part (c)

A mix of responses was seen from candidates, with a disappointing number explaining the IHT position and the general responsibilities of personal representatives which even if accurate, did not answer the question being asked. Candidates are reminded to read the question carefully and answer the question set; in this case it was the responsibilities for payment of Income Tax and CGT both prior to Philippa's death and afterwards.

Part (d)

The main duties of trustees in respect of investments is a key part of the AF1 syllabus and although some candidates gave excellent answers and achieved high marks as a result, others gave the general duties of trustees and not specifically regarding investment.

Part (e)

In part (e)(i) it was disappointing to see many candidates were not aware of the continuing ISA rules that apply to someone following their spouses/civil partner's death.

In part (e)(ii) candidates that performed well were aware that although Charlie didn't inherit the ISA from his late wife, this did not prevent him from claiming an APS and those candidates generally were also aware of the rules around the value that can be claimed within the correct timescales.

Part (f)

Candidates who performed very well appreciated that Stan would only be in the UK for 6 days during the 2025/2026 tax year (from 6 April 2025 to the 12 April 2025) and rightly concluded that as this is less than 16 days he would not be classed as a UK resident. We saw some very good answers regarding the impact on his ISA whilst not classed as a UK resident, but few candidates were able to explain the CGT rules around temporary non-residence status.

Part (g)

Overall, this question was not answered well by candidates. Questions on the changing legislation for separating and divorcing couples have been asked in the AF1 exam since they were introduced in April 2023. However, many candidates were still unaware of the three year rule for couples in the process of separating and the impact of an earlier divorce.

Question 2**Part (a)**

Question 2 started with an Income Tax calculation and there were some mixed responses from candidates. The biggest error was not treating the part of the bonus correctly that was being paid into the pension using the bonus sacrifice scheme with a disappointing number of candidates extending the basic rate band. Many candidates also incorrectly included the dividends from the non-reporting funds; as the name suggests these do not report income to HMRC and therefore are not taxed as they arise, only on disposal.

Part (b)

Performance on this question was generally disappointing with very few candidates recognising that as Rory is alive, the gain on the investment bond will be assessed on him. The calculation of chargeable gains on investment bonds is a fundamental part of the syllabus and has been tested many times in the past. Future candidates should ensure they are aware of how HMRC tax gains when a trust is involved and note whether the bond is held onshore or offshore.

Part (c)

Answers to this question were often too vague or were around the general duties of trustees whereas they should have been tailored specifically to the factors trustees should consider when reviewing investments held in trust for Ciara. Those candidates that made mention of Ciara's health, or her circumstances or referred to the fact that the case study stated the trustees were considering surrendering the bond to pay her university fees, gained high marks.

Part (d)

Many candidates were aware that a general power of attorney would have been the most suitable option in this scenario. However, some of the detail was lacking and as a consequence very few achieved high marks.

Part (e)

This question was answered reasonably well, with the majority of candidates recognising that as Rory was leaving his home to his daughter, as a direct descendant, his estate would have qualified for the RNRB. Although mention was often made of the mortgage, the detail was often muddled, with many answers stating that as the value of the house after the mortgage would be £150,000 this is covered by the £175,000 RNRB whereas the maximum available RNRB is restricted to the value of the home after the mortgage is deducted.

Question 3**Part (a)**

The pooling of shares has been tested many times in the past, so it was disappointing to see some candidates were unaware of having to work out the average share price. For those that had practiced this calculation, high marks were awarded.

Part (b)

It was disappointing to see many candidates were unaware of the differences between bonus and rights issues with few marks awarded.

Part (c)

It was disappointing to see in part (c)(i) candidates did not achieve more marks. Some candidates assumed it was a commercial property or forgot about the 5% supplement charge for a second property. The answer to part (c)(ii) however was generally well answered.

