Chartered Insurance Institute

AF5

Advanced Diploma in Financial Planning

Unit AF5 – Financial planning process

September 2026 Exam Guide

SPECIAL NOTICES

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

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

AF5 – Financial planning process

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

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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. All the questions in the exam are based directly on the syllabus. *You will be tested on the syllabus alone,* so it is vital that you are familiar with it.

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

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

Build confidence in your knowledge and ability to apply it.

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 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.*

Note the assumed knowledge
For this Advanced Diploma in Financial Planning, candidates are assumed to have already the knowledge gained from studying the relevant units of the Advanced Diploma, Diploma and Certificate in Financial Planning or the equivalent.

Understand the nature of assessment
Assessment is by means of a three-hour paper.

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.

Familiarise yourself with the fact-find
The exam has been specially written by practitioners with relevant technical knowledge and experience. It is then put through a rigorous editing procedure by a panel of active practitioners to ensure that the fact-find is both technically and structurally correct. At least one qualified practitioner then acts as a scrutineer by sitting the paper in advance and writing a report on it. The scrutineer's comments are taken into account in producing the final exam paper.

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 sophisticated scheme of investment.* These clients require a critical appraisal of the various financial planning options available to them.

Test yourself under timed conditions
You should test your report writing skills under timed conditions. A good way to do this and to assess your technical knowledge at the same time is to set yourself a mock exam using the Exam Guide. To gain the most benefit from this exercise you should:

- Study the fact-find detail over the two-week period as you would for the real exam.
- Set yourself three clear hours to complete the question paper taking into account the financial objectives provided.
- Compare your answers against the model answer once the three hours are up. The model answer will not give every acceptable answer, but it will give you a clear indication of whether your responses were sufficiently holistic and if your technical knowledge was correct.
- Go back and revise further any technical weaknesses revealed in your responses.

If you use your time wisely, focusing on improving your technical knowledge and understanding of the financial planning process, you will have the time when the fact-find details arrive to focus on the client details and prepare yourself for the exam day.

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

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.

Understand the skills the exam seeks to test
The exam is based on a fact-find for imaginary clients whose details you will have received two weeks prior to the exam date. The fact-find will contain all the client details available. The actual financial objectives of the client will be supplied in the actual exam.

Tasks in the exam will not require candidates to produce a full financial plan. They will instead be focussed on the various elements in the syllabus which are based on the following steps in the financial planning process:

- The relationship between adviser and client.
- Evaluation of the client's objectives.
- Understanding the client's financial status.
- Putting forward appropriate recommendations.
- Reviewing the financial plan.

They may also be focused on other aspects of the syllabus which we believe are key to the customer receiving an effective financial planning service. These include an explanation of technical terms, selection of appropriate remuneration terms etc.

In this way, we are able to test key aspects of the financial planning process. If all aspects of the process are carried out thoroughly, an effective financial plan will be produced.

It is anticipated that at each exam session, a significant proportion of the total marks will be allocated to putting forward recommendations supported by relevant evidence. In this exercise, candidates will always be rewarded for thinking logically about the various objectives and potential solutions to the client.

Two weeks before the exam

What will I receive?
A fact-find will be available to candidates two weeks before the exam and it can be found here.

It will contain client information which will form the basis of the report you will be required to prepare in the exam.

How should I use my time over the two-week period?
It is too late at this stage to start your general revision. The two weeks will need to be devoted to familiarising yourself with the client details from the fact-find. Treat the fact-find as though it belongs to a real client whom you will be meeting shortly for the first time.

How should I use the fact-find to help me prepare?

- Study the client details to find areas of need identified by the clients and look for other potential areas of need.
- Look for technical areas you may wish to revise, e.g. trusts, partnerships.
- Practise some key calculations, e.g. Income Tax and Inheritance Tax liabilities, which might inform the client's final financial plan.
- Do not attempt to 'learn' the answers to such calculations but make sure you are confident with the method and know what to include in your workings. You should be able to see from the fact-find whether the clients are higher-rate taxpayers or close to the threshold. You will be able to ascertain the financial position on death and whether there is likely to be an income shortfall which needs addressing.
- If the client has an investment portfolio, ensure that you are familiar with all the investments held within the portfolio. For example, you should understand the risk profile, tax treatment, accessibility and yield of each investment.

Preparing the groundwork – considering possible solutions
Once you have identified the clients' likely needs you should start to consider possible solutions to meet those needs and how the financial planning process would be properly applied to the client(s). You may need to research some details of the solutions you are considering. You may want to go back to your revision notes.

You may need to read about particular products; try product providers for technical information, tax offices etc.

On-screen written exam familiarisation

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

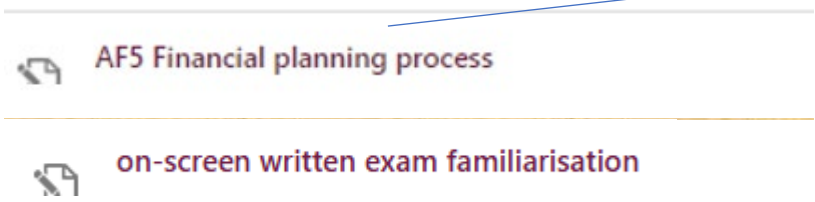
Please note, that while there might be slight differences in layout, it will give you a good idea of how to navigate and use the platform functionality. This test is for the purpose of familiarisation with the assessment platform only.

