Chartered Insurance Institute

AF4

Advanced Diploma in Financial Planning

Unit AF4 – Investment Planning

March 2024 Examination Guide

SPECIAL NOTICES

Candidates entered for the October 2024 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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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 very well in this paper, with performance being similar to the October 2023 exam.

The question paper tested candidates' knowledge across the syllabus with a wide mix of questions, offering a comprehensive mix of core areas of the syllabus – tested frequently – complemented by peripheral content, tested less frequently. As with each successive exam, some new areas of the syllabus were introduced and tested for the first time, with most candidates performing adequately on them.

Candidate performance in this sitting also benefited from improved exam technique from the majority of candidates. This manifested itself firstly through fewer candidates writing expansive and often meandering, narrative-style answers in favour of more candidates answering with a succinct, bullet-point focused style. Secondly, more candidates demonstrated a tighter application of the action verb, e.g. 'identify' or 'describe' in the question-part. The combination of these two factors created more effective exam technique and in general resulted in candidates being able to be awarded more marks.

Across the calculation question-parts, 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 model answers in exam 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.

Those candidates who did not perform well generally provided superficial answers that meant they were only able to be awarded a small number of the available marks, often identifying those marks equivalent to RQF Level 3 or 4 but not having a more detailed level of knowledge that is expected at Level 6.

At this Level, it is reasonable to expect 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 and where the question-part asks the candidate to consider the effect, impact or consequence. These candidates with superficial knowledge either state 'interest rate' without directionality or state the inverse position, e.g. 'decrease in interest rates' when the model answer requires 'increase in interest rates'.

A well-prepared candidate having undertaken robust revision would have been able to achieve the pass standard.

Question 1

In part (a) candidates performed very well, with the majority of candidates gaining over half to all of the available marks. Those candidates who did not perform well either provided answers that were too vague or repeated variations of the same factor multiple times.

In part (b) candidates performed very well, with the majority achieving most of the available marks. In part (b)(i) candidates who did not perform well explained volatility without actually mentioning it. In part (b)(ii) the majority of candidates were awarded full marks. Those candidates who did not perform well applied the variables in the table incorrectly. In part (b)(iii) most candidates were awarded the majority of the marks available with those who did not perform well providing vague answers and often repeating their answer to part (b)(i).

Part (c) saw candidates performing adequately in this question. Candidates who did not perform well generally compared growth and value investing, believing GAARP to be the latter or gave various generic statements about the objectives of investing *per se*, which were not specific to the two styles.

In part (d) candidates performed very well with almost all candidates being awarded the majority of the full marks available. Those candidates who did not perform well offered either beta or CAPM as one of the ratios. A number of candidates were not able to be awarded the mark for risk-free rate as they stated 'risk-adjusted' for the Sharpe ratio, which was a repeat of the question.

In part (e) candidates performed very well with the majority being awarded the majority of the available marks with several candidates achieving full marks. In part (e)(i) those candidates who did not perform well provided general answers containing characteristics of any listed company or collective fund. In part (e)(ii) candidates who did not perform well either confused the PID and dividend or stated the incorrect tax treatment of the PID. A small number of candidates stated the incorrect dividend allowance, using the allowance from previous tax year(s).

In part (f) candidates performed well with the majority being awarded over half of the available marks. In part (f)(i) almost all candidates identified at least two marks relating to diversification/correlation/volatility. In part (f)(ii) most candidates identified at least two main risks and related reasons. Better-prepared candidates identified the Pricing and Valuation marks. Those candidates who did not perform well provided general investment risks that were not distinct to physical commercial property. As per the earlier comment, there was some evidence of candidates regurgitating model answers from previous Exam Guides from similar questions, setting out a list of risks and reasons regardless of whether the risk and reason were applicable to the asset class.

