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

Event **NA**

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Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**625**	**2864**	**3478**
Section 2	**590**	**2745**	**3326**
Section 3	**406**	**1947**	**2344**
Section 4	**405**	**1978**	**2367**
Section 5	**472**	**2154**	**2621**
Section 6	**317**	**1592**	**1861**
Total	**2815**	**13280**	**15997**

Answer-to-Question-_1_

UK tax residents are usually subject to UK tax on their worldwide income and gains.

Jeff was not UK resident for 10 consecutive years prior to his first year of UK residence (including split year). Jeff is therefore a qualifying new resident and can claim relief under the FIG regime for any of the first four years of UK tax residence.
A claim must be made for each year via the UK self-assessment tax return and Jeff can choose what foreign sources of income and/or gains are to be exempt from UK tax via the FIG regime.
A claim will result in Jeff losing any entitlement to UK PA or AEA for CGT purposes but based on his level of income, his PA would be tapered to nil regardless.

However, Jeff has already been UK reisdent for the 2023/24 and 2024/25 tax years claiming remittance basis, and since the FIG regime came into effect, Jeff can only make a claim for the 2025/26 and/or 2026/27 tax years.

Pink Ltd can apply for a s690 and once acknowledged by HMRC, can operate income tax through PAYE only on a porportion of Jeff's earnings based on his UK workdays over his total workdays. A new s690 agreement must be applied for each tax year. In Jeff's case, should request to operate PAYE only on 60% of UK workdays. A reconcilation will be required through Jeff's self-assessment return following the end of the tax year, due by 31 January after the tax year.

On 1 October 2025, an extension to the assignment to 31 December 2027 - 3 year assignment. Visa extension costs, business expense for employee which was incurred wholly and necessarily for the employee, can be claimed against Corporation tax purposes.

Bonus of £700,000 was made to Jeff for the period 1 January 2024 - 31 December 2026, during which Jeff is UK tax resident, working 2 days overseas and 3 days in UK, therefore subject to UK tax through PAYE on 700,000*3/5 = 420,000

A claim under the FIG regime for foreign employment income can be used to exempt any employment income relating to non-UK workdays up to a maximum of the lower of £300,000 and 30% of the qualifying employment income. As Jeff works 2 days overseas and 3 days in the UK,
(500,000+350,000)*2/5 = 340,000 per year
Which is more than £255,000 (30% of 850,000), therefore, the relief is limited to the 255,000 per year through the FIG regime.

Under article 4 of the UK-US reciprocal agreement, paragraph 2, where the expected assignment is expected to last no more than 5 years, social security should only be due in the US. Jeff should obtain a certificate of continuing liability from the US authorities and give to HMRC to show that only US social security is due and not UK NIC. Therefore shouldn't be withholding UK Class 1 NIC through the payroll. This will need to be applied for retrospectively.

The extention of the assignment results in Jeff not being able to claim FIG regime for the 2027/28 and therefore will become subject to UK tax on worldwide income and gains. Any claims under TWR will no longer apply from 1 October 2025 because from this date, the intention changed for Jeff's assignment to last more than 2 years and the Pink Ltd office will become Jeff's permanent workplace, commute to and from the office will be subject to tax and any accommodation costs which are paid for or reimbursed will need to be included on Jeff's P11D for tax purposes for the 2025/26 year due on 6 July 2026 and any subsequent years. No P11D(b) because Jeff continues to not be subject to UK NIC

because the assignment does not exceed 5 years.

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

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

Answer-to-Question-_2_

There is an arrangement between Alinta and Jedda Ltd which provides Alinta with a reward through a third party (EBT) and a relevant step is taken to set aside the shares to transfer to Alinta. However, disguised remunerations do not apply on the basis that these are part of a non-tax advantaged share option arrangement which is exempt from Part 7A charge.

Non-tax advantaged share option scheme, 6 April 2020, options granted to Alinta which have a sale forfeiture restriction. Forfeiture restriction lasts indefinitely therefore more than 5 years.
There is never any tax or NIC consequences for the grant of options.

The options are exercisable at below market value therefore there is a benefit.

As there is an arrangement in place for Alinta to sell her shares to Jedda Inc, the securities are RCA. RCA means that income tax and Class 1 NIC are withheld through PAYE on the chargeable amount. If not RCA, would not have NIC and will be subject to inocme tax through self-assessment.

On exercise of the options with a forfeiture restriction of more than 5 years, there will be a charge on the restricted market value less the amount paid for the shares.
45,000 - 0 = 45,000 subject to income tax and NIC at her marginal rate of tax. However, this will need to be restricted to her UK workdays over her total workdays across the

vesting period for income tax purposes, and will be restricted for NIC purposes based on the porportion of the vesting period which she is liable to UK NIC.

A s.431 election will mean that the unrestricted market value is taxed at the date of exercise instead of the restricted market value. This must be made jointly by both parties and is an irrevocable election. Although Alinta and Jedda Ltd made a s.431 election, this is not valid because it is made more than 14 days after the shares were aquired.

