



Chartered
Insurance
Institute

J05

Diploma in Financial Planning

Unit J05 – Pension income options

March 2025 Examination Guide

SPECIAL NOTICES

Candidates entered for the September 2025 examination should study this examination guide carefully in order to prepare themselves for the examination.

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

J05 – Pension income options

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination 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 in your preparation for this examination.

Before the examination

Study the syllabus carefully

This is available online at www.cii.co.uk. All the questions in the examination are based directly on the syllabus. *You will be tested on the syllabus alone*, so it is vital that you are familiar with it.

There are books specifically produced to support your studies that provide coverage of all the syllabus areas. However, you should be prepared to read around the subject. This is important particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. The reading list which can be found with the syllabus provides valuable suggestions.

Note the assumed knowledge

For the Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Certificate in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely

If you do not have experience in advising clients whose financial needs are relatively sophisticated, *it is quite unrealistic to expect that the study of a single textbook will be sufficient to meet all your requirements*. While books specifically produced to support your studies will provide coverage of all the syllabus areas, you should be prepared to read around the subject. This is important, particularly if you feel that further information is required to fully understand a topic, or an alternative viewpoint is sought. It is vital that your knowledge is widened beyond the scope of one book. The reading list which can be found with the syllabus provides valuable suggestions.

Make full use of the Examination Guide

This Examination Guide contains a full examination 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 Examination Guides can be treated as 'mock' examination papers. Attempting them under examination 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 examination guides free of charge at www.cii.co.uk.

Know the layout of the tax tables

Familiarise yourself with the information contained within the tax tables printed at the back of each Examination Guide. These tax tables will be provided to candidates as part of the examination. The tax tables enable you to concentrate on answering the questions without having to worry about remembering all the information. *Please note that you are not allowed to take your own tax tables into the examination.*

Know the structure of the examination

- Assessment is by means of a two-hour On-screen written exam.
- All questions are compulsory.
- The On-screen written exam is made up of 15 short questions.
- Each question part will clearly show the maximum marks which can be earned.
- The paper will carry a total of 130 marks.

Appreciate the standard of the examination

Candidates must demonstrate that they are capable of advising clients *whose overall levels of income and capital require a more sophisticated scheme of investment* than is normally prepared by a level 4 qualified adviser. These clients require a critical appraisal of the various financial planning options available to them.

Read the Assessment information and Exam policies for candidates

The details of administrative arrangements and the regulations which form the basis of your examination entry are available online at www.cii.co.uk/qualifications/assessment-information/introduction/. This is *essential reading* for all candidates.

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 also access past exam papers [here](#).

You can access the familiarisation test at any time which can be found [here](#).

Although based on AF1, this example test is designed for all candidates and while there might be slight differences in layout it will give you a good idea of how to navigate and use the platform functionality.

Once you have received your exam login details, we strongly advise that you try the familiarisation test to ensure you are familiar with the navigation for the exam.

- From the familiarisation test, ensure you can scroll right and see the whole screen. Ensure your screen resolution shows all the features including the button to return back to your answers to edit them.

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Tools Calculator End Test 174:27

AF1 October 2019

SECTION A

This question is compulsory and carries 80 marks

Question 1

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

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10.

Andrew's mother, Peggy, a widow, died on 1 March 2019 leaving her entire estate to Andrew. Peggy inherited her Aunt's estate of £400,000 in February 2016 following the payment of £30,000 Inheritance Tax (IHT) that was due following the administration of her estate.

Peggy's estate was comprised of the following on her death:

House	£700,000
Deposit accounts	£323,000
Cash ISAs	£55,000
FTSE listed shares	£150,000
Collective investment portfolio	£101,000
Personal Pension nominated to a discretionary trust	£326,000

Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee.

Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs.

Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

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

1. (a) Calculate, showing all your workings, the IHT due as a result of Peggy's death on the 1 March 2019. (13)

« Inf01 Inf02 Inf03 1a 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 »

Flag Edit

This question has been answered. Click here to enable you to edit your answer.

- Tax tables are provided at the right-hand side of the interface after the question paper for candidates to use which is different to the CII's multiple choice exams. Please do not bring your own copies into the exam.

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Tools Calculator End Test 164:16

AF1 October 2019

INCOME TAX

RATES OF TAX	2018/2019	2019/2020
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	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000

*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.

Dividend Allowance		£2,000
Dividend tax rates		
Basic rate		7.5%
Higher rate		32.5%
Additional rate		38.1%
Trusts		
Standard rate band		£1,000
Rate applicable to trusts		
- dividends		38.1%
- other income		45%

MAIN PERSONAL ALLOWANCES AND RELIEFS

Income limit for Personal Allowance ‡	£100,000	£100,000
Personal Allowance (basic)	£11,850	£12,500
Married/civil partners (minimum) at 10% †	£3,360	£3,450
Married/civil partners at 10% †	£8,695	£8,915
Marriage Allowance	£1,190	£1,250
Income limit for Married Couple's Allowance*	£28,000	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

Andrew, aged 63, a higher rate taxpayer has two adult children, Lance and Hayley. Lance is a basic rate taxpayer and Hayley is a non-taxpayer. Hayley needs regular care as a result of the injuries she suffered in a motor accident when she was a child. Lance has two young children both under the age of 10.

