

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

Event **NA**

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Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	1243	5453	6668
Section 2	1482	6671	8133
Section 3	1036	5174	6188
Section 4	851	3905	4722
Section 5	795	3552	4263
Section 6	837	3875	4654
Total	6244	28630	34628

Answer-to-Question-__1__

The employment tax consequences in respect of Preeti depend on both Preeti's tax residence and the double tax treaty between India and the UK, in addition to Preeti's duties.

Preeti is tax resident in India, as stated in the information. She will be in the UK for a total of four days (four x one midnight per board meeting) and will therefore be automatically non resident in the UK under the statutory residence test (SRT) under the second automatic overseas test as she spends under 46 days in the UK in the tax year and has not been UK tax resident in any of the last three tax years.

Preeti will therefore be subject to UK tax on solely her UK duties (subject to any provisions in the UK/India double tax treaty). Under the UK/India double tax treaty, article 17, directors' fees derived by a resident of India in their capacity as a member of the board of directors in the UK may be taxed in the UK. Preeti will therefore be subject to UK tax in respect of her UK duties as a member of the board of Widget LKtd (WL).

Preeti's fee of £80,000 will therefore be subject to UK income tax to the extent her duties are performed in the UK. These duties are apportioned as follows:

	UK	India	
Board meeting prep	-	8	4 x 2 pre all done in India (pre-flight)
Board meeting prep - flight	-	4	4 x 1 (assumed whole day of work - not completed in the UK)
board meeting (day of)	4		4 x 1 - board meeting fully in the UK
Total	4	12	total = 16 days

Preeti's fee of 80,000 will need to be apportioned for her UK and overseas duties:
 $80000 \times 4/16 = \text{£}20,000$ - subject to UK income tax as in relation to UK duties
 $80,000 \times 12/16 = \text{£}60,000$ - not subject to UK income tax as it relates to duties completed overseas.

It should be noted that the apportionment is in respect of duties which are substantive (as opposed to incidental), and as a member of the board of directors all of Preeti's duties would be likely to be seen as substantive - though regardless here she is certainly completing substantive duties as she is attending / preparing for board meetings.

Technically, WL should process the whole of Preeti's director fees through the payroll and subject them to PAYE withholding as WL is a UK resident company and operates paye. Preeti would then have to apply to HMRC for a refund of the UK tax on her self assessment by 31 January following the end of the tax year. However to help with administration and cash flow (as a lot will be withheld if PAYE is operated every monthy), WL could instead apply for a s.690 directive from HMRC prior to the start of the appointment with Preeti. This would enable WL to only operate PAYE on the percentage (i.e. $4/16 = 25\%$ as per the above) of Preeti's income which is in relation to her UK duties. HMRC would have to agree this apportionment is fair and reasonable for the appointment, however it would help with cash flow and administrative matters. The appendix 4 agreement will not be in point here - noting that WL already have this agreed for other individuals) - because for Appendix 4 to apply the double tax treaty has to have exempted the income tax, but as Preeti is a director this is not possible and the exemption will not apply.

Award of ordinary shares

It is assumed by the wording that Preeti will pay the par price of the shares at some point, and therefore although she has not paid any consideration for them this is likely to change in the future. In this scenario the award of the shares to Preeti is treated under ITEPA Part 7 Chapter 3C as a notional loan for the shares.

As Preeti owns under 5% of the shares in WL she is not a participator, so no charge under s.445 applies to tax loans to participators in close companies. However, the loan given to Preeti is a beneficial loan and is subject to income tax as the loan is over £10,000 to Preeti. This will be a taxable benefit at $\text{£}15,000 \times 2.25\%$ (HMRC's ORI) = £338, and this taxable benefit will need to be reported on Preeti's P11D by 6 July following the end of the tax year. Tax will be due at Preeti's marginal rate of tax in the UK.

Beneficial loan values can be calculated on the average or strict method, however as it appears this is one fixed amount which may be called on in full, the average method is likely to be the only relevant method here as each will give the same result.

Phantom Shares

The award of the phantom shares generates no taxable benefit on award. Once the cash

payment is made to Preeti however, this will just be treated as cash earnings and subject to income tax in the same way as fee would be. These would be subject to UK income tax in full initially. There is no exemption under article 16 of the DTA as this remuneration is borne by a UK resident employer (WL). It is likely that this remuneration would be subject to UK income tax in full, however WL could potentially argue that this should be apportioned to reflect the split of UK and overseas duties. HMRC may or may not accept this as it is not Preeti's directors' fees as such.

Reimbursement of flights and hotels

The reimbursement of flights for Preeti's travel to the UK will be exempt from UK income tax under s.373 ITEPA as travel expenses for a non-UK domiciled individual coming to the UK to perform UK duties.