In part (g) candidates performed below expectations, with the majority being awarded less than half of the available marks. In part (g)(i) candidates did not perform well, likely as a result of this being an area that was tested for the first time. Most candidates set out the assumptions for either MPT or CAPM in their answers. In part (g)(ii) most candidates provided a basic description and were awarded two or three marks out of the available five marks. Those candidates who did not perform well mainly described the objective of MPT, especially if they had set out the assumptions of MPT in their answer to part (g)(i). In part (g)(iii) candidates performed adequately with most identifying one or two drawbacks.

In part (h) candidates performed adequately with the majority of candidates being awarded around a half of the available marks. In part (h)(i) the majority of candidates had a basic understanding of GDP and those candidates who did not perform well provided descriptions of the capital account; current account or balance of payments. In part (h)(ii) candidates performed adequately, likely as a result of this being an area that was also tested for the first time. Candidates who did not perform generally answered from the macro-economic or socio-economic perspective, rather than the investment perspective as set out in the question. A small number of candidates answered from the investment perspective but stated inverse consequences, e.g. reduced interconnectivity of trade or lower correlation.

Question 2

In part (a) candidates performed very well, with most candidates being awarded the majority of, or the full marks available. Those candidates who did not perform well either did not show their workings and/or incorrectly added or subtracted the existing contributions to/from the respective available limits. A small number of candidates used incorrect JISA limits for one or both of the children.

In part (b) candidates did not perform well. In part (b)(i) the majority of candidates knew that 'tax-free' was relevant but did not know if it applied to the provider or the investor or both. Those candidates who did not perform well explained the tax treatment of a deposit-based product, with many referring to the £100 interest threshold on interest on children's accounts. In part (b)(ii), very few candidates knew the friendly society premium limits and therefore were not being able to set out the correct calculations. Candidates used the stakeholder pension figure, the JISA limit and even the personal allowance as the maximum contribution in their calculations.

In part (c) candidates performed well to very well, with the majority being awarded in the upper half of the available marks and a notable number in the first tercile. In part (c)(i) those candidates who did not perform well provided either superficial answers or generic answers that were not specific to a frontier markets equities fund. In part (c)(ii) those few candidates who were not awarded full marks stated 'select asset class' or 'set asset allocation' despite the question stating that the asset class had already been agreed. In part (c)(iii) the majority of candidates demonstrated good knowledge of the main factors, in particular those relating to passive funds. Those candidates who did not perform well set out client-related factors, with a small number repeating their answer to Question 1 part (a).

In part (d) candidates performed very well with almost all candidates achieving the majority of the available marks. Those candidates who did not perform well either stated factors that are the same for both types of products, e.g. 'CGT free' or 'tax-free growth' or stated the inverse factors, e.g. 'ISA is IHT free' or 'entire pension fund can be accessed tax-free'.

Question 3

In part (a) candidates performed well, with the majority of candidates stating at least two correct ways of raising capital. Those candidates who did not perform well stated incorrect or inverse factors that would not raise new capital, e.g. stock split or share buyback.

In part (b) candidates performed adequately, with the majority of candidates being awarded in the upper half of the available marks. In part (b)(i) those candidates who did not perform well provided superficial answers that did not describe dilution in sufficient detail. In part (b)(ii) it was pleasing to see clear and comprehensive workings from many candidates, which allowed them to be awarded more of the available marks. Those candidates who did not perform well generally missed out one or more stages and/or showed insufficient workings for the stages they did show. A small number of candidates stated a diluted NAV per share that was several times higher – in some instances more than 4 x higher - than the undiluted NAV per share, suggesting these candidates did not double-check their answer for plausibility. In part (b)(iii) most candidates were awarded the mark for commenting correctly on the relationship between the diluted and undiluted NAV per share values. A small number of candidates correctly calculated in part (ii) that the diluted NAV per share was lower but then in part (iii) incorrectly stated that this figure was higher than the undiluted NAV per share. As with the question-parts testing closed-ended vehicles in previous sessions, several candidates made vague statements about supply and demand being under the control of the company and dilution being a deliberate marketing tool used to encourage investor demand.