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 AF5 exam, upon accessing the platform, you will need to click on the highlighted section below to start the exam:



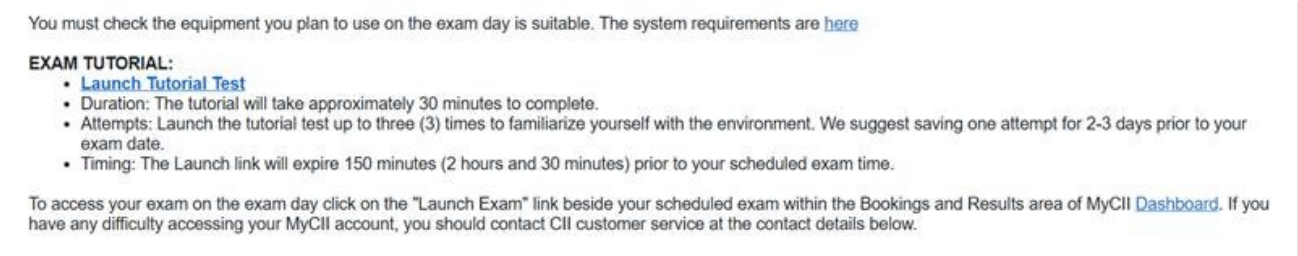
We would recommend that prior to starting the exam, you may wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam.

Please note the exam timer will not start until you click the exam titled: **AF5 Financial planning process**.

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.

In the exam

What will I receive?

The fact-find
You will not be able to take your pre-released copy of the fact-find into the exam with you. An identical copy will be available on the online system. There will not be any new or different information contained within the fact-find.

Supplementary information
A summary of the client's key financial objectives will be supplied as part of the exam.
You should spend some time studying this information before you commence your financial plan.

The tasks
The instructions are focused on the main steps required to write a financial plan. Mark allocations will be shown, and you should use these to guide you on how long to spend on each section of your report. The task that gains most marks is invariably that requesting candidates to outline their key recommendations, supported by relevant evidence.

Answer format
You should provide sufficient technical details to enable you, in the role of financial adviser, to analyse your clients' needs and to demonstrate that the recommendations you make are appropriate and holistic. Merely reproducing quantities of technical detail which is not directly relevant or would be provided through stock paragraphs or appendices in a finished report will not achieve high marks.

Marks will be awarded for demonstrating the holistic consequences of your analysis and recommendations, i.e. how one part of the financial planning process affects all the other parts: how they all interrelate and interact.

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

Marks are not lost due to poor spelling or grammar.

You are able to flag questions and then go back to them.

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 calculator.

EXAMINERS' COMMENTS

Candidates' overall performance:

Overall candidate performance was good for this examination session. The majority of candidates had prepared well for the exam by prior study of the Fact Find. This was demonstrated in the candidates' ability to provide detailed answers to some of the more challenging areas of the exam.

Question 1 (a)

This was a standard Fact-Finding question. There was good performance seen from the majority of candidates, although it was noted that some candidates did not recognise that Tim and Emma were planning to gift monies to Suki for both a future house purchase and as a regular savings plan for later life. This information was clearly provided in the Fact Find and indicated a slightly weaker level of preparation on the part of some candidates.

Question 1 (b)

This question required candidates to identify the key actions that they should take to ensure that they comply with Consumer Duty rules when providing advice to Tim and Emma. Overall performance here was good, and most candidates were able to identify the key actions that were required.

Question 2 (a)

This question required candidates to explain to Tim the tax benefits of sacrificing his bonus for an additional employer pension contribution. Most candidates performed well and recognised the potential loss of some of his Personal Allowance and the tax implications of this.

Question 2 (b)

Candidates were asked to outline the reasons why Tim might wish to consider investing in an Enterprise Investment Scheme (EIS). The majority of candidates performed well as it was identified in the Fact Find that Tim was interested in this type of investment. Some candidates would benefit from a more detailed review of this type of investment as they failed to recognise that the tax relief available is limited to the Income Tax actually paid by the investor.

Question 3 (a)

Candidates were asked to identify the tax implications if Tim and Emma contribute into a new pension arrangement for Suki. There was good performance from most candidates although it was disappointing to note that a few candidates believed that Tim and Emma would receive personal tax relief on pension contributions that they were making into Suki's pension plan.

Question 3 (b)

Candidates were asked to identify the factors that Tim and Emma should take into consideration when identifying a lump sum to set aside in order to provide a deposit in future years for Suki's first home. Overall performance was good although very few candidates recognised the need to consider any potential tax implications on the various sources available to them to fund the lump sum. This factor would have an impact on the amount of lump sum potentially available from each source.

Question 4 (a)

This question asked candidates to explain to Tim and Emma the reasons why the tracker funds in their portfolio may be unsuitable in meeting their longer-term objectives. Overall performance was good with most candidates able to provide a range of reasons why these funds might be unsuitable.