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Peggy's estate was comprised of the following on her death:

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Peggy's husband Frank, died in 2016, leaving his share of their house and his residual estate to Peggy. Frank made only one gift in the seven years before he died. He settled £450,000 into a discretionary trust just under four years earlier. Inheritance Tax (IHT) of £23,800 was paid at outset by the trustees. Following Peggy's death, Andrew is the only remaining trustee.

Andrew is in discussions with his solicitors to draft a Will and they have suggested he arrange a Lasting Power of Attorney (LPA) for Property & Financial Affairs.

Andrew intends to make some provision for his children and grandchildren. His income is around £10,000 a year higher than his outgoings. He has a variety of savings accounts and an onshore life assurance bond invested in a managed fund which has performed well over the years.

With regard to the discretionary trust established by Frank:

1. (b)(i) Explain to Andrew why IHT was payable when assets were placed into the trust and how it was calculated. No calculation is required. (6)

1. (b)(ii) Explain to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (6)

« Inf01 Inf02 Inf03 1a 1b 1c 1d 1e Inf04 2a 2b 2c 2d 2e Inf05 3a 3b 3c Inf06 »

Flag Clear

3. Once you have typed in your answer ensure you click the red 'Answer' box, this will save your answer and move you onto the next question. Unless you press 'Answer', you will not be permitted to move onto other questions. Furthermore, please do not type all of your answers for every question into the answer space for Q1a. You should familiarise yourself with all questions prior to starting the exam.

The screenshot displays the J05 exam interface. On the left, a question is visible with three parts: (i) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (6) (ii) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (8) (iii) State Andrew's duties as a trustee under the Trustee Act 2000. (12)

On the right, the 'INCOME TAX' table for AF1 October 2019 is shown. The table compares the 2018/2019 and 2019/2020 tax years.

AF1 October 2019		
INCOME TAX		
RATES OF TAX	2018/2019	2019/2020
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	£34,500	£37,500
Threshold of taxable income above which additional rate applies	£150,000	£150,000
Child benefit charge:		
1% of benefit for every £100 of income over	£50,000	£50,000
*not applicable if taxable non-savings income exceeds the starting rate band of £5,000.		
Dividend Allowance		£2,000
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Higher rate		32.5%
Additional rate		38.1%
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Rent a Room scheme – tax free income allowance	£7,500	£7,500

The interface also includes a navigation bar at the bottom with question markers for Inf01 through Inf06, and a red 'Answer' button.

4. On the day of the J05 exam, please click J05 Pension income options

J05 Pension income options

on-screen written exam familiarisation

5. The above screenshot is also a space where you can 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: **J05 Pension income options.**

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.

You should have received the below information via email before your examination 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 of the invigilation system will help you feel confident on exam day and can prevent technical issues by alerting you to potential issues with your equipment.

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.

It is fundamentally important that if you are sitting an examination 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) as soon as possible, as this may affect your examination sitting.

In the examination

The following will help:

Spend your time in accordance with the allocation of marks:

- The marks allocated to each question part are shown on the paper.
- If a question has just two marks allocated, there are likely to be only one or two points for which the examiner is looking for, so a long answer is wasting valuable time.
- Conversely, if a question has 12 marks allocated, a couple of lines will not be an adequate answer. Always remember that if the paper is not completed, your chances of passing will be reduced considerably.
- Do not spend excessive time on any one question; if the time allocation for that question has been used up, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

Take great care to answer the question that has been set.

- Many candidates leave the examination room confident that they have written a 'good' paper, only to be surprised when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires before putting pen to paper.
- Highlighting key words and phrases is a technique many candidates find useful.
- The model answers provided in this Examination Guide would gain full marks. Alternative answers that cover the same points and therefore answer the question that has been asked would also gain full marks.

Tackling questions

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

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

Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, *you should use 'bullet points' or short paragraphs*, since this allows you to communicate your thoughts in the most effective way in the least time. The model answers indicate what is acceptable for the different types of question.

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

Candidates will **not** lose marks due to poor spelling or grammar.

Calculators

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

Tips for laying out calculations in on-screen written exams

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

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

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in the Lifetime Allowance (LTA) calculation:
 - LTA 2021/22 - £1,073,100
 - Scheme Pension - £22,750
- Identify all allowances, pension values, tax rate bands, used in £ terms.
- Identify all tax rates in % terms.
- Use subtotals, where appropriate: i.e.:
 - Excess over LTA: £1,217,500 - £1,073,100
 - =£144,400
 - X 25%
 - =£36,100
- Show all your workings, for example:
 - Capitalising the value of a scheme pension by 20 or 25
- Double check all of your figures, specifically:
 - That you have calculated each section correctly.
 - That you have added up all of your figures correctly.
 - That you have expressed all your answers to two decimal places where relevant.

EXAMINERS' COMMENTS

Candidates' overall performance

This session aimed to test candidates' knowledge across the breadth of the syllabus. We continue to test understanding of the current legislation, of the issues in giving advice to clients on taking pension benefits, as well as topical concepts, such as scams protection.

Overall, the majority of candidates did enough to gain high marks across the paper and those who prepared well will have passed this session.

Question 1

This question dealt with the lump sum allowance and transitional tax-free amount certificate. It was well answered by those who had prepared and spent time understanding the changes since 6 April 2024.

