

Institution **CIOT - CTA**
Course **Adv Tech Human Capital Taxes**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	591	2587	3181
Section 2	500	2156	2659
Section 3	549	2562	3111
Section 4	592	2571	3166
Section 5	525	2418	2941
Section 6	243	1164	1374
Total	3000	13458	16432

Answer-to-Question-__1__

Preetis tax will be dependent on her uk residence and apply applicable DTA.

As Preeti spend less than 16 days per annum in the UK and has never previously been tax resident she will be automtcially non-uk resident under the automtic non residence test.

However as Widget Lts is a UK company they will be required to tax her salary.

As she is tax redient in India they will also seek to tax her salary.

Per the DTA Article 17, Preetis salary may be taxed in teh UK.

Preeti will not be eligible for the appendix 4 agreement as she is a director.

Accordingly widget should apply for a S.690 direction to only tax the portion that relates to time spent in the UK.

Preeti spends 12/ 16 days in India or traveling, and 3/12 physcially attending the meeting. Therefore £20,000 is taxable in the UK. She will nto get a personal allowance, so the enitre portion will fall into teh 20% rate band (£4,000).

The award of 15,000 shares at £1 market value is almost like a loan as Preeti has paid no consideration for something of £15,000 value, which will need to be paid if called. If it is conasidera loan she will owe interest at the offical rate on interest (2.25%) to be reported on teh P11d by the 6th of july. As a director teh company woudl also owe S455 tax, however as Preeti holds less tha 5% she may fall under the exemption for directors who

hold less than 5% with a loan of £15,000 or less.

As the shares are not deductible for corporation purposes they may be deemed RCAS, if so PAYE and employer and employee NIC would be due through the payroll on the value of the shares.

The Preeti salary could be reduced to 0 as it is a notional payment on an RCA, so there is no 50% of pay limit. If Preeti does not repay any tax that Widget pays on her behalf, the un-repaid PAYE is seen as additional earnings, the NICs on this would be reported through the payroll and Preeti would report the value on her self assessment return.

Any employment related securities must be reported on an ERS return by the 6th of July following the tax year.

The cash payment of the phantom shares is taxable as employment income i.e. subject to Class 1 NICs and PAYE through the payroll in the month given.

The flights to and from the UK are exempt. The hotel would not normally be exempt as Preeti is not UK resident, however as Preeti is in the UK less than 40% of the time (approximately 25% of the time) she will get an exemption on all travel and subsistence while in the UK as it is her temporary workplace.

National insurance is assessed differently to PAYE. As there is no reciprocal agreement in place we must look to the domestic legislation. The domestic legislation states that an arriver to the UK can only be exempt for 52 weeks if they work for a non-UK company, as Preeti is working for a UK company she will be subject to NI. However, she may be able to make use of a specific exemption for non-resident non-domiciled directors who are

directors of UK companies only here to attend boaring meetings, provided there are less tahn 10 board meeting per annum, which applies here, accordinly Preeti will not be subject to UK NICs. Preeti shoudl seek a certficate of continiting libailities from India.

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

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

Answer-to-Question- 2

Tax will be dependent on their UK residence and the applicable DTA.

As the employee will not be UK tax resident.

The employee will be Westeros treaty resident. Under the tax treaty, the country where the employee is treaty resident retains world wide taxing rights. The host is restricted to hosting the days spent in their country, or none at all if the article 15 exemption applies. The Article 15 exemption will apply if the employee spends less than 186 days in the other country (here, the UK) which they all do, and that the employer is non resident (which is met here, as they will remain employees of Lanister inc, resident in Westeros), and that the costs are not borne by the other country, as the cost will be recharged this aspect has not been met.

However these rules are slightly relaxed where the employee spends less than 60 days in the UK.

Jamie - 8 weeks

Jamies has spent 56 days in the UK which is less than the 60 days need to be a short term visitor. They could apply for an appendix 4 to exempt Jamies from PAYE all together, they would have to report him and the number of days spent in the UK on the Appendix 4

return by the 31st may following the year end.

Tywin - 4 months

Tywin has spent too long in the UK to be considered a short term business visitor. He will be subject to UK PAYE, but can claim double tax relief where tax has been suffered on the same income twice. Stark could also apply for an S.690 directive to only tax the days spent in the UK, Tywin would have to submit a self assessment return at the year end to correct any tax.

Robert - 10 days

As a director Robert is not eligible for an Appendix 4 or 8 elective.

Further as a director he cannot claim any of his days are incidental. he will be fully taxable on those 10 days but could seek double tax relief on any of the income that has suffered tax in both countries. If the UK has taxed UK days within its rights under the tax treaty this would have to be sought from the Western tax authorities.

National insurance is assessed differently to PAYE. as there is no reciprocal agreement in place we must look to the domestic legislation. The domestic legislation states that an

arriver to the uk can only be exempt for 52 weeks if they work for a non-uk compnay, as all 3 employees are continuting to work for Lannister inc, are oridinarly resident in Westeros, and will all be in teh UK less than 52 weeks, they will be exempt form UK tax. They should all seek certiifcate of continiung liabilities from Westeros.

