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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

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Notice: **Exam was restarted!**

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**1506**	**6890**	**8343**
Section 2	**1701**	**7495**	**9142**
Section 3	**1270**	**6360**	**7581**
Section 4	**602**	**2807**	**3379**
Section 5	**890**	**4215**	**5063**
Section 6	**708**	**3408**	**4072**
Total	**6677**	**31175**	**37580**

Answer-to-Question-_1_

The taxation of an individual's earnings is dependent upon their residence status which is determined by the statutory residence test (SRT). UK resident individuals are subject to tax on their worldwide income and gains under the domestic rules, whilst non-UK residents are subject to tax on their UK income and gains only.

The double tax agreement (DTA) must also be considered.

Preeti has not been UK resident previously. She spends less than 46 days in the UK in the tax year therefore she will meet the automatic overseas test under the UK SRT. This means she is non-UK resident and therefore is only liable to tax on earnings attributable to the performance of her UK duties.

Tax

As Preeti is a non-resident director of the UK company, article 17 of the DTA is relevant as this relates to directors' fees. This article states that payments made to company directors, where the company (resident in the UK) is not resident in the same country as the individual (India), may be taxed in the UK.

This means that the company is required to operate PAYE on all of the payments made to Preeti.

However, this does not change the fact that Preeti is non-UK resident and is therefore only liable to tax on earnings attributable to her UK duties.

She spends a total of 16 days per year working for the company.

In respect of each board meeting she spends 2 days preparing in India, which count as overseas workdays. She then spends a day travelling to the UK and she works whilst she is on the flight to the UK. On the basis that she works whilst travelling and doesn't apply in the UK until late in the day, this will count as an overseas workday. The fourth day, on which she actually attends the UK board meeting, will be a UK workday on the basis that she does at least 3 hours' work in the UK.

Therefore she will have a total of 4 UK workdays during the year, out of a total of 16 workdays in respect of her role as a non-executive director.

All duties performed by a director are treated as substantial meaning that no duties performed in the UK can be ignored for the purpose of determining the number of UK workdays on the basis that the duties are incidental.

This means that 25% of her earnings are attributable to her UK duties.

The annual fee of £80,000 will be apportioned such that £20,000 relates to her UK duties.

The company has a UK presence and is therefore required to operate PAYE, which it is already registered for. Preeti is not eligible to be paid under the appendix 4 arrangement on the basis that she is a UK director, there is no DTA exemption in relation to her remuneration and as the UK company would be considered the economic employer and bears the costs of her remuneration.

The company could seek HMRC's agreement to a s.690 direction, which would mean that PAYE only needs to be operated on her earnings which are attributable to her UK duties.

A formal application must be made to HMRC with details of the proportion of her UK and overseas duties.

Otherwise, Preeti will need to claim a refund of the UK tax deducted on her overseas earnings through the self-assessment return.

The payments to her will need to be reported to HMRC via the RTI system, included on the FPS on or before the date of payment.

PAYE must be paid to HMRC by the 19th of the month following the tax month of payment (or the 22nd if paid electronically).

Shares

Shares awarded by reason of an individual's employment are treated as employment related securities (ERS).

Preeti is a non-executive director meaning she does not have a contract of employment.

However the award of shares is made as a result of her position as a board member therefore the shares will be treated as ERS.

The shares are not restricted. The ability to sell the shares per the company's Articles is relevant to the whole class of shares, therefore this is not treated as a restriction. Therefore a restricted securities charge does not arise on acquisition.

She has not however paid the full price of the shares on acquisition, meaning there is deferred consideration.

Therefore a notional loan is treated as being made by the company based on the market value of the shares at acquisition as she has not yet paid any consideration.

15,000 x £1 = £15,000

The shares are readily convertible assets (RCAs) on the basis that a deduction was not available for corporation tax. Securities are RCAs if no CT deduction is available, if the shares are listed on a recognised stock exchange or if there are trading arrangements in place.