Part (a) – Some candidates incorrectly assumed a reduction for taking benefits at age 50 – however the normal minimum pension age of 55 did not come in until 2010 so this was not relevant here. Some candidates were missing the first couple of marks by using the incorrect pension figures or a factor of 20 instead of 25 (the correct figures are based on the first BCE after A day).

Part (b) – Fewer candidates gained high marks with this part of the question. Future candidates would do well to review example 1.9 in the study text.

Question 2

This question dealt with factors relevant to commuting pension commencement lump sum (PCLS) for scheme pension. This was well answered by many candidates.

Question 3

This question dealt with the benefits and drawbacks of drawing an income from a SIPP via phased drawdown. Candidates performed better on benefits than drawbacks, with some missing more obvious responses such as income being subject to investment risk, exposure to sequencing risk and the complexity and charges of ongoing reviews.

Question 4

This question dealt with potential death benefits and income tax treatment of a lifetime annuity and flexi-access drawdown.

Part (a) – Some candidates assumed income is taxable regardless of age of death, which is not the case (they are getting this confused with a scheme pension).

Part (b) – There remains some confusion over nominees versus successors but overall, this was well answered by many candidates.

Question 5

This question dealt with issues relating to taking withdrawals via a combination of PCLS and taxable income (via flexi-access drawdown) instead of a series of uncrystallised funds pension lump sum (UFPLS) payments. This was well answered by the majority of candidates.

Question 6

This question dealt with issues relating to a choice between a lifetime annuity and flexi-access drawdown. This was well answered by many candidates.

Question 7

This question was specifically in relation to section 9.4.10 of the Financial Conduct Authority's Conduct of Business Sourcebook (COBS). Some candidates did not perform well in this question, getting these COBS rules confused with other similar, but different, rules.

Question 8

This question dealt with issues relating to pension scams. This was well answered by the majority of candidates.

Question 9

This question dealt with the Bereavement Support Payment. Candidates would do well to take more time to study the relevant sections of the study text, as many candidates did not perform well in this question.

Part (a) – Many candidates mentioned that they have dependent children, however, the relevance of children is in relation to child benefit, which is not mentioned here.

Part (b) – Candidates did not gain marks unless both the correct lump sum and monthly amount were stated – both figures were quoted within the tax tables accompanying the exam.

Question 10

This question dealt with risk profiling and had a mixed set of results. Some candidates failed to demonstrate their understanding of this area, particularly in part (a) – not articulating the need to understand a client's feelings about risks and how it may vary across different assets. Given how crucial risk profiling is to most areas of pension advice, it was disappointing not to see more candidates gain maximum marks on this question.

Question 11

This question dealt with issues relating to recycling of excess income back into a SIPP. Some candidates missed the fact that he has no relevant earnings and thus not stating the correct contribution amount (£3,600 gross). Some only stated that tax relief would be available and did not expand on this with the fact he is a higher rate taxpayer. Others missed that he can obtain tax relief up to age 75.

Question 12

This question dealt with issues relating to pension transfers. This was well answered by many candidates.

Question 13

This question dealt with the advantages and disadvantages of the safe withdrawal rate and a natural income strategy. The majority of candidates were able to articulate the advantages of both strategies, but many candidates did not perform well when it came to naming the disadvantages and would do well to study section 8 of the study text.

Question 14

This question dealt with cashflow modelling. This was well answered by many candidates.

Question 15

This question was effectively a comparison between investment ISAs and pensions, with the focus on the drawbacks of ceasing pension contributions in favour of paying into an investment ISA. Some candidates missed out on what should have been very easy marks, such as stating the difference in the pension and ISA allowances. Candidates who were better prepared picked up on additional rate taxpayer status/reinstating personal allowance and employer matching.

Unit J05 – Pension income options**Instructions to candidates**

Read the instructions below before answering any questions.

All questions in this examination are based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise in the question, and should be answered accordingly. It should be assumed that all individuals are domiciled and resident in the UK 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 use if your system freezes or you get forced out of your exam. It is fine to phone it if you have these 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

- **Two hours** are allowed for this paper which consists of 15 short answer questions and carries a total of 130 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.
- Different to CII multiple choice exams, tax tables are provided at the right-hand side of the interface after the question paper.
- 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 allowed.
- Please familiarise yourself with **all** questions before starting the exam.

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

Attempt ALL questions**Time: 2 hours**

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

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

1. Janine took early retirement in January 2006, aged 50. She received a pension from her employer's defined benefit pension scheme of £17,400 which by 2018 had increased to £24,800 a year. In March 2018 she took a maximum pension commencement lump sum (PCLS) of £50,000 from her self-invested personal pension plan (SIPP) and designated the remainder to flexi-access drawdown (FAD). At the time, the lifetime allowance was £1,000,000 and Janine had no transitional protection, nor has she applied for any since.

Janine has taken no other pension benefits since 2018. As well as her scheme pension and FAD, she also has a personal pension plan (PPP). Janine has decided that she wishes to take benefits from her PPP, which is currently valued at £235,000.

- (a) Calculate, **showing all your workings**, the maximum PCLS that Janine can receive from the PPP, assuming she does not apply for a transitional tax-free amount certificate (TTFAC). **(7)**

- (b) Calculate, **showing all your workings**, the additional PCLS she may be entitled to if she applied for a TTFAC. **(5)**

2. Hari, aged 64, is married to Shabana aged 62. Hari is a member of his previous employer's defined benefit pension scheme and now intends to draw his scheme pension.

