Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment Planning

October 2024 Examination Guide

SPECIAL NOTICES

Candidates entered for the March 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.

AF4 – Investment planning

Contents

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

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this 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 paper. 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 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. For further information contact Customer Service.

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.

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.

Provided handwriting is legible, candidates will **not** lose marks if it is ‘untidy’. Similarly, marks are not lost due to poor spelling or grammar.

Calculators

If you bring a calculator into the examination room, it must be a silent, battery or solar-powered, **non-programmable** calculator. The use of electronic equipment capable of being programmed to hold alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. The majority of the marks will be allocated for demonstrating the correct method of calculation.

EXAMINERS' COMMENTS

Candidates' overall performance

Overall, candidates performed adequately in this exam, and were of similar standard to the March 2024 exam.

The specific composition of the exam, tested 'core' and 'peripheral' content from across the syllabus, allowing well-prepared candidates the opportunity to perform to a pass standard.

Those candidates who did not achieve a pass standard, tended to show a superficial knowledge resulting in vague answers, with many of these candidates presenting answers that were only able to be awarded a small number of the available marks in question-parts, often identifying those marks equivalent to RQF Level 3 or 4 units and not having the more detailed level of knowledge that is expected at Level 6. At this Level, it is expected for candidates to know not just the factor, e.g. 'interest rates' but also the directionality, e.g. 'increasing'. This is particularly relevant and important in question-parts testing macro-economics, where the question-part asks the candidate to consider the effect, impact or consequence.

Across the calculation questions, the majority of candidates showed all the relevant workings and – compared to previous, recent sittings – appeared to present answers that were more closely aligned with the format of model answers in previous Examination Guides, thereby allowing them to be awarded a greater proportion of the available marks. Those who did not perform well either used incorrect variables in the correct formula or the incorrect formula.

It was pleasing to see fewer candidates wrote expansive, narrative-style answers, in favour of more candidates answering with a succinct, bullet-point focused style. This produces more effective exam technique and in general results in more marks being awarded. This behaviour has expanded over recent sittings, in response to study of the Examination Guides, and has contributed in a shift toward more focused, efficient answer scripts.

Question 1

Candidates did not perform well in part (a), with the majority of candidates gaining around half of the available marks. In part (a)(i) the case study identified that Cassie was invested in a fixed interest fund. However, many candidates answered based upon dividend income rather than interest distributions with a high number of candidates' answers including the treatment of gains from a CGT perspective. The considerable media coverage of potential changes to CGT in the Budget may have distracted candidates and influenced their answers. It is also noteworthy that many candidates stated that investment bonds pay actual income that is tax-free, which is incorrect and should be known at this level of testing. In part (a)(ii) most candidates performed well, gaining over half of the available marks.

Overall part (b) was not answered well by the majority of candidates. In parts (b)(i), (b)(ii) and (b)(iii) candidates who did not perform well either stated the types of duration the wrong way around or duplicated the same version across two or three question-parts. A number of candidates also did not attempt one or more question-parts. In part (b)(iv) candidates who did not perform well stated the inverse factors, e.g. rising interest rates rather than falling interest rates.

In part (c) candidates performed adequately, with the majority of candidates identifying two or more characteristics for each strategy. Candidates who did not perform well either got the strategies the wrong way around or described the wrong strategies, with several describing GAARP or momentum.

In part (d) the majority of candidates gained around half of the available marks. A good number of candidates demonstrated an awareness of regression analysis, often based upon understanding of the term 'regression' itself. Candidates who did not perform well in parts (d)(i) and (d)(ii) either did not attempt one or both question-parts or described the principles or assumptions of CAPM or MPT and – in a few instances – described AtR.

In part (e) candidates performed very well with the majority being awarded in the upper half of the available marks, and many being awarded full marks. Those candidates who did not perform well in part (e)(i) either missed out stages of the calculation or used 7/12ths not 5/12ths as the multiplier. In part (e)(ii) candidates who did not perform well stated the benefits rather than drawbacks of MWR or talked about TWR rather than MWR.

