Chartered
Insurance
Institute

R03

Diploma in Regulated Financial Planning

Unit 3 – Personal taxation

Based on the 2026/2027 syllabus
examined from 1 September 2026 until 31 August 2027

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The CII Qualifications accessibility and special circumstances policy and guidance document can be viewed on the CII Rules and Policies page **www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/**

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Telephone: 020 8989 8464
Email: **customer.serv@cii.co.uk**

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Unit 3 – Personal taxation

Based on the 2026/2027 syllabus examined from 1 September 2026 until 31 August 2027

Introduction

This examination guide has been produced by the Qualifications and Assessment Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the R03 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of R03 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry and refer to the additional reading material referenced in the appendix of the R03 study text.

Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

1) Visit **www.cii.co.uk/learning/qualifications/unit-personal-taxation-r03/**
2) Select ‘exam guide update’ on the right-hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

Syllabus

The R03 syllabus is published on the CII website at **www.cii.co.uk. Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2026/2027 syllabus on the right-hand side of the page.

Skill Specification

The examination syllabus categorises R03 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to *apply, understand and analyse* the subject matter. Each learning outcome begins with one of these cognitive skills:

Understanding - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

Application - To answer application questions, the candidate must be able to apply his/her knowledge and/or understanding to a given set of circumstances. Typically questions may ask 'Calculate' – for example, 'Calculate liability to Income Tax'. Questions set on a be able to *apply* learning outcome can test knowledge and/or understanding as well as application.

Analysis - To answer questions requiring analysis, the candidate must be able to break information down into parts, identify how each piece relates to the whole, associate relevant aspects and determine courses of action. Typically questions will relate to a given set of circumstances or provide data which requires *analysis* so a conclusion can be drawn.

Examination Information

The method of assessment for the R03 examination is 50 multiple choice questions (MCQs): 39 standard format and 11 multiple response format. 1 hour is allowed for this examination.

The R03 syllabus provided in this examination guide will be examined from 1 September 2026 until 31 August 2027.

Candidates will be examined on the basis of English law and practice in the tax year 2026/2027 unless otherwise stated. It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.

For areas of the syllabus that are focused on taxation, the general rule is that the new tax year and changes arising from the Finance Act will be examined from 1 September each year. Other changes, not related to the Finance Act, will not be examined earlier than 3 months after they come into effect.

Given the fact that there is a single regulator for the whole sector, R03 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

Extracts from tax tables will be provided at each examination, an example of which can be found in this examination guide. Candidates may find it beneficial to familiarise themselves with this information in advance of the examination. Candidates may **not** take their own tax tables into the examination.

A standard format multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

A multiple response format question consists of a problem, followed by between four to six options. For each question more than one option is correct. Candidates must select **all** the correct options to gain the mark.

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

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

Examination Technique : Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre **www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/**

Remote invigilation

For remote invigilation sittings, you should check that the equipment you plan to use on your exam day is suitable. System requirements can be found here **www.cii.co.uk/learning/qualifications/assessment-information/multiple-choice-question-exams-by-remote-invigilation/prepare-your-it-equipment/**

Once you have booked your exam, you will be able to launch a Tutorial by going to the booking via your MyCII/MyPFS Dashboard. This tutorial can only be accessed three times, we suggest saving one attempt for 2-3 days prior to your exam date. The tutorial allows you to experience the launch of an exam as it will be on the day and covers some common FAQs. You will be unable to access the tutorial 2 hours and 30 minutes prior to your scheduled exam time.

To access your examination on the exam day, click on the “Launch Exam” link beside your scheduled exam within the Bookings and Results area of your MyCII/MyPFS Dashboard. If you have any difficulty accessing your MyCII/MyPFS account you should contact CII customer service.

After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

Personal taxation

Chartered Insurance Institute

Purpose

At the end of this unit, candidates will have investigated the:

- basic structure of the UK tax system;
- main taxes on income and capital that may be charged on individuals and trusts, the self assessment system and how tax liabilities are computed;
- taxation of investments as relevant to the needs and circumstances of individuals and trusts.

