



Chartered
Insurance
Institute

AF1

Advanced Diploma in Financial Planning

Unit AF1 – Personal tax and trust planning

February 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.

AF1 – Personal tax and trust planning

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Published May 2025

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Examination Guide is to help you understand how examiners assess candidates' knowledge and their ability to apply this to a case study scenario. You can then use this understanding to help you in your preparation for the 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 Advanced Diploma in Financial Planning, candidates are assumed to have studied the relevant units of the Diploma in Financial Planning or the equivalent. This knowledge is set out on the relevant syllabus.

Read widely

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, these are provided in the portal as you sit the exam (see page 6).*

Know the structure of the examination

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

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

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

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

Appreciate the standard of the 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](#).

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.

1. From the AF1 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. To return to edit any answer you have already typed, you must press 'Answer' for the question you are already in otherwise it will not let you select a previous question you have answered to edit.

The screenshot displays the AF1 October 2019 exam interface. On the left, a case study is presented, detailing the death of Peggy and her estate. A table lists the assets of Peggy's estate. On the right, the exam question is shown, including instructions and a table of assets. The interface includes navigation buttons (Prev, Nav, Next, Clear Highlight) and a timer (174:27).

Case Study:

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)

Exam Question:

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.

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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.

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

Buttons: Flag Edit

2. 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. Scroll up and down using the navigation bar.

Prev

Nav

Next

Clear Highlight

Tools

Calculator

End Test

164:16

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:

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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)

(b)(ii) Describe to Andrew why IHT was payable when his father died and how it was calculated. No calculation is required. (8)

(b)(iii) State Andrew's duties as a trustee under the Trustee Act 2000. (12)

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 †	£28,900	£29,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500

Flag

Clear

Inf01

Inf02

Inf03

1a

1b

1c

1d

1e

Inf04

2a

2b

2c

2d

2e

Inf05

3a

3b

3b

3c

Inf06

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.

Prev

Nav

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End Test

158:41

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Formats

B

I

Answer

AF1 October 2019

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Flag

Clear

Inf01

Inf02

Inf03

1a

1b

1c

1d

1e

Inf04

2a

2b

2c

2d

2e

Inf05

3a

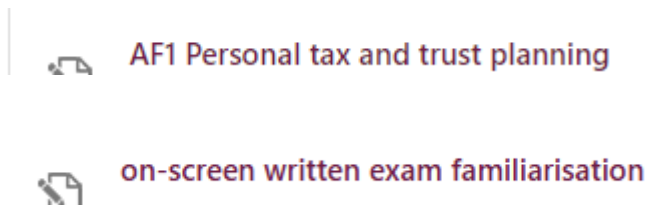
3b

3b

3c

Inf06

4. On the day of the AF1 exam, please click on the **AF1 Personal tax and trust planning**:



5. The above screenshot shows the point before the exam has started; you wish to take a moment at this screen to jot down any notes on paper that may assist you during the exam. Please note the exam timer will not start until you click the exam titled: **AF1 Personal tax and trust planning**.

Important information for remote invigilation candidates only

If you are taking the exam through remote invigilation, **we strongly advise that you try the online tutorial test** once you have received your exam login details and well in advance of the actual exam day.

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, leave some space, go on to the next question and return to the incomplete question after you have completed the rest of the paper, if you have time.

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

- Many candidates leave the 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 three questions in whatever order feels most comfortable. Generally, it is better to leave any questions which you find challenging until you have attempted the questions you are confident about. Candidates should avoid mixing question parts, (for example, 1(a)(i) and (ii) followed by 2(b)(ii) followed by 1(e)(i)) as this often leads to candidates unintentionally failing to fully complete the 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. The model answers indicate what is acceptable for the different types of question.

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.

Tips for laying out calculations in on-screen written exams

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

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

- Set out each stage of your calculation on a separate line.
- Label the values used i.e. in an IHT calculation:
 - Main residence £500k;
 - Onshore Bond £100k.
- Identify all allowances, exemptions, tax bands, tax rates used in £ terms.
- Use subtotals where appropriate. For example:
 - Total assets - £1,500,000
 - Nil rate band (NRB) – (£325,000)
 - Residence nil rate band (RNRB) – (£175,000)
 - Assets after allowances - £1,000,000
- Show all your workings. This could include:
 - grossing up of pension contributions,
 - how you work out the allowances if they are not standard,
- Make notes where appropriate. For example:
 - Bond loss is excluded
 - ISA income ignored
- Double check all of your figures.