Hari has been advised that he will receive a pension of £35,000 per annum which will increase each year in line with the Consumer Prices Index (CPI) capped at 5%. This also includes a 50% dependant's pension. Hari has also been informed that he can commute part of the income for a pension commencement lump sum (PCLS). The commutation rate is 12:1.

Outline the factors that you would take into account when advising Hari on how much of his pension income he should commute for PCLS. **(8)**

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

3. Esme, aged 62, is divorced with two financially independent children. She is employed and plans to gradually reduce her working hours over the next five years until reaching State Pension age, when she intends to retire fully.

Esme has a self-invested personal pension plan (SIPP) valued at £975,000. Her only other assets are a cash ISA worth £62,000 and her house valued at £650,000 which she owns outright. As she is reducing her working hours, Esme intends to spend more time travelling.

Outline **five** potential benefits and **five** potential drawbacks for Esme, of drawing an income from her SIPP via phased drawdown.

(10)

4. Annie, aged 68, is divorced and has four non-dependent children. She recently crystallised her personal pension plan (PPP) and used part of the fund to purchase a lifetime annuity on a single life basis with a 30-year guarantee. The balance of her fund was placed into flexi-access drawdown (FAD).

Outline the potential death benefits, including the Income Tax treatment, payable to Annie's children for:

(a) lifetime annuity;

(5)

(b) FAD.

(8)

5. Lars, aged 60, has just retired. His current annual income consists solely of a scheme pension of £7,600, increasing each year by the Consumer Prices Index (CPI). Lars has a personal pension plan (PPP) valued at £445,000 and will also be entitled to a full State Pension in seven years' time.

Lars requires an inflation linked net income of £22,000 per annum in retirement.

You have recommended that Lars uses a combination of pension commencement lump sum (PCLS) and taxable withdrawals via flexi-access drawdown to meet his objectives.

Explain, giving your reasons, why this is the most appropriate strategy for Lars rather than taking a series of uncrystallised funds pension lump sum (UFPLS) payments.

(7)

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

6. Celine, aged 58, was widowed in 2023. She is now in receipt of a dependant's scheme pension of £11,750 per annum. Celine has one child, aged 26, who still lives at home due to a physical impairment.

Celine has decided to retire and has calculated she will need a net income of £26,000 per annum, increasing each year by inflation, to cover her regular outgoings. In addition to her dependant's scheme pension, she has an uncrystallised personal pension plan (PPP) valued at £540,000, which is wholly invested in fixed interest funds. Her other assets are her home, which is mortgage free and valued at £325,000, and cash on deposit of £14,000. Celine has a cautious attitude to risk and very little investment experience.

Outline the factors that you would take into account when deciding whether you would recommend that Celine use her PPP to purchase a lifetime annuity, or if she should take her retirement income via flexi-access drawdown (FAD).

(10)

7. Section 9.4 of the Financial Conduct Authority's Conduct of Business Sourcebook (COBS) outlines the relevant risk factors that should be included in a suitability report, when a firm is making a personal recommendation to a client regarding income withdrawals.

Outline the relevant risk factors that must be considered.

(5)

8. A financial advice firm has recently identified that a number of their clients have been approached by scammers, encouraging them to transfer their workplace pensions. The firm plans to write to all its clients to highlight the risk of potential scams.

(a) State **four** common tactics used by scammers that should be included within the firm's communication to its clients.

(4)

(b) Identify **four** steps workplace pension scheme administrators should take to protect scheme members.

(4)

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

9. Fleur's partner, Chris, died 6 weeks ago. His death was caused by exposure to asbestos while at work. Prior to Chris' death he had been employed for 20 years, earning £32,000 a year. Fleur and Chris were not married but lived together for 24 years in Wales. Fleur is 48 years old and has three children with Chris, aged 8, 14 and 21.

Fleur has been advised she is eligible to claim the Bereavement Support Payment (BSP) and that if she claims it now, she will be entitled to the full amount.

- (a) State **four** reasons why Fleur will be eligible to make a successful claim for BSP for the full amount. (4)
- (b) State how much BSP Fleur could receive and for how long. (2)
10. (a) Outline the key factors that you would take into account when assessing a client's attitude to risk as part of their retirement investment strategy. (5)
- (b) Identify **three** drawbacks of relying solely on risk profiling tools for this purpose. (3)
11. Ivan, aged 72, retired last year. He is in receipt of a scheme pension of £48,000 a year from his former employer's defined benefit pension scheme and his State Pension of £11,502 a year. He also has a self-invested personal pension plan (SIPP) worth £150,000 which he has no plans to touch.
- Ivan lives with his partner, Sally. He has no children. Ivan has a large estate worth approximately £900,000 and his income needs are £35,000 a year. He is concerned about the level of excess income he has and would like advice on using some of the excess to top up his SIPP.
- State the **advantages** to Ivan of recycling his excess income into his SIPP. (7)

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

- 12.** Norah, aged 64, plans to retire in the next 12 months. She is a deferred member of two defined benefit pension schemes and wishes to transfer these schemes to a personal pension plan (PPP), in order to access them flexibly.

Norah has recently obtained a cash equivalent transfer value (CETV) for each defined benefit pension scheme as detailed below:

Defined benefit pension scheme	CETV (£)
Scheme A	20,000
Scheme B	250,000

Explain, giving your reasons, the steps that Norah must take before the defined benefit schemes will agree to transfer the funds to a PPP.