Summary of learning outcomes		Number of questions in the examination*
1.	Understand the UK tax system as relevant to the needs and circumstances of individuals and trusts	15 standard format
2.	Analyse the taxation of investments as relevant to the needs and circumstances of individuals and trusts	8 standard format/ 7 multiple response
3.	Analyse the role and relevance of tax in the financial affairs of individuals and trusts	6 standard format/ 4 multiple response
4.	Apply the knowledge of personal taxation to the provision of investment advice	10 standard format

* The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- Method of assessment: 50 questions: 39 standard format and 11 multiple response questions. 1 hour is allowed for this examination.
- This syllabus will be examined from 1 September 2026 to 31 August 2027.
- Candidates will be examined on the basis of English law and practice in the tax year 2026/2027 unless otherwise stated.
- It should be assumed that all individuals have long-term UK residence status unless otherwise stated.
- 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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1. Understand the UK tax system as relevant to the needs and circumstances of individuals and trusts

1.1 Explain the main features of Income Tax.

1.2 Explain the main features of National Insurance Contributions (NICs).

1.3 Explain the main features of Capital Gains Tax (CGT).

1.4 Explain the main features of Inheritance Tax (IHT).

1.5 Explain the implications of residence status on UK tax liability.

1.6 Explain the main features of UK tax compliance.

1.7 Explain Stamp Duty Reserve Tax and Stamp Duty Land Tax.

1.8 Describe the rules and impact of Value Added Tax (VAT) and Corporation Tax.

2. Analyse the taxation of investments as relevant to the needs and circumstances of individuals and trusts

2.1 Analyse the taxation of direct investments.

2.2 Analyse the taxation of indirect investments.

3. Analyse the role and relevance of tax in the financial affairs of individuals and trusts

3.1 Analyse the impact of taxes on individuals, trusts and their investments in different situations.

3.2 Analyse the ways in which key elements of tax planning provide tax efficiency to individuals and trusts.

4. Apply the knowledge of personal taxation to the provision of investment advice

4.1 Calculate basic elements of Income Tax, NICs, CGT, and IHT, including the impact of lifetime transfers and transfers at death

4.2 Recommend elementary tax plans in the context of investments and pensions advice

Additional resources

The following resources may assist you with your studies.

Note: The examination will test the syllabus alone.

Supporting information for the syllabus can be found on the unit page via the CII website. The resources found here: *www.cii.co.uk/learning* will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

Additional reading material can also be found referenced in an appendix within the study text.

Learning support

Personal taxation. London: CII. Study text R03.

Audio Revision, E-Learn, Key Facts Booklet and Knowledge Checker are included with Enrolment plus, or available at an additional cost (delivered via RevisionMate).

Revision Extra is available at an additional cost.

Supporting exam documents

Tax tables which are provided in your exam can be found here: *www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents/*

Assessment information

Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:

1. Visit *www.cii.co.uk/qualifications*
2. Select the appropriate qualification
3. Select your unit from the list provided
4. Select qualification update on the right hand side of the page

Examination guide

The examination guide is available on the unit page via the CII website.

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If you have a current study text enrolment, the current examination guide is included and is accessible via **RevisionMate** (*www.cii.co.uk/login*). Details of how to access RevisionMate are on the first page of your study text.

It is recommended that you study from the most recent versions of the examination guide.

Exam preparation

Exam preparation guidance and supporting exam documentation are available via the CII website: *https://www.cii.co.uk/learning/qualifications/assessment-information*.

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1. A company pays indemnity insurance for both its P11D employees and P11D directors. The premiums, appropriately apportioned to those individuals, are treated as P11D benefits for

A. both directors and employees.
B. neither directors nor employees.
C. the directors, but not for other employees.
D. the employees, but not for directors.

2. Sally will pay Income Tax in three instalments. This is **most likely** to be because

A. her taxable income has reduced.
B. she is self-employed.
C. she previously lived abroad.
D. she receives income through PAYE.

3. Mary, currently a basic-rate taxpayer with earnings of £15,000 per annum and savings income of £5,000 per annum, is about to dispose of some unit trusts, realising a capital gain, and surrender an offshore assurance bond with a chargeable gain. As a result of these transactions, with regard to the gain on the unit trusts, she will be liable solely to higher-rate tax. Assuming that these transactions do **NOT** cause her to become an additional-rate taxpayer, to which rate(s) of Income Tax may she be personally liable with regard to the surrender of the bond?

A. 18% only.
B. 18% only or to both 18% and 24%.
C. 20% only or to both 20% and 40%.
D. 40% only.

4. How do National Insurance Contributions (NICs) affect the tax liabilities of employees and employers?

A. For employees, but not employers, the tax liabilities are based on the figures after deductions for NICs.
B. For employers, but not employees, the tax liabilities are based on the figures after deductions for NICs.
C. In both cases, the tax liabilities are based on figures before deductions for NICs.
D. In both cases, the tax liabilities are based on figures after deductions for NICs.

5. When completing her Value Added Tax (VAT) return for the quarter, a self-employed shopkeeper has outputs of £8,000 and inputs of £14,000. How much VAT will be either submitted to or refunded by HM Revenue & Customs (HMRC) this quarter?

A. £1,200 submitted to HMRC.
B. £1,200 refunded by HMRC.
C. £1,600 submitted to HMRC.
D. £1,600 refunded by HMRC.

6. A company pays premiums for both medical insurance and group income protection insurance which benefit a 46-year-old full-time employee with taxable remuneration of £155,000 per annum. What is the employee's taxation position with regard to the premiums attributable to him for those benefits?