Question 4 (b)

This question required candidates to explain in detail to Tim how he can simplify the administration of the inherited share portfolio. Mixed performance here as some candidates focused purely on selling the shares entirely, rather than explaining how Tim could simplify the administration. More detail was required to explain how he could manage these shares in a more efficient manner, rather than just by selling the entire portfolio.

Question 5 (a)

This question asked candidates to explain the key benefits for Emma of retaining her late father's Self-Invested Personal Pension (SIPP). Mixed performance was seen here as some candidates were able to provide detailed answers, but a number of candidates would benefit from further research on this topic. Some candidates believed that this plan would be treated in the same manner as Emma's workplace pension with 25% pension commencement lump sum available at her normal retirement age. This was very disappointing and these candidates would benefit from further study in respect of the use and restrictions that apply to inherited pension funds.

Question 5 (b)

This question required candidates to identify the key reasons why Emma may wish to invest the cash held within the inherited SIPP into a range of collective investment funds on a monthly basis. Good performance here from the majority of candidates.

Question 6 (a)

Candidates were asked to recommend and justify a range of actions that Tim and Emma can take to improve the tax-efficiency of their current arrangements. It was disappointing to note that a number of candidates did not identify the exact tax rates that would apply so were unable to achieve high marks. Many candidates gave generic answers that did not justify the exact tax efficiencies that would be achieved by the actions that they had recommended.

Question 6 (b)

Candidates were asked to explain to Emma the key risks of retaining her Cash ISA. Excellent performance from the majority of candidates.

Question 7 (a)

This question asked candidates to explain to Tim and Emma why they may wish to consider retaining the existing joint life first event life and critical illness policy. Good performance from most candidates.

Question 7 (b)

This question asked candidates to explain to Tim and Emma how their estate would be distributed and treated for Inheritance Tax purposes if either of them died without writing a Will. Although many candidates were able to provide detailed answers, it was disappointing to note that some candidates believed that the survivor would automatically inherit all assets on first death by virtue of them being married. Some candidates would benefit from further research into the rules governing intestacy.

Question 8 (a)

This question asked candidates to identify the key benefits for Tim of retaining the gold and silver coin collection that he inherited from his uncle. Overall performance was good with most candidates recognising the fact that these coins are exempt from Capital Gains Tax and could provide a 'safe haven' for Tim by providing diversification against the rest of his portfolio.

Question 8 (b)

This question required candidates to identify the key issues that you should discuss with Tim and Emma at your next review meeting in respect of their pension arrangements. Overall performance was good and most candidates were able to achieve high marks.

FACT-FIND

You are a financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA). You completed the following fact-find when you met Mr and Mrs Fraser.

PART 1: BASIC DETAILS		
	Client 1	**Client 2**
Surname	Fraser	Fraser
First name(s)	Tim	Emma
Address	Bristol	Bristol
Date of birth	16.05.1971	07.06.1972
Domicile	UK	UK
Residence	UK	UK
Place of birth	London	Bath
Marital status	Married	Married
State of health	Good	Good
Family health	Good	Good
Smoker	No	No
Hobbies/Interests	Football, walking	Walking, swimming
Notes:		
Tim and Emma have appointed you to review their finances. They are concerned that they are not managing their financial assets as tax-efficiently as possible.		

PART 2: FAMILY DETAILS

Children and other dependants

Name	Relationship	Age	Health	Occupation	Financially dependent?
Suki	Daughter	19	Good	Student	Yes

Notes:
Suki is currently at university and is receiving financial support from her parents as well as using her Student Loan facility. Suki has no other income.

PART 3: EMPLOYMENT DETAILS		
Employment	**Client 1**	**Client 2**
Occupation	Logistics Manager	Accounts Manager
Business name	PC Clifton Ltd	Frenchay Green Ltd
Business address		
Year business started		
Salary (gross per annum)	£90,000	£42,000
State Pensions		
Overtime (gross per annum)		
Benefits-in-kind		
Pension Scheme	See Part 11	See Part 11
Life cover	See Part 8	See Part 8
Private Medical Insurance		
Income Protection Insurance		
Self-Employment		
Net relevant earnings		
Accounting date		
Partnership/Sole trader		
Other Earned Income		

Notes:

Tim is due to receive a bonus of £18,000 next month and has been offered the opportunity to pay this into his employer's workplace pension scheme as an employer contribution. He is unsure if he wishes to do this.

Previous Employment	**Client 1**	**Client 2**
Previous employer		
Job title		
Length of service		
Pension benefits		

Notes:

Tim and Emma have no retained benefits from previous employment. All previous pension schemes have been transferred to their current employer's workplace pension schemes.

PART 4: OTHER PROFESSIONAL ADVISERS		
	Client 1	**Client 2**
Accountant		
Bank	Astira Bank	Astira Bank
Financial Adviser		
Solicitor	Henson Phipps LLP	Henson Phipps LLP
Stockbroker		
Other		
Notes:		

PART 5: INCOME AND EXPENDITURE

Income

	Client 1		**Client 2**		**Joint**	
	Monthly £	**Annually £**	**Monthly £**	**Annually £**	**Monthly £**	**Annually £**
State Pensions						
Pension Income (gross)						
Salary (gross)		90,000		42,000		
Overtime (gross)						
Benefits-in-kind						
Savings income (interest)				5,600		
Dividends (individual shares)		4,800				

Notes:

Emma's interest from savings is made up of interest from her Cash ISA and her Deposit Account.