Robert will also fall under a specifc NIC exemption for non resident directors of UK comapnies who spend less than 2 week sin teh UK for boarding meetings.

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

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

Answer-to-Question- 3

All UK resident employees over the ages of 22, under the state pension age (75) and over £10K salary per annum must be automatically enrolled into a registered pension with at least 8% contributions, of which the employer must contribute a minimum of 3% of their qualifying income.

The employees can opt out, but they must be re-assessed and opted back in every 3 years. they can then opt out again.

They must confirm to the pension regulator that they have complied with auto enrolment or face up to £50,000 penalty.

Maria

As she is on a 3 year secondment Maria will become UK resident. In the absence of another scheme, at this point Enio SA would be obligated to enrol her into a registered scheme (it does not matter that Enio SA is not a UK resident company). however Maria is already a member of a qualifying scheme she may not need to be opted in.

Maria will be eligible for Migrant Member Relief.

This will allow her and the employer tax relief when contributing to the Spanish scheme. Subject to the normal limits of £3,600 and 100% of relevant earnings.

It is eligible for Migrant Member relief as Maria has relevant UK earning chargeable to income tax, will be resident in the UK when the contributions are paid, provided she notifies the scheme manager of the intention to claim relief.

Additionally, as she was a member of the Spanish pension scheme when she became resident, she has been contributing to the Spanish pension before she arrived in the UK and will continue to do so, she will have received relief from that pension in the last 10 years.

The scheme itself will be an eligible Qualify Overseas Pension (QOSP) as it is regulated in Spain and registered for tax purposes with the Spanish tax authorities.

They must inform both HMRC and the overseas scheme manager.

Sergio

Bangor must re-assess its employees every 3 years, so despite declining to join the pension scheme 3 years ago, Sergio must be re-enrolled, be told he is re-enrolled, and given the option to opt out. As Sergio is above the minimum pension age he does not have to be opted in but must be allowed to opt in if he chooses.

Baz

Similar to Maria, Baz may be eligible for MMR on the ESAPs scheme. It is unclear if,

like maria, Baz has been contributing to this previously, if not he will not be eligible for MMR on any contribution to his overseas pension.

However, Baz is a high earner and has met the upper earnings limit for which pension relief can be obtained. His threshold income exceeds £200,000, looking next at his adjusted income, he will receive salary of £260,000 and employer pension contributions of 10% which is £26,000, totaling £286,000.

After £260,000 the £60,000 annual allowance for relief will be tapered £1 for every £2 over, subject to a £10,000 minimum.

For Baz, this will be $\frac{£(286,000 - 260,000)}{2} = £13,000$

HE will suffer tax at the marginal rate 45% on this amount (£5,850)

The BTUP is not a registered pension, so it is an EFRBS. Where a third party is involved disguised remuneration should be considered.

Employee contributions to an EFRBS will not receive tax relief, but employee contributions will.

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

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

Answer-to-Question- 4

Dazzel would need to report all schemes to HMRC by the 6th of July following the yfirst year of activitty, and every year after until teh scheme closes to report actvity that has taken place in teh year. Fore example any grants, excersise, cacneltions for consideration. Even if there is no activity tehyt must submit a NIL return for each schem by the 6th of July or face a £100 fine per late return.

The CSOP scheme is more tightly regulated than teh unapproved scheme due to its tax adavatged nature, Dazzel will need to confirm to HMRC that is it eligibale for a CSOP schem - i,e teh shares are granted in teh top company.

SAYE scheme would be run buy a bank or building society who would usualy run the scheme for free due to teh assoiated savings.

Mrs Malde - Option 1 - CSOP

CSOP shares cannot be granted at a discount so tehjy ahve been issued at £3 per share. There is no tax on grant of options.

As CSOPs are a taxed adavnataged scheme (ssuming the CSOP scheme is still valid) there there iwll be no tax on excersie of teh 10,000 CSOP options as long as they are excersized between 3 and 10 years, whcih is the case here. Dazzle will need to report the

exercize event on their CSOP retrun by the 6th of July 2025.

HMRC will request details such as date of excersise, number of shares excersised, market value at time of grant and excersize.

In teh future Mrs MAldede will suffer capital gain tax on any further gain made, but this is at a lower rate (10/20%) so preferbale to most employees.

Mrs Malde - Option 2 - Unapproved

There is no tax on grant of options.

While the purchase price has been fixed at £3 for what was (in 2025) £6 of share, Mrs Malde will suffer tax on the gain between the market value at teh time of excercise and the purchase paid (i.,e £3 per share).

Further, as Dazzel PLC is listed the shares are readily conertable assets. what this means is a notional payment represnting teh diffirnet between market value at teh dtae of exersiea and the pirce paid will go through the payroll ($£3 \times 10,000 = £30,000$) withing 14 days of excersise. Mrs Malde will be taxed income tax and employees NI (2%), Dazzel will also have to pay employers NI (13.8%).

Again, the grant and excersise will have to be reported by teh 6th of July following teh activity, or a nil return submitted to ocnfirm no activity.