A. Both premiums are taxed as a benefit.
B. Neither premium is taxed as a benefit.
C. The income protection premium only is taxed as a benefit.
D. The medical insurance premium only is taxed as a benefit.

7. Leonora, earning £50,000 per annum, receives income from her gilt holdings and FTSE 100 shares. With regard to the personal savings allowance and dividend allowance she should be aware that

A. any realised gains on her shares could be set off against any unused dividend allowance.
B. neither the personal savings allowance nor the dividend allowance extends her basic-rate tax band.
C. so long as the gilt and equity income combined does not exceed £2,000 per annum she has no tax liability on that income.
D. the allowances are not available, if her gilt and equity income exceeds £2,500 in a given year.

8. Safia, a widow, received all of her spouse's estate on his death. She has recently died, leaving her £600,000 estate to her children. Why was there no liability to Inheritance Tax?

A. All Safia's assets were held jointly with her children.
B. All Safia's children are non-UK-domiciled.
C. Safia and her spouse were both non-UK-resident at the time of death.
D. Two nil-rate tax bands, in effect, were applied to her estate.

9. Hassan has just invested £10,000 into each of the following, namely, a FTSE 100 company by way of its ordinary shares; an open-ended investment company; a Real Estate Investment Trust; and an Exchange Traded Fund incorporated within the UK. What total amount of stamp taxes will Hassan have paid?

A. £50
B. £100
C. £150
D. £200

10. Following the sale of a company in July 2021, the substantial capital gains tax liability regarding that sale finally became payable in the 2026/2027 tax year. This is because the underlying gain was

A. originally transferred to a trust.
B. subject to rollover relief.
C. invested in an Enterprise Investment Scheme.
D. received in instalments.

11. June is an employed, higher-rate taxpayer. She made a donation to a charity via Gift Aid in the previous tax year, but failed to inform HM Revenue & Customs (HMRC). Who, if anyone, is **likely** to be disadvantaged by this?

A. Both June and the charity, because neither will receive any tax benefit.
B. The charity only, because it cannot claim Gift Aid relief.
C. June only, because she will receive no higher-rate tax reduction for the donation.
D. No one, because the tax benefit will be automatically calculated by HMRC.

12. Lucinda directly owned some qualifying corporate bonds, with-profits assurance bonds originally purchased by her, as well as unit trusts invested solely in gilts. In every case, she made losses on the disposal of the assets. With regard to the losses which, if any, may be carried forward to offset against any future Capital Gains Tax liabilities?

A. None.
B. The loss from the corporate bonds only.
C. The loss from the unit trusts only.
D. The loss from the with-profits bonds and the corporate bonds.

13. Felix, aged 69, has total earnings of £13,570 and gross interest from his deposit account of £3,000. What is his total Income Tax liability, if any, in the tax year 2026/2027?

A. Nil.
B. £200
C. £600
D. £800

14. The accounting period for Value Added Tax is **usually**

A. every three months.
B. every six months.
C. every fiscal year.
D. every accounting year.

15. Harry has recently disposed of some shares in a business. What is a necessary condition for the disposal to qualify for hold-over relief?

A. He must have sold the shares within 3 years of retirement.
B. His total shareholding must account for at least 5% of the issued share capital.
C. He must have owned the shares for at least 7 years.
D. He must make the election for relief within 12 months of the date of disposal.

16. The assets of a discretionary trust consist solely of equities and qualifying corporate bonds. With regard to potential Capital Gains Tax (CGT) liabilities for the tax year 2026/2027, the trustees should be aware that **typically**

A. a disposal of the equities and a disposal of the corporate bonds may each create a CGT liability for the trustees.
B. if assets are transferred from the trust to the beneficiaries, then hold over of any capital gain to the beneficiaries is not permitted.
C. if assets have been gifted by the settlor to the trust, then the settlor may have elected to hold over any capital gain to the trustees.
D. the CGT exemption for the trust depends on the settlor's CGT exemption and use.

17. Abe, an additional-rate taxpayer because of his earnings, receives income from his portfolio's assets which consist solely of gilt unit trusts and investment trusts investing in European equities. Once full use has been made of his dividend allowance, what total rate(s) of tax apply to the income?

A. 39.35% on all.
B. 45% on all.
C. 45% regarding the investment trusts and 39.35% regarding the unit trusts.
D. 45% regarding the unit trusts and 39.35% regarding the investment trusts.

18. At the time of his death in May 2026, Shane owned a cash ISA of £60,000 and a stocks and shares ISA of £100,000. When probate was granted to his wife, Claudine, the values had increased to £60,500 and £102,000 respectively. Based on those figures, what is the **maximum** additional permitted subscription to an ISA that Claudine is allowed to make?

