


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	<b>796</b>	<b>3612</b>	<b>4395</b>
Section 2	<b>804</b>	<b>3589</b>	<b>4379</b>
Section 3	<b>661</b>	<b>3327</b>	<b>3975</b>
Section 4	<b>471</b>	<b>2067</b>	<b>2524</b>
Section 5	<b>701</b>	<b>3698</b>	<b>4356</b>
Section 6	<b>629</b>	<b>2964</b>	<b>3570</b>
Total	<b>4062</b>	<b>19257</b>	<b>23199</b>

## Answer-to-Question-\_\_1\_\_

First we look at Preeti's UK residence position to determine UK residence via the statutory residence test, to determine taxability in the UK.

Two days in India preparing for the meeting are not counted in the UK resident or workdays. Transition days to the UK are also not counted for work day purposes.

- UK resident day (day 3)
- Board meeting (day 4) -workday as more than 4 hours of work but not at UK at midnight so not a residence day

While 16 days are dedicated to the role there are only 8 days in the UK, as Preeti has not been UK resident in the three previous UK tax years and has under 16 UK days in each tax year then Preeti is automatically non-resident under the automatic overseas test.

As a UK Non-Resident an individual is only taxable in the UK on their UK sourced income (and gains).

External Advice for the India treatment of the income is recommended to be sought by Preeti and Widget Ltd.

All UK workdays are considered non-incidental for Directors of a UK resident firm. That said there is a concession - where Directors can attend up to 10 board meetings per year as long as the visits do not last more than 2 weeks and these days are considered incidental and not subject to UK tax.

The appendix 4 (or short term business visitor agreement) is not applicable here as Preeti is employed by a UK resident company and costs are borne by the UK company and such the easement of PAYE is not applicable and PAYE is required on 100% of Preeti's earnings. If a refund is due to overpaid tax this can be claimed on the self assessment tax return or via tax code change. Appendix 8 where a double tax treaty relief is not available and annualise the PAYE and pay at year end may be granted by HMRC by exception this will ensure that the estimated UK tax bill.

If the Director rule does not apply then Preeti will be taxable on UK workdays and income apportioned for those UK workdays.

Widget Ltd may want to apply of r a S.690 for the estimated UK workdays/taxable income for Preeti to ensure there are no cash flow issues. PAYE is required from day one on Preeti's earnings and FPS submitted with relevant tax and social security (if applicable) see below paid by 22nd of each month if paying electronically.

$8/365 = 2\%$  s690 percentage.

item	Amount	Treatment	Reporting	Easement	
Quarterly Instalments	£80,000	Taxable on UK workdays = $£80,000 * 8 / 365 = £1753$ subject to UK income tax.	FPS on 100% unless s690 on estimated UK workdays.	Annualised via Appendix 8 payroll	
Award 15,000 shares	£15,000	UK income taxable on gain from grant to vest on UK	£15,000 * $8/365 = £329$ from grant to vest each		

		workdays. Non-tax advantaged shares so income tax due on MV-price paid.	year is taxable in the UK.		
Phantom Shares	£10,000	Essentially a Readily convertible asset and Cash earnings	PAYE and Class 1 due on the full amount when awarded		
Reibursement of flights and hotels	tbc	Does not qualify for Temporary workplace relief as it is her permanent workplace/c ontract place. However flights that are wholly and necessarily for carry out of her duty are exempt from UK tax . as long as reimbursed/ provided by employer.	No reporting		

**Double tax treatment**

As there is income that may be doubly taxed in India and UK we look at the double tax

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treaty to determine if we can mitigate the doubly taxed income.

Article 16 states a individual will not be taxed in the UK if under 183 days, remuneration paid by/belhalf of employer who is resident and remuneration charged to tax in the other state - as Preeti is paid by UK resident employer we cannot look to the DTT for mitigation. However UK may provide unilateral relief on the India taxes on that income if applciable and a foreign tax credit provided on the India tax for the Uk workdays. If s690 cannot be gained a appendix 5 net of foreign tax creidt payroll may be applicable to ensure a uk tax return is not require dand relief gained on payroll. However may not be applicable for one employee.

DTT states that Directors fees are taxable in the residents contracting state UK but resident in India may be taxed there also so taxed in both locations.

### **Social Security**

India is a rest of the world country and such the 52 week exemption rules come into play where the first 52 weeks of UK NIC are not applicable for Preeti or Widget for employer contributions. After 52 weeks Preeti and Widget will be subject to UK national insurance and deducted on her earnings.