Mr Richards - Saye

There is never tax on grant of an option

The option have been issued at a maxium disocunt (20%).

Under a SAYE scheme the meployee can save between £5-£500 and this will be used, with teh 3.2 month bonus to purchase the shares.

There will be no income tax or NI implication as long as the options are exersixed with 6month so the end of the scheme, which is teh case here.

Employee can only use teh fund contributed to the schem to buy shares, plus the top up from the scheme providers. Mr Richards will have saved £12,000, and been given a 3.2 month bonus of £640 tax free, so will be able to purchase $£12,640/2.40 = 5,266$ shares, there will be no tax on excersize.

Again, the grant and excersise will have to be reported by teh 6th of July following teh activity, or a nil return submitted to ocnfirm no activity.

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

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

Answer-to-Question- 5

Phillippa Mustard (PM) is eligible for relocation expense as she is moving main residence for her job. Up to £8,000 of eligible cost associated with the relocation may be exempt from tax. The cost must be incurred by the 5th of April after the tax year of the move (i.e. April 2027 for PM).

Relocation allowance £8,000

Without supporting documentation that this was used for eligible expenses it is a blanket cash sum of £8,000 as will be taxable as normal earnings. It is best instead to reimburse the costs up to £8,000 so they can be verified as genuine qualifying relocation costs.

Temporary accommodation £5,000

This is an allowable expense under the relocation exemption.

Professional fees £1,700 and movers £2,000

Allowable expenses covered by the relocation exemption.

Curtains £300

Decoration of the new property is not an allowable cost under the relocation exemption.

School fees £2,400

Not a valid relocation expense.

Of the above expenses, the temporary accommodation £5,000, professional fees £1,700 and movers £2,000, totaling £8,700 are potentially allowable, the excess of £700 will need to be added to the P11d on the 6th of July following the tax year, where it will be charged 13.8% Class 1 A and PM will likely suffer the income tax through a tax code change.

The costs that are not eligible for relief under relocation exemption

Curtains £300 and school fees £2,400 will be charged depending on how the cost was incurred. As they have been organised and paid by the employee and then reimbursed by the employer they will be treated like earnings in the period reimbursed, subject to PAYE and Class 1 NICs through the payroll. If Top Hat wishes for PM to receive this net they must gross up to $(£2,700 / (1 - 0.45 - 0.02)) = £5,094$, and Top Hat will pay employers NI on this of 13.8% = £703.

In addition the relocation cash £8,000 will incur 45% tax and employee NI of 2%, if Top Hat wishes for PM to receive this net they must gross up to $(£8,000 / (1 - 0.45 - 0.02)) = £15,094$, and Top Hat will pay employers NI on this of 13.8% = £2,083.

As Leeds is a temporary work place, lasting less than 24 months, PM could be reimbursed her travel and subsistence costs for her journeys to Leeds tax free.

£30 is more than the HMRC rate for subsistence, however with a supporting receipt this would be exempt if the costs were incurred.

As there is unrestricted use of the car, and no contributions towards private use, a rate of 2% will be applied to the list price of the car, pro-rata for the time available. $£90,000 \times 2\% = £1,800$ per annum. Pro-rata for the time available between 1 Jan - 5th April is 95 days / 365 = £468. This will be added to the P11d due by the 6th of July following the tax year, Top hat will pay Class 1 A of 13.8% (£65). The benefit code cost, not the cost to the employer, must be used.

As the car is fully electric there will be no fuel benefit. As the electric charging point is available to all employees there is no taxable benefit to use this.

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

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

Answer-to-Question- _6_

As Sophie is working for UK company they will

Appendix 6 would simplifu the payroll rpeoriting a Weel being would estimate the tax due on a monthly basis an then "true up" the tax due at thhe year end. Further teh P11d would ahve a delayed deadline.

					PROR ATED
Salary	500,000				
COLA	60,000				
Travel	5,000				
GROSS	565,000				
Hypo tax	(150,000)				
NET	415,000				
	GROSS	NET	TAX		
37,700	37,700	30,160	7,540		
37,701-125,140	87,439	52,464	34,976		
125,140 - 565,000	439,860	241,923	197,937		
^incorrectly used annual salary, shoudl be prorated for 9 months					
		324,547			
incorrectly used annual desire net,	DESIRED NET	415,000			

should be prorated for 9 months >						
	ADDITIONAL NET NEEDED	90,453				
	Gross up/0.55	164,460				

Well being would pay £729,490 (and additional £164,460) to achieve the same net income of £415,000 for Sophie.

This is the cost per annum, Sophie will only be in the UK 9 months her first tax year. Her prorated gross salary would be £423,750 and the desired net 311,250.

The initial flight to and final flight from the UK would be exempt benefits, as would the VISA application costs as a non-domiciled individual coming to the UK to wholly work in the UK.

The company car, private medical insurance and living accommodation would all be taxable benefits, reportable on the P11d by the 6th of July following the tax year they were incurred.

$$((15,000 + 7,000) \times 9/12) + (5,000 \times 9) = 61,500$$

Class 1A at 13.8% = £8,487

Income tax at 45% = 27,675

