

Institution **CIOT - CTA**
Course **Adv Tech Taxation of Individuals**

Event **NA**

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Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	1102	5032	6073
Section 2	850	3932	4770
Section 3	848	4181	4990
Section 4	902	3761	4631
Section 5	980	4660	5615
Section 6	616	2779	3395
Total	5298	24345	29474

Answer-to-Question-__1__

Mr and Mrs Brown acquired Apple Cottage in 2001 and used this as their main residence.

We will therefore need to ascertain whether the disposal of the property will qualify for private residence relief.

Private Residence relief.

Private residence relief exempts the portion of the gain that relates to a period of occupancy, or deemed occupancy from capital gains tax.

Deemed occupancy includes:

- Any period of work overseas
- A period of up to four years of working elsewhere in the UK.
- A period of up to three years for any reason
- The last 9 months of ownership, provided the property was elected to be their main residence at some point in time.

For the first 3, there must be a period of occupancy before and after this period. This does not apply to the last 9 months.

Te couple occupied the property from the date it was purchased in 2001, to the date that they relocated to Manchester. At this point, they will have had two residencies - the manchester property, and apple cottage.

An individual can only have one main residence and must make an election to vary their

main residence from 2 years from the date that the second property is acquired or rented out.

The couple did not continue to stay in the property and made an election for the manchester property to be their main home on 31 October 2013.

Therefore, the property will only be eligible for PPR on the period from acquisition to 31 October 2013, and the last 9 months.

For PRR purposes, relief can be claimed on the surrounding land and gardens of the property up to half an hectare, however an exception will be made if it can be proven that the land was required for the reasonable enjoyment of the property.

In addition, PRR will only apply to the assets that are deemed to be in the "curtilage" of the main property. For example, a separate property that is used by a maid, and that is used for the general enjoyment of the property will be deemed to be part of the properties curtilage. However, if the property is separated by a fence, this will not be deemed to be the properties curtilage.

Therefore, based on the above, Apple Cottage will get a period of PPR. However, as Pear Cottage will no longer be deemed to be part of the properies curtilage as it is now a separate asset, the property and its surrounding land will not qualify for PR.

As Sarah and Tim each own 50% of the property, the gain arising on the sale will be determined on them jointly.

No lettings relief will be available for the period that they rented the property out, as in order for this to apply they must have been livig in the property jointly with the tenants

and the tenants must have had a self contained use of part of the property.

	Tim	Sarah	Total
Proceeds	600,000	600,000	1,200,000
Cost (1)	(£372,500)	(£372,500)	(745,000)
Gain	£227,500	£227,500	£455,000
Legal fees			
PPR - £227,500 x 153/281	(123,870)	(123,870)	(247,740)
Total	£103,630	£103,630	£207,260

Period of occupancy - 12 years - 144 months
Period of deemed occupancy - 0.75 months - 9 months
Period of ownership - 23 years and 5 months - 281

Forgot to include legal fees but these will be deductible against proceeds to give net proceeds. Dont have time to amend.

The base cost of the property will be the original cost, less the cost that related to the land that Pear cottage was built on.

Their respective gain will need to be reported on a online CGT returns within 60 days of the date of completion, and any tax due will also need to be paid by this date, being 30 May 2025.

Tax will be payable at 24% rate of tax as they are both higher rate taxpayers.

Pear Cottage and subsequent property.

Where a property is disposed of, there are 3 potential tax treatments:

- The property is taxed under capital gains rules as a normal disposal.
- If the property is treated as stock for a sole trader, such as a property developer, the gain on disposal will be treated as trading income and will be subject to income tax on the gain
- In addition, even if the taxpayer is not a sole trader, the gain arising may still be treated as trading income if the following conditions are met:

Condition A is that the property was acquired with the intention of selling the land at a profit.

Condition B is that the property is trading stock

Condition C is that this is an asset that derives its value from UK land (e.g., property rich shares).

Condition D is that the property is developed with the intention of subsequently selling at a profit.

At the date that the property is sold, none of these conditions will likely apply as the main reason the Pear cottage was built was to rent this out to a third party.

Therefore, at the date of sale, the disposal of the property will be subject to capital gains tax.

No PRR will be eligible on disposal as the property was never their main home and will not qualify as being part of the curtilage of the property.