Part (d)

There were mixed responses to this question. A pleasing number of candidates noted in the case study the use of the annual exemption the previous year. However, a surprising number of candidates stated that £5,000 would be covered under the marriage exemption even though the information is in the tax table provided which states only £2,500 is exempt for grandparents.

Very few candidates offered a solution to both the potential IHT on the PETs and the loss of the nil rate band in part (d)(ii).

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 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.

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) and (g) which follow.

Charlie is a widower aged 61 with two independent adult sons, Stan and Jakub.

When Charlie's wife, Marta, died in 2023 she left her estate to Charlie, with the exception of various investments which were left to Stan and Jakub in her Will. Amongst these investments was a Stocks and Shares ISA. This was valued at £80,000 on her death and at £85,400 when the administration of her estate was completed.

Stan is a keen investor. His portfolio includes Stocks and Shares ISAs and a General Investment Account (GIA) with significant unrealised gains. Stan left the UK to stay with family in France on 12 April 2025. He expects to return to the UK in May 2026.

Jakub's marriage has recently broken down and he moved out of their shared home in August 2025. The couple have started divorce proceedings. Included as part of the assets they will need to separate is a jointly owned investment portfolio, made up of investment trusts and directly held shares.

Charlie's mother, Philippa, died on 30 June 2025. She and Charlie's father had divorced ten years prior to her death. She had lived in her own home until her death, the legal ownership of which she had transferred to Charlie and his sister Rose on 1 June 2019. The value at that time was £400,000. When Philippa died the property was worth £520,000.

In August 2015, Philippa made a transfer into a discretionary trust for her four grandchildren. She transferred cash of £250,000 into the trust and appointed Charlie and Rose as trustees. The nil rate band at the time was £325,000. The trust fund is now valued at £407,000 and is invested in cash, gilts and open-ended investment companies (OEICs). Rose would like to make distributions from the trust to her two children who are both at university.

In September 2020, Philippa made a gift to Charlie and Rose of £150,000 each.

Other than the transfer to the discretionary trust and the two gifts, Philippa had made no other lifetime gifts or transfers.

Charlie and Rose are the legal personal representatives of Philippa's estate.

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) (i) Explain, **using figures where appropriate**, whether any Inheritance Tax (IHT) was payable on each of the lifetime transfers made by Philippa **at the time they were made**. *You should exclude the transfer of the property in 2019 from your answer.* (6)
- (ii) Calculate, **showing all your workings**, the IHT payable on the lifetime transfers when Philippa died on 30 June 2025 and state who is primarily liable to pay it. *You should exclude the transfer of the property in 2019 from your answer.* (9)
- (b) Describe the IHT consequences for Philippa of transferring legal ownership of her home to Charlie and Rose on 1 June 2019 if she had:
- (i) lived in it rent free until her death. (8)
- (ii) paid £2,000 per month in rent from 1 June 2021 until her death. (5)
- (c) Describe Charlie and Rose's responsibilities as legal personal representatives regarding Income Tax and Capital Gains Tax in the 2025/2026 tax year. (10)
- (d) Explain Charlie and Rose's main duties as trustees of the discretionary trust in respect of:
- (i) the investments. (9)
- (ii) distributing capital to two of the beneficiaries. (3)
- (e) (i) Explain how Marta's ISA will be administered following her death. (6)
- (ii) Explain to Charlie the rules regarding the Additional Permitted Subscription which will apply to him following his wife's death. (6)

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

- (f) (i) Describe briefly Stan's residence status for the 2025/2026 tax year. (3)
- (ii) Explain the consequences of Stan moving to France on his Stocks and Shares ISA in the 2025/2026 tax year. (4)
- (iii) Explain the Capital Gains Tax position should Stan decide to sell his GIA in March 2026. (3)
- (g) Describe the Capital Gains Tax implications for Jakub and his former partner if their jointly owned investment portfolio is transferred between them when they:
- (i) separate. (5)
- (ii) divorce. (3)

Total marks available for this question: 80

SECTION B

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

Question 2

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

Rory, aged 48, is divorced and has one daughter, Ciara, aged 19.