A. £160,000
B. £160,500
C. £162,000
D. £162,500

19. Jemima, an additional-rate taxpayer, purchased a £100,000 onshore life assurance bond just over 6 years ago. The bond consists of 100 segments and is now valued at £160,000. She would like to realise £80,000 from the bond, either only by partial withdrawals or only by surrenders, with **minimum** tax liability being generated at the time on that £80,000 realised. How may this be achieved?

A. A partial withdrawal across all the segments of £800 per segment without any tax liability.
B. A partial withdrawal across all the segments of £800 per segment with 25% tax liability on £45,000.
C. Surrender of 50 segments resulting in a 25% tax liability on £5,000.
D. Surrender of 50 segments resulting in a 25% tax liability on £30,000.

20. Stanley, an additional-rate taxpayer, invested £100,000 into an onshore assurance bond in his own name on his daughter Elise's eighth birthday. On the tenth anniversary of the bond, when its total value was £212,000, he assigned 50% of the segments to Elise. On her 21st birthday, Elise, then with taxable income of £50,000 per annum before use of allowances, surrendered her total holding, receiving £136,000. As a result of the surrender, who would be liable to any tax due and, if any, at which rate?

A. Elise, with no tax to pay.
B. Elise, with a 20% Income Tax liability.
C. Elise, with a 24% Capital Gains Tax liability.
D. Stanley, with a 25% Income Tax liability.

21. Janet, a higher-rate taxpayer, and Steven, an additional-rate taxpayer, purchased, exactly two years ago, the following investments at issue:

Name	**Type**	**Purchase Price**	**Current Value**
Janet	Enterprise Investment Scheme	£20,000	£35,000
Steven	Venture Capital Trust	£30,000	£49,000

From this information it can be deduced that

A. Janet and Steven would have received Income Tax relief at different rates.
B. Janet and Steven must both retain their investments for at least three more years to ensure no Income Tax liability arises regarding dividends paid.
C. disposal of Janet's shares now will not be liable to Capital Gains Tax on the realised gain.
D. disposal of Steven's shares now will not be liable to Capital Gains Tax on the realised gain.

22. When considering investments into ISAs, investors should be aware that

A. contributions to cash ISAs, by individuals under age 18, are limited to £10,000 per annum.
B. an individual with a Junior ISA may withdraw all the money on reaching age 16.
C. on death the full value of any ISA account may be passed to direct descendants, retaining the ISA tax status.
D. the maximum government bonus on a Lifetime ISA contribution is £1,000 per annum.

23. Two clients hold investments as follows

Name	Assurance Bond Type	Purchase Price	Current Value	Term Held
Alan	Offshore	£100,000	£120,000	7 years, 6 months
Elizabeth	Onshore	£200,000	£180,000	5 years

No withdrawals have been made by either client. From this information it can be deduced that

A. each client may withdraw £40,000 without generating an immediate tax liability.
B. only Elizabeth may benefit from gross roll-up.
C. on surrender, only Alan may have a Capital Gains Tax liability.
D. on surrender, the maximum personal liability to tax that could apply to Elizabeth is at the 40% rate.

24. George died in the tax year 2002/2003, using just 60% of the then Inheritance Tax nil-rate band of £250,000. As a result, were his widow to die in the tax year 2026/2027, her administrators can apply for the nil-rate band, in effect, to be extended to

A. £425,000
B. £455,000
C. £475,000
D. £520,000

25. Chiyo has just received a £50,000 inheritance which she intends to invest with exposure to property. Having sought advice, she has been provided with information on direct property purchase, Real Estate Investment Trusts (REITs) and life assurance property funds. Of what should she be aware regarding taxation?

A. All three types of property investment are subject to the same tax treatment with regard to Capital Gains Tax and Income Tax.
B. Direct property investment may deliver rental income that could be set against her Capital Gains Tax exemption and any losses carried forward from previous years.
C. Life assurance property funds, held through qualifying policies, have no tax liability on gains realised within the funds.
D. REITs may provide some income that can be used against her dividend allowance.

26. Natalia, a higher-rate taxpayer, is wondering how Permanent Interest Bearing Shares (PIBs) and open-ended investment companies (OEICs) invested solely in gilts, compare with regard to taxation. She should be aware that

A. only income from the OEICs may be applied against her dividend allowance.
B. no Capital Gains Tax liability arises on realised gains from either.
C. interest from both investments can be set against her personal savings allowance.
D. only the OEICs are eligible to be held within ISAs, securing the taxation advantage.