Income tax, vesting period is 2 years between 6 April 2020 - 5 April 2022, Alinta is fully taxable for 2020/21 but only subject to UK tax on the 23/230 days in 2021/22. Therefore amount subject to income tax = 45,000 * 253/460 = 24,750

For NIC, need to consider the UK/EU SSP, Article 11, Alinta will not be subject to UK legisalation because she is sent to replace another detached worker. Article 12, Alinta is performing a substatial amount of work in Germany. Subject to German social secuirty and therefore not in the UK. Therefore, Alinta is only subject to NIC on 45,000*230/460 = 22,500.

On disposal of the shares on 17 June 2022, there will be another charge based on the proportion of the unrestricted market value which has never been subject to income tax nor paid for (i.e., 5,000/50,000 = 10%). This will be on the unrestricted market value of £80,000 @ 10% = 8,000 subject to income tax and NIC at her marginal rate of tax.

A CGT will arise based on the £100,000 less base cost. Base cost being the amount which Alinta has paid for or has been subject to income tax (53,000). CGT payable through self-assessment.

Jedda Ltd would have needed to register the scheme under ERS regime before 6 July

2021 and made an annual return reporting the option grant. Annual returns will need to be submitted on or before 6 July following each tax year to report on reportable events such as exercise, lifting of restriction and disposal, even if nil returns where there are no reportable events.

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

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

Answer-to-Question-_3_

Category A employees are seconded for 12 months from UK to Italy working full time in Italy but continues to be UK tax resident. Employment income will also be withheld in Italy, request NT tax code from HMRC to avoid double withholding on employee's employment income and thereby creating cashflow issues for the employee. Otherwise Appendix 5, net of foreign tax credit scheme, employment income paid through UK payroll, net of estimated Italian withholding taxes. Self-assessment returns will be required at the end of the tax year.

Category B employees, taxable both in the UK and Italy, Appendix 6, modified payroll. Estimates the PAYE for the year based on employment income on a grossed up basis, including any benefits, and pays the estimated tax to HMRC across the year, reconciled at the end of the tax year through self-assessment which the employer is required to help with. P11D and P11D(b) required by 31 January following the end of the tax year. Appendix 7a in tandem with appendix 6 but for social security/UK NIC.

cost of accommodation - category A, assignment no more than 24 months, TWR available, no income tax or NIC to consider in the UK.
Category B, cannot utilise TWR, subject to income tax and Class 1A NIC reported on P11D and P11D(b).

Flight costs - both categories can be reimbursed by the employee tax and NIC free in the UK for the journeys at the start and end of the secondment. Reimbursements for return

trips during secondment will be subject to income tax and NIC as additional earnings for the employees.

Subsistence costs - In line with acccommodation costs. Category A, assignment no more than 24 months, TWR available, no income tax or NIC to consider in the UK so long as within the HMRC benchmark flat rates, as £40 is above this amount, Stoppa Ltd should try to agree with HMRC for a bespoke rate £40, so that reimbursements can be made without additional reporting obligations and are not subject to tax and NIC as additonal earings for the employees.
Category B, cannot utilise TWR, subject to income tax and Class 1A NIC reported on P11D and P11D(b).

Visa costs for category B - can utilise relocation exemption up to £8,000 for qualifying relocation costs. Amounts below £8,000 can be reimbursed tax and NIC free. Amounts above £8,000 are subject to income tax and Class 1A NIC reported reported on P11D.

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

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

Answer-to-Question-_4_

Leaver for Buzz Ireland Ltd - New starter checklist to be completed for Jo on joining Buzz UK Ltd.

For 2024/25 year, automatic overseas resident under second automatic overseas test, non-UK resident in any of the previous three tax years and no more tahn 46 days in the UK in the 2024/25 year.

2025/26 year, 10 consecutive years of non-UK residence, FIG regime can be applied for the first 4 years of UK tax residence. A claim must be made for each year via the UK self-assessment tax return and Jo can choose what foreign sources of income and/or gains are to be exempt from UK tax via the FIG regime.
A claim will result in Jo losing any entitlement to UK PA or AEA for CGT purposes.

Reimbursement of relocation costs for Jo and spouse up to £8,000 for qualifying relocation costs can be made tax and NIC free. Any additional relocation costs are subject to income tax and Class 1A NIC reported on P11D and P11D(b).

Reimbursements for return flights of £3,000, home exhibition event for £300, meal and taxi costs while house hunt for £600, all qualifying relocation costs.

Legal and estate agent fees for selling house in Ireland, qualifying relocation costs.

Shipping costs for moving furniture, qualifying relocation costs.

Rent for accommodation prior to being able to move into home on 18 April 2025, qualifying relocation costs.

Rewiring of kitchen, non-qualifying relocation costs.

Painting gift - non-qualifying relocation costs.

Therefore, 3,000+300+600+6,000+500+2,500 = 12,900 are qualifying relocation costs. Restricted to first £8,000 as tax and NIC free.

£4,900 subject to tax and Class 1A NIC reported on P11D and P11D(b).