The gain on sale will be taxed as a residential property disposal and will also need to be reported on an online CGT return within 60 days of completion. The tax will also be due by this date.

	Tim	Sarah	Total
Proceeds	£237,500	£237,500	£475,000
Cost			
Land	(£7,500)	(£7,500)0	(£15,000)
Development	(£110,000)	(£110,000)	(£220,000)
Gain	£120,000	£120,000	£240,000

However, if Tim and Sarah use the property to buy and sell a future property to sell at a profit, this will be caught by condition A and therefore any gain arising will be subject to income tax and national insurance (class 4) on their respective shares.

On the basis that they have made a high frequency of sales, the gain that was previously chargeable to income tax on Pear Cottage may be deemed to be trading income and therefore, may be later deemed to have been trading income. The balancing income tax (the resulting liability at 40% or 45%, less any amounts previously charged to capital gains) will have been deemed to have fallen due on the 31 January 2026 (the tax return deadline).

Their respective CGT liability will be as follows:

Apple cottage	£103,630		
Pear Cottage	£120,000		
	£223,630		
Less: AEA	(£3,000)		
	£220,630		

$£220,630 @ 24\% = £52,952$

They will each have a capital gains liability of £52,952.

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

When Emma makes an investment of £100,000 into the company, she will be deemed to be acquiring shares in a close trading company, as Laura is the sole shareholder and therefore, the company has fewer than 5 participators.

There are several reliefs that are available to Emma

Capital Gains Tax Relief.

Provided the gross assets of the company prior to the subscripion of the shares is less than £350,000, the company will qualify as an SEIS company as:

- The company is a trading company with a UK permanent establishment.
- The company is unquoted
- The company has less than 25 employees
- The company is in good financial health (the range of products is popular).
- The company is within its first 2 years of trading.
- There is a significant risk to capital (e.g., the risk is higher than the potential reward, as the company requires R&D to grow).
- The company is not in a prohibited trade, such as accounting, care homes, farming or property development (this is assumed).

If the company has gross assets over this threshold, it will qualify as an EIS company provided gross assets are below £15,000,000 before the share issue and £16,000,000 after the share issue, as:

- The company is a trading company with a UK permanent establishment.
- The company is unquoted
- The company has less than 250 employees (500 for Knowledge intensive companies with R&D)
- The company is in good financial health (the range of products is popular).
- The company is within its first 8 years of trading.
- There is a significant risk to capital (e.g., the risk is higher than the potential reward, as the company requires R&D to grow).
- The company is not in a prohibited trade, such as accounting, care homes, farming or property development (this is assumed).
- The amount generated for EIS is below £12,000,000 (£20,000,000 for knowledge intensive companies)

Therefore, provided the company applies to be an SEIS company, Emma may qualify for income tax relief and capital gains tax relief provided the following conditions are met:

- Emma is subscribing for newly issued ordinary shares.
- Emma is not connected to the company

An individual will be deemed to be connected if they, or one of their associates, own over 30% of the shares in issue, or they are employed by the company.

Emma's niece is the founder of the company, however for EIS/SEIS purposes only direct descendants will be considered to be connected and therefore, on the basis that Emma will be acquiring a 25% holding, this will not be met.

In addition, for EIS purposes, directors who are "business angels" (e.g., non executive directors after the subscription of the shares) will not be connected. In addition, directors are not considered to be connected for SEIS purposes.

Therefore, Emma can claim income tax relief on her investment of 50% of the lower of the investment made and £100,000. If the company only qualifies as an EIS company, this is limited to 30%.

This is given as a tax reducer.

EIS and SEIS relief can not give rise to a loss and therefore, the relief will be restricted to Emma's liability in the current year. If there is relief remaining to be obtained, this can be carried back to the prior year.

In addition, provided Emma holds the shares for 3 years, any gain arising on the disposal of the shares will be exempt from tax. If the shares are sold within 3 years, relief is clawed back. If the shares are sold at a loss after three years, the loss is restricted by the relief not clawed back.

In addition, if Emma makes a disposal of an Asset withi 12 months before and 36 months after the subscription of the shares, she will qualify for EIS/SEIS reinvestment relief.

For EIS relief, this will mean she can defer the lower of:

- The gain
- The amount subscribed
- Any other amount

Of a gain on another asset to the date that her shares are sold.