This means that the company needs to operate PAYE on any chargeable events. Class 1 NICs would ordinarily also be due however Preeti is not liable to UK NICs meaning no NICs will be due.

She owns less than 5% of the company meaning she will not be a participator in the close company therefore a s.455 charge will not arise in respect of the loan.

The loan will be treated as discharged when she pays the consideration for the shares.

As the balance of the outstanding loan is greater than £10,000, a beneficial loan benefit in kind will arise if Preeti does not pay interest at least equal to HMRC's official rate of interest. This must be reported on the P11D which is provided to the employee and HMRC by 6 July following the end of the relevant tax year.

On the basis that she has agreed to pay at least the market value of the shares, the shares have not been awarded at a discount.

The award of shares must be reported to HMRC by 6 July following the tax year of acquisition on an ERS return. A share scheme must be registered with HMRC if this has not already been done. Annual returns will be required to report any reportable events, and nil returns if no events have occurred.

Phantom shares

Also the cash award is linked to the market value of shares in the company, Preeti is not entitled to any right of ownership in respect of the underlying shares.

Therefore the cash award is treated as general earnings and is taxed under s.62.

Similar to her annual fee, the cash award may be apportioned such that she is only liable to tax on the proportion of the award attributable to the performance of her UK duties.

Again, PAYE must be operated on the whole award unless a s.690 direction is agreed by HMRC.

The award must be reported on the FPS for payroll reporting for tax purposes.

Travel

Cash reimbursements are generally subject to PAYE unless an exemption applies.

The reimbursement of travel to a temporary workplace is exempt. A temporary workplace can includes places where the employee spends less than 40% of their working time, or where they expect to attend the workplace for no more than 24 months. Preeti appears to

qualify for the associated exemption on the basis that she spends less than 40% of her working time in the UK. Therefore the flight and hotel reimbursements would be exempt.

The exemption under s.373 ITEPA 2003 may also apply provided that the journeys to the UK are within 5 years of her qualifying arrival date, which is the date an individual arrives in the UK following two tax years of non-UK residence or two years of not being present in the UK.

The exempt travel and accommodation reimbursements do not need to be reported to HMRC.

Social Security

Preeti is not from an EU country and there is no reciprocal agreement in place between India and the UK. Therefore the domestic rules apply for determining her liability to UK NICs as India is a 'rest of the world' country.

The general rule is that social security contributions are payable in the UK if you are gainfully employed in the UK.

However, there is an exemption for non-resident directors of UK companys who only attend the UK for the purpose of attending board meetings if they attend no more than:

- a maximum of 10 board meetings in the year, staying in the UK for no more than 2 nights each; or
- a single board meeting for which they stay in the UK for no more than 2 weeks.

Preeti will attend 4 UK board meetings and she will only stay in the UK for one night for

each board meeting.

Therefore, the exemption will apply meaning she is not liable to UK NICs.

The secondary contributor's position follows that of the individual therefore Widget Ltd will not be liable for secondary NIC contributions in respect of the remuneration paid to Preeti.

Preeti should obtain a certificate of continuing liability from the Indian authorities to evidence that no UK NICs are payable.

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

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

Answer-to-Question-_2_

Under the UK's domestic rules, an individual's tax position is dependent upon their residence status which is determined by the statutory residence test (SRT). UK resident individuals are subject to tax on their worldwide income and gains under the domestic rules, whilst non-UK residents are subject to tax on their UK income and gains only.

The individuals will not become UK resident during the 2025/26 year and they are treated as Westeros under the respective domestic rules. This means they are only liable to tax on earnings attributable to the performance of their UK duties.

A UK workday consists of a day on which an individual does more than 3 hours' work in the UK, unless the work performed in the UK is incidental to the duties performed overseas. Therefore, earnings related to substantial duties performed in the UK are taxable. Incidental duties can be ignored for the purpose of ascertaining the number of UK workdays. Duties performed by a director are always substantial.