Rewiring of kitchen will be subject to income tax and Class 1 NIC as additional earnings for Jo.

Gift of painting, purchased by company more than six years ago, use current market value. £2,200 as additional earnings for Jo as transfer of asset. Subject to income tax and Class 1A NIC reported on P11D and P11D(b).

Staff bonuses for year ended 31 December 2024. Needs to be apportioned for UK workdays over total workdays. 25,000*21/261 = 2,011 subject to income tax.

Article 11 of UK EU SSP, Jo was employed by Buzz Ireland at the time, seconded to the UK for no more than 24 months and did not replace another detached worker. Therefore no NIC on bonus because social security only payable in one of the jurisdictions, which will be Ireland.

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

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

Answer-to-Question-_5_

Hugo using the brokerage services at 25% of the amount payable by normal clients. Taxable benefit in kind, value of which will be the additional costs to provide these services to Hugo - negligible. Following case law, company providing the same services to the public to an employee, the benefit amount is the running costs including providing to the employee, less the running costs normally not including the employee. Otherwise, if the additional costs are substantial, 75% which is not paid for by Hugo will be subject to income tax and Class 1A NIC reported on P11D and P11D(b) due on 6 July following end of each tax year the services are provided.

Shares in Arno Ltd to Hugo - the award of shares are compensation for financial loss and not due to employment, therefore not employment related securities. Cannot claim against corporation tax purposes because not ERS. If ERS, a non-tax advantaged scheme will need to be registered if not already done so, and an annual return will need to be submitted due by 6 July 2026. As Arno is not a listed company and there are no arrangements for the shares to be sold, the shares are not RCA, and therefore not subject to income tax or NIC through the payroll, Hugo would need to report on self-assessment for income tax purposes, no NIC will be due.

Gift of wines to Hugo with market value of £50,000, subject to income tax at Hugo's marginal rate of tax and Class 1A NIC, but Arno Ltd will pay tax on Hugo's behalf. Will need to gross up, class 1 NIC due on the gross up value. Cannot claim against Corporation tax due to the payments not being wholly and necessary for the employee.

Reportable through FPS due on 31 July 2025, paying withheld tax to HMRC by 22 August 2025 (19 August if not paying elctronically).

Sale proceed for Sofia, subject to CGT, reported on her self-assessment return and possible to claim BADR on disposal (held at least 5% shareholding and working for the trading company for at least the past 2 years), not reporting for Arno Ltd.

Sale proceeds to Robert, will be a result of his past employment. While Sofia is non-UK resident and not subject to tax in the UK, pay to Robert should be subject to income tax and Class 1 NIC through PAYE, payment made to Robert on 20 December 2025, reportable on FPS on or before 20 December 2025 and the withheld tax and NIC paid to HMRC by the 22 January 2026 (19 January 2026 if not paying electronically). Additionally, as a director of the company, if Sofia has UK workdays, payments made to Sofia should always be subject to income tax and NIC through PAYE as all UK workdays by a director as substantial.

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

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

Answer-to-Question-_6_

Summer party = 12,500+10,100 = 22,600*1.2 = 27,120
27,120/175 = 155 per head.
Summer party, staff entertaining costs, although annual and open to all employees, cost per head exceeds £150, therefore fully taxable.

50th Anniversary 8,750*1.2 = 10,500
Not an annual event, fully taxable.

Festive hamper, not trivial benefit because more than £50 - cost to employer = £75 per hamper*100 = £7,500 fully taxable

Private medical insurance, not irregular, cannot be included in PSA, subject to tax and Class 1A NIC reported on P11D and P11D(b) due 6 July following end of tax year. Otherwise through the payroll on a monthly basis if entered into voluntary payrolling of benefits for PMI.

Tax return prep fee, not minor and can be easily attributable to the three senior managers, subject to tax and Class 1A NIC reported on P11D and P11D(b) due 6 July following end of tax year. Otherwise through the payroll on a monthly basis if entered into voluntary payrolling of benefits for tax prep fee.

Easter eggs - not cash or cash voucher, costing no more than £50, not contractual and not

for work performance - trivial benefit - exempt

High street voucher - for work performance, not cash vouchers, included in PSA for associates only. £750

Custom jewellery, 30 years of service, long service award - Assume more than 20 years of continuous service, no previous long service award issued in the previous 10 years. Costs no more than £50 per year of service. Tax free benefit.

Benefit	Intermediate rate	Gross up*21/79	Advance rate	Gross up*45/55	Top rate	Gross up*48/52
27,120	8,136	2,163	12,204	9,985	6,780	6,258
10,500	3,500	930	4,200	3,436	2,800	2,585
7,500	2,250	598	3,375	2,761	1,875	1,731
750	750	199				
45,870		3,890		16,182		10,574

Class 1B NIC = 15%*(45,870+3,890+16,182+10,574) = 76,516*15% = 11,477

Total payable to HMRC = 3,890+16,182+10,574+11,477 = £42,213 by 22 October 2026 (19 if not paying electronically).