In part (c) candidates performed well with the majority of candidates being awarded in the upper half of the available marks and a number of candidates achieving full marks. In part (c)(i) those candidates who did not perform well either got the 'prior' and 'after' the wrong way around or stated 2 years as a single time period in either or both directions. In part (c)(ii) most candidates set out clear Income Tax calculations, showing the correct tax bands. Those candidates who did not perform well either used incorrect tax bands – despite these being contained in the tax tables (contained within the exam paper) – or used the whole of the gain or the EIS investment limit in their calculation, with the latter inferring that an individual could invest more than twice the chargeable gain, regardless of their level of income.

In part (d) candidates performed very well, with the majority being awarded most of the available marks or full marks. Candidates demonstrated good knowledge of the main differences across all of the factors. Those candidates who did not perform well either provided brief answers stating fewer than 5 factors or got the differences the wrong way around, e.g. 'VCT dividends are taxable' and 'EIS dividends tax-free'.

In part (e) candidates performed adequately, with the majority of candidates being awarded around half of the available marks, likely as a result of this area of the syllabus being tested for the first time. Most candidates demonstrated an awareness of the benefits of a portfolio against an individual EIS where these are similar to those between a collective fund and a direct equity. Better-prepared candidates were awarded some of the more EIS portfolio-specific drawbacks. Those candidates who did not perform well provided too brief answers containing two or less distinct points per sub-part.

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Advanced Diploma in Financial Planning

Unit AF4 – Investment planning

March 2024 examination

SPECIAL NOTICES
All questions in this paper are based on English law and practice applicable in the tax year 2023/2024, 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), (g) and (h) which follow.

Silvia is an independent financial adviser within an authorised firm. She is preparing for an annual review meeting with Tadeusz. Tadeusz, aged 48, is an architect and runs his own practice. He is a higher-rate taxpayer. His objective is long-term capital growth, and he has a high attitude to risk in order to help him achieve his objective. Over the past two decades, upon completion of individual projects, he has invested ad-hoc lump sums into a single collective fund within a general investment account (GIA) which has a current value of £320,000.

The fund, Reykjanes Global Opportunities, is a global equities open-ended investment company (OEIC) that invests in listed mid and small cap companies in developed economies. For several years, the growth style of the fund's manager resulted in high annual returns but in recent months, the fund's value has fallen substantially.

Financial details from the fund's most recent factsheet are set out in **Table 1** below:

Table 1

Expected return of fund	Previous 12-month return	Risk-free rate	Expected return of market
8.5%	-27%	4.3%	6%

The fund's commentary states that changes in globalisation and declining gross domestic product (GDP) are the main contributors to the recent performance, but Silvia is concerned that the fund manager's style may have fallen out of favour. As a result, she is looking at similar funds but with different investment styles and believes that a growth at a reasonable price (GAARP) strategy may be more suited to Tadeusz's objective.

In analysing the OEIC's recent returns, Silvia has identified that the funds 3-year alpha is slightly positive but would like to undertake a more comprehensive evaluation of the risk-adjusted returns.

Tadeusz also owns a small industrial unit that is let to a local business. Due to increases in tax rates and higher maintenance costs, he is looking to sell the unit and re-invest the proceeds. Tadeusz would like to retain exposure to physical commercial property and has asked Silvia to research alternate investment options using collective funds. While Tadeusz is optimistic about the prospects for commercial property, Silvia wants to highlight that specific risks remain.

The combination of this potential investment and the fall in the value of the OEIC has prompted Silvia to consider portfolio optimisation using Stochastic modelling, in preparation for the review meeting.