Part (f) the majority of candidates gained round half of the available marks. In part (f)(i) candidates who performed well showed an awareness of what the product terms meant in terms of structure and operation, whereas candidates who did not perform well simply stated the terms contained in the table without any comment. In part (f)(ii) candidates performed adequately to well, with a good number of candidates identifying relevant main risks and then stating examples derived from their answer in part (f)(i). Those candidates who did not perform well provided a default list of main investment risks that was not specific to the question-part.

In part (g) candidates performed adequately, with the majority being awarded around half of the available marks. In part (g)(i) candidates did not perform well, with a number of candidates stating main features of NS&I products in general. In addition, many candidates stated incorrect features of Income Bonds, notably around the frequency of their interest, tax treatment and the investment limits. This indicates an area where there is a gap in knowledge of a widely used range of products. In part (g)(ii) candidates performed well, with the majority being awarded two or more of the available three marks. It was pleasing to see candidates understood the main differentiating factors between Income Bonds and Green Savings Bonds, even where in part (g)(i) they did not know the main features of Income Bonds.

Question 2

In part (a) candidates performed very well, with the majority of candidates being awarded almost all of the available marks. Those candidates who did not perform well in part (a)(i) either did not show their workings and/or used the past 12 months' return rather than the expected market return. In part (a)(ii) the majority of candidates achieved two of the four marks available. Those candidates who did not perform well either stated assumptions of CAPM or MPT or stated benefits of risk-adjusted return measures such as alpha and information ratio.

Overall candidates performed adequately in part (b). In part (b)(i) the majority of candidates gained only one mark out of the three available, although better candidates correctly identified the CGT treatment, in a reversal of the position for Q1(a)(i) where, in this instant, the media coverage of potential changes to CGT improved awareness of the differences between a FoF and an MPS. Candidates who did not perform well in part (b)(i) either got the structures the wrong way or outlined differences between fettered and unfettered FoFs, likely because this was tested in a recent sitting and set out in the corresponding Examination Guide. In part (b)(ii) candidates performed well with the majority gaining at least four or full marks. Those candidates who did not perform well in part (b)(ii) identified client-related factors. In part (b)(iii) most candidates gained one to two marks out of the four available. Candidates who did not perform well in part (b)(iii) either duplicated their answer to part (b)(ii) or stated general investment risks.

In part (c) candidates performed well, with the majority of candidates gaining at least half of the available marks. Those candidates who did not perform well in part (c)(i) identified asset allocation and portfolio construction, as well as MPT, AtR and CfL as explanations. In part (c)(ii) candidates performed very well, with most candidates achieving 3-4 marks out of the five available. Those candidates who did not perform well either duplicated the same factor in different guises or stated investment-related factors.

In part (d) better prepared candidates showed a greater awareness of the main types of benchmark compared to the last time that this area was tested, with a number correctly identifying all three types. Candidates who did not perform well did not provide distinct descriptions for each type of benchmark, often writing the same description for all three, as well as in several instances of stating names of specific IA sectors,stock market indices or types of investment product.

Question 3

In part (a) candidates performed well, with the majority of candidates achieving in the upper half of the available marks. In part (a)(i) the majority of candidates were awarded full marks. Less prepared candidates either converted the operating loss to an operating profit, i.e. turned -£2,150,000 into £2,150,000 or failed to perform the final multiplication, stating an answer that was out by a factor of 100. In part (a)(ii) candidates did not perform well, with very few candidates gaining high marks. Many candidates did not identify that the operating figure was a loss and therefore negative. In addition, while candidates did show all their workings, too many performed incorrect stages to the calculation. In part (a)(iii) candidates performed well, with most candidates gaining 1-2 marks out of the three available. Candidates who did not perform well in part (a)(iii) provided vague comments that were not related or could not be deduced from their answer to part (a)(ii).

In part (b) candidates performed well, with the majority of candidates awarded around half of the available marks. In part (b)(i) most candidates performed the calculation correctly with those who did not perform well either getting the dividend and divisor the wrong way around and/or introducing ‘x 100’ – as per part (a)(i) – to give an output of 39 rather than 0.39. In part (b)(ii) the majority of candidates demonstrated a good awareness of the significance of their answer to part (b)(i). Those candidates who did not perform well generally described the inverse position, inferring that 0.39 was a high ratio and placed the company in a strong financial position.

