THE PENSIONS MANAGEMENT INSTITUTE

QUALIFYING EXAMINATION 2018

TAXATION, RETAIL INVESTMENT AND PENSIONS

Notes: Three hours are allowed for this paper. Answer all parts of all questions. In a multi-part question when the marks are not equally divided a guide to the available marks for each part is shown. A small number of marks may be awarded for appropriate and relevant communication and formatting.

1. Roger lives in Worthing, West Sussex and his income for the tax year 2017/18 is as follows:

   UK pensions - £52,300 gross, £8,200 tax deducted
   UK interest - £1,540 gross
   UK dividends - £25
   UK rental income after expenses - £9,000

   During the year Roger made Gift Aid payments totalling £11,000.

   Calculate Roger's income tax liability for the year. (10 marks)

2. Harry died in May 2006 when the nil rate band (NRB) was £285,000. He left his entire estate to his wife, Nancy and had previously made a lifetime gift of £114,000 in 2001 to his son, Peter. Nancy died in August 2016 leaving an estate of £2,300,000. Nancy had made gifts of £100,000 to each of her three children in 2012. It should be noted that both Harry and Nancy made a practice of using their annual gift exemptions each year.

   Calculate the inheritance tax liability on Nancy's estate assuming:

   (i) The transferable nil rate band is not claimed. (5 marks)
   (ii) The transferable nil rate band is claimed. (3 marks)

3. In your role as a pensions consultant to WHL Enterprises Ltd, write a briefing paper for the new finance director outlining:

   (a) How a salary sacrifice arrangement operates in relation to pension contributions. (3 marks)
   (b) The potential advantages to employees and employers. (4 marks)
   (c) The potential disadvantages in certain circumstances. (8 marks)

4. In your role as an independent financial adviser, draft an email to a high net worth client:

   (a) Explaining the tax planning opportunities that a single premium investment bond can offer to a higher/additional rate taxpayer. (12 marks)

   (b) Including an example of a top slicing calculation based on details as follows:

   Individual's taxable income in 2017/18 - £32,000.
   Investment bond surrendered after 20 years.
   Investment bond surrender value - £57,500.
   Original investment - £30,000.
   Withdrawals since inception - £1,500 per annum. (6 marks)

   (20 marks in total including 2 for format)

5. Define a Small Self-Administered Scheme (SSAS), explain why HMRC has concerns about the tax reliefs available to such schemes and outline how HMRC has addressed these concerns. (7 marks)

6. Describe the circumstances under which HMRC can reject an application to register a pension scheme. (5 Marks)

7. Explain the options available to members of occupational pension scheme members who leave pensionable service prior to Normal Retirement Age. (20 marks)

8. Describe how foreign exchange rates operate and explain how real exchange rates may modify how they are determined. (8 marks)

9. Explain the qualification requirements for Pension Credit and detail existing sources of income that are offset in the calculations. (7 marks)

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