Questions

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

(a) Outline **nine** factors that Silvia would take into consideration when conducting the annual review with Tadeusz. **(9)**

(b) **(i)** Describe what beta represents and what it measures. **(4)**

(ii) Calculate, **showing all your workings**, the beta of Reykjanes Global Opportunities. **(5)**

(iii) Explain briefly the limitations of using beta as a measure of risk. **(3)**

(c) Identify the main differences between GAARP and growth investing. **(3)**

(d) State the **two** main risk-adjusted ratios used to analyse an actively-managed fund and explain briefly what each ratio measures. *Exclude alpha from your answer.* **(6)**

(e) **(i)** State the main rules that a fund must adhere to in order to qualify as a real estate investment trust (REIT). **(8)**

(ii) State the **two** types of income payment that can be made by a REIT and describe their tax treatment if received by Tadeusz within the GIA. **(8)**

(f) **(i)** Outline **four** benefits of introducing commercial property to the asset allocation of Tadeusz's GIA portfolio. **(4)**

(ii) Identify **four** main risks when investing in physical commercial property through open-ended collective funds and state **one** reason for **each** risk. **(8)**

QUESTIONS CONTINUE OVER THE PAGE

(g) **(i)** State **four** of the main assumptions used in portfolio optimisation. **(4)**

(ii) Describe briefly the objective of Stochastic modelling. **(5)**

(iii) Identify **four** main drawbacks of using Stochastic modelling. **(4)**

(h) **(i)** Describe what is meant by GDP and what it measures. **(5)**

(ii) Explain briefly from an investment perspective the consequences of globalisation. **(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 client's circumstances as set out in the case study. Please carry out ALL of the tasks (a), (b), (c) and (d) which follow.

George, aged 45, and Rosemary, aged 44, are married. They have two children; Leo, aged 17 and Freya, aged 14. George and Rosemary are both employed and are higher-rate taxpayers. Their disposable income allows them to consider fully utilising the ISA allowances for each member of the family in the current tax year.

They already hold some ISA products and details of their contributions to these existing ISAs in the current tax year to date is set out in **Table 1** below:

Table 1

Holder	ISA Type	Contributions to date in the 2023/2024 Tax Year
George	Innovative Finance	£4,000
Rosemary	Cash	£7,000
Leo	Junior	£3,600

Leo and Freya also each have a friendly society policy.

Details of the friendly society policies are set out in **Table 2** below:

Table 2

Holder	Premium Level	Premium Frequency
Leo	£20	Monthly
Freya	£150	Annually

In previous tax years, George has tended to invest into a stocks and shares ISA and Rosemary into a cash ISA. This position is not fixed for the current tax year and they will consider different ISA products if these support their objective of achieving capital growth until retirement. The combined value of George and Rosemary's ISAs is £165,000, of which the stocks and shares portion is valued at £78,000. This consists of equal holdings in eight blue chip UK equities. Following a lack of performance, they are considering selling the direct equities and investing into frontier markets via a collective fund. Their financial adviser has suggested that a fund applying a top-down investment approach may be suitable and George and Rosemary would like to know more about collective funds and this approach.

Marketing communication from their ISA provider includes a shortlist of preferred funds, which are managed on a mix of active and passive basis and their financial adviser is assessing both types of investment style.

Questions

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

(a) Calculate, **showing all your workings**, the total **additional** amount that the family can pay into **all** eligible ISA products in the 2023/2024 tax year. *Your answer should identify the relevant ISA products for each family member.* **(9)**

(b) **(i)** Explain briefly the tax treatment of friendly society policies within the fund and in the hands of the investor. *Exclude the contribution limits from your answer*. **(4)**

(ii) Calculate, **showing all your workings**, the total **additional** amount that Leo and Freya could pay into their friendly society policies over the next policy year. *Assuming their current contributions continue*. **(4)**

(c) **(i)** Identify **five** benefits of investing in a frontier markets equities fund, compared to holding direct UK equities. **(5)**

(ii) State the main stages of the top-down investment process for a frontier markets equities fund. **(3)**

(iii) Explain briefly the main investment-related factors that George and Rosemary would take into consideration when deciding whether to choose active or passive strategies for the investment into a collective fund. **(7)**

(d) State **four** main benefits and **four** main drawbacks of using a stocks and shares ISA as a long-term savings vehicle for retirement, compared to a personal pension plan. **(8)**

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.