In part (c) the majority of candidates scored around half of the available marks. In part (c)(i) most candidates identified one or two main differences. Candidates who did not perform well either provided only one difference or provided examples rather than differences, in effect duplicating their subsequent answer to part (c)(ii). In part (c)(ii) candidates demonstrated a good knowledge of the categories of assets but too many candidates did not know under which main type of asset they should be shown. Candidates who did not perform well either listed Current assets under Non-Current – or vice versa – or in several instances, listed the same categories under both types. Compared to the previous time this was tested, knowledge of the categories has improved but not necessarily to which main type they belong.

In part (d) candidates did not perform well, with the majority being awarded in the lower half of the available marks. In part (d)(i) candidate knowledge of the listing criteria was superficial, with most candidates stating that the number of employees or level of profits were main differences. Several candidates also stated that AIM meant private companies and the main market meant public companies. In addition, a number of candidates stated the tax treatment of AIM-traded stocks in respect of business relief rather than the listing criteria. In part (d)(ii) too many candidates described either the FTSE 100 or FTSE 250 indices in superficial terms or identified individual constituents of an index, without describing these come together to form an index.

In part (e) candidates performed adequately, with the majority of candidates being awarded 2-3 marks out of the five available. In part (e)(i) most candidates identified the ‘cash’ and ‘peer to peer loans’ marks. Candidates who did not perform well either stated the main types of investment asset classes or listed various fund structures, as well as specific investment products. In part (e)(ii) candidates who did not perform well set out a list of the main investment risks rather than those specific to IFISAs.

Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment planning

October 2024 examination

SPECIAL NOTICES

All questions in this paper 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.

Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**

Unit AF4 – Investment planning

Instructions to candidates

Read the instructions below before answering any questions

- **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.

- 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.

- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

- It is important to show all steps in a calculation, even if you have used a calculator.

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

- Tax tables are provided at the back of this question paper.

- Answer each question on a new page and leave six lines blank after each question part.

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

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.

Cassie and Tasuku are married and both in their late-50s. They are currently employed, and higher rate taxpayers. Within the next few years, they plan to stop working. They have arranged a review meeting with their financial adviser, Simon.

Their investments are held in their individual names as they have different attitudes to risk. Cassie has a low attitude to risk. Her portfolio is held on a platform and consists of an onshore investment bond and a general investment account (GIA). The portfolio's current value is £150,000 and it is invested in a UK fixed interest collective fund. In the most recent fund factsheet, the Manager commented that the fund's duration had increased significantly, although Cassie does not fully understand what this means.

Tasuku has a medium attitude to risk. Tasuku's portfolio consists of a Stocks and Shares ISA that is invested in a UK equities collective fund. The equities fund is managed on a flexible approach, with the manager switching between value and growth investment styles. Tasuku noted the terms r-squared and regression analysis when reading the fund's performance commentary and has asked Simon to explain these terms in more detail.

Recent financial details of Tasuku's ISA are as set out in **Table 1** below:

Table 1

Valuation at start of tax year	Dividends paid out over the year	Additional investment after 7 months	Valuation at end of tax year
£81,000	£2,670	£20,000	£110,000

During the 1980s and 1990s Cassie and Tasuku took out a number of endowment policies. These were originally intended to repay a mortgage but as this was repaid from inheritances, the policies became long-term savings plans. One policy matured in 2020 and the proceeds were invested into a structured product at issue, FTSE Accelerator Six, details of which are set out in **Table 2** below:

Table 2

Start Date	Term	Auto-call	Participation rate	Protection	Barrier type
June 2020	6 years	Yes	135%	70% barrier	European

Another policy is due to mature within the next three months and Cassie and Tasuku would like Simon to suggest potential re-investment opportunities. As a result of higher interest rates, they have read about potentially attractive returns from National Savings & Investments (NS&I) products and have asked him for more information about them. Simon also believes that Income Bonds or Green Savings Bonds may be worthy of consideration as Cassie and Tasuku are considering taking the interest and distributions from their investments to generate an additional income stream.