27. Melvin is considering investing tax efficiently for his newly born twins. He should be aware that this may be **best** achieved by contributing to

A. pensions and Child Trust Funds.
B. pensions and Junior ISAs.
C. Friendly Society bonds and unit trusts.
D. deposit accounts and Child Trust Funds.

28. William has an estate in excess of £2,000,000. He has decided to gift £600,000 worth of gilts to his daughter, having made no previous gifts except through use of annual exemptions. How may this impact on any eventual Inheritance Tax (IHT) liability?

A. If the gift becomes chargeable, the daughter is liable for payment of the IHT due.
B. If the gift becomes chargeable, the IHT due is based on the asset's value at the time of death.
C. So long as William survives the gift by at least two years, there will be some IHT mitigation.
D. The gift is totally IHT exempt after seven years, but only if it was reported to HM Revenue & Customs within six months of the gift being made.

29. Lucia has earnings of £25,000 per annum. Within her ISA, she receives the following annual income: £500 from AIM shares; £1,000 from qualifying corporate bonds. Outside her ISA, she receives the following annual income: £500 bank interest; £1,000 income from equity unit trusts. What Income Tax saving is she currently making, if any, by holding her AIM shares and qualifying corporate bonds within the ISA rather than outside?

A. None.
B. 10.75% on the AIM income only.
C. 20% on £500 of corporate bond income and 10.75% on the AIM income only.
D. 20% on all the corporate bond income and all the AIM income.

30. Four years prior to her death, Laura made a lifetime transfer of £225,000 net of the Inheritance Tax annual exemption, to a discretionary trust which excluded her as a beneficiary. No other transfers were made. Her estate, on death, was valued at £500,000, all of which was bequeathed to her grandchildren, the family home being owned and still lived in by her husband. What Inheritance Tax liability arose?

A. £96,000
B. £124,000
C. £142,000
D. £160,000

31. Leda wants to leave some of her estate to two registered charities as well as some to her children and just £75,000 to her husband. Her total estate is valued at £800,000. On the basis of those figures, she should be aware that in order to secure a reduced rate of tax on the remainder of her estate, on death, she **must** leave to the charities at least a **minimum** of

A. £40,000
B. £40,000 to each charity.
C. £72,500
D. £80,000 divided between the two charities in any way she wants.

32. Martyn, an additional-rate taxpayer, has created a bare trust for his five-year-old son, Ben, who is a non-taxpayer. The bare trust property produces £120 in gross interest. What is the Income Tax liability, if any?

A. Nil.
B. £9
C. £48
D. £54

33. Bradley earns £120,000 per annum by way of salary and receives interest from his deposit accounts of £2,000. What is his **total** income tax liability in the tax year 2026/2027?

A. £35,432
B. £39,432
C. £40,432
D. £40,632

34. Fahima, aged 65, is a market trader and has been continuously registered as self-employed since 2010. Her profits arise during just 40 weeks of each year, with her annual taxable earnings being £25,000. What is her liability for Class 4 National Insurance Contributions for the tax year 2026/2027?

A. Nil.
B. £573.69
C. £745.80
D. £883.80

35. Victor, a higher-rate taxpayer, is wondering whether, on Inheritance Tax (IHT) and Capital Gains Tax (CGT) grounds, it is better to gift his £500,000 of FTSE 250 shares now to his son and hope to live for seven years or simply bequeath the shares to his son. The shares currently show a gain of the order of £200,000. His other assets total £100,000. He has already made full use of his annual CGT exemption. What **key** factors should be brought to his attention?

A. Hold-over relief could be used so that no CGT liability would arise at the time of the gift and no IHT liability would arise if the gift were to a bare absolute trust for the son.
B. Retaining the shares until death would avoid CGT liability, but would lead to a 40% IHT liability on the total value of the shares at death.
C. The gift could generate a 24% CGT liability on £200,000 and an IHT liability of 20% on £175,000 at the time of the gift.
D. The gift could generate a 24% CGT liability on £200,000, but no IHT liability at the time of the gift.

36. A settlor transfers £106,000 into a discretionary trust. Two years later he transfers a further £106,000 into a bare trust. He has made no other transfers. He dies three years after the second transfer, leaving an estate of £700,000 to his children. His estate includes no residential property. What is the Inheritance Tax liability?

A. £150,000
B. £154,800
C. £230,000
D. £234,800

37. Stan's investment and risk approach is to invest in investment trusts. However he is confused with regard to how Capital Gains Tax (CGT) applies, when the share price is at a premium or discount to the net asset value (NAV). Stan needs to understand that any CGT liability is determined by the

A. NAV at both purchase and sale.
B. NAV at purchase and the share price at sale.
C. share price at both purchase and sale.
D. share price at purchase and the NAV at sale.