(8)

- 13.** Craig is due to retire next month, aged 62. You have advised him to withdraw his maximum pension commencement lump sum (PCLS) and designate the remaining funds to flexi-access drawdown (FAD). This will meet his objectives of repaying his mortgage and supplementing the income he receives from his scheme pension, which is sufficient to meet his essential expenditure needs.

Outline **two** advantages and **two** disadvantages to Craig of drawing an income from FAD using:

(a) the safe withdrawal rate;

(4)

(b) a natural income strategy.

(4)

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

- 14.** Sasha, aged 58, is married to Faisal, aged 56. Sasha and Faisal are both self-employed, earning £55,000 and £45,000 a year respectively. Their current total net yearly expenditure is £48,000, which they anticipate will remain broadly unchanged when they retire.

They have personal pensions worth £485,000 in total plus other savings and investments worth £75,000. They have an outstanding mortgage of £230,000 repayable in 12 years and a car loan for £12,000 repayable in two years.

Sasha and Faisal would like to retire next year and plan to take the maximum pension commencement lump sums (PCLS) available from their pensions and move their pensions into flexi-access drawdown (FAD) in order to withdraw the income they need in retirement, reducing their withdrawals when they reach State Pension age.

- (a) Outline how cashflow modelling can be used when advising Sasha and Faisal on their retirement plans. (7)
- (b) State **five** disadvantages of using cashflow modelling for this purpose. (5)

- 15.** Mei, aged 59, is employed and plans to retire when she reaches age 60. She receives an annual basic salary of £85,000 and annual bonuses in the region of £55,000. She is a member of her employer's workplace group personal pension plan, in which she is invested in the default fund. Mei is currently contributing the required amount of 3% of her salary as well as annual lump sums using bonus sacrifice.

Due to her short-term to retirement, Mei is considering stopping her pension contributions and instead increasing her savings into her investment ISA.

- Explain to Mei the potential **drawbacks** of this course of action. (8)

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)
- DB valued in Jan 18 (first BCE after A day): £24,800
 - $*25 = £620,000$
 - $£620,000/1m = 62\%$ of LTA used
 - BCE in March 2018 £200,000 (full value of SIPP) = 20% of LTA (£200,000/£1m)
 - SA reduced by $82\% * £1,073,100 * 25\%$ (or $£268,275 * 82\%$)
 - $= £219,985.50$
 - Therefore, $£268,275 - £219,985.50 = £48,289.50$
- (b)
- Assumed pre-2006 PCLS $£620,000 * 25\% = £155,000$
 - $£155,000$ plus $£50,000 = £205,000$
 - LSA remaining = $£268,275 - £205,000 = £63,275$
 - So she can take the full 25% of $£235,000 = £58,750$ from her PPP
 - Extra PCLS is $£58,750 - £48,289.50 = £10,460.50$

Model answer for Question 2

- The level of income he requires/importance of secure income.
- Need for PCLS/capital.
- Other income sources/assets/capacity for loss/potential inheritances/downsizing.
- Importance of indexation/he will lose indexation on the income commuted/pension increases at CPI capped at 5%/inflation expectations.
- Commutation rate is low/is commutation rate value for money.
- Health/longevity.
- Importance of death benefits.
- IHT position/PCLS will enter his estate for IHT purposes/Income Tax position.

Model answer for Question 3**Benefits:**

- Level of income can be varied as required.
- Potential for growth.
- PCLS could be used to help fund travel costs/tax can be controlled.
- Fund remains available to provide death benefits for children.
- Annuity rates may increase in the future/enhanced rates may be available in the future/can purchase annuity in the future.

Drawbacks:

- Income subject to investment risk/she may outlive the fund/longevity risk/annuity rates may be worse in future/income not guaranteed.
- She will be exposed to sequencing risk.
- Complex/requires reviews/ongoing charges.
- Will trigger the money purchase annual allowance (MPAA)/she is still working and may want to make further contributions in excess of £10,000 per annum.
- Removes funds from an IHT exempt asset/pension income taxable.

Model answer for Question 4

- (a)
- Balance of payments under the guarantee period/balance of 30 years;
 - paid as an income.
 - Tax free if death pre-75.
 - Taxable as children's income if death post-75.
 - Could commute under Trivial Commutation if less than £30k.
- (b)
- Lump sum.
 - Nominees.
 - Annuity.
 - Flexi-access drawdown.
 - Tax free if she dies under-age 75;
 - and death benefits designated within two years;
 - and within LSDBA for lump sum only.
 - Taxable as children's income if paid outside two years/over LSDBA/post-75.

Model answer for Question 5

- He has (£4,970) Personal Allowance (PA) remaining.
- He can take out sufficient taxable income to utilise PA.
- Take the balance as PCLS;
- so all of his income will be tax free/this is tax efficient.
- UFPLS would not allow correct proportion of tax free and taxable income;
- and UFPLS would result in more of the fund being used.
- Leaves more PCLS for future years.