Please note that it is currently not possible to insert tables for AF1 exams. You are required to type your answers without the requirement for alignment. As guidance, please refer to the model answers provided in any Exam Guides as templates.

There are no special formulas you are required to be aware of included in the system to submit your answers.

EXAMINERS' COMMENTS

Candidates' overall performance

Overall, it felt as if candidates were not as well prepared as in previous sessions.

Standard syllabus questions on residence and powers of attorney were often not well answered, along with recent changes to the basis of taxation for the self-employed. Additionally, steps in calculations were often missed, or full workings were not given, despite the question stating in bold that all workings must be shown and previous exam guides emphasising the importance of this.

However, it was pleasing to see that candidates generally performed well in the Income tax, CGT and IHT calculation questions, with many gaining high marks.

Question 1

Part (a)

The exam started with an Income Tax calculation; part (i) asked candidates to work out adjusted net income for Julia. The majority of candidates did this well although some answers showed only the pension contribution deduction rather than the charitable donation as well. A surprising number did not gross up the net contributions.

Candidates then had to use the figures from (i) to complete the Income Tax calculation in part (ii). The majority of candidates correctly identified that Julia would not get a personal allowance, but many did not show the whole workings that led to this conclusion.

Part (b)

Asked for an explanation of how Julia receives Income Tax relief on the contribution to the charity. This was answered reasonably well, with many explaining correctly how the basic rate and the higher rate bands are increased by the gross donation. The better prepared candidates also explained how Julia must make a declaration that the gift is being made under gift aid.

Part (c)

Asked for a description of the Income Tax benefits for Julia of making a single contribution to her SIPP of £28,000 in the next tax year. Many candidates appreciated that the personal allowance would be reinstated in full as well as the PSA with the better candidates explaining the impact on the rates of Income Tax charged on both the OEIC interest and the dividends.

Part (d)

In part (i) an explanation was required of the basis of tax assessment for Mark in the current and next tax year. In part (ii) the NICs liability for Mark was tested. The basis of assessment for the self-employed changed in 2024, with the previous year a transitional year, yet many candidates did not seem to appreciate that this had happened. As a key part of the syllabus this was disappointing. Knowledge of the change to liability to Class 2 NICs for most self-employed people was much better, with the majority of candidates appreciating that as Mark's profits were over the small profits threshold he would not be liable yet would still benefit from contributory State benefits.

Part (e)

This question covered VAT; in part (i), the actions Mark must take if his profits reach the projected £90,000 during November 2025. Many candidates appreciated that he must register for VAT, although less were able to describe accurately the rules around when this must be done by. Part (ii) tested the flat rate scheme, and this was not answered well by the majority of candidates.

Part (f)

Asked for the implications if Mark died without amending his Will. This is a commonly tested area yet answers varied; from the correct understanding that a Will is not revoked on divorce but there are consequences, to a number suggesting that Mark's former wife would still benefit from his estate, including the property he held with Julia as joint tenants.

Part (g)

Finally, 18 – 25 trusts were tested along with a calculation of the exit charge that would apply if the child received an absolute interest on their 25th birthday. Some knowledge of this type of trust was demonstrated, although few candidates gave a thorough enough answer to gain high marks. A mix of knowledge was demonstrated in part (ii). A number of candidates taxed £175,000 at 40% and a small minority stated there would be no charge, despite the question being worded as 'calculate, showing all your workings, the IHT payable'. The well-prepared candidates gained the full four marks.

Question 2**Part (a)**

Started with part (i) requiring an explanation of how Gilda would be treated for CGT purposes in the tax year of her arrival in the UK and in part (ii) the implications of her electing to use the remittance basis. Many candidates assumed correctly that Gilda would be treated as UK resident without always quoting the 183 day rule. The second part was answered quite well, although few candidates gained full marks.

Part (b)

A factors question, regarding those that Declan should be aware of in respect of Private Residence Relief when he leaves his own home and moves into the furnished holiday let. Very few candidates made the connection that with two homes Declan would need to make an election and there is a timeframe to do this by.

Part (c)

A CGT calculation which included chattels and a negligible value claim. The chattels rule was often shown correctly worked through and many candidates realised the £7,500 could be deducted. A number of candidates also included the painting, which was not chargeable as the sale price was under £6,000, and the corporate bond.