38. Mobeen is an additional-rate taxpayer and has £350,000 to invest. His focus is on reducing his Income Tax liability by the **maximum** amount possible through use of Venture Capital Trusts (VCTs). With that focus in mind, via which transactions could he sensibly consider investing?

A. £200,000 in VCT new issues and £150,000 in VCTs already trading all in the current tax year.
B. £200,000 in VCT new issues in the current tax year and £150,000 in VCT new issues in the following tax year.
C. £350,000 in VCT new issues in the current tax year, carrying back £150,000 of the £350,000 to the previous year for tax relief.
D. £350,000 in at least two distinct VCT new issues in the current tax year.

39. Oscar is considering gifting £700,000 to benefit his daughter who has just turned 21. He wonders whether on taxation grounds it is better to gift directly to his daughter, to a discretionary trust, or to a flexible interest in possession trust with his daughter as a beneficiary. Oscar may achieve his aim, without any tax liability at the time, by gifting

A. £325,000 to a discretionary trust and £375,000 to an interest in possession trust.
B. £325,000 directly to his daughter, £325,000 to a discretionary trust and £50,000 to an interest in possession trust.
C. £700,000 directly to his daughter.
D. £700,000 to an interest in possession trust.

For Questions 40-50 more than 1 option is correct. You must select all the correct options to gain the mark.

40. Anna and Belle are married. As a result of their earnings, Anna is an additional-rate taxpayer and Belle is a basic-rate taxpayer. Anna has £900,000 of holdings in a variety of open-ended investment companies (OEICs), some equity, some solely gilt. Belle has no investments, but she does have a savings income of £500 per annum. With regard to use of the personal savings allowance and dividend allowance, when considering possible transfers of OEICs from Anna to Belle, they should be aware that

A. as Anna's tax rate loses her the dividend allowance, transfer of any of the OEICs would enable some Income Tax savings through use of Belle's dividend allowance.
B. as Anna's tax rate loses her the personal savings allowance, transfer of any of the OEICs would secure some Income Tax saving through use of Belle's personal savings allowance.
C. Belle has unused personal savings allowance, so transfer of some gilt OEICs would secure some Income Tax saving for Anna.
D. Belle has unused dividend allowance, so transfer of some equity OEICs could save Anna from some 39.35% tax liability.

41. Benedict, with current earnings of £123,140 per annum, has recently bought some Real Estate Investment Trust shares (REITs). He is concerned about the tax position concerning the property income distributions (PIDs) and the non-property income distributions (non-PIDs) as well as the tax position on any disposals. He should be aware that

A. on disposal, any realised gains would be free of tax, if the REITs have been held for a minimum of three years.
B. the non-PIDs would all be liable to 39.35% tax because they cannot be set off against any unused dividend allowance.
C. the non-PIDs cannot be set off against any unused personal savings allowance.
D. the PIDs cannot be set off against any unused dividend allowance.
E. the PIDs could be liable to some tax at 40% and some at 45%.

42. An investor is considering using some realised capital gains to subscribe for shares in an Enterprise Investment Scheme (EIS) new issue. The total investment being made would be £250,000. He should be aware that

A. the Capital Gains Tax due on the gain from the original investment may be deferred until the disposal of the EIS shares.
B. 30% Income Tax relief may be available on the full amount of the investment.
C. to qualify for deferral relief, the investment must be made within six months of the disposal of the shares.
D. the rate of Capital Gains Tax due on the original gain is the rate applying at disposal of the EIS shares.

43. Steve, a higher-rate taxpayer, is considering making his first investment into a pension plan in the tax year 2026/2027. He should be aware that

A. any personal contribution is made gross, if exceeding £3,600 gross per annum.
B. he may be able to invest up to £60,000 per annum into the pension plan, by paying the sum net of basic rate tax and claiming further tax relief.
C. interest and dividend income received, as well as realised capital gains, within a pension fund generate no tax liability for the fund.
D. the maximum tax-relieved fund he can accumulate over his lifetime is £1,250,000.

44. A few years ago, Lavinia created a discretionary trust into which she settled an offshore assurance bond. Her two daughters are the trustees. She has been involved with no other trusts. She has recently died. Regarding the surrender of the bond, the trustees should be aware that if the surrender occurs

A. in a tax year after the death, then there may be a 45% Income Tax liability.
B. in a tax year after the death, then no chargeable event can occur.
C. in the tax year of the death, then any Income Tax liability is determined by the settlor's tax position.
D. in the tax year of the death, then any Capital Gains Tax liability is determined by the settlor's tax position.

45. Martina, in a civil partnership, invested £100,000 in some Venture Capital Trust (VCT) shares at issue, just over three years ago. She should be aware that were she in this tax year

A. to purchase, in the market, up to £100,000 of additional shares of the same VCT, now trading, she would secure further Income Tax relief on the purchase.
B. to purchase another new issue of VCT shares, Income Tax relief may be available.
C. to sell her shares, she would be liable to Income Tax on the dividends already received.
D. to transfer her shares to her civil partner, she would retain the Income Tax relief.