Questions

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

(a) **(i)** Outline briefly, the tax treatment of the income stream, should Cassie begin to take regular withdrawals from her investment bond and general investment account (GIA). *Assume no chargeable event occurs. No calculations are required in your answer.* **(8)**

(ii) Identify **four** benefits of investing via a GIA compared to an onshore investment bond. **(4)**

(b) **(i)** Describe briefly what is measured by Macaulay duration. **(6)**

(ii) Explain briefly how **Macaulay** duration would be used within a fixed interest portfolio. **(2)**

(iii) Explain briefly how **modified** duration would be used within a fixed interest portfolio. **(2)**

(iv) Identify **five** economic **or** market factors that would likely cause an increase in the duration of a fixed interest fund. **(5)**

(c) Describe the main characteristics of growth and value investment strategies. **(10)**

(d) **(i)** Explain the objective of regression analysis and identify **two** ways in which it can be applied in investment planning. **(4)**

(ii) Explain what is measured by the r-squared value in respect of the fund. **(4)**

(e) **(i)** Calculate, **showing all your workings**, the money-weighted rate of return (MWR) for the UK equities fund. **(10)**

(ii) State **three** drawbacks of using the MWR. **(3)**

(f) **(i)** Comment on the structure and operation of FTSE Accelerator Six from the information contained in **Table 2**. **(4)**

(ii) Identify **four** main risks of investing in structured products and state **one** example of **each** type of risk. **(8)**

(g) **(i)** Outline the main features of NS&I Income Bonds. **(7)**

(ii) State **three** reasons why NS&I Income Bonds may be more suitable than NS&I Green Savings Bonds for Cassie and Tasuku. **(3)**

Total marks available for this question: **80**

SECTION B

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

Question 2

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

Charlie, aged 49, has an existing investment portfolio. The portfolio's current value is £275,000 and it is invested solely in a fund of funds (FoF). The portfolio was recommended by Charlie's financial adviser, Belmira.

Charlie recently received an inheritance and is considering making an additional investment into the portfolio. He has asked for a meeting with Belmira and in preparation for their discussion, she is considering potential investment options. The investment style of the FoF places strong reliance on the Capital Asset Pricing Model (CAPM) and Belmira wants to explain to Charlie the benefits of CAPM.

Recent financial details of the FoF are set out in **Table 1** below:

Table 1

Past 12 months' return	Expected market return	Risk-free rate of return	Beta
7.1%	6.25%	4.5%	0.9

Belmira's firm was recently acquired by a larger financial services business and will soon be offering existing clients access to its model portfolio service (MPS) and discretionary investment manager (DIM) propositions. Belmira believes that one of these could be suitable for the new investment within the portfolio.

In light of the unexpected capital sum, Charlie is reconsidering his existing investment objective. Belmira has suggested that it may also be appropriate to review the benchmark(s) used for the existing portfolio and any new investment at the same time.

Questions

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

(a) **(i)** Calculate, **showing all your workings**, the expected return for the existing portfolio, based upon the Capital Asset Pricing Model (CAPM). **(5)**

(ii) State **four** benefits of using the CAPM. **(4)**

(b) **(i)** Outline **three** main differences between a fund of funds (FoF) service and a managed portfolio service (MPS). **(3)**

(ii) Identify **five** provider-related factors that an adviser would take into consideration when evaluating a DIM service. **(5)**

(iii) Identify **four** main risks of using a DIM service compared to investing in a FoF. **(4)**

(c) **(i)** Identify and explain briefly the **four** main investor return objectives. **(8)**

(ii) State **five** main client-related factors that impact investment returns and a portfolio's capability to achieve its objectives. **(5)**

(d) State the **three** main types of benchmark and describe briefly the purpose of **each** type. **(6)**

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 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.

Inita is an investment analyst within an authorised firm. The firm holds permission to trade in direct equities. Inita is preparing for a meeting with an existing client, Jaume. Jaume has an investment portfolio that consists of a Stocks and Shares ISA with a current value of £120,000 and an Innovative Finance ISA (IFISA) with a current value of £70,000. Jaume uses the Stocks and Shares ISA to trade direct equities himself, approaching Inita for information when he is assessing potential new investee companies.