Part (d)

Asked for the tax treatment of the income that will be paid to Declan from the interest in possession trust. A high number of candidates appreciated that IIP trusts are only subject to basic rate tax with some giving full details of the further liabilities that Declan would pay. Future candidates should appreciate that with ten marks on offer, detail is imperative to gain marks.

Question 3**Part (a)**

Started with a test of how Johan will be taxed on the income he receives in this tax year. This was testing the fact that taxpayers can use the personal allowance in such a way as to minimise their tax liability. In Johan's circumstances he is able to ask HMRC to allocate his personal allowance to cover his pension income with the balance set against dividend income. The share of interest from the current account and the unit trust income fell within the PSA and the starting rate for savings.

Part (b)

Was an IHT calculation which included quick succession relief. Some candidates fell at the first hurdle when the assets within the estate were incorrectly added. The majority of candidates appreciated that two nil rate bands and two residence nil rate bands could be used, and a good number also correctly worked out the QSR.

Part (c)

Tested deeds of variation and why a disclaimer would not be appropriate for Johan. This is a standard AF1 question, and it was good to see that many candidates were able to gain high marks on both parts.

Part (d)

Enduring powers of attorney were tested. In part (i) the drawbacks of them and in part (ii) the benefits of replacing them with an LPA. Although powers of attorney are tested in each paper, it was surprising at the lack of detail in answers, although candidates generally did better in part (ii) than in part (i).

Unit AF1 – Personal tax and trust planning

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

- **Three hours** are allowed for this paper which carries a total of 160 marks as follows:
Section A: 80 marks
Section B: 80 marks
- You are advised to spend approximately 90 minutes on Section A and 90 minutes on Section B, **both questions are compulsory.**
- You are strongly advised to attempt **all** questions to gain maximum possible marks.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The calculator is in a pop-up box on the right-hand side of the interface. It is important to show all steps in a calculation in your answer, even if you have used a calculator.
- **Tax tables are provided at the right-hand side of the interface after the question paper, this is different to the multiple choice exams.**
- For each answer, please type in the full question number you are answering e.g. 1a
- **Please note each answer must be typed in the correct corresponding answer box**
- **If you are wearing headset, earphones, smart watch please take them off. No watches are permitted**
- Please familiarise yourself with **all** questions before starting the exam.

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

SECTION A

This question is compulsory and carries 80 marks

Question 1

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

Julia and Mark are in their mid-40s. They have lived together for the last two years in a property they own as joint tenants. They have no plans to marry.

Mark has a 14-year-old child from his previous marriage. He pays £900 per month to his former wife as maintenance payments for her and their child. Julia has no children.

Julia runs her own business as a sole trader. In the tax year 2024/2025 she will make a net profit of £135,000. Since 2020 she has been making a contribution to a UK registered charity of £150 per month.

Julia has a self-invested personal pension (SIPP) that she has been contributing to for many years; the monthly contribution she makes is £160. She wishes to understand the benefits of making a £28,000 additional lump sum contribution into her SIPP in the tax year 2025/2026.

Julia also has an investment portfolio which provides the following income:

Investment	Income received in 2024/2025 £
UK Share portfolio	2,400
Fixed interest OEIC	1,400
Stocks and shares ISA	2,600

Mark started a consultancy business on 1 October 2024 and operates as a sole trader. He will make up his accounts to 30 September each year. Mark expects to make a net profit in his first year of £80,000 and forecasts that in year two this will increase by £10,000.

Mark made a Will when he was first married and named his former wife as the executor and only beneficiary of his estate. He has not amended his Will since their divorce.

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

Questions

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

- (a) (i) Calculate, **showing all your workings**, Julia's adjusted net income in the tax year 2024/2025. (5)
- (ii) Calculate, **showing all your workings**, Julia's Income Tax liability in the tax year 2024/2025. (16)
- (b) Explain how Julia receives Income Tax relief on the monthly contribution she makes to a UK registered charity. *No calculations are required.* (6)
- (c) Describe, **using figures where appropriate**, the Income Tax benefits for Julia of making a single contribution to her SIPP of £28,000 in the next tax year 2025/2026. *You should assume that Julia's net profit remains the same.* (10)
- (d) (i) Explain, **using figures where appropriate**, the basis of taxation assessment for Mark in the tax years 2024/2025 and 2025/2026. *You should assume Mark's projected profits are accurate.* (6)
- (ii) Explain Mark's potential liability to pay Class 2 and Class 4 National Insurance contributions in the tax year 2024/2025. *No calculations are required.* (8)
- (e) (i) Explain to Mark the actions he must take regarding VAT if his profits actually reach the projected £90,000 during November 2025. (6)
- (ii) Explain to Mark how the flat rate scheme for VAT operates. (6)
- (f) Describe the implications if Mark died without amending his Will. (7)