46. Lucasta is a creator of a discretionary trust and settlor. The assets settled are some equity unit trusts and some qualifying corporate bond unit trusts. With regard to taxation, the trustees of the trust should be aware that

A. if the trust receives no more than £500 income in a year, then that income generates no Income Tax liability.
B. any other trusts of which Lucasta is settlor do not impinge on their trust's Capital Gains Tax exemption.
C. the maximum rate of tax applicable to dividends from the trust's unit trusts is 39.35%.
D. the maximum rate of tax applicable to interest from the trust's corporate bond unit trusts is 40%.

47. Silvana, single and an additional-rate taxpayer, is considering the taxation implications for her, were she to subscribe £500,000 to a forthcoming Enterprise Investment Scheme in the tax year 2026/2027. She should be aware that, with regard to Income Tax relief,

A. she could carry back the subscription to the tax year 2025/2026, securing tax relief in that year.
B. she could increase her subscription up to £1,000,000 in this tax year, with 45% tax relief being available on the total subscribed.
C. she would be able to claim up to £150,000 in tax relief, which could be spread over up to five years, if insufficient tax liability for this tax year.
D. the relief would usually be withdrawn, were she to dispose of the shares within three years from commencement of the enterprise trading.

48. Matravers is wondering about the tax implications, having just invested £500,000 into an equity unit trust and £300,000 into a qualifying corporate bond unit trust. He earns £105,000 per annum and holds no other investments or savings. He should be aware that

A. all the income from the unit trusts may be set off against his dividend allowance.
B. his personal savings allowance may be used against both income sources.
C. income from the equity unit trust could be liable to Income Tax at the 35.75% and 39.35% rates, after use of his dividend allowance.
D. realised gains resulting from sale of either unit trust could be liable to Capital Gains Tax at the 24% rate.

49. Becky, who has already used her annual Inheritance Tax exemptions, is considering making gifts into trusts for Inheritance Tax mitigation. She should be aware that a

A. gift into a bare trust will be a potentially exempt transfer (PET).
B. gift into a disabled trust will be a potentially exempt transfer (PET).
C. gift into an interest in possession power of appointment trust will be a potentially exempt transfer (PET).
D. 20% tax charge may be payable immediately irrespective of the type of trust receiving the gift.

50. When considering Capital Gains Tax mitigation for individuals with business assets, financial advisers should be aware that

A. Business Asset Disposal Relief may be available on disposal of certain business assets, only if owned for at least two years.
B. hold-over relief, if applicable, is only granted if both donor and donee claim it.
C. there is no limit on the gains that an individual may make that qualify for Business Asset Disposal Relief.
D. transfers of assets that are liable to an immediate Inheritance Tax charge cannot qualify for hold-over relief.

INCOME TAX

RATES OF TAX	2026/2027
Starting rate of 0% on savings income up to*	£5,000
Personal Savings Allowance	
Basic rate	£1,000
Higher rate	£500
Additional rate	Nil
Basic rate of 20%	£0 to £37,700
Higher rate of 40%	£37,701 to £125,140
Additional rate of 45%	£125,141 and over

**For non-savings income less than £17,570 only. The starting rate for savings applies for up to a maximum of £5,000 of savings income.*

Dividend Allowance	£500
Dividend tax rates	
Basic rate	10.75%
Higher rate	35.75%
Additional rate	39.35%

Trusts	
Income exemption up to**	£500
Rate applicable to accumulation or discretionary trusts	
- Dividends	39.35%
- other income	45%
Rate applicable to interest in possession trusts	
- Dividends	10.75%
- other income	20%

*** 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.*

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

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance §	£100,000
Personal Allowance (basic) §	£12,570
Marriage Allowance	£1,260
Rent-a-room Scheme - tax-free income allowance	£7,500

§ *Reduced allowance of £1 for every £2 of adjusted net income over and above £100,000*

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 Employee	per week
Lower Earnings Limit (LEL)	£129
Primary Threshold	£242
Upper Earnings Limit (UEL)	£967

Class 1	Employee	Employer
NICs rate	8%	15%
No NICs on the first (per week)*	£242	£96**
NICs rate charged up to (per week)	£967	No limit
NICs rate on earnings over UEL	2%	n/a

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

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

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

Class 2 contributions are credited automatically where profits equal or exceed £7,105 per annum.
Class 2 contributions can be made voluntarily where profits are below £7,105 per annum.