	Client 1	**Client 2**
Income Tax	**£**	**£**
Personal allowances		
Taxable income		
Tax		
National Insurance		
Net Income		

Notes:

Expenditure						
	Monthly £			Annually £		
Household Expenditure	**Client 1**	**Client 2**	**Joint**	**Client 1**	**Client 2**	**Joint**
Mortgage/Rent						
Council tax			360			
Buildings and contents insurance						520
Gas, water and electricity			280			
Telephone/Mobile	50	50				
TV licence and satellite			90			
Property maintenance						2,000
Regular Outgoings						
Life assurance (see Part 8)			60			
Savings Plans						
Car tax, insurance and maintenance				1,800	1,200	
Petrol and fares	160	120				
Loans						
Support for Suki - University	500	500				
Subscriptions						
Food, drink, general housekeeping			800			
Pension contributions (see Part 11)	300	140				
Other Expenditure						
Magazines and newspapers						
Entertainment			200			
Clubs and sport	60	60				
Spending money	500	500				
Clothes				1,500	1,500	
Other (Holidays)						10,000
Total Monthly Expenditure	1,570	1,370	1,790			
Total Annual Expenditure	18,840	16,440	21,480	3,300	2,700	12,520
Total Outgoings						**75,280**

Do you foresee any major/lump sum expenditure in the next two years?
Notes:
Tim and Emma wish to set up a regular savings plan for Suki for later life as well as setting aside funds to provide her with a deposit for her first home.

PART 6: ASSETS					
	Assets	**Client 1 £**	**Client 2 £**	**Joint £**	**Income (Gross) £**
1.	Main residence			625,000	
2.	Contents/cars			100,000	
3.	Current account	15,000	10,000		
4.	Deposit Account – Variable Rate/Instant Access		80,000		3,200
5.	Cash ISA		60,000		2,400
6.	Stocks & shares ISAs – Global Equity Tracker funds (accumulation units)	280,000			
7.	Stocks & shares ISAs – Global & UK Equity Tracker funds (accumulation units)		230,000		
8.	Individual UK equities	120,000			4,800
9.	Collection of gold & silver coins	38,000			

Notes:

Tim and Emma's home is mortgage-free and held as joint tenants.

Tim inherited a portfolio of individual UK equities from his late uncle in 2024. These are a range of UK Banks and Utility companies as well as a range of UK Small Cap shares. He is now receiving dividends from these shares. The shares are held in certificated form. The share portfolio had a value of £108,000 when they were originally transferred to him.

Tim also inherited his late uncle's collection of gold and silver coins. These are all produced by the Royal Mint and hold legal tender status.

Tim and Emma use their ISA allowances each year and have already used their full allowances for this tax year. They have always invested in a range of tracker funds. Although they have been pleased with the performance of these holdings, they wish to review the merits of continuing to invest in this manner.

Tim is considering the possibility of using either an Enterprise Investment Scheme (EIS) or a Venture Capital Trust (VCT) for his future bonus to improve tax-efficiency and has asked for your views on the suitability of these options for him.

PART 7: LIABILITIES			
Mortgage Details	**Client 1**	**Client 2**	**Joint**
Lender			
Type of mortgage			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Life policies (see Part 8)			
Notes:			
Tim and Emma repaid their mortgage last year.			

Other Loans	**Client 1**	**Client 2**	**Joint**
Lender			
Type of loan			
Amount outstanding			
Start date			
Term/maturity			
Monthly payment			
Interest rate			
Payment protection			
Notes:			
Tim and Emma have no other loans.			

Other Liabilities (e.g. tax)
Notes:

PART 8: LIFE ASSURANCE POLICIES

Life/Lives assured	Type	Sum assured £	Premium £	Term	Start date	In trust ?	Surrender Values £
Tim	Death-in-service	270,000	N/A	N/A		Yes	N/A
Emma	Death-in-service	168,000	N/A	N/A		Yes	N/A
Joint	Joint Life	200,000	60 p.m.	25 yrs	2010	No	N/A

Notes:

Tim and Emma are members of their employer death-in-service schemes with up-to-date nominations in place, in favour of the survivor.

They have a joint life first event life and critical illness policy which was taken out to support their mortgage. The mortgage was repaid in full last year, but they have retained this policy. They are now considering whether this policy is still required.

PART 9: HEALTH INSURANCE POLICIES

Type	Life Covered	Current Sum Assured £	Start Date	Term/Review	Deferred Period	Premium £

Notes:

Tim and Emma have no health insurance policies.

PART 10: REGULAR SAVINGS

Type	Company	Ownership	Fund	Amount Saved £	Sum Assured	Maturity Date	Current Value £

Notes:

Tim and Emma do not have a structured regular savings plan but invest into their ISAs on an ad hoc basis and use their allowances in full each year. They wish to set up a regular savings plan for Suki to assist her in future years.