Within the Stocks and Shares ISA, Jaume is currently considering whether to invest in Silver Elliptical plc. Recent financial information on the company is set out in **Table 1** below:

Table 1

Turnover	£67,000,000
Operating profit/(loss)	(£2,150,000)
Tax and interest	£4,400,000
Current assets	£3,200,000
Fixed assets	£7,750,000
Current liabilities	£8,200,000
Long-term liabilities	£22,550,000

Jaume has studied the most recent accounts for Silver Elliptical plc and wants to understand more about the company from its published financial information. In particular, he believes that the return on capital employed (ROCE) and working capital ratios deserve closer attention and has asked Inita to analyse these.

Silver Elliptical plc has recently announced it intends to move from AIM to a main market listing. The company has said that in addition to UK markets, it is exploring an overseas listing because of how other stock market indices are weighted.

Having invested in the early years following their launch, Jaume has not invested subsequently into his IFISA, as a result of media coverage around IFISAs. However, he has asked Inita to refresh his understanding of this type of investment and the risks associated with it, compared to investing in direct equities via his Stocks and Shares ISA.

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**, the operating profit margin for Silver Elliptical plc. **(4)**

(ii) Calculate, **showing all your workings,** the ROCE for Silver Elliptical plc. **(8)**

(iii) Comment on what can be deduced from the ROCE figure, based upon your answer to **part (a)(ii) above**. *Assume that the average ROCE of companies in the same sector is 18%.* **(3)**

(b) **(i)** Calculate, **showing all your workings**, the working capital ratio for Silver Elliptical plc. **(3)**

(ii) Based upon the figures contained in **Table 1** and your answer to **part (b)(i) above**, comment on Silver Elliptical plc's working capital position. **(3)**

(c) **(i)** Outline briefly the main differences between current and non-current assets on a company's balance sheet. **(3)**

(ii) State **two** categories of assets that would be found under **each** of the Current and Non-Current headings of a company's balance sheet. **(4)**

(d) **(i)** Identify **three** differences in the main listing criteria between AIM and the UK main market. **(3)**

(ii) Describe briefly how a market capitalisation-weighted index is constructed. **(4)**

(e) **(i)** State **two** asset types that are permissible investments within an IFISA. **(2)**

(ii) Identify **three** main risks specific to investing in an IFISA. **(3)**

Total marks available 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)** *Candidates would have scored full marks for any eight of the following:*

Bond

- Up to 5% per annum;
- of the original investment;
- tax-deferred/no immediate tax liability;
- as return of capital.
- Is cumulative;
- for 20 years/until surrender/death.

GIA

- Interest;
- paid gross;
- but subject to 40% IT.
- £500 PSA available.

(ii) *Candidates would have scored full marks for any four of the following:*

- Wider range of investments.
- No internal/underlying taxation.
- Gains assessed to CGT/CGT rate lower than IT rate.
- CGT annual exemption.
- CGT liability extinguished on death.
- Auto ISA available.
- Simple to understand.

(b) **(i)**
- Weighted;
- average term;
- in years;
- for purchase price to be paid back;
- by cash flows/coupons;
- and redemption value.

(ii) *Candidates would have scored full marks for any two of the following:*

- Portfolio immunisation/liability matching.
- Predict returns.
- Hedge out interest rate risk.

(iii)
- Reduce/measure interest rate risk/sensitivity.
- Reduce/manage duration risk.

(iv) *Candidates would have scored full marks for any five of the following:*

- Peak interest rates/rates expected to fall.
- Peak inflation/expected to fall.
- Bond yields high/equity risk premium low.
- Attractive entry point/institutional flows.
- Reduction in net/new issuance.
- Central bank action.

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

Value
- Aims to identify undervalued stocks/value is less than intrinsic value.
- Considers out-of-favour stocks/takes contrarian view.
- Places greater emphasis on dividends/high dividend coverage.
- Looks at fundamentals of company/tends to focus on low P/E or PEG.
- Assumes market is not efficient.
- Assumes mean reversion/mispricing will correct over time.
- Tends to be longer term.

Growth
- Aims to identify stocks with potential for above average share price growth.
- Higher growth rate in EPS/competitive advantage/high free cash flow/high growth sectors.
- Tends to ignore valuation/fundamental analysis.
- Tends to focus on high P/E or PEG;
- Places lower reliance on dividends/low dividend coverage.