The SEIS reinvestment relief works the same but instead of being frozen and crystallising on sale, the gain is exempt.

Choice of funding:

If Emma withdraws the funds early from her ISA, the interest will be clawed back and this will therefore not be favorable.

If Emma receives a bank loan of £60,000 as she is using the funds to acquire shares in a close unquoted company, she will be entitled to a step 3 income tax deduction on the interest payable on the loan. This is capped to the lower of £50,000, or 25% of net adjusted income. This is given as a deduction before the personal allowance.

If Emma obtains a loan from Emma, as she is a non-participator obtaining a loan from a close company, there will be a loan benefit on the loan calculated under the normal rules, however this will be taxable on Emma as a dividend.

The best option would be the bank loan, if she is able to obtain this. Otherwise, the loan from the company would suffice.

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

The tax treatment of payments on termination will depend on whether the payment is contractual or not. If the payment is contractual, it will be taxed under PAYE under normal employment taxes legislation. If the payment is not contractual, the payment will be taxed under ITEPA s.401.

Mo has been offered a single gross termination payment of £200,000, and will not be required to work his notice period. Where an individual receives a payment in lieu of working their notice, this will be taxed as earnings, as if the employee had worked their notice.

In this case Mo had a notice period of 3 months, and his basic monthly salary is £12,000. Therefore, £36,000 will be treated as employment income for Mo. This will be taxed at his marginal rate of income tax and Mo will be subject to class 1 primary and secondary national insurance contributions on the payment.

The remaining payment of £164,000 will be treated as a genuine ex-gratia payment, provided the payment is not contractual. If the payment is not contractual, we will need to ascertain if it is expected. This will usually apply if it is customary for the employer to make a termination payment.

On the assumption that it is not expected, the first £30,000 termination payment will be exempt from UK tax and national insurance.

The remaining £134,000 will be subject to tax at Mo's top slice of tax (e.g., after dividends). Mo will not be required to pay national insurance on the termination payment, however his employer will be required to pay class 1 A national insurance on the termination payment.

Tax will be deducted at source on the termination payment. If this is issued prior to a P45, the tax will be deducted at source based on Mo's tax code. However, if the payment is issued after a P45 has been issued, tax will be deducted under an M1 OT code.

If Mo continues to receive taxable benefits after his employment has concluded, the market value of this benefit will be treated as a genuine ex gratia payment and will be tax free up to the £30,000 tax exemption.

If Mo no longer receives the benefit after his employment is terminated, he will be treated

as ceasing to receive the benefit. The benefits received up to the date of departure will need be reported by Northern Bake Plc on a form P11D by 6 July 2025. Mo will pay income tax on the benefit, and the company will pay class 1A provided the benefit does not constitute earnings.

Pension contribution.

Mo will have received a gross salary for the year of £84,000 for the 7 months that he had worked up to the date that he left on 14 November. In addition, Mo received a PILON of £36,000. Therefore, the total contractual amount that Mo has received in the 2024/25 tax year was £120,000.

In addition, Mo received a termination payment of £164,000, of which £30,000 was free of tax.

He also received total taxabl ebenefits of £7,000 for the year.

For pension contributions, taxpayers are limited to contributing the higher of £3,600 or their relevant earnings for the year.

Relevant earnings include:

- Income from employment, incuding bonuses and benefits
- Income from FHL's
- Income from self employment.

I am unsure whether a termination payment that is exempt or top slice will constitute earnings or not. However, on the basis that the payment is not subject to class 1 P&S national insurance as "earnings", I have assumed that this will not apply. If it does apply, the £127,000 of earnigs received from employment, as a PILON, or as a benefit will have £164,000 added to it.

Therefore, Mo will have relevant earnings of £127,000. His employer would hve contributed £8,400 and he would have contributed £6,720.

Relief for personal pension contributions is given by extending up the basic rate band by the gross contribution made.

The contribution is limited to the taxpayer annual allowance of £60,000. This was £40,000 prior to 5 April 2023.

The basic rate band will be tapered for high earners with threshold income of over £200,000 and adjusted income of over £260,000.

Threshold income is calculated as total income less any amounts paid into a pension through salary sacrifice or paid into a personal pension

Net adjusted income is calculated as total income plus employer and employee occupational payments under a net pay arrangement.