Rory is employed and earns an annual salary of £60,000. He will receive a bonus of £8,000 in the 2025/2026 tax year and will pay 50% of this into his pension using his employer's bonus sacrifice scheme.

He will also receive investment income in the 2025/2026 tax year as follows:

Investment	Income (£)
Corporate bond unit trusts	1,650
Deposit account	150
Cash ISA	350
Global equity GIA	2,000
Stocks and Shares ISA	800

Rory also holds an offshore OEIC invested in reporting and non-reporting funds. In the 2025/2026 tax year, the reporting funds will pay dividends of £3,200 and the non-reporting funds will pay dividends of £1,800. The dividends from both will be accumulated.

A discretionary trust was created by Rory for the benefit of Ciara three years ago. The trust holds various investments including an offshore investment bond, which the trustees are considering surrendering to pay Ciara's university fees.

Rory's brother, Simon, is one of the trustees. He will shortly be moving abroad for two months on a sabbatical and Rory is concerned that the remaining trustees may not be able to surrender the investment bond whilst Simon is away.

Rory has a Will leaving his entire estate to Ciara. His assets include his home, which is currently valued at £400,000 with an outstanding mortgage of £250,000.

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**, Rory's Income Tax liability in the 2025/2026 tax year. (11)

- (b) Describe how the chargeable gain on the offshore investment bond will be assessed for tax purposes if the trustees surrender it in October 2025. (8)

- (c) State the factors the trustees should consider when reviewing the investments held in trust. (8)

- (d) Describe how Simon can appoint an attorney to delegate his powers whilst he is away. (8)

- (e) Explain, **using figures where appropriate**, how Rory's home will be treated for Inheritance Tax purposes should he die in this tax year. (5)

Total marks available for this question: 40

Question 3

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

John and Isabella are a married couple in their early 70s. They have two children, Olivia and Mateo, and three grandchildren, Sofia, Diego and Alma. They own their own home, mortgage-free.

In the 2025/2026 tax year, both John and Isabella will be higher-rate taxpayers.

John has been investing in shares of Scott Start Limited over the past 10 years, purchasing them at different times and prices as follows:

Date of Purchase	Purchase Price (£)	Number of Shares
January 2015	8.35	2,000
July 2019	7.86	7,000
December 2022	6.90	3,500

John plans to sell 10,000 of these shares to help fund a joint investment property purchase with Isabella. He has been informed that the disposal will incur costs of £500. The shares are currently trading at £9.19 each. The company is shortly to announce a bonus issue and a rights issue.

On 1 June 2025, John realised two losses. The first loss was £6,000 from the disposal of a holding of gilts. The second loss was £5,000 from the disposal of a holding of equity unit trusts.

John and Isabella have a significant liability to Inheritance Tax (IHT) on their estate and consequently they are both considering making the following cash gifts to their grandchildren in the 2025/2026 tax year:

- £3,250 from each of them to Sofia, a present for her 16th birthday;
- £147,500 from each of them to Diego, on the occasion of his marriage;
- £200,000 from each of them to Alma, to help her purchase her first home.

The couple want to understand how these gifts would be treated for IHT purposes and the type of protection they could put in place to cover any potential IHT liability that might arise in the future.

John and Isabella each gave £3,000 to Olivia and Mateo in the previous tax year. These are their only previous lifetime gifts.