(d) **(i)** *Candidates would have scored full marks for any four of the following:*

- Predict;
- one variable;
- based upon information;
- from another variable.

- Calculate historical data/beta within multi-factor portfolio.
- Calculate correlation/covariance of relationship.
- Calculate impact of economic changes.
- Analyse portfolio performance to identify investment style.

(ii) *Candidates would have scored full marks for any four of the following:*

- The percentage;
- changes in the fund;
- that can be explained by movement;
- in the benchmark/index.
- Identifies suitability/fit of a benchmark.
- Can identify beta and alpha derived from fund's composition.

(e) **(i)** £110,000 + £2,670 - £81,000 - £20,000 = £11,670
£81,000 + (£20,000 x 5/12) = £89,333.33
(£11,670 / £89,333.33) = 0.13063433
0.13063433 x 100 = 13.063433 = 13.06%

(ii) *Candidates would have scored full marks for any three of the following:*

- Influenced by cashflows/timing of new money;
- that are outside of manager's control.
- Not suitable for comparing portfolios.
- Does not show fund manager's skill.

(f) **(i)** *Candidates would have scored full marks for any four of the following:*

- Protection barrier is at set date/end of term.
- Product is not guaranteed/capital at risk.
- Index can fall up to 30% lower at the end and capital is still protected.
- Will return 135% growth in FTSE index.
- May mature early/kick out on given level of return.

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

- **Accessibility**
- Can not sell/unable to withdraw money for 2 years.
- **Counterparty**
- Derivatives provider may default.
- **Index**
- May not provide expected returns/may fall immediately before maturity.
- **Reinvestment**
- May have to reinvest on worse terms/can't reinvest on similar terms.
- **Capital**
- Return may be less than amount invested.
- **Income**
- No income/participation in dividends.

(g) **(i)** *Candidates would have scored full marks for any seven of the following:*

- Paid gross;
- monthly;
- but taxed as savings income/PSA available.
- Minimum investment £500.
- Maximum investment £1,000,000.
- Can invest jointly/maximum amount is per person.
- Instant access/penalty free.
- Interest must be paid out/cannot accumulate.
- Interest rate is variable.

(ii) *Candidates would have scored full marks for any three of the following:*

- Income Bond maximum investment higher/Green Savings Bond lower.
- Income Bond interest rate higher/Green Savings Bond lower
- Income Bond interest is paid out/Green Savings Bond interest is rolled-up.
- Income Bond instant access/Green Savings Bond fixed term/cannot access until maturity.
- Income bond interest taxed in year of receipt/Green Savings Bond interest all taxed in final tax year.
- Income Bond interest rate variable/Green Savings Bond rate fixed.

Model answer for Question 2

(a) **(i)** 4.5 + 0.9 x (6.25 - 4.5) = 6.08

(ii) *Candidates would have scored full marks for any four of the following:*

- Model is easy to use/calculate.
- Robust/proven.
- Accounts for systematic risk/beta.
- Assumes non-systematic risk has been removed.
- Output is the expected return/can be used to compare funds.

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

- FoF is one fund/MPS is a collection of funds.
- FoF trades within the fund/MPS trades as the investor.
- FoF does not create CGT on fund switches/MPS creates CGT on fund switches.
- FoF investor has control/MPS investor has no control over CGT.

(ii) *Candidates would have scored full marks for any five of the following:*

- Past performance/track record.
- Investment objective/style.
- Manager expertise/reputation.
- Cost.
- Minimum investment.
- Size/financial strength.
- Use of high risk/illiquid assets.
- Choice of custodian.

(iii) *Candidates would have scored full marks for any four of the following:*

- Overtrading/higher costs.
- Service may incur tax liability.
- Overlap/duplication with non-DIM portfolio/concentration risk.
- DIM acts outside its mandate/deviation from benchmark/style drift.
- Regulatory issues/basis of contract/DIM can make decisions without client's permission.

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

- **Capital Preservation**
- Minimise loss;
- after inflation.

- **Capital Appreciation**
- through capital gains.

- **Current Income**
- Focus on investments that generate interest/dividend.

- **Total Return**
- through combination of income and capital gains.