The hotels will not be exempt from UK income tax as s.373 only applies for the international travel and associated subsistence during the travel. In addition the temporary workplace rules will not apply here as the UK head office is likely to be considered a permanent workplace for Preeti - being the only workplace as it appears Preeti just works from home in India and WL is a UK resident company.

The reimbursement for the hotels will therefore generate a charge to income tax. WL could put this on Preeti's P11D or if it wanted to settle the tax on Preeti's behalf it could set up (if not there already) a PAYE Settlement Agreement (PSA) and gross up the expenses for their. However, HMRC would have to agree that the charges were minor, irregular, or impractical for Preeti to settle for herself and if it is a regular board meeting this might not be the case.

National Insurance

As there is no reciprocal social security agreement in place between the UK and India, in normal circumstances the rest of the world (ROW) rules will apply. As Preeti is employed by a UK resident employer and competing UK duties she will be subject to UK national insurance from the beginning of her appointment. However, there will be an exemption for Preeti as she is a non-resident director who is spending only four days in the UK to attend four board meetings (limit up to ten board meetings for up to two days each) and Preeti is exempt from the scope of UK national insurance.

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

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

Answer-to-Question- 2

As none of the individuals mentioned are going to be UK tax resident during the 2025/26 tax year, they will only be subject to UK tax in relation to their UK duties.

Under the OECD model tax convention, employment derived from a resident of Westeros in relation to employment carried out in the UK may be subject to tax only in Westeros if the individuals are in the UK for up to 183 days per fiscal year, the remuneration is paid by a non-UK resident company, and is not borne by a permanent establishment in the UK.

Lannister Inc is a non-UK resident company but is has a permanent establishment in the UK in the form of its subsidiary Stark Ltd (Stark). As the costs are being recharged from Lannister Inc to Stark it can be said that the remuneration is being borne by Stark.

As Stark is a UK resident company it has a PAYE presence and there will be an obligation for Stark to operate PAYE in respect of the various engagements. It will be possible to apply for certain exemptions for short-term visitors however in respect of the short-term visitors.

The UK's short-term business visitor rules allow for no income tax to be paid on certain engagements where individuals come to the UK for not very much time.

Jamie

Jamie will be in the UK for $8 \times 7 = 56$ days. Although it is the case that the costs for his assignment are being recharged to Stark and that Jamie is effectively providing support to the UK finance manager - so effectively completing duties for the UK - and we might assume that HMRC would seek to charge the remuneration of Jamie's eight weeks to UK income tax. The charge to income tax effectively arises where HMRC consider that the economic employer is in the UK. However, as the period of time that Jamie will be in the UK is under 60 days, HMRC take a relaxed view and accept that it is unlikely an economic employer has materially changed in a 60 day period.

In respect of Jamie therefore, as he is not a director and he is in the UK for under 60 days, and there is a double tax treaty between the UK and Westeros, HMRC will allow for an Appendix 4 agreement to be put in place for Jamie's assignment. The Appendix 4 agreement will exempt all of Jamie's wages for the period from income tax and no withholding will be due. As Jamie is in the UK for 60 days, Stark Ltd will have certain reporting obligations for Jamie: they will have to state why Jamie is not to be considered subject to UK income tax for the period and also provide details of Jamie such as his name, age, and address. The reporting obligations for Appendix 4 vary greatly depending

on the amount of days an individual spends in the UK. For example there are no reporting obligations where someone is in the UK for under 31 days, whereas when the number of days reaches quite high, say 151, the employer has to provide many more details, such as written confirmation from each individual explaining why they do not believe they should be subject to income tax (i.e. why they can still be considered STBVs).

Appendix 4 reporting must be sent to HMRC by 31 May following the end of the tax year. The below discusses the UK tax treatment of the individuals. It is recommended that local tax advice in Westeros is taken, as for example where the UK levies tax on the individuals' income it is likely that Westeros will allow a foreign tax credit to prevent any income being double taxed in both countries.

Tywin

As Tywin will be in the UK for four months, the exemption for Appendix 4 will not apply as Tywin will be in the UK for over 60 days. In addition as he is covering the work of an employee on maternity leave, he is effectively completing the work of a UK employer, and the remuneration is being recharged. HMRC would be unlikely to accept in this scenario that the economic employment remains outside the UK.

Where Appendix 4 is not available, Appendix 8 can sometimes be used to allow for administrative ease and PAYE to be applied at once. However Appendix 8 will not be available as it is only possible also where individuals spend up to 60 workdays in the UK. Four months consists of at least (4 x 5 x 4) 80 workdays.