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 Capital Gains Tax liability assuming John makes the planned disposal of Scott Start Limited's shares in the 2025/2026 tax year. (11)
- (b) (i) Explain to John what a bonus issue is and the impact on the share pool. (3)
- (ii) Explain what a rights issue is and the impact on the share pool. (3)
- (c) (i) Calculate, **showing all your workings**, the Stamp Duty Land Tax (SDLT) on the proposed purchase of the investment property including when this should be paid. *Assume a purchase price of £400,000 and that the purchase is completed in the 2025/2026 tax year.* (5)
- (ii) Explain briefly how any future rental income will be taxed on John and Isabella. (4)
- (d) (i) Explain, **using figures where appropriate**, the IHT implications if John **or** Isabella were to die within seven years of making their proposed gifts. (6)
- (ii) Describe in detail an appropriate protection strategy for John and Isabella to cover any future IHT liability following the gifts. (8)

Total marks for this question: 40

NOTE ON MODEL ANSWERS

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

Model answer for Question 1

- (a) (i) **August 2015 - transfer to discretionary trust**
- Transfer is a Chargeable Lifetime Transfer (CLT).
 - The value of £250,000 can be reduced to £244,000 by the unused annual exemptions for 2015/2016 and 2014/2015.
 - No IHT is payable;
 - as the CLT of £244,000 is within the nil rate band of £325,000.

September 2020 - gifts to Charlie and Rose

- Gifts are Potentially Exempt Transfers (PETs).
- No IHT is payable at the time they are made.

- (ii) To calculate the IHT on the PETs we need to include the cumulative lifetime transfer made in the 7 years prior to September 2020/when the PETs were made.

CLT in August 2015 = £244,000

£325,000 - £244,000 = £81,000 NRB remaining

PETs in September 2020 = £300,000 - £6,000

(annual exemption 2020/21 and 2019/20) = £294,000

£294,000 - £81,000 = £213,000 excess over NRB

X 40% IHT = £85,200

X 60% taper relief = £51,120

Tax payable on PETs = £51,120

Charlie and Rose/donees are primarily liable

- (b) (i) *Candidates would have gained full marks for any eight of the following:*
- The gift is treated as a gift with reservation;
 - as Philippa lived in the house without paying a full market rent/retained a benefit.
 - The value of £520,000;
 - will be included in her estate for IHT purposes.
 - The gift was a transfer of value/PET for IHT in 2019.
 - She has died within 7 years so the gift becomes chargeable;
 - resulting in a double IHT charge/a charge on the PET and the GWR.
 - Relief will be given so that one of the charges stands and the other reduces to nil.
 - The gift will still use up her NRB as was made within 7 years of death.
- (ii) *Candidates would have gained full marks for any five of the following:*
- The reservation stops;
 - when she starts paying rent in 2021;
 - as long as £2,000 is a fully commercial rent for the property.
 - Philippa will be treated as making a second gift/a deemed PET in 2021;
 - which is charged on her death as 7 years have not elapsed.
 - Because it's a deemed PET and no actual transfer of value the annual exemption cannot be used.
 - Relief will be given for double taxation.
- (c) *Candidates would have gained full marks for any ten of the following:*
- Responsible for paying tax on income received by Philippa prior to the date of death/30 June 2025.
 - They can use her usual allowances and reliefs.
 - These are not reduced even though Philippa died early in the tax year.
 - Philippa's estate may be entitled to a tax refund.
 - Any income received after Philippa's death/30 June 2025 is taxable on the estate;
 - but no personal allowances can be claimed.
 - No tax will be due where total income is no more than £500.
 - Where it is over £500 they only pay the basic rate of tax on income.
 - They pay CGT at 24% on disposals made during the administration period.
 - The estate is entitled to the individual annual exempt amount in the tax year of death;
 - and for the following two tax years.
 - They should complete self-assessment/tax return.