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question- 2

As Westeros/UK double tax treaty follows the OECD model then Tywin and Jaime's UK workdays are expected to be not subject to UK income tax as double tax relief is available if:

Individuals are less than 183 days of presence in the UK during the UK tax year.  
Remuneration is paid by/belief of non-UK resident employer (Lannister inc)/nonUK PE.  
Costs are not borne by UK resident employer/recharged.  
Not economically employed by UK resident entity.

While UK income tax may not be due, in the first instance individuals who are working for the benefit of a UK company in the UK are subject to PAYE from day one and FPS required each month on their earnings. There are relaxations for PAYE reporting, such as the appendix 4/STBV reporting agreement.

If an individual is 1) tax resident in another country 1) employed by a company that is non-UK resident or does not have a UK Permanent establishment, 2) in the UK for under 183 days 3) costs are not borne by the UK resident company or recharged to the UK 4) There is a double tax treaty with the country the individual are resident in then an appendix 4 PAYE relaxation can apply to individuals working in the UK and PAYE will not be required from day one. Instead an annual report is submitted to HMRC with details of the individuals who meet the above criteria.

We understand Jaime meets the above conditions to be included on the Appendix 4 PAYE relaxation.

The Company (Lannister inc) has to report the Appendix 4 STBV report to HMRC with the relevant reporting requirements by 31 May after the end of the tax year. The appendix 4 has to be agreed with HMRC otherwise PAYE will be due from day one. As the day count increases for individuals who meet the short term business visitor relaxation, the reporting requirements increase. Individuals on the Appendix 4 agreement do not have to complete UK self assessment tax returns for their earnings on the employment however may have to if they have other UK sourced income.

1-30 days - minimal reporting required.

30-60 days - confirmation of name and that the period does not form part of a larger substantial period.

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60-90 days - increased reporting for the individual including details of home employer, day count etc. Confirmation does not form part of a period and employer is a non-resident UK employer.

90-183 days - Certificate of resident from home country and confirmation from employer that the individual has not/will not go over the 183 day count in the tax year.

183+ - does not meet STBV relaxation and resident in the UK.

### **Jaime**

**8 weeks - 56 days from 1 January 2026**

Jaime meets the OECD DTT as he is less than 183 days in the UK, employed by a UK NR entity and while costs are recharged

The 60 day rule will apply where the individual is not deemed to be economically employed by a UK company if the individual is in the UK under 60 days and does not form part of a larger more substantial period. As this seems to be the case Jamie can be reported on the appendix 4 STBV.

However if this is deemed to be a secondment or economically employed by UK then PAYE will be required from day 1.

### **Tywin**

**4 months - circa 120 days**

Tywin does not meet the OECD DTT as although he is less than 183 days in the UK, and employed by a UK NR entity his costs are recharged to a UK resident entity. Income tax will be due in the UK on the UK workdays/UK sourced income.

Tywin's costs are recharged to Stark Inc i.e. UK resident entity and costs borne in the UK then Appendix 4 is not applicable. However Appendix 8 where double tax treaty relief is still in place may be applicable where income tax is paid at year end on 31 May after the tax year end rather than PAYE and FPS required.

Appendix 8 will need to be agreed with HMRC and is usually for countries where a DTT is not in place however can be used for instances such as these.

If the appendix 4 is still applicable as there are instances where HMRC agree to this then increased reporting as described above for 120 day branch is required at year end.

### **Robert**

**Director 10 days**

All UK workdays are considered substantial/non-incidental for Directors of a UK resident firm and such cannot be included in the appendix 4 reporting.

That said there is a concession - where Directors can attend up to 10 board meetings per year as long as the visits do not last more than 2 weeks and these days are considered incidental and not subject to UK tax.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3

1)

Uk automatic enrolment in UK pension for qualifying individuals.

BLOP - UK registered pension scheme qualifying pension and UK ax relief available. Individuals between the age of 22 and pension age earning above £10,000 per annum are automatic enrolled. Other non-qualifying indivudals such as those above pension age or indiviudals who are 22-67 but earn between £6750 and £10,000 are enrolled automatically if they request but autoamtic enrolment not applicable for those indiviudals. Minimum contributions are 8% (3% employee and 5% indiviudal).