(ii) *Candidates would have scored full marks for any five of the following:*

- Time horizon/expected Investment term.
- Requirement for income/capital/emergency fund.
- Tax Position.
- Availability of allowances and reliefs.
- AtR/CfL.
- Investor psychology/behavioural biases.

(d)

- **Constraint**
- Used to limit the construction of a portfolio.
- **Target**
- Used to match/exceed performance.
- **Comparator**
- Used to compare performance/risk.

Model answer for Question 3

(a) **(i)** -2,150,000 / 67,000,000 = -0.03208955
-0.03208955 x 100 = -3.208955 = -3.21%

(ii) -2,150,000 / (7,750,000 + 3,200,000 - 8,200,000)
-2,150,000 / 2,750,000 = -0.78181818
-0.78181818 x 100 = -78.18%

(iii) *Candidates would have scored full marks for any three of the following:*

- ROCE is significantly lower than the sector average;
- used capital far less efficiently than the sector average;
- due to making a loss.
- May be distorted by one-off factors.
- Has high liabilities/interest costs.

(b) **(i)** 3,200,000 / 8,200,000 = 0.39

(ii)
- Ratio is low.
- Unable to meet short term liabilities from current assets.
- Risk of insolvency if unable to sell non-current assets.

(c) **(i)** *Candidates would have scored full marks for any three of the following:*

- Current short-term/within 12 months/Non-Current long term/more than 12 months.
- Current used for day-to-day operations/Non-Current for longer term revenue generation.
- Current easier to value at market value only/Non-Current valued at cost less depreciation.
- Current taxed as revenue/Non-Current taxed as capital.

(ii) **Current**
Candidates would have scored full marks for any two of the following:
- Stock/inventory.
- Cash/bank deposits/short term investments.
- Trade receivables/debtors.

Non-Current
Candidates would have scored full marks for any two of the following:
- Tangible.
- Intangible.
- Investments.

(d) **(i)** *Candidates would have scored full marks for any three of the following:*

- AIM no minimum market capitalisation/Main market £30 million.
- AIM no minimum earnings/Main market 3 years revenue record.
- AIM no minimum free float/Main market minimum 10%.
- AIM no admission document/prospectus (unless shares issued to public)/Main market prospectus.
- AIM nominated adviser/Main market listing sponsor.

NB: To allow for the period of revision leading up to the October 2024 examination, candidates were not penalised for stating the main market listing criteria in effect before or after the changes in July 2024.

(ii) *Candidates would have scored full marks for any four of the following:*

- Sum of;
- share price multiplied by;
- shares outstanding;
- of all constituents/companies in the index;
- adjusted for free float.

(e) **(i)** *Candidates would have scored full marks for any two of the following:*

- Cash/deposit.
- Peer to peer loans.
- Crowdfunding debentures/debt/bonds issued by charities.
- Alternative finance arrangements/Sharia accounts.

(ii) *Candidates would have scored full marks for any three of the following:*

- Credit/default.
- Institutional/provider.
- Accessibility.
- Event.

Glossary of terms

Some abbreviations candidates can you use in financial planning online exams:

1. AA – Annual allowance
2. ACD – Authorised capital director
3. AEA – Annual exempt amount
4. AER – Annual equivalent rate
5. AMC – Annual management charge
6. APR – Annual percentage rate
7. APS – Additional permitted subscription
8. ART – Additional-rate tax
9. AtR – Attitude to risk
10. BoE – Bank of England
11. BRT – Basic-rate tax
12. CAPM – Capital Asset Pricing Model
13. CDS – Credit default swap
14. CfL – Capacity for loss
15. CGT – Capital Gains Tax
16. CPI – Consumer Prices Index
17. CTF – Child trust fund
18. DA – Dividend allowance
19. DB – Defined benefit
20. DC – Defined contribution
21. DCF – Discounted cash flow
22. D/E – Debt-to-equity
23. DJIA – Dow Jones Industrial Average
24. DIM – Discretionary investment management
25. DFM – Discretionary fund manager
26. EBIT/EBITDA – Earnings before interest and tax/depreciation and amortisation
27. EIS – Enterprise investment scheme
28. EMH – Efficient market hypothesis
29. ESG – Environmental, social and governance
30. ETC – Exchange traded commodity
31. ETF – Exchange traded fund
32. ETN – Exchange traded note
33. ETP – Exchange traded product
34. EPS – Earnings per share
35. FAD – Flexi-access drawdown
36. FCA – Financial Conduct Authority
37. FoF – Fund of funds
38. FOS – Financial Ombudsman Service
39. FSCS – Financial Services Compensation Scheme
40. FTSE – Financial Times Stock Exchange
41. GAARP – Growth at a reasonable price
42. GDP – Gross domestic product
43. GIA – General investment account
44. HRT – Higher-rate tax
45. HTBISA – Help to Buy individual savings account
46. IA – Investment Association
47. ICVC – Investment company with variable capital