- (d) (i) *Candidates would have gained full marks for any nine of the following:*
- Take account of the standard investment criteria/suitability.
 - Due to the size of the trust fund there is a need for diversification.
 - Obtain advice from a person qualified to give it;
 - although this is not needed if trustees have expertise.
 - Review or monitor the investments periodically and vary as appropriate.
 - Invest in accordance with the trust terms or deed.
 - Trustees have a duty of care.
 - Hold investment certificates/title documents/register assets in trust name.
 - Keep proper accounts/records of trust property.
 - Invest cash promptly.
- (ii) *Candidates would have gained full marks for any three of the following:*
- Trustees have a duty to consider the interests of all the beneficiaries/not just Rose's children.
 - They must document any decisions taken/keep accounts.
 - Payment of exit charges on capital distributions.
 - Any CGT on sale of OEICs.
- (e) (i) *Candidates would have gained full marks for any six of the following:*
- When Charlie's wife Marta died, her ISA became a continuing ISA.
 - No new money could be paid in;
 - but the account would have continued to benefit from the tax advantages.
 - These last until the administration of the estate is complete;
 - the ISA is closed or;
 - three years and one day have lapsed since death/2026;
 - whichever is sooner.
- (ii) *Candidates would have gained full marks for any six of the following:*
- Charlie will get an APS even though he didn't inherit the ISA.
 - Charlie's APS is equal to the value of his wife's ISA on the date she died;
 - or the date the ISA is closed/administration of the estate is complete.
 - £85,400 is the value used as it is higher than the value on her death.
 - For non-cash assets, the investment time limit is 180 days;
 - after the estate is distributed.
 - For cash subscriptions, the time limit is three years from the date of death or;
 - if later, 180 days after the administration of the estate is complete.

- (f)
- (i)
 - Stan is not UK resident in tax year 2025/2026;
 - because he spent fewer than 16 days of the tax year in the UK;
 - only 6 days from 6 April to 12 April.
 - (ii)
 - Stan will not be able to use his ISA allowance for this tax year.
 - He can keep the ISA;
 - and it will keep its tax-free status/remain tax efficient.
 - If he regains his UK residency status he can use his ISA allowance.
 - (iii)
 - Stan will be classed as a temporary non-resident for CGT purposes.
 - He must be non-UK resident for more than 5 years for disposals of assets acquired before leaving to be free of UK CGT.
 - He will still be liable to UK CGT.
- (g)
- (i)
 - Separating couples have up to three years;
 - after the end of the tax year;
 - when they stop living together;
 - in which to make no gain/no loss transfers.
 - For the couple this is 5 April 2029.
 - (ii)
 - An earlier divorce/dissolution of a civil partnership will bring the no gain no loss period to an end;
 - resulting in a disposal for CGT purposes.
 - If the transfer is part of a legal divorce agreement it is always treated as no gain no loss transaction.

Model answer for Question 2

- (a) **Total income**
 Salary £60,000 + Bonus £4,000 + Savings £1,800 + Dividends £5,200
 = £71,000
- Non-savings**
 $£12,570 \times 0\% = £0$
 $£37,700 \times 20\% = £7,540$
 $£13,730 \times 40\% = £5,492$
 Total = £13,032
- Savings**
 PSA £500 $\times 0\% = £0$
 $£1,300 \times 40\% = £520$
- Dividends**
 DA £500 $\times 0\% = £0$
 $£4,700 \times 33.75\% = £1,586.25$
- Total Income Tax** = £13,032 + £520 + £1,586.25 = £15,138.25

- (b)
- The gain will be assessed to Income Tax;
 - as income of Rory/the settlor;
 - in the tax year of surrender/2025/26.
 - Rory will pay tax at the higher rate/40% on the gain.
 - There is no basic rate tax credit for offshore bonds.
 - Top slicing relief may be available to Rory;
 - to reduce any potential liability to additional rate tax.
 - Rory can reclaim the tax paid on the gain from the trustees.
- (c) *Candidates would have gained full marks for any eight of the following:*
- Changes in the trust's objectives/income or capital for university fees.
 - Death of Ciara.
 - Changes in Ciara's circumstances/illness.
 - Changes in ATR/CFL.
 - Changes in Ciara's tax position.
 - Poor investment performance/need for rebalance.
 - Charges.
 - Legislation changes.
 - Economic/market conditions.
- (d)
- As Simon will not be abroad for more than one year;
 - he can delegate any or all of his powers to an attorney;
 - under a General/Ordinary Power of Attorney;
 - as per the Trustee Delegation Act 1999.
 - Written notice must be given;
 - to the appointor/trustees;
 - giving the sabbatical as the reason for the delegation;
 - within 7 days of its execution.
- (e)
- Rory's estate will qualify for the Residence Nil Rate Band/£175,000;
 - as his home has been left to Ciara who is a direct descendant.
 - However the maximum available RNRB will be the value of his home/£400,000;
 - less the outstanding mortgage/£250,000;
 - = £150,000.