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

- (g) Assume Mark amends his Will and includes an 18 to 25 trust for his child.
- (i) Explain briefly the purpose of an 18 to 25 trust and how it operates. (6)
- (ii) Calculate, **showing all your workings**, the Inheritance Tax (IHT) payable if Mark dies and his child receives an absolute interest to the 18 to 25 trust on their 25th birthday. *You should assume that the value of the trust assets at the time is £500,000, and the IHT nil rate band is £325,000.* (4)

Total marks available for this question: 80

SECTION B

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

Question 2

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

Declan, aged 64, is single with no children. His partner Gilda, who is Swedish, moved to the UK in May 2024. Gilda holds various investments in Sweden.

In addition to his own home, Declan owns a holiday home which has been let out as a furnished holiday let since he bought it 12 months ago. The couple will shortly move into the holiday home and Declan will let out his own home.

In January 2025, Declan sold the following assets:

Asset	Purchase price £	Sale price £	Costs £
Share portfolio	35,500	85,000	325
Corporate bond	10,000	25,500	0
Antique dresser	4,800	7,990	525
Painting	300	5,260	495

In May 2018, Declan bought ordinary shares in a previously listed trading company for £7,500. The company failed in June 2024, and the shares became worthless.

Declan is the life tenant of an interest in possession trust. The trust assets are invested in a range of equity income unit trusts, expected to yield around £5,000 and corporate bond unit trusts, expected to yield around £1,750 in the current tax year.

Declan expects to receive total earned income of £55,000 in the tax year 2024/2025.

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

Questions

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

- (a) (i) Explain briefly to Gilda how she is treated for Capital Gains Tax (CGT) purposes in the tax year of her arrival in the UK. (3)
- (ii) Explain the implications of her electing to use the remittance basis for CGT purposes in the current tax year, in relation to her investments held in Sweden. (7)
- (b) Outline the factors Declan should be aware of in respect of Private Residence Relief when he leaves his own home and moves into his furnished holiday let. (6)
- (c) Calculate, **showing all your workings**, the Capital Gains Tax liability for Declan in the tax year 2024/2025. *You should assume he made no other disposals in the current tax year.* (14)
- (d) Explain, in detail, the tax treatment of the income that will be paid to Declan from the interest in possession trust. *You should assume the income is not mandated directly to Declan.* (10)

Total marks available for this question: 40

Question 3

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

Johan and Mairi are a retired married couple in their early 70s. They have two children and three grandchildren.

In the tax year 2024/2025, Johan will receive £8,000 income from a personal pension that has been in drawdown for a few years. Mairi will receive an income of £30,000 from a defined benefit pension scheme. They have deferred taking their State Pensions as they also have other investment income.

Johan and Mairi have the following assets:

Asset	Owner	Value on 1 February 2025 £	Income received in tax year 2024/2025 £
House	Joint	720,000	-
Current account	Joint	20,000	600
Unit trusts – fixed interest	Johan	90,000	5,400
OEICs – Global equity	Johan	155,000	12,000
Stocks and shares ISA	Johan	65,000	3,500
Cash ISA	Mairi	80,000	4,600

The couple have existing Wills leaving their estates to each other and then to their children on second death.

Johan inherited the estate of a friend following their death just over a year ago. He received £334,000 after the executors of the estate had paid the Inheritance Tax (IHT) liability of £6,000.

The couple have sufficient assets of their own and Johan would like to redirect some of the inheritance to their grandchildren.

Johan and Mairi have existing Enduring Powers of Attorney (EPAs) which are not registered. They appointed each other to act as attorney. Mairi has been in poor health for some time and the couple's children are concerned the EPAs may not be suitable for their needs.