PART 11: PENSION DETAILS		
Occupational pension scheme		
	Client 1	**Client 2**
Member of employer's scheme		
Type of scheme		
Date joined		
Retirement age		
Pension benefits		
Death benefits		
Dependant's benefits		
Contracted-in/out		
Contribution Level (employee)		
Contribution Level (employer)		
Fund type		
Fund value		
Notes:		
Neither Tim nor Emma has any occupational pension schemes.		
Additional Voluntary Contributions		
	Client 1	**Client 2**
Type		
Company		
Fund		
Contribution		
Retirement date		
Current value		
Date started		
Notes:		
Neither Tim nor Emma has any additional voluntary contribution schemes.		

Personal Pensions		
	Client 1	**Client 2**
Type	Assentim Life Workplace Pension Scheme	Monarch Life Workplace Pension Scheme
Fund	Global Equity funds	UK Balanced Managed fund
Contributions	5% employee/5% employer	5% employee/3% employer
Retirement age	67	67
Current value	£355,000	£162,000
Date started		
Notes:		
Tim and Emma are both members of their employer workplace pension schemes. They are keen to increase the level of their contributions. Tim's employer will match up to 8% employee contributions. Both have up-do-date nominations in place in favour of the surviving spouse. Both schemes offer a wide range of funds which are low cost as the charges are subsidised by the employer.		

Previous/other pension arrangements		
	Client 1	**Client 2**
Pension Provider		
Type of scheme		SIPP (Nominee)
Date joined scheme		
Date of retirement		
Current value		£80,000
Notes:		
Emma has received her late father's Self-Invested Personal Pension (SIPP). She was the sole nominated beneficiary. This is currently held in cash, following the completion of the transfer. Her father passed away at age 82.		

State Pension		
	Client 1	**Client 2**
State Pension		
Notes		
Tim and Emma have never checked their State Pension entitlement. As both have always worked full-time, they have assumed that they will have full entitlement at State Pension Age.		

PART 12: INHERITANCES		
Wills	**Client 1**	**Client 2**
Do you have a current Will?	No	No
Notes:		
Tim and Emma are aware that they need to draw up Wills and Lasting Powers of Attorneys as soon as possible.		
Trusts	**Client 1**	**Client 2**
Are you a beneficiary under a trust?	No	No
If yes, give details		
Are you a trustee?	No	No
If yes, give details		
Notes:		
Gifts	**Client 1**	**Client 2**
Notes:		
Tim and Emma are planning to set up a regular savings plan for Suki for her later life and would also like to set aside funds to assist her with a deposit for her first home.		

Inheritances	Client 1	Client 2
Share Portfolio from Tim's late uncle	£108,000	
Coin collection from Tim's late uncle	£20,000	
Notes:		
Tim received a portfolio of shares from his late uncle as an *in-specie* transfer. These were valued at £108,000 when he received them in 2024. Tim also received his uncle's gold and silver coin collection which had a Probate valuation of £20,000. No further inheritances are expected for either of them.		

PART 13: ATTITUDE TO RISK
What level of risk are you prepared to take to achieve your financial objectives?
Notes:
Tim is a high-risk investor, and Emma is a medium to high-risk investor. This has been confirmed following detailed discussions and with the use of appropriate risk-profiling software. Neither has any interest in Environmental, Social and Governance (ESG) investments at this point. Tim and Emma have a high capacity for loss.

PART 14: BUSINESS RECORDS		
Compliance		
Date fact-find completed	01.09.2026	
Client agreement issued	01.09.2026	
Data Protection Act	01.09.2026	
Money laundering	01.09.2026	
Dates of meetings	01.09.2026	
Marketing		
Client source		
Referrals		
Documents		
Client documents held		
Date returned		
Letters of authority requested		
Notes:		

PART 15: OTHER INFORMATION

Unit AF5 – Financial planning process

Instructions to candidates

Read the instructions below before answering any questions.

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

If you are sitting via remote invigilation please

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

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

For candidates sitting via remote invigilation or at a test centre

- **Three hours** are allowed for this paper which carries a total of 160 marks.
- 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, even if you have used a calculator.
- **The fact-find and the tax tables are provided on the right-hand side of the interface.**
- **Client objectives are also provided and you should read them carefully before attempting the tasks.**
- **In this exam you should use the fact-find on the system. You are not allowed to bring into the exam the pre-released copy of the fact-find.**
- For each answer, please type in the full question number you are answering e.g. 1
- **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.

CLIENTS' FINANCIAL OBJECTIVES

You have now been able to determine from the information in the fact-find that your clients' have the following financial objectives:

Immediate objectives

- Improve the tax-efficiency of their financial arrangements.
- Identify a tax-efficient strategy for the payment of Tim's bonus.
- Set up a regular savings plan for Suki.

Longer-term objectives

- Review the ongoing suitability of their current investments.
- Set up a suitable investment strategy for the inherited SIPP.
- Provide a lump sum gift to Suki as a deposit for her first home.

