CIOT Knowledge Pilot Paper 2026
Income Tax and National Insurance Contributions Module
Questions

1.

Elle is employed by Hawlk Ltd. For 2025/26, she was paid a salary of £35,000, from which Hawlk Ltd deducted £4,486 under PAYE.

On 6 April 2025, Hawlk Ltd provided Elle with living accommodation which was valued at £215,000 when she moved into the property. Hawlk Ltd had purchased the property in 2015 for £180,000 and had carried out improvements in 2024 costing £20,000. The annual value of the property is £8,000. Ahead of Elle moving into the property, the property was furnished by Hawlk Ltd in March 2025 at a cost of £5,000. The accommodation is not job related.

Throughout 2025/26, Hawlk Ltd provided Elle with the use of a petrol car with CO_2 emissions of 54g/km, which had cost £15,000. The list price of the car when new was £16,000 and £875 worth of accessories were provided with the car. The company also pays for all fuel costs for 2025/26. The cost of private fuel amounted to £1,800, which Elle reimbursed in full before the end of the tax year. As part of her agreement with the company, Elle also contributes £100 per month towards the private use of the car.

On 6 October 2025, Hawlk Ltd provided Elle with an interest free loan of £20,000, which remains outstanding at the year end

On 31 December 2025, Elle paid £500 for a professional subscription to an HMRC approved body, which was not reimbursed by the company.

For 2025/26, Elle also received dividends from UK companies of £2,000 and made a gift aid donation of £5,000.

Elle's husband Finn's only income was a salary of £10,000. He has made a marriage allowance election.

Calculate Elle's Income Tax payable for 2025/26.

(10 marks)

2.

Callum is a sole trader. His taxable trading profits for recent years were:

	£
Year ended 30 June 2025	75,000
Year ended 30 June 2026	95,000

Callum had total transition profits arising in 2023/24 of £50,000. No elections have been made in respect of these.

On 1 January 2026, Callum also became a partner in another business with Jen and Savid. Jen and Savid have been in partnership since 2020. Prior to Callum joining, they were sharing profits equally after Jen took an annual salary of £10,000. Since 1 January 2026, Jen has continued to take an annual salary of £10,000 and the profits have been split 45% to Jen, 40% to Savid and 15% to Callum. Taxable trading profits for the partnership for the year ended 31 March 2026 were £330,000.

In order to buy into the partnership, Callum took out a loan of £15,000, with an annual interest rate of 4%,

For 2025/26, Callum also received bank interest of £4,000, interest from National Savings Certificates of £300 and premium bond prizes of £700.

Calculate Callum's Income Tax liability and Class 4 National Insurance Contributions payable for 2025/26.

(10 marks)

3.

Phoebe owns two residential properties which she lets out to tenants. She has elected to use the accruals basis.

Property 1 was unoccupied for part of 2025/26, and required a substantial amount of redecoration and maintenance, such that a property business loss has arisen.

Property business profits on property 2 are after incurring the following expenses:

	£
A car with CO_2 emissions of 90g/km.	20,000
Fuel and car insurance	5,000
Purchase of sofa bed to replace old sofa	1,200
Interest	8,000

Phoebe drove 20,000 miles in the car which she purchased, of which 12,000 were for business purposes.

The old sofa was sold for £75. The cost of a replacement sofa of a similar standard would have been £800, but Phoebe upgraded it to a sofa bed.

The interest relates to a loan to buy the property, however Phoebe used 10% of the loan to pay for a holiday.

Explain:

1) **How each of the expenses for property 2 will be treated.**
2) **How any property business loss can be relieved and any impact this has on relief for the loan interest.**

(10 marks)

4.

Deborah started self-employment on 1 May 2024. She believed she would make a loss due to her expenses and thought she only needed to notify HMRC once she made a profit.

On 30 May 2026, Deborah realised her error and that she needed to declare taxable trading profits for 2024/25. She registered for self-assessment immediately and then completed a tax return on 30 June 2026 and paid the Income Tax due on the same day.

Explain any penalties and interest which Deborah is likely to be charged.

(5 marks)

5.

Max has changed his accounting date and prepared accounts for his sole trader business on the accruals basis for the six months to 31 March 2026. He incurred the following expenditure during the period:

	£
Office furniture purchased from his sister on the closure of her business	1,000
New computer equipment	60,000
Second-hand machinery	90,000
New air conditioning system	40,000
A new fully electric car which is used 50% for business purposes	30,000

In November 2025, Max sold a van for £2,000, which had originally cost £1,800.

The balance on the main pool at 1 October 2025 was £14,800 and the special rate pool was £10,000.

Max also has another related unincorporated business in which he used 75% of the annual investment allowance.

Calculate the maximum capital allowances that Max may claim for the period ended 31 March 2026.

(5 marks)

6.

On 1 June 2025, Joyce subscribed for £850,000 of shares in a qualifying company under the Enterprise Investment Scheme.

Joyce's Income Tax liability for 2025/26 was £211,200, which had been deducted under PAYE.

Joyce had subscribed for £900,000 of shares in a knowledge intensive company in 2024/25. As a result, her Income Tax liability for 2024/25 was reduced to £51,000.

Explain how Income Tax relief is given for the subscription on 1 June 2025.

(5 marks)

7.

Rohan arrived in the UK in August 2025 and became UK resident at that point. He had never been UK resident before.

In 2025/26, Rohan has the following income:

	£
UK employment income	70,000
Gross foreign property income	9,000
Foreign bank interest	500

The foreign property income was received net of 10% overseas tax.

The foreign bank interest did not have any overseas tax deducted.

Calculate whether it would be beneficial for Rohan to make a claim for all of his foreign income under the foreign income and gains (FIG) regime.

(5 marks)

8.

Delt Ltd has two employees: Darren and Delma.

Darren is a director of the company earning a salary of £60,000 per annum. He is provided with a medical insurance benefit of £1,400 and a car parking space close to the company premises which costs £1,000 per annum.

Delma is a part-time employee earning £90 per week.

Calculate with explanations the National Insurance Contributions payable.

(4 marks)

9.

Priya's gross salary for 2025/26 was £68,000. She also received bank interest of £500 and dividends of £800 from a stocks and shares ISA.

Priya paid personal pension contributions of £100 per month.

Priya received Child Benefit of £2,252. Her husband's only source of income was a salary of £40,000.

Calculate Priya's High Income Child Benefit Charge for 2025/26.

(3 marks)

10.

Ilya has earnings from self-employment of £150,000. He joined a pension scheme for the first time on 6 April 2022 and made the following gross pension contributions:

	£
2022/23	25,000
2023/24	48,000
2024/25	78,000
2025/26	85,000

Ilya was not a member of a registered pension scheme prior to 2022/23 and therefore has no unused annual allowance carried forward at 6 April 2022.

The pension annual allowance in 2022/23 was £40,000.

Explain whether Ilya will have an annual allowance charge for 2025/26, and how any charge will be calculated.

(3 marks)