Incidental duties are not defined by statute, however case law and HMRC guidance indicates that incidental duties would typically include duties which are ancillary to the main purpose of an indivdual's employment, such as attending training.

On the basis that the individuals will work for the benefit of the UK company whilst they are in the UK, and given that Stark Ltd has a UK presence (which will be the case if it has

a place of business in the UK), the default position is that Stark Ltd will be requried to operate PAYE on payments made to the individuals, even though the individuals are only liable to tax on earnings attributable to their UK duties.

The DTA must also be considered.

It is possible for the UK company to apply for an appendix 4 agreement in respect of short term business visitors to the UK which allows a relaxation of the strict PAYE requirements.

The availability of this agreement is partially dependent upon the availability of the an employment income exemption under the DTA.

The appendix 4 arrangement is available if the following conditions are met:

- the individual expects to be in the UK for no more than 183 days
- the individual is employed by an overseas employer, or if they are employer by a UK employer the overseas entity remains their economic employer
- the employment income exemption under the DTA applies, or if the exemption does not apply, purely due to the UK entity bearing the costs of the individuals in the UK, the individual has no more than 60 UK workdays and remains on the overseas payroll
- the individual is not a director of a UK company
- the individual is not liable to UK NICs

Under the appendix 4 arrangement, PAYE does not need to be operated. Costs borne by the UK company can be excluded from the appendix 4 arrangement with PAYE.

As the individuals will not be UK resident, Jaime and Tywin's employment income will be exempt under article 15 of the DTA if the following conditions are met:
- they are present in the UK for no more than 183 days in any 12 month period beginning or ending in the 2025/26 tax year
- the remuneration is paid by, or on behalf of, an employer who is not resident in the UK
- the remuneration is not borne by a permanent establishment which the employer has in the UK

The individuals are employed by the overseas company however the DTA exemption will not apply because the costs are recharged to the UK company, meaning the UK company ultimately bears the costs.

They will however be present in the UK for no more than 183 days in a 12 month period in the tax year.

Jaime - 8 weeks in UK from 1/1/2026

Total of 56 days spent in UK.

Although the costs of Jaime working in the UK are recharged to the UK entity, he will still be eligible for the appendix 4 arrangement on the basis that the only reason the DTA exemption does not apply is due to the costs being recharged, and he spends less than 60 days in the UK and he remains on the overseas payroll. He is not a director of the company and will not spend more than 183 days in the UK in the tax year.

He is employed by the overseas company.

On the basis he is not from an EU country or a country which has a reciprocal social security agreement with the UK, he will remain liable to overseas social security contributions and will be exempt from UK NICs as he will spend less than 52 weeks in the UK if the following conditions are met:

- he is not ordinarily resident in the UK
- he normally works outside of the UK for a foreign employer
- he is sent to the UK to work for a specified period of time by the foreign employer
- he works for the foreign employer whilst in the UK

This means he will not be liable to UK NICs throughout his 8 weeks working in the UK.

Therefore if the UK company obtains HMRC's agreement to an appendix 4 arrangement, PAYE does not need to be operated on his earnings.

He will need to complete a self-assessment tax return to report his UK earnings on the basis that the DTA exemption does not apply. The self-assessment return must be submitted to HMRC by 31 January 2027 for the 2025/26 tax year.

As he will spend between 30 and 60 days in the UK, the employer is required to report to HMRC under the appendix 4 arrangement by 31 May, confirming that the time spent by Jaime in the UK is not part of a longer period of more than 60 days and that he remains on the overseas payroll.

Tywin - 4 months in UK from 1/11/2025 to cover maternity leave

Total of 120 days spent in UK if working in UK until the end of February.

Tywin will not be eligible for the DTA exemption due to his costs being borne by the UK company and he will not be eligible for the appendix 4 arrangement on the basis that he will spend more than 60 days in the UK.

Given that the DTA exemption does not apply, an alternative is to seek a s.690 direction such that PAYE only needs to be operated on his UK earnings. Otherwise, the UK company could seek an appendix 8 agreement with HMRC, which allows PAYE to be calculated on an annual basis with a single PAYE payment and FPS due to HMRC by 31 May following the end of the relevant tax year.