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

Questions

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

- (a) Explain, **using figures where appropriate**, how Johan will be taxed on the income he receives in the tax year 2024/2025. (8)
- (b) Calculate, **showing all your workings**, the IHT liability on Johan's estate if he had died on 1 February 2025. *You should assume Mairi died earlier in the same tax year.* (13)
- (c) (i) Outline the conditions that must be satisfied for a Deed of Variation to be effective for IHT purposes. (6)
- (ii) Explain briefly why a Disclaimer would not have been an appropriate option for Johan. (3)
- (d) (i) Explain briefly the **drawbacks** of Johan and Mairi having EPAs in place. (5)
- (ii) Explain the **benefits** of Johan and Mairi replacing their EPAs with new Lasting Powers of Attorney (LPA). (5)

Total marks for this question: 40

NOTE ON MODEL ANSWERS

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

Model answer for Question 1

- (a) (i)
- Gross income = £135,000 + £3,800 (investment income) = £138,800
 - Less charitable donation of £150/0.8
 - $\times 12 = £2,250$
 - Less SIPP contribution of £160/0.8 $\times 12 = £2,400$
 - Adjusted net income is £134,150

(ii)	Adjusted net income = £134,150 £134,150 - £100,000 = £34,150/2 = £17,075 No Personal Allowance		
	Earned income/profits	Interest	Dividends
	£135,000	£1,400	£2,400
		No PSA	£500 @ 0%
	Basic rate band of £37,700 plus gross charitable donation and SIPP contribution of £4,650 = £42,350 extended basic rate band $\times 20\% = £8,470.00$	£1,400 $\times 45\%$ = £630.00	£1,900 $\times 39.35\%$ = £747.65
	Higher rate band of £125,140 + £4,650 – extended BRB of £42,350 = £87,440 $\times 40\% = £34,976.00$ £5,210 $\times 45\% = £2,344.50$		
	Total Income Tax liability = £47,168.15		

- (b)
- She receives tax relief through self-assessment.
 - Her basic rate and;
 - higher rate bands;
 - are increased by the gross donation.
 - By increasing the basic rate and higher rate bands, Julia receives tax relief at her marginal rate of 45% Income Tax.
 - She must make a declaration that the gift is being made under gift aid.
- (c)
- Net contribution of £28,000 grosses up to £35,000.
 - This will reduce her adjusted net income to £99,150.
 - Reinstating her Personal Allowance in full.
 - Increases her BRB by the gross contribution/£77,350;
 - leaving less/£45,080 taxed at 40%/more of her income is taxed at 20%;
 - with no earned income taxable at 45%/additional rate.
 - This reinstates her Personal Savings Allowance/£500.
 - OEIC interest is taxed at 40% rather than 45%.
 - Dividends over the dividend allowance will be taxed at 33.75%;
 - with no dividends taxed x 39.35%.
- (d) (i)
- The basis of assessment is on a tax year basis.
 - Mark is taxed on profits arising in the tax year regardless of his accounting date of 1 October 2024 to 30 September 2025.
 - In 2024/2025 tax will be based on profits from 1 October 2024 to 5 April 2025.
 - Profits are apportioned/6 months of year ending 30 September 2025 fall in 2024/2025.
 - In 2025/2026 – $6/12$ of £80,000 = £40,000;
 - and $6/12$ of £90,000 = £45,000.
- (ii) *Candidates would have gained full marks for any eight of the following:*
- Class 4 NICs;
 - paid at main rate of 6% on profits;
 - between lower/£12,570;
 - and upper earnings limit/£50,270.
 - As he is taxed on profits of £40,000 in 2024/2025
 - he will not be subject to the 2% rate.
 - As his profits are over £6,725/the small profits threshold;
 - he doesn't have to pay Class 2 NICs/they are deemed to be paid;
 - and he's still entitled to contributory benefits.