The personal allowance is reduced by £1 for every £2 of threshold income above £260,000.

Occupational pension payments are exempt benefits in kind.

Can use unused allowances from three previous years on a FIFO basis.

	24/25	23/24	22/23	21/22
Employer	£8,400	£14,400	£14,400	£14,400
Employee	£6,720	£11,520	£11,520	£11,520
Contribution made	£15,120	£25,920	£25,920	£25,930
	(45,920)	(60,000)	(40,000)	(40,000)
Unused	£30,800	£34,080	£14,080	£14,080

Total income

Salary + PILON	£120,000			
Benefit	£7,000			
Termination payment	£134,000			
Total				

Threshold income -- abce £200,000
Adjusted income - £276,120

$$£276,120 - 260,000/2 - 60,000 = £45,920$$

On the basis that Mo's pension is tapered, It is recommended that he only make an additional pesion contribution of £30,800

-----ANSWER-3-ABOVE-----

 -----ANSWER-4-BELOW-----

Answer-to-Question- 4_

	NSI	SI	DI	Total
Salary	£53,817			
Beneficial loan (1)	£214			
Property	£5,250			
Pension	£5,074			
Total	£64,355			
Less: PA	(£12,570)			
	£51,785			

£37,700 @ 20% = £7,540
 £39,215 @ 40% = £15,696

Total £23,226

(1) Her employer has offered her a loan of over £10,000 without interest. This is a beneficial loan and will be taxable on Maisie. The default method of calculating the benefit is using the average method, but an election can be made for the strict method to apply

$$£25,000 + 13,000 / 2 \times 2.25\% \times 6 / 12 = £214$$

(2) As the pension accrued when Maisie was non-resident, the increase in value of the pension from the date that Maisie returned to the UK might be exempt from UK tax.

If it is exempt from UK tax, only the £6,765 will be taxable in the UK. Maisie can receive up to 25% of her pension payment tax free, so she will have a taxable payment of

£5,074 for the year.

If the payment is not exempt from UK tax, the full £58,531 will be taxable in the UK, less the 25% that she can withdraw free of tax, being £

The payment was cashed in when Maisie was non resident, and therefore only the £5,074 will be taxable in the UK

(3) Portuguese property

	UK res	OS res		
	£6,250	£1,250		
Insurance		(360)		
Repairs				
		890		
Election for Property allowance	(1,000)			
	£5,250			

(4) The property income will be taxable on Maisie under the cash basis as income is below the £150,000 threshold.

(5) We will need to assess whether Maisie is resident in the UK for 2024/25. Her residence is established under the statutory residence test. Under the SRT, we will first assess whether Maisie is automatically an offshore resident. We will then assess whether she is automatically resident. Finally, we will assess whether she is UK resident under the sufficient ties test.

Maisie will not meet the conditions of the automatic overseas test as she ceased overseas employment in 2023/24. As she has been outside of the UK for the previous 3 tax years, she will need to have spent less than 46 days in the UK under the second automatic overseas test. The first automatic overseas test will not apply as she was not resident in UK in the prior 3 tax years before coming back to the UK.

We will then assess if she meets the conditions under the automatic residence test. This will apply if the following is met:

- Maisie has spent 183 in the UK
- Maisie is in full time employment in the UK
- Maisie has a home in the UK.

The first automatic residence test is met as Maisie has exceeded 183 days in the UK. She will therefore be resident in the UK and will be subject to tax on her worldwide income and gains for the entire tax year.

However, where certain conditions are met, split year will apply automatically. This will allow Maisie to split the year between a resident and non-resident portion during the tax year.

Maisie is an arriver as she is arriving in the UK. We will therefore establish if case 4-8 will apply.

Maisie will meet the conditions of case 5 and case 8

Under case 5, Maisie will meet the conditions as:

She was not resident in the prior year - this will be met provided she met the first automatic overseas test in 2023/24 and spent less than 46 days in the UK

She is resident in the current year. This is met.

There is a 365 day period of UK work and at least one of those days falls within the tax year. This is met as she started work in June of 2024

At least 75% of her workdays are in the UK. A workday is considered to be over 3 h a day. This is met as she works fully in the UK for an average of 36h per week

The employee works over 35h on average a week. This is met.