Under an appendix 8 agreement, any benefits-in-kind provided to employees are reported on the FPS meaning forms P11D and the P11D(b) return do not need to be completed.

If the UK company settles tax on behalf of the employee which relates to benefits-in-kind and this is not made good by the employee, an additional grossed-up charge to tax will arise.

On the basis that the individuals are non-UK resident and not EEA nationals, they will not be entitled to a personal allowance.

Unless Tywin has any other UK income and gains, he would not be required to complete a self-assessment tax return if an appendix 8 agreement is in place.

On the basis he is not from an EU country or a country which has a reciprocal social

security agreement with the UK, he will remain liable to overseas social security contributions and will be exempt from UK NICs as he will spend less than 52 weeks in the UK if the following conditions are met:

- he is not ordinarily resident in the UK
- he normally works outside of the UK for a foreign employer
- he is sent to the UK to work for a specified period of time by the foreign employer
- he works for the foreign employer whilst in the UK

As the above conditions appear to be met, he will not be liable to UK NICs nor will the UK company be liable for secondary NICs.

Robert - director of UK sub - in UK 5/12/2025 - 15/12/2025 for board meeting

Robert is a director of the UK company meaning he is not eligible for the appendix 4 arrangement, nor the appendix 8 arrangement.

Article 16 of the DTA, which is relevant to directors' fees, states that fees related to being a board member of a UK company can be taxed in the UK even where the individual is non-UK resident. Therefore there is no restriction on the operation of PAYE in respect of Robert's directors' fees regardless of whether he is present in the UK. This does not change the fact that he is only liable to tax on earnings attributable to his UK workdays.

A s.690 direction could be sought from HMRC such that PAYE only needs to be operated on earnings attributable to his UK duties. This means that he will only be subject to UK tax on earnings attributable to his attendance at the UK board meeting. The s.690 direction will have a cashflow advantage as this will avoid PAYE being deducted from all payments made to him, and then him having to claim a refund via the self-

assessment return after the end of the tax year.

As he is from a 'rest of the world' country, the UK's domestic rules will apply to determine his social security position. On the basis that he attends a single board meeting in the UK and is in the UK for less than two weeks, he will be exempt from UK NICs and should obtain a certificate of continuing liability from the overseas authorities.

The UK location will be a temporary workplace for Jaime and Tywin on the basis that they are each expected to attend the UK location for a period of less than 24 months. This means that travel, accommodation and subsistence expenses related to the performance of their duties in the UK are exempt and do not need to be reported to HMRC.

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

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

Answer-to-Question-_3_

UK employers are required to consider the auto-enrolment rules in respect of individuals who have a contract of employment and who provide personal services, unless the individuals do not normally work in the UK.

There are three types of workers for the purposes of auto-enrolment: eligible, ineligible and entitled.

Eligible workers must be automatically enrolled into a qualifying UK pension scheme from the beginning of their employment, or from the date they become an eligible worker. Eligible workers can choose to opt out of the scheme, however the employer has a cyclical re-enrolment duty such that all eligible workers who have opted out of the scheme must be automatically re-enrolled every three years, following which they can choose to opt out again. A minimum of 8% of an eligible worker's qualifying earnings must be contributed to the qualifying scheme, with at least 3% of this paid by the employer. Eligible workers are workers aged between 22 and 66 who earn above £10,000 annually.

The employer must make compliance declarations to the Pensions Regulator.

Ineligible workers do not have to be automatically enrolled into a qualifying scheme, however they can request to be enrolled. If a request is made, the worker must be enrolled

into a qualifying scheme and employer contributions must be made at a minimum of 3% of qualifying earnings. Ineligible workers are workers of any age who earn between £6,240 and £10,000, as well as workers aged between 16 - 22 and 66 - 74 who earn above £10,000 annually.