Model answer for Question 3

(a) Disposal proceeds = $10,000 \times £9.19 = £91,900$

Base cost Scott Start shares:

$2,000 \times £8.35 = £16,700$

$7,000 \times £7.86 = £55,020$

$3,500 \times £6.90 = £24,150$

$£16,700 + £55,020 + £24,150 = £95,870$

Average price per share = $£95,870 / 12,500 = £7.67$

$10,000 \times £7.67 = £76,700$

$£91,900 - (£76,700 + £500) =$

Chargeable gain = $£14,700$

Less

Loss on Unit Trust $£5,000 = £9,700$

AEA = $£3,000$

Net gain = $£6,700$

$£6,700 \times 24\% = \text{CGT due of } £1,608$

- (b) (i) *Candidates would have gained full marks for any three of the following:*
- Company gives additional shares to existing shareholders;
 - in proportion to the number of shares owned.
 - They are issued free/no acquisition cost to John.
 - Increases the number of shares in the share pool/no increase in the cost of the shares.
- (ii) *Candidates would have gained full marks for any three of the following:*
- Company offers existing shareholders the right to buy additional shares.
 - There will be an acquisition cost/price to John.
 - The cost is usually lower to encourage shareholders to purchase.
 - The new shares/additional cost are added to the share pool.
- (c) (i)
- $£125,000 \times 5\% = £6,250$
 - $£125,000 \times 7\% = £8,750$
 - $£150,000 \times 10\% = £15,000$
 - $£30,000$ due within 14 days;
 - of completion.
- (ii)
- Rental income will be split between them/in the proportion they own.
 - Each will declare their share on their Self-Assessment/tax return.
 - They can deduct allowable expenses.
 - Net rental income is taxed at 40%.

- (d) (i) *Candidates would have gained full marks for any six of the following:*
- £3,000 will be exempt under the annual exemption.
 - £2,500 of the gift to Diego will be exempt under the grandparent's gift/marriage exemption.
 - The remaining £345,250;
 - will be a PET for each of them.
 - IHT will be chargeable at 40% if either dies within 7 years;
 - on the excess over the NRB/£20,250;
 - reduced by taper relief if death occurs between 3 and 7 years.
- (ii) *Candidates would have gained full marks for any eight of the following:*
- Gift inter vivos policies;
 - to protect IHT due on the PETs.
 - Sum assured $£20,250 \times 40\% = £8,100$
 - 7 year term;
 - own life in trust/life of another policies.
 - Level term assurance policies;
 - to protect the loss of their NRBs;
 - sum assured $£325,000 \times 40\% = £130,000$;
 - 7 year term;
 - in trust for the executors/beneficiaries of their estates.

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 2026 paper will be based on English law and practice applicable in the tax year 2025/2026, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable to the September 2025 and February 2026 exams.

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
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Dividend allowance	£500	£500
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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
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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 2025/2026
Individuals:		
Up to basic rate limit	10%	18%
Above basic rate limit	20%	24%
Surcharge for residential property - Basic Rate	8%	n/a
Higher Rate	4%	n/a
Surcharge for carried interest**	8%	4%
Trustees and Personal Representatives:		
Residential property	24%	24%
Other chargeable assets	20%	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	2025/2026
		£ (per week)	£ (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	Up to 71.70	Up to 72.90
	Age 16 - 24		
	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 main residence. 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. The rates 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%