1. **(a)** Identify the additional information that you would require to advise Tim and Emma on the suitability and affordability of their objective of setting up a regular savings plan for Suki and providing a deposit for her first home. **(14)**

(b) Identify the key actions that you should take to ensure that you comply with Consumer Duty rules when providing advice to Tim and Emma. **(10)**

2. **(a)** Explain to Tim the tax benefits of sacrificing his bonus for an additional employer pension contribution. **(10)**

(b) Outline the reasons why Tim might wish to consider investing in an Enterprise Investment Scheme (EIS). **(12)**

3. Tim and Emma are considering a range of options to set up a regular savings plan for Suki as well as making a lump sum gift in future years to provide a deposit for her first home.

(a) Identify the tax implications if Tim and Emma contribute into a new pension arrangement for Suki. **(8)**

(b) Identify the factors that Tim and Emma should take into consideration when identifying a lump sum to set aside in order to provide a deposit in future years for Suki's first home. **(10)**

4. **(a)** Explain to Tim and Emma the reasons why the tracker funds in their portfolio may be unsuitable in meeting their longer-term objectives. **(10)**

(b) Explain in detail to Tim how he can simplify the administration of the inherited share portfolio. **(8)**

5. **(a)** Explain the key benefits for Emma of retaining her late father's Self-Invested Personal Pension (SIPP). **(12)**

(b) Identify the key reasons why Emma may wish to invest the cash held within the inherited SIPP into a range of collective investment funds on a monthly basis. **(10)**

6. **(a)** Recommend and justify a range of actions that Tim and Emma can take to improve the tax-efficiency of their current arrangements. **(14)**

(b) Explain to Emma the key risks of retaining her Cash ISA. **(8)**

7. **(a)** Explain to Tim and Emma why they may wish to consider retaining the existing joint life first event life and critical illness policy. **(10)**

(b) Explain to Tim and Emma how their estate would be distributed and treated for Inheritance Tax purposes if either of them died without writing a Will. **(8)**

8. **(a)** Identify the key benefits for Tim of retaining the gold and silver coin collection that he inherited from his uncle. **(8)**

(b) Identify the key issues that you should discuss with Tim and Emma at your next review meeting in respect of their pension arrangements. **(8)**

Total marks: 160

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)

- Emergency fund needs/capital expenditure planned/surplus income/future bonuses for Tim/anticipated changes in income.
- Amount of house deposit required.
- Amount of regular savings planned for Suki?
- Use of gifting allowances/who is gifting to Suki?
- Timeframe for investment/when are gifts required?
- Need to retain control of gifts?/willing to use Suki's ISA?/Trusts.
- Longevity/family health for long-term affordability.
- Pension contribution history/carry forward/available pension allowances.
- Use of Capital Gains Tax (CGT) exemption/any losses registered.
- Tax issues on sale of assets (Self-invested personal pension (SIPP)/Shares).
- Willing to transfer savings to Emma for tax-efficiency/transfer shares to joint names to use Emma's Dividend Allowance.
- Which assets are they planning to use/any assets earmarked/downsizing/use of Deed of Variation/term of cash ISA/Plans for inherited SIPP?
- Priority of objective (gifting vs retirement)/impact on own retirement/negative impact on capacity for loss (CFL).
- Review pension nominations/add Suki to nominations.

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

- Money laundering checks.
- Identify any vulnerabilities.
- Establish preferred method of communication.
- Establish/agree range of services to be provided/agree schedule of reviews.
- Agree charges/fair value.
- Full Fact Find on current circumstances/identify objectives/aims.
- Assess Attitude to Risk (ATR)/Capacity for Loss (CFL).
- Assess/analyse all current arrangements/identify any weaknesses/cashflow/assess affordability/budget.
- Assess costs of all existing arrangements.
- Check customer understanding.
- Always act in best interests of Tim and Emma/no conflicts of interest.

Model answer for Question 2

(a)

- Automatic tax relief/no need to reclaim from HMRC.
- Employer may share National Insurance (NI) saving.
- Tim pays less National Insurance (NI).
- Lower salary reduces level of income taxed at 40%.
- Bonus (if received) would result in loss of some Personal Allowance (PA) as earned income would be over £100,000.
- He loses £1 for every £2 (over £100,000).
- Effective tax rate of 60%.
- Sacrificing bonus retains Personal Allowance (PA).
- Pension grows in tax-efficient environment/ISA allowance already used.
- Pension is Inheritance Tax (IHT) free until April 2027.

(b)

- 30% Income Tax relief on contributions.
- Can only reclaim up to total Income Tax paid.
- Clawback of tax relief if not held for three years.
- Can carry back contribution to previous year/could recover tax from previous tax year.
- No Capital Gains Tax (CGT) if held for three years.
- Can defer CGT gains on his equity portfolio/CGT rollover.
- Potential for growth.
- Matches ATR/CFL.
- Matches objective of improving tax-efficiency.
- Any losses on encashment can be offset against income/capital gains.
- Business Relief for IHT if held for two years.
- Diversification from existing portfolio/different asset class.