There is no significant break in employment of over 31 days. This is met

She is non resident under the SRT test in the overseas portion of the year.

Maisie will have had two ties to the UK, an accommodation tie as she spent at least 1 day in a rented property that was available to her for at least 91 days of the tax year.

And a family tie as Lily was resident in the UK.

Therefore she will have been able to spend 20 days in the UK (120 X2/12).

The year will be split from the date she starts UK employment.

Maisie also meets the conditions for case 8 as she starts to have a home in the UK.

This is met as Maisie was non-UK resident in the prior year and will be in the current year, and had no UK home at the start of the year but starts to have a UK home in 15 June

2024 and continues to have a UK home for the rest of the tax year. She will also meet the SRT for this portion of the tax year.

The year will be split from the date she starts to have a UK home.

Where two cases apply, the split year case that will apply will be the case that gives the shortest overseas period.

The year will split from 15 June 2024.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- _5_

Value Shifting

Linda Jones is the original subscriber and sole shareholder of Trust limited. Linda subscribed for the shares on incorporation. She has £1,000 shares with a base cost of £1,000.

Linda would like to hand over her shares to her daughter Helen.

Linda has sole control of the company and therefore has the ability to manipulate how the shares are held in the company. She is able to transfer some of the value of her shares into her daughters hands without incurring a charge to capital gains tax. This has been done by the company issuing Helen with 500 £1 new ordinary shares in the company at par.

As Linda has transferred the value of her shareholding to her daughter without incurring a capital gains tax liability, the value shifting anti avoidance provisions will apply.

Where this applies, Linda will be deemed to have made a notional disposal of her shares. The disposal of her shares will be calculated as being the value that was transferred to the donee, being Helen.

Linda will therefore have a capital gains tax liability as follows:

Value transferred to Helen			£700,000	
Less: paid by Helen			(£500)	
Net proceeds			£699,500	
Base cost				
£1,000 x (699,500/ 699,500 + 900,000)			(£438)	
Total gain			£699,062	

The value transferred to Helen will be 500 shares at the value of £1,400, totalling £700,000, less the £500 that she paid for the shares.

The base cost is a part disposal calculation where A is the value transferred to Helen and B is the value of Linda's shares after the transfer of value.

Linda will have a gain of £699,062, which will be taxable in the year of disposal. However, Helen can make a claim for the following reliefs:

Business Asset Disposal Relief

Linda may be able to make a claim for Business Asset Disposal relief on the basis that she has been a director for over 2 years and for those two years has held over 5% of the shares in the company and by virtue of that shareholding, has held 5% of the voting rights, is entitled to 5% of the assets on winding up and 5% of the proceeds on the sale of the shares.

However, in order to qualify for BADR, Linda must meet the trading condition for BADR.

There is no "one size fits all" test to establish if the company is trading, however HMRC will usually accept that the company meets the trading condition for BADR if non-trading activities represent less than 20% of the total activities of the company.

HMRC will look at the following:

- The companies business assets in relation to total assets.
- The companies trading turnover in respect of total turnover
- Management time and costs for the investment activities vs. total activities.

In this case, the total turnover for the company is £600,000 and £100,000 relates to investment activities, being the income from the factory. This represents 17% of total turnover, and therefore this test is met.

The total time spent on investment administration is 1 business day, and a half day each quarter. This represents a total of 3 days. While we do not know how many days Linda works for the company, we will assume that this test is met.

Finally, we will establish if the total business assets represent over 80% of the total assets of the company. In this case the investment property is £700,000 and the total balance sheet value is £1,400,000. This represents over 50% of the value of the assets in the company.

Howevr, the company balance sheet does not include a valuation for goodwill. Therefore, the company could include a valuation of the good will and this could lead to the test being met.

On the basis that the test is assessed on a holistic basis, the trading condition will likely be met. However, Linda can apply for non-statutory clearance from HMRC if she is in doubt.

Linda will therefore qualify for BADR on the notional disposal.

Linda has not previously made a claim for BADR and therefore, her lifetime limit of £1,000,000 is intact. The effect of BADR is that the gain arising up to the £1,000,000 limit will be subject to tax at the 10% rate of tax.