Entitled workers do not have to be automatically enrolled into a qualifying scheme. They can request to join a pension scheme, however this does not have to be a qualifying scheme for auto-enrollment purposes and employer contributions do not need to be made. Entitled workers are workers of any age who earn less than £6,240 annually.

If a previously 'eligible' worker ceases to meet the eligible worker criteria and is therefore removed from the qualifying UK scheme, they must be re-enrolled as soon as they qualify as an eligible worker again. The employer cannot wait until the 3 year cyclical re-enrolment duty arises.

The Pensions Regulator can issue financial penalties to employes for non-compliance. Criminal charges may be imposed where there is deliberate non-compliance.

If the Pensions Regulator issues a compliance notice, the employer must follow the notice otherwise they will be treated as being non-compliant.

Maria

Maria does not normally work in the UK and she has been seconded to the UK company from the Spanish company temporarily.

This means she does not need to be automatically enrolled into a qualifying UK pension scheme despite her level of UK earnings.

Sergio

Sergio is employed by the UK company meaning the auto-enrolment rules must be considered.

He is an eligible worker on the basis that he is ageed between 22 and 66 and he earns more than £10,000 per year.

This means that he should have been assessed and automatically been enrolled into a qualifying pension scheme when he commenced employment with the UK company on 1/11/2022.

He is permitted to opt out of the scheme however because he is an eligible worker he must be automatically re-enrolled after 3 years therefore on 1/11/2025. The re-enrolment duty applies on the basis that his contract has been extended and he is therefore not currently working his notice period, for example.

Following the re-enrolment, he can choose to opt out of the scheme again.

Baz

Baz will need to be assessed when he begins his employment. On the basis that he is aged between 22 and 66 and given that he will earn at least £10,000, he will be an eligible worker meaning he will need to be automatically enrolled into a qualifying scheme upon the beginning of his employment.

The scheme will need to be qualifying for the purpose of auto-enrolment, which includes

the scheme being a UK scheme. Therefore, the ESAPS scheme will not be a qualifying scheme. The BTUP is not a UK registered pension scheme.

It is possible for contributions to be made to either ESAPS or BTUP, however he must also be automatically enrolled into the BLOP or an alternative qualifying UK scheme to ensure compliance with auto-enrolment, with minimum total contributions of 8% with at least 3% of that made up by the employer contributions. He can choose to opt out of auto-enrolment.

Contributions to Spanish pension scheme

The disguised remuneration rules must be considered in respect of overseas pension schemes unless both the regulatory requirements and tax recognition tests are met meaning that the scheme is an overseas pension scheme.

The regulatory requirements test will be met if the pension scheme is regulated in the country in which it is established. This test is met on the basis that the occupational scheme is regulated in Spain.

The tax recognition test is met is the following conditions are met:
- the scheme is open to persons resident in the country in which it is established - the scheme is open to all of the Spanish company's employees therefore it appears that this condition is met.
- the scheme is established in a country in which there is a system of taxation of personal income under which tax relief is available on either contributions made to or payments made from the scheme.
- the scheme is approved or recognised by the relevant tax authorities as a pension

scheme in the country in which it is established - the scheme is registered for tax purposes with the Spanish tax authorities.

Provided that tax relief is available either for contributions to or payments made from the Spanish scheme, the tax recognition test will be met.

Therefore the disguised remuneration rules will not apply to the scheme.

Relief for contributions made to the Spanish scheme is potentially available through the following methods:

1) migrant member relief
2) s.307
3) DTA

If migrant member relief (MMR) applies, relief is available for employee and employer contributions to an overseas pension scheme as though the contributions were made to a UK scheme, i.e. employer contributions are exempt and tax relief is available for employee contributions. We have already established that the regulatory requirements and tax recognition tests are met. Therefore, if the scheme manager undertakes to inform HMRC of relevant benefit crystallisation events, the scheme will be a qualifying scheme for MMR.