Maria

Although Maria is between 22 and pension age, will be UK resident and earns more than £10,000 per annum, there is no requirement to autoenrol international secondees who are not ordinarily resident in the UK. ESAPS is a qualifying overseas pension and employer contributiouns are applciable here and will reieve UK tax relief.

ESAPS contribution reported in FPS.

Sergio

Sergio is above 22 and below pension age, earns more than £10,000 per annum and is a local UK hire autoenrolment would be required, as Sergio declined Bangor ltd have to re-enrol an indivudal every three years unless specific reasons are provided (such as opt out due to contributing ot an overseas plan).

Bangor would have to re-enrol Sergio in teh UK pension scheme BLOP on 1 November 2025. Sergio would have to opt out again at this point if that is his decision.

Baz

Regardless of his request autoenrolment rules would be applicable as Baz earns more than £10,000 per annum and between 22 adn pension age. And such auto enrolment required unless opt out by Baz.

If pension was contributed at 10% (minimum 8% so that is fine from taht point of view)to the BTUP a non-qualifying pension (usually provided to senior members of firms who have maxed out their pension contrbutions. Then this will be taxable as income where

10% of salary £13,000 will attract large transfer charged such as 25% of the contribution charged to tax as an unofficial transfer. £13,000 chargeable as earnings for income tax.

Pension annual allowance will need to be considered here where the employee and employer contributions to a qualifying pension scheme are above £60,000 in a tax year a tax charge is applied on the individual income tax return.

The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 for individuals with threshold income above £200,000 (not reduced below £10,000). While Baz's income may be over the threshold the adjusted income is likely to be lower and does not meet the threshold.

EE contributions: 26,000

ER contributions at statutory minimum 5% of 260,000: £13,000

Total Pension contributions: £39,000

Does not meet the threshold so no tax charge annual allowance for pensions. (Also a carry back is allowed for UK resident tax years).

2)

The ESAPS will likely be a QOPS or qualifying overseas pension scheme:

Meets the same relief as UK pension if:

- meets the regulation test
- individual was resident in the country and part of the pension plan before the UK
- tax relief is available for all individuals including non-residents
- tax relief was applicable on
- Cannot withdraw from the scheme before 55 years of age and does not pay out early (unless qualifying reason).

Migrant member relief for the individual are met available where employee and employer contributions are subject to tax relief similar to UK pensions.

For PAYE purposes Employee contributions are deducted from gross salary and savings made on tax (and NI if applicable) to lower the salary subject to income tax. Employer contributions are made to the pension scheme tax free and listed on the monthly PAYE payslip.

The amount deducted should be agreed with the individual that salary sacrifice will be made and continue for 12 months in exchange for the pension contribution to the scheme. Each month on the FPS before any deductions the minimum or agreed deductions will

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take place before PAYE etc all done by 22nd of each month of electronically.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- 4

### **Malde**

#### CSOP

1 January 2020 - 10,000 @ £3 = £30,000

Malde does not meet the £60,000 limit for CSOP shares, however if further shares are granted to Malde through the CSOP this would be a consideration.

No income tax or NIC at grant for CSOP shares. And No income tax or NIC at exercise if more than 5 years. As the shares were granted in 1 January 2020 and exercised 1 January 2025 the relief is applicable.

No discount allowed for CSOP shares however not applicable here.

CGT will be applicable on the gain when selling the shares at 10%/20% depending on Mrs Malde's marginal income tax rate e.g. 10% if BR.

#### Non approved Share plan

Non-tax advantaged share plans are tax inefficient and will attract income tax on exercise.

1 January 2020 - 10,000 @ £3

Income tax will be the gain i.e. the MV less share amount paid:

$$£6 - £3 * 10,000 = £30,000$$

£30,000 amount attracted to income tax put through income tax bands.

As the Dazzle PLC shares are a Readily convertible asset as the company is listed on LSE, then FPs PAYE is required on the share value and income tax and Class 1 NIC deducted through the payroll.

Employer national insurance will also be due at 13.8% on the £30,000.

### **Richards**

#### SAYE

SAYE at a discount is fine if the discount is not more than 20% of the value which we

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understand is the case here.

For SAYE options, there is no income tax or NIC at grant and there is no income tax or NIC at exercise if held for 3/5 years - depending on the plan.

Richard was in the scheme for 5 years (1 Jan 2020 to 1 Jan 2025) so assumed the conditions for relief are met.

$$£200 \times 12 = 2400 \times 5 = £12,000$$

CGT will be applicable on the gain when selling the shares at 10%/20% depending on the marginal income tax rate e.g. 10% if BR.