Model answer for Question 3

(a)

- Maximum contribution is £3,600 gross/paid net £2,880.
- No Income Tax relief for Tim/Emma.
- Suki receives 20% tax relief within her pension.
- Suki has no earned income/limited contributions available.
- No impact on Tim or Emma's Annual Allowance.
- Contribution will count towards Suki's Annual Allowance.
- Tim and Emma can use annual gift exemption/£3,000/gifts out of normal expenditure/not a Potentially Exempt Transfer (PET).
- Tax efficient growth.

Model answer for Question 3 continued

(b)
- Target sum required.
- Timescale/when are funds required?
- Affordability/future income expectations/emergency fund needs.
- Assets to be used/any assets earmarked for gift?
- Costs and charges.
- Tax implications of fund source (CGT on shares/Income Tax on SIPP).
- IHT implications/gifting allowances/exemptions/Deed of Variation.
- Growth assumptions/projections of existing funds/market conditions.
- Inflation assumptions.
- Calculate initial fund required to meet target.

Model answer for Question 4

(a)
- 100% equity/no asset class diversification.
- High exposure to small number of companies (e.g. Magnificent 7)/concentration risk.
- Currency risk.
- Political risk.
- Increased volatility.
- Sector risk/small number of industries driving returns e.g. Technology/Artificial Intelligence (AI).
- No active management/no professional input.
- Tracking error (charges means does not match markets).
- Cannot beat market/follows market down/no alpha.
- Sequencing risk when drawing from funds.

(b)
- Transfer in specie to Nominee account/online share-dealing account.
- All holdings held in one account/easy to monitor.
- Reduce ongoing paperwork/less risk of loss of paperwork.
- Easier to sell shares/quicker trading.
- Receive consolidated Tax Voucher for dividends/easier to complete Self-Assessment.
- Easy to calculate current CGT position.
- Bed & ISA each tax year.
- Research tools available to track shares/benchmarking.

Model answer for Question 5

(a)

- Funds remain within a tax-efficient wrapper.
- IHT free currently.
- Can invest for growth.
- Can invest in line with ATR.
- Access at any point/no age restrictions/flexible income.
- Supplements future retirement provision/could enable her to retire early.
- Can use Personal Allowance (PA)/tax planning opportunities/could draw tax-free before State Pension.
- All withdrawals are subject to Income Tax.
- Emma might pay 40% on withdrawals at present.
- Doesn't trigger Money Purchase Annual Allowance (MPAA)/can access and continue to make pension contributions.
- Emma can nominate Tim/Suki.
- If Emma dies before age 75 successor retains full Income Tax efficiency for withdrawals.

(b)

- Reduces interest rate risk/inflation risk on cash holdings.
- She holds excess cash (£220,000).
- Cash does not meet her ATR/can invest in line with ATR.
- Pound-cost-averaging.
- Can benefit from volatility/reduces volatility.
- Allows investment into higher risk assets.
- Avoids market timing risk/reduces risk of capital loss/sequencing risk.
- Flexibility/she can stop and start investments depending on market conditions/retain ability to make lump sum investments if investment opportunities arise.
- Potential for increased growth.
- Diversify portfolio/active management.

Model answer for Question 6

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

- Increase pension contributions/higher employer matching.
- Tax-free income/growth.
- Tax relief of 40%/20%.
- Personal Allowance trap for Tim so 60% tax on income over £100,000/£1 for every £2 over £100,000.
- Salary/bonus sacrifice.
- Saves National Insurance/employer may share National Insurance savings.
- Transfer portion of shares to joint names/Emma.
- Interspousal transfer.
- Emma pays 10.75% on dividends/he pays 35.75%.
- Can use Emma's Dividend Allowance £500.
- Use CGT exemption of £3,000/£6,000 for both.
- Emma pays CGT at 18%/he pays 24%.
- Transfer some of cash deposit to Tim.
- He has £500 Personal Savings Allowance (PSA)/she exceeds her £1,000 PSA.
- Use Enterprise Investment Scheme (EIS) for 30% tax relief/use Venture Capital Trust (VCT) for 20% tax relief.

(b)

- Inflation risk on cash.
- Interest rate risk on cash/interest rates could fall.
- Does not meet her ATR.
- Long timeframe for investment/not suitable as a long-term holding.
- No potential for growth.
- Excessive cash balances (£220,000)/lack of diversification.
- Poor use of ISA allowance/could switch to Stocks and Shares ISA.
- Default risk if ISA and Deposit account are held with same provider/exceeds Financial Services Compensation Scheme (FSCS) limit.

Model answer for Question 7

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

- Already underwritten/no need for further underwriting.
- They are older/stricter underwriting criteria as they are over 50.
- Broader definitions of illnesses (old policy).
- Possible rating/exclusions on future policy.
- Greater likelihood of Critical illness insurance (CIC) claim due to age.
- New policy may be more expensive/current policy is cheap.
- No administration/no adviser charges for new policy.
- Could be placed in split trust so IHT free.
- No other personal cover/Death-in-service (DIS) ceases on retirement/covers period of Suki's dependency.
- No surrender value/loss of premiums.
- Capital could help survivor with financial goals/CIC would protect financial goals.