Model answer for Question 6

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

- Her attitude to risk is cautious;
- which is less suited for drawdown/more suited to annuity.
- Capacity for loss is low/only other assets are in cash and property.
- Limited investment experience.
- Health and family longevity.
- Importance she places on guarantees/flexibility.
- Importance of death benefits/she has a financial dependant.
- PPP fund value would support either option/could do partial annuity and drawdown/annuity likely to give too much income/annuity rates.
- Capital requirements/liabilities/downsizing.
- Fixed interest funds suitable for annuity purchase/not suitable for drawdown / sequencing risk/sustainability.
- State Pension becomes payable in 9 years/level of State Pension/escalation of dependant's pension.
- Charges/ongoing reviews/complexity of FAD/annuity is simple to understand.

Model answer for Question 7

- The capital value of the fund may be eroded.
- The investment returns may be less than those shown in the illustrations.
- Annuity or scheme pension rates may be at a worse level in the future.
- The levels of income provided may not be sustainable.
- There may be tax implications.

Model answer for Question 8

(a) *Candidates would have gained full marks for any four of the following:*

- Access to pensions before age 55/minimum pension age.
- Cold calls/offers of free pension review.
- Transfer of funds to an overseas pension/transfer into specialist investments e.g. diamonds.
- Promise of high returns/returns that sound too good to be true/increased pension benefits/offering PCLS in excess of 25%.
- Pressure to act immediately.

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

- Get to know the warning signs of a scam/pledge to combat scams.
- Warn members about the risk of scams/high-risk transfers/share scam booklet.
- Encourage members to seek guidance/advice.
- Complete due diligence on transfers.
- Report concerns to authorities.

Model answer for Question 9

(a) *Candidates would have gained full marks for any four of the following:*

- It is within 3 months of Chris' death.
- Fleur is under state pension age.
- They lived together as though they were married.
- Chris paid sufficient NI contributions/more than 25 weeks/died due to a disease caused by work.
- They lived in the UK.

- (b)
- A one-off lump sum of £3,500 plus £350 per month;
 - for up to 18 months.

Model answer for Question 10

- (a)
- Time horizon/longevity.
 - How they feel about taking risks/complete a psychometric questionnaire/psychology.
 - Investment knowledge/experience.
 - How their ATR varies across different assets/if it varies.
 - Capacity for loss/overall wealth/assets/pensions.

- (b)
- Results still require a conversation with the client/does not assess capacity for loss/does not provide a complete answer.
 - Client may misunderstand question.
 - Different models lead to different results.

Model answer for Question 11

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

- Does not fall foul of anti-recycling rules.
- Can contribute up to £3,600 a year.
- With tax relief on contributions;
- at higher rate;
- up to age 75.
- Increased death benefits.
- Further PCLS/income in future if needed/potential for growth (above inflation).
- Money in pension free of IHT (until April 2027).

Model answer for Question 12

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

Scheme A:

- As CETV is under £30,000;
- she does not need to obtain financial advice.

Scheme B:

- The CETV is over £30,000;
- and she has safeguarded benefits;
- and she wishes to access her benefits flexibly;
- meaning she must obtain financial advice;
- from an appropriately qualified adviser/firm/pension transfer specialist (which is independent from the scheme);
- and provide evidence to the ceding scheme confirming this.

Both schemes:

- The appropriate transfer paperwork must be completed to confirm she wishes to transfer/transfers must be requested/agreement to proceed.

Model answer for Question 13

(a) *Candidates would have gained full marks for any four of the following:*

Safe withdrawal rate**Advantages:**

(Candidates would have gained full marks for any two of the following)

- Certainty of income being withdrawn/simple to understand/useful rule of thumb
- Risk of running out of money reduced.
- Inflation protection.

Disadvantages:

- Not a personalised approach/could end up taking too much or too little.
- Could still run out of money.

(b) **Natural income strategy**

Advantages:

- Sequencing risk reduced.
- Aims to preserve capital.

Disadvantages:

- Income is unpredictable/may require more regular reviews/may need to dip into capital or other assets if income is insufficient.
- The investment's ability to recover from downturns reduced (as income is not reinvested)/could still run out of money.

Model answer for Question 14

- (a)
- Assess net worth/assets and liabilities.
 - Visualise future income and capital needs;
 - and map out planned changes (e.g. repaying debts/state pension starting).
 - Show impact of pension withdrawals/expenditure is high relative to pensions /shows how realistic goals are/risk of running out of cash/identifies shortfalls.
 - Demonstrate effects of different growth rates/inflation rates.
 - Can model disaster scenarios/stress testing.
 - Can be reviewed/adapted to capture unplanned changes.
- (b)
- Tax and legislation may change.
 - Gives a snapshot only/estimate.
 - Inputs can be incorrect.
 - Assumptions could be different.
 - Personal circumstances/objectives could change/needs regular reviews/ongoing advice costs.

Model answer for Question 15

- Higher annual allowance of £60,000 for a pension/contributions are limited to £20,000 for an ISA.
- Would lose out on carry forward in pension/unable to utilise previous years ISA allowances.
- Tax relief available on pension contributions/ISA contributions do not receive tax relief;
- and she is an additional rate taxpayer/contributions to her pension may enable her to recoup her personal allowance.
- Lose employer contributions/no employer matching/no salary/bonus sacrifice.
- ISA may be more expensive/higher charges/more admin/no fund charge cap/lifestyling not available.
- Pension not part of estate/ISA subject to IHT as part of her estate/ISA status cannot be maintained on death if passed to children.
- Capital value of ISA is likely to be included as part of any long-term care assessment.