Therefore, Linda will have a gain as follows:

Gain on shares		£699,062		
Less: AEA		(£3,000)		
		£696,062		

£696,062 @ 10% = £69,606

Linda will need to make a claim by the anniversary of the 31 January following the year of disposal, being 31 January 2027. The tax liability will be due by 31 January 2026.

Gift Relief

Alternatively, Linda could make a joint claim for gift relief as the shares are unquoted shares and therefore are qualifying business assets for gift relief purposes.

Under gift relief, a joint claim can be made by Linda and her daughter for the gain arising on Linda's shares to be deferred against the base cost of her daughters holding.

The trading condition for gift relief is the same as for BADR, and this will therefore be met.

However, a second restriction applies for gift relief where the company holds non-business assets.

The gift relief claim will be restricted using the following calculation:

CBA/CA x Gain.

Chargeable business assets for the company will include the company premises. Cash, trade debtors and liabilities are not chargeable business assets.

Chargeable assets will include the investment property and the company premises.

Therefore, the claim will be restricted as follows:

$$500,000/1,200,000 \times £699,060 = £291,275$$

Therefore, the gift relief claim will be restricted to £291,275 and £407,787, will be chargeable.

BADR can be claimed on the remaining gain.

The claim will need to be made jointly within 4 years of the end of the tax year in which the disposal is made, being 6 April 2029.

Gain on shares	£699,062		
Less: GR	(£291,275)		
	£407,787		
Less: AEA	(£3,000)		

	£404,787		

£404,787 @ 10% = £40,478

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- 6

Pre-Owned Assets

Mr Singh disposed of his main residence for £600,000 and gave his son £400,000. His son then used the proceeds from the sale to acquire a property worth £300,000 and allowed his father to occupy the property.

Where an individual gifts an asset to a family member, and continues to benefit from this asset, we will need to consider if the pre-owned asset rules will apply.

The rules will apply where the above conditions are met, and the gift with reservation of benefit rules do not apply.

Under the gift with reservation of benefit rules, where an individual gifts an asset to a family member and continues to benefit from the asset, the asset will be deemed to continue to be within the death estate of the gifter. In addition, the gift to the son will also be deemed to be a potentially exempt transfer.

Individuals have tried to bypass this rule by disposing of the asset and using those proceeds to a family member, who will then use those proceeds to acquire a similar asset.

Where the pre-owned asset rules apply, Mr Singh will be deemed to receive a taxable benefit and this benefit will be equal to the open market value cost of the asset.

Therefore, Mr Singh will be deemed to have received a benefit of £14,400. This will be reported as non-savings income on Mr Singh's return.

Alternatively, Mr Singh could avoid this benefit by making a claim for the gift with reservation of benefit rules to apply to the £300,000 value of the property.

This will mean that the MV of the property of £300,000 will continue to be in Mr Singh's death estate and will be subject to IHT on his son when he dies.

Gift to charity

Gift of cash

Where an individual makes a charitable donation under gift aid, relief is obtained by

grossing up the net donation made by 100 over 80. This is because for every 80p donation that an individual makes under gift aid, HMRC will make an additional 20p donation in their name.

However, gift relief is restricted if the taxpayer receives an additional benefit in connection with the donation made. In this case, Mr Singh has made a donation of £1,000 for the year under gift aid, and has received a benefit of £120 from the donation (the two tickets at £60).

Therefore, when calculating the relief available, the £1,000 donation will be restricted by the benefit received.

Therefore, Mr Singh will receive relief on a gross donation of £1,100 (£880 net). This will be added to Mr Singh's basic rate band of £37,700.

This will mean that more of Mr Singh's income is taxed at the 20% rate of tax.

Gift of quoted shares.

Mr Singh has made a gift of shares in a quoted company to a registered UK charity. The shares are listed on the UK stock exchange. Mr Singh will obtain relief on this gift as a step 3 tax reducer (a reduction from his total taxable income before his personal allowance of £12,570).

The tax reducer will be based on the market value of the shares at the date of the gift, being £4,900, as opposed to the original cost of the shares.

There will be no capital gains consequences as a result of this gift as Mr Singh and the company are not connected and gifts to charities are exempt.

Therefore, £4,900 will be deducted from Mr Singh's total taxable income. While there is usually a cap for payments under step 3 on the higher of £50,000 and 25% of net adjusted income, this will not be relevant as this is within the £50,000 maximum.