Individual conditions must also be met for MMR to apply:

- the individual must have relevant UK earnings chargeable to tax for the year
- the individual must be UK resident when the contributions are paid
- the individual must have notified the scheme manager of an intention to claim MMR

- the individual must not have been UK resident when they first became a member of the scheme
- the individual must have been a member of the scheme when they became UK resident
- the individual must have been entitled to tax relief in Spain during the period of 10 years before becoming UK resident
- the individual must have been notified by the scheme manager that relevant benefit crystallisation events will be reported to HMRC

If MMR applies, PAYE does not need to be operated on employer contributions and employee contributions can be deducted from gross pay before PAYE is calculated.

S.307 ITEPA 2003 will apply automatically to exempt employer pension contributions if they are made for the purpose of providing retirement or death benefits. This does not provide relief for employee contributions.

The relevant DTA would need to be considered for details of treaty relief available for contributions made to the overseas scheme.

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

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

Answer-to-Question-_4_

The grant of options to individuals by reason of their employment is caught by the employment related securities legislation.

PAYE and NICs implications of grant and exercise

There is never a charge to tax upon the grant of an option regardless of whether the grant is made under a tax-advantaged share scheme.

The options are over shares in a listed company meaning the shares are readily convertible assets (RCAs), therefore any taxable income arising in respect of the options will be subject to tax via PAYE and class 1 NIC payable by both the employee and employer.

Mrs Malde

A Company Share Option Plan (CSOP) is a tax-advantaged share scheme.

CSOP options were granted over the maximum number of shares possible on the basis

that the maximum value of unexercised CSOP options is £60,000.

The CSOP options were qualifying on the basis that the option price was equal to the market value of the shares at the date of grant.

CSOP options must normally be exercised between 3 and 10 years after the date of grant.

The options were exercised 4 years after the date of grant therefore this was a qualifying exercise.

No tax charge arose on the grant or exercise of the CSOP option.

The other option granted was an unapproved share option plan which is non-tax advantaged. There was no charge to tax at the date of grant.

There is a charge to tax upon the exercise of the option:

	(£)		
MV at exercise (10,000 x £6)	60,000		
Less: amount paid (10,000 x £3)	(30,000)		
Taxable income	30,000		

£30,000 should be subject to PAYE/NIC.

Mr Richards

The Save as You Earn (SAYE) scheme is a tax-advantaged share scheme where employees save money through deductions from their pay to purchase shares in the employing company.

The exercise price of SAYE options cannot be less than 80% of the market value of the

shares at the date of grant, which is the case as there was a 20% discount.

The SAYE options can be exercised after the bonus date which was 1/1/2025.

The SAYE bonus is tax-free and is therefore not subject to tax/NIC.

No tax charge arose on either the grant or the exercise of the SAYE options.

Information to provide to HMRC

CSOP

The CSOP scheme must have been notified to HMRC by 6 July 2020, including a declaration that the scheme was qualifying.

The grant of the CSOP option should have been reported by the same date.

Annual CSOP returns must have been submitted to HMRC by 6 July following each tax year. As no reportable events appear to have occurred until the exercise, nil returns would need to have been submitted.

The exercise of the CSOP option will need to be reported to HMRC by 6 July 2025. This will include details of the market value of the shares at exercise and the number of shares over which options have been exercised, including the individual's details.

If the scheme was not registered on time following the grant in 2020, the option would be treated as a non-tax advantaged option.

SAYE

The SAYE scheme must have been notified to HMRC by 6 July 2020 and a declaration made that the relevant SAYE requirements were met at the time the SAYE options were granted.

The grant of the CSOP option should have been reported by the same date.

Annual SAYE returns must have been submitted to HMRC by 6 July following each tax year.

If annual returns have not been submitted to HMRC, late filing / incorrect filing penalties

may be charged. The annual returns should be submitted electronically.

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

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

Answer-to-Question-_5_

Phillipa will pay the UK income tax rates rather than the Scottish rates on the basis that she wil spend the majority of the year living in the UK and we are told that she is an additional rate taxpayer.