Naomi is an adviser within an authorised firm of independent financial advisers. The firm has an association with an accountancy practice and Naomi has been asked to attend a meeting with Kambiz, an existing client of the accountancy practice.

Kambiz sold his business in February 2024 that resulted in a likely gain of £450,000 for Capital Gains Tax (CGT) purposes in the 2023/2024 tax year. In addition to his shareholding, Kambiz has been employed as sales director of the business on a salary of £90,000 per annum for the past few years. While Kambiz is pleased with the value of the sale, he would like to mitigate his personal tax liability and has approached Naomi with a view to discussing the tax planning opportunities available from investing into tax-sheltered products for the first time.

Naomi feels that the discussion may concentrate too heavily on the potential benefits of tax planning without considering the potential drawbacks. The accountancy practice has previously been involved in the launch of single company Enterprise Investment Schemes (EISs) for other clients and Naomi is considering the differences between Venture Capital Trusts (VCTs) and EISs, as well as between a single company EIS and an EIS portfolio, (also known as a managed EIS or EIS fund).

Naomi has been provided with recent correspondence from Bio Mesal plc, a UK-listed investment trust in which Kambiz has been invested since its original listing. During this period, Kambiz has acquired both warrants and convertible loan stock in the trust.

Financial information on Bio Mesal plc, is set out in **Table 1** below.

Table 1

Number of ordinary shares	7,200,000
Number of warrants	840,000
Number of convertible loan notes	5,000,000
Current ordinary share price	160p
Undiluted NAV per share	250p
Conversion discount to ordinary share price	20%
Warrant exercise price	90p

The correspondence indicates that the trust is seeking to raise capital as part of a strategic review. It is also offering both warrant and convertible loan note holders the opportunity to subscribe to new ordinary shares on a one-for-one basis by exercising their holdings at the pre-determined prices.

Questions

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

(a) State **three** ways in which an investment trust can raise capital. **(3)**

(b) **(i)** Describe briefly the concept of dilution in relation to the investment trust. **(3)**

(ii) Calculate, **showing all your workings**, the **diluted** NAV per share for Bio Mesal plc. *Assume that the current share price is unchanged, and all of the warrants and convertible notes are exercised.* **(9)**

(iii) Comment, based upon your answer to **part (b)(ii) above**, the difference in the diluted NAV per share compared to the undiluted NAV per share, and its significance. **(3)**

(c) **(i)** State the time limits for reinvestment of the proceeds into an EIS within which CGT deferral relief would be available to Kambiz. **(3)**

(ii) Calculate, **showing all your workings**, the maximum Kambiz could invest into a new EIS and receive Income Tax relief. *Assume that Kambiz has not previously invested into an EIS and that his salary has been his only income.* **(8)**

(d) Outline the main differences between the tax treatment of an EIS and a VCT, if Kambiz wanted to invest some of the sale proceeds into either product. **(5)**

(e) **(i)** Identify **three** main benefits of investing into an EIS portfolio compared to a single company EIS. **(3)**

(ii) Identify **three** main drawbacks of investing into an EIS portfolio compared to a single company EIS. **(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) *Candidates would have scored full marks for any nine of the following:*

- Change in needs/objectives/circumstance/income & expenditure.
- Change in health/marital status/dependents/vulnerability.
- Value of industrial unit/other assets/emergency fund.
- Liabilities.
- Any gains/use of CGT annual exemption/ISA allowance/ AA/DA/PSA availability.
- Changes in legislation/Budget/taxation.
- Performance against benchmark/target.
- On-going suitability.
- AtR/CfL.
- ESG/ethical considerations.
- Level of service/advice proposition/adviser charges.
- Market/economic outlook.
- Any additional capital/money to invest/inheritances.

(b) **(i)**

- Beta represents market/systematic risk;
- a measure of volatility;
- movement/correlation/sensitivity;
- relative to/explained by the market.