Model answer for Question 7 continued

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

- Laws of intestacy apply/must apply for Letters of Administration.
- Survivor receives the joint house (if joint tenants)/joint-life policy.
- Survivor receives personal chattels.
- Survivor receives the first £322,000 of estate.
- Survivor receives 50% of remainder absolutely/the other 50% passes to Suki.
- IHT of 40% may be due if not passed to spouse/no IHT between spouses.
- Spouse inherits transferable nil rate band (NRB)/residence nil rate band (RNRB).
- Defined contribution (DC) Pensions pass to survivor/Emma's inherited SIPP will pass to survivor, if nominated/DC pensions are subject to Trustee approval/DIS pass to survivor outside estate.
- Pensions do not form part of the estate at present.

Model answer for Question 8

(a)

- Diversification/matches ATR.
- Safe haven asset/defensive asset.
- Non-correlation with equities/other assets.
- Potential for long-term growth/inflation hedge.
- Rarity of coin can exceed gold value/collector's item.
- No CGT on sale of coins as legal tender.
- Non-income producing asset. (he is higher-rate taxpayer)
- No fund charges/no management charges.

(b)

- Pension contributions made/carry forward/bonus sacrifice?/maximise employer matching.
- Affordability of further contributions.
- Fund values/performance/asset allocation/investments started within inherited SIPP?
- Review nominations.
- Planned retirement date/target income in retirement.
- State Pension entitlement/any gaps in National Insurance?
- Charges.
- Change in regulations/IHT changes/economic conditions/new products.

Glossary of terms

Some abbreviations candidates can use in financial planning online exams:

1. ATR – Attitude to risk
2. APS – Additional Permitted Subscription
3. BRT – Basic rate taxpayer
4. BIK – Benefit in kind
5. BADR – Business Asset Disposal Relief
6. CLT – Chargeable Lifetime Transfer
7. CFL – Capacity for loss
8. CGT – Capital Gains Tax
9. DOV – Deed of variation
10. DIS – Death-in-Service
11. DFM – Discretionary Fund Manager
12. EIS – Enterprise Investment Scheme
13. ESG – Environmental, Social and Governance
14. EPT – Excluded Property Trust
15. EPA – Enduring Power of Attorney
16. ERC – Early repayment charges
17. FAD – Flexi access drawdown
18. FSCS – Financial Services Compensation Scheme
19. FOS – Financial Ombudsman Service
20. GAR – Guaranteed annuity rate
21. HRT – Higher rate taxpayer
22. IHT – Inheritance Tax
23. IT – Income Tax
24. IVA – Individual Voluntary Arrangement
25. LPA – Lasting Power of Attorney
26. LTA – Lifetime allowance
27. MVR – Market value reduction
28. MPAA – Money purchase annual allowance
29. NICs – National Insurance contributions
30. NPA – Normal pension age
31. NRA – Normal retirement age
32. NRB – Nil rate band
33. OPG – Office of the Public Guardian
34. OEIC – Open ended investment company
35. PAYE – Pay As you Earn
36. PPP – Personal pension plan
37. PCLS – Pension commencement lump sum
38. PA – Personal Allowance
39. PSA – Personal Savings Allowance
40. PMI – Private Medical Insurance
41. RAC – Retirement annuity contract
42. RNRB – Residence nil rate band
43. SIPP – Self-invested personal pension plan
44. SEIS – Seed Enterprise Investment Scheme
45. SWR – Safe withdrawal rate
46. SP – State Pension
47. UFPLS – Uncrystallised fund pension lump sum
48. VCT – Venture Capital Trust

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

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

INCOME TAX

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

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

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

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

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

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

§ The Personal Allowance reduces by £1 for every £2 of income above the income limit irrespective of age (under the income threshold).

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £39,200 (£37,700 for 25/26) until minimum reached.
**** Investment above £1,000,000 must be in knowledge-intensive companies.*

NATIONAL INSURANCE CONTRIBUTIONS

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

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

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

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

***Secondary threshold.*

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

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

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

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

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

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

PENSIONS

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

**Lifetime allowance abolished from 6 April 2024.*

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

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

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

ANNUAL ALLOWANCE

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

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

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

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

ANNUAL ALLOWANCE CHARGE

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

CAPITAL GAINS TAX

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

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

*** For 25/26, rate for carried interest for all tax bands is 32%*
For 26/27, rate for carried interest for all tax bands is 34.075%

INHERITANCE TAX

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

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

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

Lifetime transfers		
- Annual exemption per donor	£3,000	£3,000
- Annual small gifts exemption per donor	£250	£250

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

Wedding/civil partnership gifts by		
- parent	£5,000	£5,000
- grandparent/bride and/or groom	£2,500	£2,500
- other person	£1,000	£1,000

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

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

50% relief on qualifying assets exceeding £2.5m

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

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

Reduced tax charge on gifts made in excess of the nil rate band within 7 years of death:

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

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

CORPORATION TAX

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

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

VALUE ADDED TAX

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

STAMP DUTY LAND TAX

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

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

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

- SDLT may be charged at 17% on interests in residential properties costing more than £500,000 purchased by certain corporate bodies or non-natural persons.
- SDLT is payable in England and Northern Ireland only. Land Transaction Tax(LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. Therates for LTT and LBTT are different to the rates shown above.

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