Glossary of terms

Some abbreviations candidates can use in financial planning online exams:

- | | |
|---|---|
| 1. ATR – Attitude to risk | 49. UFPLS – Uncrystallised funds pension lump sum |
| 2. BRT – Basic rate taxpayer | 50. VCT – Venture capital trust |
| 3. BIK – Benefit in kind | |
| 4. BCE – Benefit crystallisation event | |
| 5. CLT – Chargeable lifetime transfer | |
| 6. CFL – Capacity for loss | |
| 7. CGT – Capital Gains Tax | |
| 8. CPI – Consumer Prices Index | |
| 9. DOV – Deed of variation | |
| 10. DIS – Death-in-Service | |
| 11. DFM – Discretionary Fund Manager | |
| 12. ESG – Environmental, Social and Governance | |
| 13. EPT – Excluded property trust | |
| 14. EPA – Enduring power of attorney | |
| 15. ERC – Early repayment charges | |
| 16. FAD – Flexi-access drawdown | |
| 17. FSCS – Financial Services Compensation Scheme | |
| 18. FOS – Financial Ombudsman Service | |
| 19. GAR – Guaranteed annuity rate | |
| 20. GAD – Governments Actuary's Department | |
| 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. MaPS – Money and Pension Service | |
| 28. MVR – Market value reduction | |
| 29. MPAA – Money purchase annual allowance | |
| 30. NICs – National Insurance contributions | |
| 31. NPA – Normal pension age | |
| 32. NRA – Normal retirement age | |
| 33. NRB – Nil rate band | |
| 34. OPG – Office of the Public Guardian | |
| 35. OEIC – Open ended investment company | |
| 36. PAYE – Pay As you Earn | |
| 37. PPF – Pension Protection Fund | |
| 38. PPP – Personal pension plan | |
| 39. PCLS – Pension commencement lump sum | |
| 40. PA – Personal allowance | |
| 41. PSA – Personal savings allowance | |
| 42. RAC – Retirement annuity contract | |
| 43. RNRB – Residence nil rate band | |
| 44. RPI – Retail Price Index | |
| 45. SIPP – Self-invested personal pension plan | |
| 46. SEIS – Seed Enterprise Investment Scheme | |
| 47. SPA – State Pension age | |
| 48. TPAS – The Pensions Advisory Service | |

March 2025 Examination - J05 Pension income options		
Question No.	Syllabus learning outcomes being examined	
1.	1.3	Pension commencement lump sum (PCLS) and uncrystallised funds pensions lump sum (UFPLS) limits, including the Lump Sum Allowance (LSA), Lump Sum and Death Benefit Allowance (LSDBA) and transitional protections.
2.	2.1	Definition, HMRC requirements and main features, including lifetime annuities, scheme pensions, commutation and pension increase exchange (PIE), and taxation of benefits in payment.
3.	4.1	Phasing retirement using secure and flexible options, including flexi-access drawdown, capped drawdown, uncrystallised funds pension lump sum (UFPLS), including the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) and annuities.
4.	2.3/ 3.3/ 4.3	The benefits payable on death and their tax treatment, including the Lump Sum and Death Benefit Allowance (LSDBA).
5.	4.1 7.4	Phasing retirement using secure and flexible options, including flexi-access drawdown, capped drawdown, uncrystallised funds pension lump sum (UFPLS), including the Lump Sum Allowance (LSA) and Lump Sum and Death Benefit Allowance (LSDBA) and annuities. The choice between the different methods for drawing a pension income and/or lump sum and the Income Tax planning considerations (both State and private).
6.	2.1/ 3.1	Definition, HMRC requirements and main features, including lifetime annuities, scheme pensions, commutation and pension increase exchange (PIE), and taxation of benefits in payment.
7.	5.1	FCA – Conduct of Business Sourcebook (COBS), including pensions guidance, retirement risk warnings, illustrations and investment pathways.
8.	5.4	TPR transfer guidance, including pension scams.
9.	6.8	Benefits payable by the State on death.
10.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement.
11.	7.1	The importance of establishing a client's personal and financial circumstances and requirements including, attitude to investment risk, capacity for loss, longevity including life expectancy probability and investment strategies in retirement.
12.	7.3	The factors that should be considered when advising on the suitability or otherwise of a transfer between money purchase arrangements, including: Guaranteed annuity rates (GAR); Protected tax free cash; Flexibility options within the contracts; Investment choices, including discretionary fund managers.
13.	7.4	The choice between the different methods for drawing a pension income and/or lump sum and the Income Tax planning considerations (both State and private).
14.	7.5	The importance of cashflow modelling, including stress testing, life expectancy, sequencing risk and the safe withdrawal rate.
15.	7.8	Non pension assets as an alternative means of providing income, including property, ISAs and other investments.

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

The Tax Tables which follow are applicable to the September 2024 and March 2025 examinations.

INCOME TAX

RATES OF TAX	2023/2024	2024/2025
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	
<i>*Only applicable to savings income that falls within the first £5,000 of income in excess of the personal allowance.</i>		
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	£1,000	£500
Dividend tax rates		
Basic rate	8.75%	8.75%
Higher rate	33.75%	33.75%
Additional rate	39.35%	39.35%
Trusts		
Standard rate band	£1,000	n/a
Income exemption up to**	n/a	£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.