(ii) 6 - 4.3 = 1.7
8.5 - 4.3 = 4.2
(4.2 / 1.7) = 2.4705882 = 2.47

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

- Measures market risk/return alone/ignores other factors.
- Assumes risk-free rate is correct/suitable.
- Not stable/not consistent over time.
- Not an accurate predictor of future return/based on historical data.

(c)

- Lower P/E /PEG ratios than growth.
- Avoid excessive valuation/only pay fair price.
- Not pure growth/mix of value and growth.

(d)

- **Sharpe Ratio**
- Excess return for every unit of risk/risk-free rate.
- Excess return over standard deviation.
- **Information Ratio**
- Excess return over benchmark/in relation to tracking error.
- Consistency of manager.

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

- UK resident/listed.
- Closed-ended/only one share class.

- Property rental/ring-fenced business;
- at least 75%;
- of total gross profits;
- of total value of assets.

- Interest on borrowing covered;
- at least 125%;
- by rental profits.

- Distributes;
- at least 90% of exempt profits;
- within 12 months of accounting period.

(ii)

- **PID**
- Paid net of 20%/BRT.
- Subject to further 20%.
- PSA not available.

- **Dividend**
- Paid gross.
- Subject to 33.75% dividend rate tax.
- DA available.

(f) **(i)** *Candidates would have scored full marks for any four of the following:*
- Increase diversification/reduced systematic risk.
- Reduced positive correlation/increased negative correlation/move toward non-correlation.
- Reduced equity market/volatility risk.
- Increased income.
- Hedge against inflation/real asset.

(ii) *Candidates would have scored full marks for any eight of the following:*
- **Liquidity**
- Fund forced to sell properties/limited cash within OEIC/properties hard to sell.
- **Accessibility**
- Unable to access money/fund gated/dealing suspended.
- **Pricing**
- Swing pricing/pricing basis changes/dilution levy applied.
- **Valuation**
- Material uncertainty/unable to provide NAV.
- **Void**
- Loss of tenant/property empty.
- **Income**
- Loss of yield/unable to collect rent/reduction in rent.

(g) **(i)** *Candidates would have scored full marks for any four of the following:*
- Risk.
- Historical data.
- Forecasts.
- Costs.
- Implementation.

(ii) *Candidates would have scored full marks for any five of the following:*
- Forecast/predict the;
- probabilistic/potential;
- range of;
- returns/outcomes;
- using volatility/standard deviation;
- under different scenarios/simulations.

(iii) *Candidates would have scored full marks for any four of the following:*
- Assumptions unrealistic/highly sensitive to changes in inputs.
- Over-reliance/over-confidence in output.
- Output unrealistic/unattainable.
- Difficult to understand/too complex.
- Not client-specific.

(h) **(i)** *Candidates would have scored full marks for any five of the following:*
- Monetary value/total;
- of all final goods/output;
- and services;
- of an economy/a country;
- over a quarter/year.
- Measure of the size;
- and growth of the economy.

(ii) *Candidates would have scored full marks for any four of the following:*
- Increased interconnectivity of trade/economies.
- Increased correlation of equity markets.
- Market risk harder to diversify/reduced diversification of equities.
- International exposure through domestic listed companies.
- Increased volatility risk.
- Greater sensitivity to political policy/events.
- Markets increasingly efficient/harder to generate alpha/greater index investing.
- Increased competition for/allocation of investment capital.

Model answer for Question 2

(a) *Candidates would score full marks for the following answer:*

George
Cash/S&S/IFISA ISA £20,000 - £4,000 = £16,000

Rosemary
Cash/S&S/IFISA ISA £20,000 - £7,000 = £13,000

Leo
Junior ISA £9,000 - £3,600 = £5,400
Cash ISA £20,000

Freya
Junior ISA £9,000

Total: £16,000 + £13,000 + £5,400 + £20,000 + £9,000 = £63,400

(b) **(i)** **Within the fund**

- Interest/dividends;
- capital gains;
- are tax-free.

