



Pensions Management Institute

Moving pensions forward

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Taxation, Retail Investment and Pensions

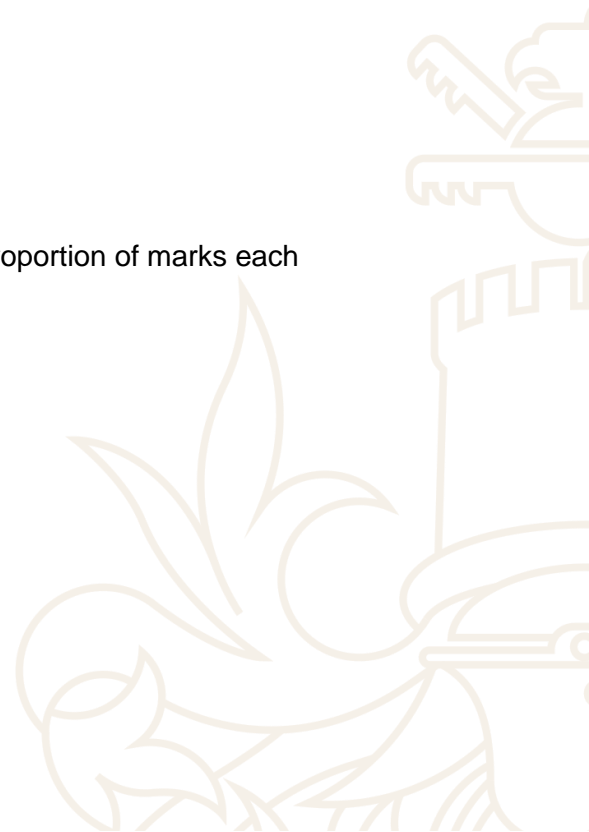
THURSDAY 13 April 2023 **2-5 PM**

TIME ALLOWED: **3 HOURS**

Pass Mark - 55

PMI Number	
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1. This contains several short answer questions. Attempt **ALL** questions. The total marks for this paper are 100.
2. Type all your answers in the answer box provided.
3. It is suggested to allocate your time according to the proportion of marks each question attracts.



Question Number: 1

A distinction is made by HMRC between income that is regarded as earned and unearned for tax purposes. This is important since earned income broadly forms the basis for eligibility for tax relief on pension contributions (and historically a higher tax rate applied to unearned income). Differentiate and describe the categories of earned income and unearned income.

Total Marks

15

Question Number: 2

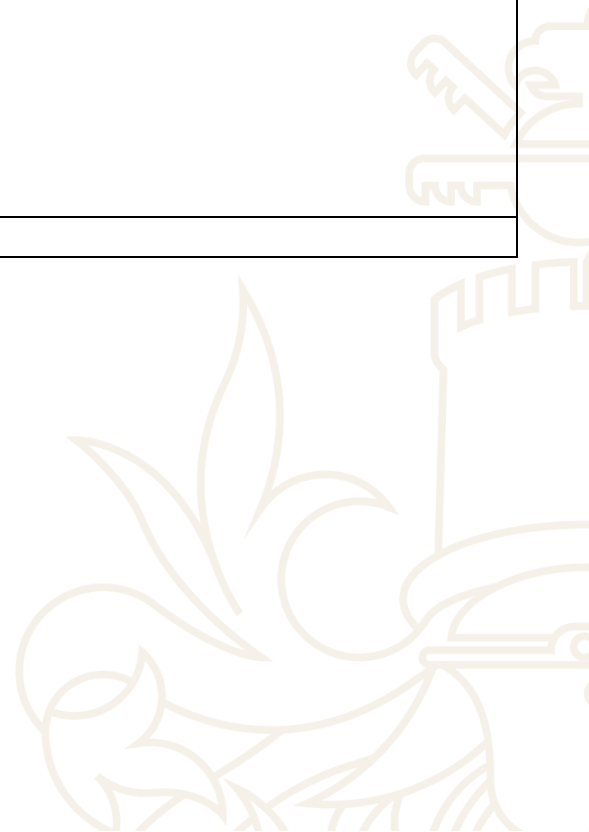
When working out an individual's tax liability it is necessary to identify the type of the income and, hence, the legislation under which it falls to be taxed. This determines the reliefs available.

Describe the typical allowances you would expect a married man, aged 50 to have to offset the tax burden. (10 marks)

How could he further reduce his tax liability? (5 marks)

Total Marks

15



Question Number: 3

An employer can sometimes offer 'perks' to their employees. These fall under, in some cases a tax regime.

- (a) What are benefits in kind? (3 marks)**
- (b) What is the definition of a taxable benefit (2 marks)**
- (c) What are the types of taxable benefit in kind? (15 marks)**

Total Marks

20

Question Number: 4

Against the backdrop of the UK and World economies, investors need to be aware of political developments because of the impact that they can have on the money markets and investments. These tend to be cyclical, therefore:

- (a) What is an economic cycle? (2 marks)**
- (b) Describe the main stages to an economic cycle that investment professionals will often identify in assessing investment policy and making their investment decisions. (16 marks)**
- (c) How do you determine the current stage of an economic cycle? (2 marks)**

Total Marks

20

Question Number: 5

Certain types of life insurance policies can be used as investments. Whether a life insurance policy is a qualifying or non-qualifying will determine how it is treated for tax purposes. Write a report detailing what these are analysing the advantages and disadvantages of each.

As this is a formal report to Mr P Jones, your client, there will be formatting marks available as you detail your response. You are not expected to provide a preferred option, but to only offer advice as to what is available. (26 marks+4 formatting marks).

Total Marks

30