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% †	£4,010	£4,280
Married/civil partners at 10% †	£10,375	£11,080
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance †	£34,600	£37,000
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,870	£3,070
Enterprise Investment Scheme relief limit on £2,000,000 max***	30%	30%
Seed Enterprise Investment relief limit on £200,000 max	50%	50%
Venture Capital Trust relief limit on £200,000 max	30%	30%

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

† where at least one spouse/civil partner was born before 6 April 1935. Married couple's/civil partners' allowance reduced by £1 for every £2 of adjusted net income over £37,000 (£34,600 for 23/24) 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)	£123
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 £123 per week. This £123 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 175.00**	Nil
Over £175.00	13.8%

***Secondary threshold.*

CLASS 2 (self-employed)*

Flat rate per week £3.45

Small profits threshold per year £6,725

Class 2 contributions are credited automatically where profits equal or exceed £6,725 per annum.

Class 2 contributions can be made voluntarily where profits are below £6,725 per annum.

Class 3 (voluntary)

Flat rate per week £17.45.

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 removed from 6 April 2024.

	2023/2024	2024/2025
Lump sum and death benefit allowance (LSDBA)	n/a	£1,073,100
Lump sum allowance (LSA)	n/a	£268,275

LSA and LSDBA may be higher if transitional protections are available.

Where pension benefits were crystallised prior to 6 April 2024 the LSA and LSDBA may be reduced.

Money purchase annual allowance	£10,000	£10,000
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ANNUAL ALLOWANCE	
TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£60,000**
2024/2025	£60,000**

*From 6 April 2016 the annual allowance is reduced for those with income above a certain level. Between 2020/21 and 2022/23 the annual allowance will be 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.

**Reducing 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	2023/2024	2024/2025	
Individuals, estates etc	£6,000	£3,000	
Trusts generally	£3,000	£1,500	
Chattels proceeds (restricted to five thirds of proceeds exceeding limit)	£6,000	£6,000	

TAX RATES		Pre	Post
		30/10/2024	
Individuals:			
Up to basic rate limit	10%	10%	18%
Above basic rate limit	20%	20%	24%
Surcharge for residential property - Basic Rate	8%	8%	n/a
Higher Rate	8%	4%	n/a
Surcharge for carried interest	8%	8%	4%
Trustees and Personal Representatives:			
Residential property	28%	24%	24%
Other chargeable assets	20%	20%	24%
Business Asset Disposal Relief*	10%	10%	
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.*

INHERITANCE TAX

RATES OF TAX ON TRANSFERS	2023/2024	2024/2025
Transfers made on death		
- Up to £325,000	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		
- UK-domiciled spouse/civil partner	No limit	No limit
- non-UK-domiciled spouse/civil partner (from UK-domiciled spouse)	£325,000	£325,000
- main residence nil rate band*	£175,000	£175,000
- UK-registered charities	No limit	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	£3,000
- Annual small gifts exemption per donor	£250	£250

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

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

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

50% relief: certain other business assets

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

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

Quick succession relief:

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

MAIN SOCIAL SECURITY BENEFITS

		2023/2024	2024/2025
		£	£
Child Benefit	First child	24.00	25.60
	Subsequent children	15.90	16.95
	Guardian's allowance	20.40	21.75
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 67.20	Up to 71.70
	Aged 25 or over	Up to 84.80	Up to 90.50
	Main Phase		
	Work-related Activity Group	Up to 84.80*	Up to 90.50**
	Support Group	Up to 129.50	Up to 138.20
Attendance Allowance	Lower rate	68.10	72.65
	Higher rate	101.75	108.55
Basic State Pension	Category A full rate	156.20	169.50
	Category B (lower) full rate	93.60	101.55
New State Pension	Full rate	203.85	221.20
Pension Credit	Standard minimum guarantee - single	201.05	218.15
	Standard minimum guarantee - couple	306.85	332.95
	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	67.20	71.70
	Age 25 or over	84.80	90.50
Statutory Maternity, Paternity and Adoption Pay		172.48	184.03

**If a claim has begun before 3rd April 2017 the individual will also be awarded the Work-related Activity Component payment which in 2023/2024 is £33.70, so total awarded for these individuals may be up to £118.50.*

***If a claim has begun before 3rd April 2017 the individual will also be awarded the Work-related Activity Component payment which in 2024/2025 is £35.95, so total awarded for these individuals may be up to £126.45.*

CORPORATION TAX

2023/2024

2024/2025

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 main rate, reduced by a marginal relief. This provides a gradual increase in the effective Corporation Tax rate.		

VALUE ADDED TAX

2023/2024

2024/2025

Standard rate	20%	20%
Annual registration threshold	£85,000	£90,000
Deregistration threshold	£83,000	£88,000

STAMP DUTY LAND TAX

Residential

Value up to £250,000	0%
£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 £425,000 for properties up to £625,000 when purchasing their main residence. On purchases up to £425,000, no SDLT is payable. On purchases between £425,001 and £625,000, a flat rate of 5% is charged on the balance above £425,000.*
- *Additional SDLT of 5% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 17% on interests in residential dwellings costing more than £500,000 purchased by certain corporate bodies or non-natural persons.*
- *SDLT is payable in England and Northern Ireland only. Land Transaction Tax (LTT) is payable in Wales and Land and Buildings Transaction Tax (LBTT) is payable in Scotland. The rates for LTT and LBTT are different to the rates shown above.*

Non residential

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