There is an exemption for up to £8,000 of qualifying relocation benefits and expenses if they are reasonably provided in connection with a change of the employee's residence which meets the conditions set out in s.273 ITEPA and if they are provided on or before the limitation day, which is the last day of the tax year after that in which the employee begins to perform the duties of the employment after the employment change.

The conditions for the change of residence are as follows:
- the change of residence results from one or more of the following: employee becoming employed, alteration of employment duties or alteration of place where employee is normally required to perform those duties.
- the change of residence is made wholly or mainly to allow the employee to live within a reasonable daily travelling distance of the place where they normally perform their duties
- the employee's former residence is not within a reasonable daily travelling distance of that place

Phillippa previosly worked in Edinburgh however she has been moved to be based in the Manchester office, aside from occasional travel to stores and client sites. She is only expected to work in Leeds for a short, fixed period of time therefore she will be treated as normally performing her duties in Manchester. She has moved to Manchester to live within a reasonable daily travelling distance of the Manchester office, as she was not previously living within a reasonable daily distance.

Therefore the exemption will apply to qualifying expenses.

The relocation exemption cannot apply to an allowance therefore the allowance paid in November 2025 will be treated as additional earnings and will be subject to PAYE and class 1 NIC.

The exemption can potentially apply to the temporary accommodation, the professional disposal fees in relation to her Edinburgh property and the transportation of her belongings. The exemption is limited to £8,000 therefore the excess expenditure on these qualifying items of £700 will be subject to tax and class 1A NIC and will need to be

reported on the P11D. However as the company will settle the tax on this benefit, the benefit will need to be grossed up: £700 x 100/55 = £1,273.

The reimbursement of the curtains and blinds as well as the daughter's school fees will be taxable and subject to PAYE and class 1 NIC.

The provision of travel and subsistence expenses in respect of travel to a temporary wokrplace is exempt and does not need to be reported to HMRC.

The Leeds store will be a temporary workplace on the basis that Phillipa is expected to attend the store for a continuous period of less than 24 months for a task of limited duration, i.e. to oversee the opening of the new store, even though she will spend more than 40% of her working time at the store during the 3 month period. Given that the Leeds store is 45 miles away from the Manchester office, her journey to the Leeds store is substantially different to her ordinary commute to the Manchester office.

This means that the reimbursement of her subsistence expenditure, provided that her actual meal expenses are reimbursed upon the provision of supporting evidence such as a receipt, rather than the payment of an allowance, will be exempt and does not need to be reported to HMRC.

The provision of the electric car will give rise to a company car benefit on the basis that the car is available for private use by the employee. Ownership of the car is not transferred to Phillippa. The cash equivalent of a company car benefit is based on the list price of the car and the car benefit percentage based on emissions. The cost to the company of providing the car is ignored.

As the car has not been available for the whole tax year, the benefit is adjusted accordingly.

List price: £90,000
Car benefit %: 2%

£90,000 x 2% = £1,800

Deduction for non-availability: £1,800 x 270/365 = £1,332

Cash equivalent of benefit: £1,800 - £1,332 = £468

The company car benefit is subject to tax and class 1A NIC.

The provision of an electric charging point at an employee's workplace is an exempt

benefit. Electricity is not considered a fuel therefore the provision of electricity for Phillippa's private use of the car does not give rise to a taxable benefit.

	P11D tax (£)	Class 1A NIC (£)	PAYE tax (£)	Class 1 NIC (£)
Relocation allowance			8,000	8,000
Temp accommodation, professional disposal fees and transport belongings	700	700		
Curtains			300	300
School fees			2,400	2,400
Car	468	468		
Total	1,168	1,168	2,400	2,400
Grossed-up x 100/55	2,124			
Tax	956			
Grossed-up x 100/53			4,528	
Tax			2,038	
Class 1A NIC @ 13.8%		161		
Class 1 NIC (2% + 13.8%) on tax	151			379
Class 1 NIC (2% + 13.8%) on benefit and tax			701	

	(£)		
Cost of providing the benefits (incl. private electricity	23,180		

cost)(based on car lease costs)			
Class 1A NIC	161		
Gross tax	2,994		
Class 1 NIC	1,231		
Total cost	27,566		

The company is not liable to the apprenticeship levy

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

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

Answer-to-Question-_6_

Tax equalisation cost

Sophie became UK tax resident from 1/7/2025 meaning from this point she is liable to tax on her worldwide income and gains.