2)

Reporting of all approved tax advantaged share schemes by 6 July each year.

#### SAYE

All employee plan where individuals save each month into a approved bank account then when exercise amount in bank account to purchase shares. No loss option as if the shares have gone down in value then can just withdraw the money.

by 6 July following end of tax year all unsold shares.

Provide to employees schedule of amount deducted via payroll, relief etc

#### CSOP

Select employee plan as long as full time (75% of work or more than 25 hours per week), not shareholding above 30%

Confirm to HMRC any individuals who are over the £60,000 per individual amount.

Report by 6 July following end of tax year all unsold shares.

Provide schedule to employees.

#### CT

Can gain corporate tax deductions for amounts due to setting up SAYE and CSOP.

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- 5

Relocation relief is for the relocation due to change of job locations or duties, and the individual has to be within commuting distance of the new workplace.

As Philippa relocate to Manchester near the Manchester offices due to the new operations the relocation relief will be applicable here. Relocation relief is on qualifying expenses related to the move e.g. lawyer fees related to the selling of the old house, moving of personal belonging to the new house etc. Relocation relief is at £8,000 and any amounts that are not qualifying or above £8,000 in qualifying expenses are chargeable to income tax and NIC if applicable.

Apprenticeship levy will be due as payroll is over 2.5 million.

Understand Philippa is correct to change to English tax code as Scottish residence has changed to English.

- £8,000 relocation allowance as this is not receipts based and is a cash allowance this will be subject to income tax and NIC and reported on the FPS for class 1 and PAYE.
- £5,000 temporary accommodation as provided by the employer/paid by employer and due to temporary accommodation as the new house was not ready then this is a qualifying expense for relocation relief.
- £1,700 this is also a qualifying expense and reimbursed via expense claim (assumed with receipts etc) and subject to £8,000 relocation relief.
- £2,000 also applicable for relocation relief where personal belongings move are qualifying if reimbursed/paid for by employer.
- £300 blinds are not a qualifying relocation expense as these are not similar in quality as previous home and classed as furnishing new apartment.
- £2,400 school fees although expense claim will not be relocation relief and reportable for income tax and NIC.

Relocation relief working:

Temporary Accommodation: £5,000

Professional fees for sale: £1,700

belongings re-moval: £2,000

total: £8700

Less Relocation relief: (£8,000)

Total: £700

Leeds will likely be considered a temporary workplace as this is outside commutable distance of permanent workplace Manchester(45 miles), not permanent workplace/contracted place and less than 24 months in length from the outset and such temporary workplace relief is applicable on qualifying travel, accommodation and subsistence related to the temporary workplace.

- £30 per day meal allowance meets the subsistence as reimbursed and not a round sum allowance with receipts.
- Car will be subject to BIK as this will not be qualifying journeys and private use is expected. recommended that taxis are taken and receipts kept instead of providing a company car.
- personal usage of electric benefit BIK on amount

	Earnings for income tax/nic	Treatment	Apprenticeship Levy	
Relocation allowance: £8,000	£8,000	FPS PAYE and Class 1 nic	Yes 0.05% on paybill	
Temporary Accommodation : £5,000	Subject to relocation relief			
Professional fees for sale: £1,700	Subject to relocation relief			
belongings removal: £2,000	Subject to relocation relief			
Less Relocation relief: (£8,000)	Subject to relocation relief			
Above relocation relief:	£700	Reportable on P11d, P46 required on quarter car is provided. P11d(b) on class 1a		
Meal allowance per	Exempt	Exempt due to subsistence for		

day £30 * 36 = £1080		temporary workplace - TWR applies here		
Electric car benefit (W1)	£508	Reportable on P11d, P46 required on quarter car is provided. P11d(b) on class 1a		
Electric fuel benefit (w2)	£157	Reportable on P11d, P46 required on quarter car is provided. P11d(b) on class 1a		
Total:	£9365			
Income tax at additional rate 45%:	£4,214	To be grossed up as employer is covering hte income tax and nic costs		
NIC at higher rate 2%	£187	To be grossed up as employer is covering hte income tax and nic costs		

W1

Electric car and electricity benefit:

List price: £90,000

Zero emissions percentage: 2%

Annual value: 1800

Less non-availability (262/365): (£1292)