- (e) (i)
- Mark must register for VAT;
 - if he makes taxable supplies above £90,000.
 - He has to notify HMRC within 30 days;
 - of the end of the month when the limit was exceeded/ by 30 December 2025.
 - He will be registered from 1st January 2026;
 - at which point he must charge his customers VAT at 20%.
- (ii) *Candidates would have gained full marks for any six of the following:*
- Mark can account for VAT as a percentage of his profits;
 - rather than the difference between input VAT and output VAT/between VAT he has paid and the VAT he has charged his customers.
 - To qualify his annual taxable turnover must be no more than £150,000 (ex VAT).
 - Mark charges VAT at the standard rate/20% on invoices.
 - There is a 1% reduction in the flat rate percentage for the first year.
 - Once he joins the flat rate scheme he can stay on it until his income is over £230,000.
 - Generally there are no VAT reclaims on VAT purchases;
 - VAT on capital purchases of more than £2,000 may be eligible for reclaim.
- (f) *Candidates would have gained full marks for any seven of the following:*
- Mark's Will is still valid/not revoked on divorce.
 - His former wife is treated as if she had died on their divorce.
 - If his Will didn't state what happens on death of the only beneficiary;
 - rules of intestacy could apply/his child benefits.
 - Julia would not be entitled to benefit as they are not married.
 - However their jointly held property would go to Julia.
 - Former wife can no longer be an executor/a new executor would need to be appointed.
 - Former wife could make a claim if she can show she was being financially maintained.

- (g) (i) *Candidates would have gained full marks for any six of the following:*
- An 18 to 25 trust can be created for minors/children;
 - on the death of their parent by Will or intestacy/the Criminal Injuries Compensation Scheme.
 - Extends the protection of assets beyond age 18;
 - however an absolute interest must be given to the child no later than age 25.
 - The beneficiary is treated as owning the assets for IHT until the age of 18.
 - An exit charge is made;
 - based on number of quarters between age 18 and 25/on absolute entitlement/7 years.
 - There are no periodic charges.
- (ii)
- $£500,000 - £325,000 = £175,000$
 - $X 6\% = £10,500$
 - $X 28/40$
 - $= £7,350$

Model answer for Question 2

- (a)
- (i)
- As Gilda has spent more than 183 days in the UK in the 2024/2025 tax year.
 - She will be treated as a UK resident.
 - Gilda is therefore liable to CGT on all UK gains.
- (ii)
- She is only liable to CGT on foreign gains;
 - remitted to the UK.
 - She is not liable to the remittance basis charge;
 - as she has not been resident in the UK for at least seven out of the previous nine tax years.
 - The gains that are not remitted escape UK tax.
 - She will lose her CGT annual exempt amount for the 2024/2025 tax year.
 - If the remittance basis is not used, she will be liable to CGT on her worldwide gains.
- (b)
- Declan must determine which home should be treated as his main residence;
 - and benefit from private residence relief.
 - He must make this election within two years of his change of residence.
 - The election can be changed, but this cannot be backdated more than two years.
 - If Declan does not make an election, HMRC can decide, based on the facts, which property should be treated as the main residence.
 - Letting relief will not be available as Declan is not in shared occupancy with any tenant.

(c)	Asset	Gain
	Share portfolio	
	Sale price	£85,000
	Purchase price	£35,500
	Acquisition/disposal costs	(£325)
	Gain	£49,175
	Antique dresser	
	Chattels relief applies – gain lower of actual gain (£7,990 – (£4,800 + £525) = £2,665 ; and	
	5/3rds of proceeds exceeding £6,000 = £7,990 - £6,000 = £1,990 x 5/3 = £3,316.67	
	Gain on antique dresser	£2,665
	Negligible value claim	(£7,500)
	CGT annual exempt amount	(£3,000)
	Net gain	£41,340
	£41,340 x 24% =	£9,921.60

(d) *Candidates would have gained full marks for any ten of the following:*

- Interest is treated as savings and dividends are treated as dividend income/ income is not classed as trust income.
- As the trust income exceeds de minimis, the total income will be taxed.
- Trustees pay basic rate tax on all income received within the trust.
- Dividend income is paid with a tax credit of 8.75%/tax credit of £437.50.
- As a higher-rate taxpayer, Declan will owe an additional 25%/£1,250.
- He can use his Dividend Allowance if not already used.
- Interest is paid to Declan with a 20% tax credit/tax credit of £350.
- As a higher-rate taxpayer, Declan will owe an additional 20%/£350.
- He can use his PSA if not already used.
- The additional Income Tax must be paid by Self Assessment;
- by 31 January 2026.

Model answer for Question 3

- (a)
- Johan's pension income of £8,000 will fall within his Personal Allowance.
 - £4,570 of Johan's dividend income will use the remaining Personal Allowance.
 - £300 of interest from the current account and the interest from his unit trusts;
 - will fall within the 0% Starting Rate and the PSA.
 - Johan can use his Dividend Allowance/£500.
 - The remaining £6,930 of dividend income;
 - will be taxed at 8.75%.
 - The dividend from Johan's Stocks and Shares ISA is not taxable.