She is non-UK domiciled and can therefore claim the remittance basis such that her overseas income and gains are only taxed in the UK if they are remitted to the UK. This would cause her to lose her personal allowance though this would be abated regardless due to her level of income. On the basis that all of her duties during the secondment will be performed in the UK, she will not be able to benefit from overseas workday relief and her earnings will not be chargeable overseas earnings meaning all of her earnings are taxed on the arising basis.

	(£)		
Salary x 9/12	375,000		
Cost of living x 9/12	45,000		
Travel allowance x 9/12	3,750		
Company car x 9/12	11,250		
Private medical x 9/12	5,250		
Living accommodation (5,000 x 9)	45,000		
less: hypothetical tax x 9/12	(112,500)		
Net taxable remuneration	372,750		

The provision of her flight from New Zealand will be exempt under s.373 ITEPA as she is non-UK domiciled.

The payment of her visa application costs is an exempt benefit on the basis that this expenditure was incurred wholly and exclusively in the performance of her employment duties as part of being seconded to the UK.

The accommodation will not be exempt as the UK is not a temporary workplace as the secondment is expected to last for more than 24 months.

Net pay	gross-up	gross pay	tax rate	tax	
30,160	x 100/80	37,700	20%	7,540	
52,464	x100/60	87,440	40%	34,976	
290,126	x 100/55	527,502	45%	237,376	
			total tax	279,892	
			less: hypo tax	(112,500)	
			tax payable by company	116,392	

Payroll reporting

As the UK company will have the right of supervision, direction and control over Sophie and given that the company has a UK presence, it will be required to operate PAYE on all payments made to her.

As she is tax-equalised, the company is required to calculate the grossed-up tax.

Payments made to Sophie must be reported on the FPS on or before the date of payment, with PAYE paid to HMRC by the 19th of the month following the tax month of payment (or the 22nd if paid electronically).

As she is tax-equalised, the company could seek HMRC's agreement to operating an appendix 6 arrangement which is a modified payroll for tax-equalised employees. This

enables PAYE to be calculated after taking into consideration all relevant factors such as the gross-up calculation, foreign tax credits and exemptions, for example.

A separate PAYE reference would be required for the appendix 6 arrangement.

Under an appendix 6 arrangement, PAYE is estimated on an annual basis and deducted in 12 equal monthly instalments. Adjustments should be made in the final quarter of the tax year or soon after the end of the tax year if the PAYE deducted varies from the individual's actual liability to income tax. The finalised tax liability must be paid to HMRC by 31 January following the end of the relevant tax year (31 January 2027 for the first year of secondment in the 2025/26 tax year), however interest will begin to accrue from 19 April 2026.

The benefits should be reported on the FPS and on the P11D. The P11D should be submitted to HMRC by 31 January 2027.

The benefits will not be subject to class 1A NIC as the individual is not liable to UK NICs under the New Zealand social security certificate of continuing liability.

Under an appendix 6 arrangement, the employer must undertake to HMRC that the individual's self-assessment tax return will be completed corretly. The employer may choose to assist the individual with completing their self-assessment return, either in-house or by outsourcing this to an external advisor.

The appendix 6 arrangement will simplify matters as she will remain on the New Zealand payroll. Without the appendix 6 arrangement whereby PAYE is calculated annually, the UK company would need to ensure that the New Zealand entity could provide details of the payments made to Sophie on or before the date of payment in order to ensure compliance with the FPS requirements under RTI.

The appendix 6 arrangement must be agreed in advance by HMRC.