Hands of the investor

- Investment growth is tax-free/free of personal taxation.

(ii) **Leo**

£20 x 12 = £240
£300 - £240 = £60

Freya

£270 - £150 = £120

Total: £120 + £60 = £180

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

- Reduction in systematic risk.
- Reduction/removal of non-systematic risk.
- Geographical diversification.
- Exposure to higher growth economies/potentially higher returns.
- Potential returns from currency movements.
- Professional management.
- Potential for alpha/frontier markets not efficient.
- FSCS/investor protection.
- Reduced administration/less involvement.

(ii)

- Geographical allocation.
- Sector weightings.
- Individual stock/security selection.

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

Active

- Fund style/objective/mandate.
- Manager track record/expertise.
- Alpha/IR/Sharpe/does active justify the cost?

Passive

- Replication strategy/tracking error.
- Is market efficient?
- Counterparty risk.

Either

- Costs/charges.
- Choice/use of index/benchmark.

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

Benefits

- Accessible at any time/before age 55/57.
- 100% tax-free lump sum.
- No need for/not linked to earnings.
- No tax on any income withdrawal.

Drawbacks

- No Income Tax relief/employer contributions.
- Lower investment limit/no carry forward/AA is £60,000.
- Part of estate/can't write under trust.
- Funds not 'earmarked' for retirement/can spend at any time.
- ISA limited to £85,000 FSCS.

Model answer for Question 3

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

- Rights issue/open offer.
- Placement.
- Borrowing/gearing.
- Issue bonds.

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

- Company issues new shares/number of shares increase.
- Existing shareholders;
- own less of company/shares worth less/NAV per share falls;
- unless buy additional/new shares.

(ii) 840,000 x 90p = £756,000

160p x 0.8 = 128p
5,000,000 x 128p = £6,400,000

840,000 + 5,000,000 = 5,840,000

7,200,000 x 250p = £18,000,000

£18,000,000 + £756,000 + £6,400,000 = £25,156,000

5,840,000 + 7,200,000 = 13,040,000

(£25,156,000 / 13,040,000) = 192.91p

(iii)

- Diluted NAV per share is lower.
- Each share owns less/entitled to fewer assets.
- Share price is likely to fall.

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

- Up to 3 years;
- after sale/until February 2027.
- Up to 1 year;
- before sale.

(ii) £12,570 x 0% = £0
£37,700 x 20% = £7,540
£90,000 - £50,271 = £39,729
£39,729 x 40% = £15,892
Income Tax liability = £23,432

(£23,432 /30) x 100 = £78,107

Carry back x2 *or* +£78,107 *or* 2022/2023

Maximum = £156,214

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

- VCT no CGT deferral relief/EIS CGT deferral relief.
- VCT dividends tax free/EIS dividends taxable.
- VCT new gain exempt CGT immediately/EIS gain exempt after 3 years.
- VCT no loss relief/EIS loss relief available.
- VCT no business relief/EIS business relief available.
- VCT minimum period to retain Income Tax relief 5 years/EIS 3 years.
- VCT no carry back/EIS carry back available.

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

- Non-systematic risk can be reduced.
- Can invest across multiples sectors.
- Professional manager expertise/experience.
- All research, selection and investment decisions made by manager.
- Invest across different stages of underlying companies.

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

- Investment not pooled/not technically a fund.
- Less visibility.
- Increased paperwork/administration/HMRC reporting.
- Low number of investment companies/non-systematic risk not removed.
- Additional layer of charges/discretionary management expensive.

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 September 2024 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 2023 until 31 August 2024.