(b)

Johan's estate	
House	£720,000
Current Account	£20,000
Unit Trusts	£90,000
OEICs	£155,000
Stocks & Shares ISA	£65,000
Cash ISA	£80,000
Total	£1,130,000
Less NRB x 2	(£650,000)
Less RNRB x 2	(£350,000)
Taxable estate	£130,000
x 40%	£52,000
less QSR	
£6,000 x £334,000	
/ (£334,000 + £6,000)	
= £5,894.12	
x 80%	(£4,715.30)
Tax payable	£47,284.70

- (c) (i) • Johan must execute the deed within 2 years of his friend's death.
• It must refer to the Will being varied.
• Johan must sign the deed/all affected beneficiaries must sign.
• It must contain a statement that the variation is to have effect for IHT.
• The personal representatives must sign if the variation increased the IHT on the estate.
• There must be no consideration for money or money's worth.
- (ii) • A disclaimer cannot be used after the inheritance has been accepted.
• Johan cannot redirect the inheritance to his grandchildren/he cannot choose who will inherit his legacy;
• as the disclaimed inheritance will pass back to be distributed with the deceased's estate.
- (d) (i) • Enduring Powers of Attorney (EPAs) do not allow health and care decisions to be made by the attorney.
• The EPA of the survivor will be revoked on the first of the couple to die.
• An EPA cannot be registered prior to Johan/Mairi becoming mentally incapable.
• Johan/Mairi's powers as attorney will be suspended during the registration period.
• Johan/Mairi cannot make their own decisions after the EPA has been registered.
- (ii) *Candidates would have gained full marks for any five of the following:*
• A health and welfare Lasting Powers of Attorney (LPA) can be executed;
• which is less costly/time consuming than applying to the Court of Protection for a deputyship.
• An LPA can be registered immediately.
• Johan/Mairi can continue to make decisions post-registration if they are mentally capable.
• Additional attorneys can be appointed to act jointly and severally.
• Replacement attorneys can be appointed in the event Johan/Mairi are unable to act.

Glossary of terms

Some abbreviations candidates can use in on-screen written exams:

1. ART – Additional-rate taxpayer
2. ATR – Attitude to risk
3. AA – Annual allowance
4. AEA – Annual exempt amount
5. BRT – Basic-rate taxpayer
6. BIK – Benefit in kind
7. CLT – Chargeable lifetime transfer
8. CFL – Capacity for loss
9. CGT – Capital Gains Tax
10. COP – Court of Protection
11. DOV – Deed of Variation
12. DIS – Death-in-Service
13. DFM – Discretionary Fund Manager
14. EIS – Enterprise Investment Scheme
15. ESG – Environmental, Social and Governance
16. EPT – Excluded property trust
17. EPA – Enduring power of attorney
18. ERC – Early repayment charges
19. FAD – Flexi-access drawdown
20. FSCS – Financial Services Compensation Scheme
21. FOS – Financial Ombudsman Service
22. GAR – Guaranteed annuity rate
23. HRT – Higher-rate taxpayer
24. IHT – Inheritance Tax
25. HMRC – HM Revenue & Customs
26. IT – Income Tax
27. IVA – Individual Voluntary Arrangement
28. IPDI – Immediate Post Death Interest Trust
29. LPA – Lasting Power of Attorney
30. MVR – Market value reduction
31. MPAA – Money purchase annual allowance
32. NICs – National Insurance contributions
33. NPA – Normal pension age
34. NRA – Normal retirement age
35. NRB – Nil rate band
36. OPG – Office of the Public Guardian
37. OEIC – Open ended investment company
38. PAYE – Pay As you Earn
39. PPP – Personal pension plan
40. PCLS – Pension commencement lump sum
41. PA – Personal allowance
42. PSA – Personal savings allowance
43. PRR – Private Residence Relief
44. RAC – Retirement annuity contract
45. RNRB – Residence nil rate band
46. SIPP – Self-invested personal pension
47. SEIS – Seed Enterprise Investment Scheme
48. UFPLS – Uncrystallised funds pension lump sum
49. VCT – Venture capital trust

All questions in the 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 February 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%