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

PENSIONS

	2026/2027
Annual Allowance*	£60,000
Lump sum and death benefit allowance (LSDBA)	1,073, 100
Lump sum allowance (LSA)	£268,275

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

Money Purchase Annual Allowance (MPAA)	£10,000

** 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.*

CAPITAL GAINS TAX

TAX RATES	2026/2027
Individuals:	
Basic rate	18%
Higher rate	24%
Trustees and Personal Representatives:	
Residential property	24%
Other chargeable assets	24%
Business Asset Disposal Relief*	18%
Lifetime limit	£1,000,000

ANNUAL EXEMPTIONS	
Individuals, estates etc	£3,000
Trusts generally	£1,500
Chattels (restricted to five thirds of proceeds exceeding limit)	£6,000

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 still apply as below.

- *First-time buyers benefit from SDLT relief on purchases up to £500,000 when purchasing their main residence. On purchases up to £300,000, no SDLT is payable. On purchases between £300,001 and £500,000, 5% is charged on that portion. If the price is over £500,000, relief cannot be claimed.*
- *Additional SDLT of 5% applies to the purchase of additional residential properties costing £40,000 or more.*
- *Additional SDLT of 2% applies to the purchase of residential properties costing £40,000 or more by non-UK residents.*
- *SDLT may be charged at a flat rate of 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons in some circumstances, unless relief applies.*
- *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.*

Leasehold property (new leases)

SDLT is payable on both the lease premium and, where applicable, the Net Present Value (NPV) of the rent for new leases.

Residential leasehold rent is charged at:

- *0% up to £125,000*
- *1% on the excess over £125,000*

This does not apply to assigned (existing) leases.

INHERITANCE TAX

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

MAIN EXEMPTIONS	
Transfers to	
- Long-term UK resident spouse/civil partner	No limit
- Non-long-term UK resident spouse/civil partner (from long-term UK resident spouse) nil-rate band (NRB)	£325,000
- Residence nil-rate band (RNRB)*	£175,000
- UK-registered charities	No limit

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

Lifetime transfers	
- Annual exemption per donor	£3,000
- Annual small gifts exemption per donee	£250
Wedding/civil partnership gifts by	
- Parent	£5,000
- Grandparent/bride or groom	£2,500
- other person	£1,000

100% relief: businesses, unlisted/AIM companies, certain farmland/building

100% relief on first £2.5 million of combined qualifying agricultural property relief and business property relief assets

50% relief on qualifying assets exceeding £2.5 million
50% relief: certain other business assets and AIM listed shares

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%

CORPORATION TAX

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

Companies with profits between £50,000 and £250,000 will pay tax at the main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.

VALUE ADDED TAX

	2026/2027
Standard rate	20%
Registration threshold	£90,000
Deregistration threshold	£88,000

MAIN SOCIAL SECURITY BENEFITS

		2026/2027 per week
Child Benefit	First child	£27.05
	Subsequent children	£17.90
	Guardian's Allowance	£22.95
Basic State Pension	Category A & B full rate	£184.90
	Category B (lower) full rate	£110.75
New State Pension	Full rate	£241.30
Pension Credit	Standard minimum guarantee - single	£238.00
	Standard minimum guarantee - couple	£363.25
Bereavement Support Payment	Higher rate - lump sum	£3,500
	Higher rate - monthly payment	£350
	Standard rate – lump sum	£2,500
	Standard rate – monthly payment	£100

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Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Standard Format Questions						**Multiple Response Questions**		
Learning Outcome 1			**Learning Outcome 3**			**Learning Outcomes 2 and 3**		
1	B	1.1	24	B	3.1	40	C, D	2.1
2	B	1.1	25	D	3.1	41	C, D, E	2.2
3	C	1.3	26	C	3.1	42	A, B, D	2.2
4	B	1.2	27	B	3.2	43	B, C	2.2
5	B	1.8	28	A	3.2	44	A, C	2.2
6	D	1.1	29	C	3.2	45	B, D	2.2
7	B	1.7	**6 Questions**			46	A, C	2.1
8	D	1.4				47	A, D	3.1
9	B	1.7	**Learning Outcome 4**			48	C, D	3.1
10	C	1.3	30	D	4.1	49	A, B	3.2
11	C	1.6	31	A	4.1	50	A, B	3.2
12	C	1.3	32	D	4.1	**11 Questions**		
13	B	1.1	33	C	4.1			
14	A	1.8	34	C	4.1			
15	B	1.3	35	D	4.2			
15 Questions			36	C	4.1			
			37	C	4.2			
Learning Outcome 2			38	B	4.2			
16	C	2.1	39	C	4.2			
17	D	2.1	**10 Questions**					
18	D	2.2						
19	D	2.2						
20	B	2.2						
21	D	2.2						
22	D	2.2						
23	A	2.2						
8 Questions								