48. IHT – Inheritance Tax
49. ISA – Individual savings account
50. IPO – initial public offering
51. IFISA – Innovative finance individual savings account
52. IT – Income Tax
53. JISA – Junior individual savings account
54. LCF – Lifetime cash flow
55. LISA – Lifetime individual savings account
56. LTA – Lifetime allowance
57. MoM – Manager of managers
58. MPC – Monetary Policy Committee
59. MPT – Modern portfolio theory
60. MSCI – Morgan Stanley Capital International
61. MVR – market value reduction
62. MPS – Model portfolio service
63. MSCI – Morgan Stanley Capital International
64. MVR – Market value reduction
65. MWR – Money-weighted rate of return
66. NASDAQ – National Association of Securities Dealers Automated Quotations
67. NAV – Net asset value
68. NICs – National Insurance contributions
69. NPA – Normal pension age
70. NRA – Normal retirement age
71. NRB – Nil rate band
72. NS&I – National Savings and Investments
73. OCF – Ongoing charges figure
74. OEIC – Open-ended investment company
75. OPA – Ordinary power of attorney
76. OEIC – open ended investment company
77. P/B – Price-to-book
78. P/E – Price-earnings/price-to-earnings
79. PAIF – Property authorised investment fund
80. PAYE – Pay As you Earn
81. PET – Potentially exempt transfer
82. PIA – Property Income Allowance
83. PID – Property income distribution
84. PPP – Personal pension plan
85. PCLS – Pension commencement lump sum
86. PRA – Prudential Regulation Authority
87. PA – Personal Allowance
88. PSA – Personal Savings Allowance
89. PTM – Panel of Takeovers and Mergers
90. QE – Quantitative easing
91. QT – Quantitative tightening
92. REIT – Real estate investment trust
93. ROCE – Return on capital employed
94. ROE – Return on equity
95. RPI – Retail Prices Index
96. S&P – Standard and Poor's
97. SICAV - Société d'investissement à capital variable
98. SD – Stamp Duty

99. SDLT – Stamp Duty Land Tax
100. SDRT – Stamp Duty Reserve Tax
101. SIPP – Self-invested personal pension plan
102. SEIS – Seed enterprise investment scheme
103. SRI – Socially responsible investing
104. TER – Total expense ratio
105. TWR – Time-weighted rate of return
106. UCITS – Undertakings for collective investment in transferable securities
107. UCIS – Unregulated collective investment scheme
108. UFPLS – Uncrystallised fund pension lump sum
109. VCT – Venture capital trust

All questions in the March 2025 paper will be based on English law and practice applicable in the tax year 2024/2025, unless stated otherwise and should be answered accordingly.

The Tax Tables which follow are applicable for examinations from 1 September 2024 until 31 August 2025.

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		

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

Personal savings allowance (for savings income):		
Basic rate taxpayers	£1,000	£1,000
Higher rate taxpayers	£500	£500
Additional rate taxpayers	Nil	Nil
Dividend Allowance	£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.*

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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

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		
Individuals:		
Up to basic rate limit	10%	10%
Above basic rate limit	20%	20%
Surcharge for residential property - Basic Rate	8%	8%
Higher Rate	8%	4%
Surcharge for carried interest	8%	8%
Trustees and Personal Representatives:		
Residential property	28%	24%
Other chargeable assets	20%	20%
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 mainresidence. 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 3% may apply to the purchase of additional residential properties purchased for £40,000 or greater.*
- *SDLT may be charged at 15% 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. Therates for LTT and LBTT are different to the rates shown above.*

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