INCOME TAX

RATES OF TAX	2022/2023	2023/2024
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	£150,000	£125,140

High income child benefit charge: 1% of benefit per £100 of adjusted net income between £50,000 – £60,000

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

	2022/2023	2023/2024
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	£2,000	£1,000
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	£1,000
Rate applicable to trusts		
- dividends	39.35%	39.35%
- other income	45%	45%

MAIN PERSONAL ALLOWANCES AND RELIEFS	2022/2023	2023/2024
Income limit for Personal Allowance §	£100,000	£100,000
Personal Allowance (basic) §	£12,570	£12,570
Married/civil partners (minimum) at 10% †	£3,640	£4,010
Married/civil partners at 10% †	£9,415	£10,375
Marriage Allowance	£1,260	£1,260
Income limit for Married Couple's Allowance†	£31,400	£34,600
Rent a Room scheme – tax free income allowance	£7,500	£7,500
Blind Person's Allowance	£2,600	£2,870
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.

*** Investment above £1,000,000 must be in knowledge-intensive companies.*

	2022/2023	2023/2024
Child Tax Credit (CTC)		
- Child element per child (maximum)	£2,935	£3,235
- family element	£545	£545
Threshold for tapered withdrawal of CTC	£17,005	£18,725

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	12%
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
Lower profits limit per year	£12,570

Class 3 (voluntary)	Flat rate per week £17.45.
Class 4 (self-employed)	9% on profits between £12,570 and up to £50,270. 2% on profits above £50,270.

PENSIONS

TAX YEAR	LIFETIME ALLOWANCE
2006/2007	£1,500,000
2007/2008	£1,600,000
2008/2009	£1,650,000
2009/2010	£1,750,000
2010/2011	£1,800,000
2011/2012	£1,800,000
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 charge removed after 5 April 2023. Any excess over the lifetime allowance that would have been subject to a lifetime allowance charge of 55% prior to 2023/2024 will be taxable as the member's pension income via PAYE.*

Maximum tax-free pension commencement lump sum in 2023/2024 is £268,275 unless a higher amount is protected.

ANNUAL ALLOWANCE

TAX YEAR	ANNUAL ALLOWANCE
2014/2015 – 2022/2023	£40,000*
2023/2024	£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.

MONEY PURCHASE ANNUAL ALLOWANCE	2022/2023	2023/2024
	£4,000	£10,000

CAPITAL GAINS TAX

ANNUAL EXEMPTIONS	2022/2023	2023/2024
Individuals, estates etc	£12,300	£6,000
Trusts generally	£6,150	£3,000
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 and carried interest	8%	8%
Trustees and Personal Representatives:		
Residential property	28%	28%
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	2022/2023	2023/2024
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
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 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

		2022/2023	2023/2024
		£	£
Child Benefit	First child	21.80	24.00
	Subsequent children	14.45	15.90
	Guardian's allowance	18.55	20.40
Employment and Support Allowance	Assessment Phase		
	Age 16 - 24	Up to 61.05	Up to 67.20
	Aged 25 or over	Up to 77.00	Up to 84.80
	Main Phase		
	Work Related Activity Group	Up to 107.60	Up to 84.80*
	Support Group	Up to 117.60	Up to 129.50
Attendance Allowance	Lower rate	61.85	68.10
	Higher rate	92.40	101.75
Basic State Pension	Category A full rate	141.85	156.20
	Category B full rate	85.00	93.60
New State Pension	Full rate	185.15	203.85
Pension Credit	Standard minimumguarantee - single	182.60	201.05
	Standard minimum guarantee - couple	278.70	306.85
	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	61.05	67.20
	Age 25 or over	77.00	84.80
Statutory Maternity, Paternity and Adoption Pay		156.66	172.48

**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.*

CORPORATION TAX

	2022/2023	2023/2024
Small profit rate - for taxable profits below £50,000	N/A	19%
Marginal rate – for taxable profits between £50,001 - £250,000	N/A	26.5%
Standard rate - for taxable profits above £250,000	19%	25%

VALUE ADDED TAX

	2022/2023	2023/2024
Standard rate	20%	20%
Annual registration threshold	£85,000	£85,000
Deregistration threshold	£83,000	£83,000

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%