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Benefit value £508

W2

Fuel:

$£27800 * 2\% = 555 * 103/365 = £157$

Cost to Top Hat

Amounts provided to employee:

relocation allowance: £8,000

Temporary Accom: £5,000

Professional fees: £1,700

move belongings: £2000

new blinds: £300

School fees: £2,400

Meal subsistence 36 days: £1080

Lease cost: £2,400

Electric port: N/a

**Total: £22,880**

Income tax: £4,214

Income tax Gross up:  $£4,214 * 100/65 = 6483 - 4214 = £2269$

Total income tax inc gross up: **£6483**

EE NIC: £187

EE NIC Gross up:  $£187 * 100/98 = £190$

ER NIC: £9365 \* 13.8% = **£1292**

Apprenticeship levy: 0.05% on paybill:  $£8,000 * .05\% = £400$

Total cost to Top HAT: £31,245

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-----ANSWER-5-ABOVE-----  
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 -----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_

Tax equalisation is not a point of tax/law it is a mechanism to ensure an individual is not better or worse off from a tax perspective due to an assignment. Usually the employer will tax equalise an individual to their home position and pick up any additional tax due to the assignment. The additional tax paid will usually have to be grossed up to ensure the individual receives the net amount.

Temporary workplace relief is applicable where assignments are less than 24 months at a temporary workplace. A concession can apply if less than 40% is carried out at the temporary workplace if the work at the temporary workplace is over 24 months however this is non-statutory.

Exemptions:

As TWR will likely not apply as three years from the outset and more than 40% of work in the UK TWR will not apply however:

- VISA application £2,500 is exempt due to be wholly necessary for Sophie to complete duties in UK
- Provision of flight NZ to UK for start of secondment - £500 - exempt for flight to perform work in the UK from overseas.

Income tax and calculations

Item	GBP	Comment		
Salary £500,000 * 9/12	375000			
COLA £60,000* 9/12	45000			
Travel allowance £5,000 * 9/12	3750	Does not meet flights relief as an allowance not employer provided/reimbursed.	Class 1a nic included on FPS for NIC purposes	
Company car £15,000 * 9/12	11250	Can be payrolled if	Class 1a nic included on	

		not Reportable on P11d and P46 required.	FPS for NIC purposes	
PMI £7000* 9/12	5250	Can be payrolled if not Reportable on P11d	Class 1a nic included on FPS for NIC purposes	
Living accomodation £5,000 * 9/12	3750	Can be payrolled if not Reportable on P11d	Class 1a nic included on FPS for NIC purposes	
Total:	444,000			
Less Hypothetical tax £150,000*9/12 =	(112500)			
Net Pay for Sophie	331,500			

Gross up

Gross pay: £444,000

No personal allowance as fully abated:

37700 @20% = £7500

87440 @40% = £34976

318860 @45%= £143,487

Total Income tax: £185963

Less Hypothetical Tax: (£112500)

Total amount of excess tax to be grossed up: £73463

To be grossed up by individuals marginal rate of 45%.

Gross up income tax amount, i.e. additional amount of tax equalisation cost due to the assignment:  $£73,463 * 100 / 65 = £113,020$

2)

In the first instance PAYE FPS will be due and the amounts reported on the FPS when amounts received, and the relevant non cash benefits reported on P11d as explained above. The exempt elements do not need to be reported however backing documents

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recommened to be kept. However Wellbeing ltd can enter into an Appendix 6 tax equalised modified payroll arrangemnt if agreed with HMRC.

Appendix 6 is a PAYE relaxation where income tax is estimated and paid over in 12 monthly equal instalments (or however long is left in the tax year. This is then reconciled on an annual income tax return at 31 january after year end. No P11d will be required and it is much less strict than an FPS. Payments are still required by 22nd each month if paying electronically.

Amount reportable on appendix 6:

Hypothetical tax: £112500

Tax gross up: £113,020

Total tax: £225520 /9 = £25058

£25058 per month reportable trhough the appendix 6 for Sophie each month and trued up at year end on teh tax return. Final quarter also any additional true ups can be made.

Income tax reutrnr required with the modified appendix 6 payroll and Wellbeing may want to support the individual with the tax return to ensure this requirement is met.

If Sophie falls out of the New Zealand social security regime UK NIC will be applicable and an appendix 7a/b can be used for social security contributions reporting.

P11d due by 6 July after tax year end.