Tywin's remuneration relates to UK substantive duties and the whole of the payment for the period will need to be subject to UK PAYE and processed through the payroll. This will be the responsibility of Stark as the entity with the PAYE presence in the UK. Stark will need to issue an expat starter checklist in respect of Tywin as he will not be considered a short-term business visitor (STBV). His salary will be treated just as the other salaries of Stark's UK employees.

Robert

Robert spends only ten days in the UK to attend the annual board meeting. Although he is in the UK for by far the fewest days, the STBV provisions to exempt income tax which can be applicable to employees will not be applicable to Robert as they are not available for directors. This means HMRC do not allow for individuals who only spend a few days in the UK as a director to have their income exempted from tax.

In addition under the OECD Model Tax Convention article 16, directors' fees where the director is a resident of Westeros in relation to a UK-resident company may be taxed in the UK.

HMRC will seek to apply to tax Robert's director fees in full. What is not clear from the information provided is whether Robert completes any other duties in relation to his role as a director; the board meeting is annual (so there are no others), but we do not know if he works in Westeros (or elsewhere) preparing for the meetings. If Robert's duties as a director are not wholly performed in the UK, Robert's director fees will only be taxable in the UK to the extent they are performed (i.e. a portion is likely to be exempt). In theory,

Stark Ltd will have to operate PAYE withholding in respect of all of Robert's director fees, and then any non-UK duties can have the tax refunded on Robert's self-assessment. Stark Ltd could alternatively apply for a s.690 directive to only operate PAYE on the portion of Robert's fees which relate to UK duties which would save on administration and help cash flow. Stark should apply for this in advance.

Social Security

In the absence of any information to the contrary it is assumed that there is no reciprocal agreement with Westeros. This means that the ROW provisions will apply. Where individuals remain employed under their home contract, are in the UK for a period of time (i.e. not permanently) and are completing duties generally in the pursuance of helping an employer outside the UK, there are no national insurance obligations for the first 52 weeks of an assignment in the UK. It is also necessary that the individuals remain resident in their home country.

As Jamie is working for a short period of time as a STBV and is just supporting Stark Ltd with processes, the exemption for the first 52 weeks of Jaime's time in the UK will apply and no NIC will be due for Jaime. A certificate of continuity liability should be sought in Westeros.

Tywin, working as cover for an employee on maternity leave, is arguably just working for the UK employer for this time. Though it may be possible that the 52 week exemption could apply (and therefore no NIC consequences will result), it is also possible that HMRC might seek to argue that Tywin is just gainfully employed in the UK and that he should be within the scope of UK social security. If this view is taken, then Tywin's salary will be subject to Class 1 NICs which should be processed through the payroll and RTI alongside his PAYE salary.

Robert is gainfully employed in the UK. However, there is an exemption from NICs where non-UK resident directors attend one board meeting in the year which lasts up to two weeks, as is the case here, and therefore there are no national insurance consequences from Robert's directorship. Stark should confirm with Robert whether he has any other directorships however, as if he is attending other board meetings in the UK then this exemption won't apply and Robert's fees will be subject to UK income tax.

If any benefits are received by those in the scope of UK NIC then there could be Class 1A NIC due.

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

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

Answer-to-Question- 3

Automatic enrolment in the UK is a statutory requirement which requires employers to automatically register employees into UK qualifying pension schemes where the employees meet certain requirements relating to age and salary.

Where individuals are 'eligible jobholders' (meaning between the ages of 22 and state pension age and earning over £10,000 per year), employers must enrol them into qualifying pension schemes. The employees have a right to opt out of these schemes, however every three years the employers have an obligation to re-enrol everyone into the pension scheme (though employees can opt out if they wish).

There are minimum contributions for employers for automatic enrolment. These are that employers make contributions of 8% at least, made up of 5% employee contributions and 3% employer contributions at least, on the earnings between £6,240 and 50,270 per year. This is a minimum however and beyond this contributions can be altered (e.g. employer pays a higher proportion, both pay a higher proportion, all salary is put in pension, etc.).

In this scenario, Bangor Ltd (BL) has several overseas workers from Enio SA (ESA) coming to the UK to work. Auto-enrolment is required for secondees/transferees as well as those employed locally. The UK registered pension scheme is the qualifying pension scheme for the purposes of auto enrolment.

Maria

As Maria is coming to the UK and is aged 30 and has a salary of £60k, she is an eligible jobholder and BL must automatically enrol Maria in their UK registered pension scheme (BLOP). BL will need to notify Maria of their intention to do this, and as discussed above there will be minimum employee contributions of 5% and employer contributions of 3% of Maria's salary between the limits.

However Maria is likely to opt out of auto enrolment as she has her Spanish benefit package with a 6% employer contribution. As this percentage is not the minimum 8% for auto-enrolment it would not be sufficient on its own - i.e. Maria will actively have to opt out as they cannot take the ESAPS contributions as sufficient.

ESAPS provides retirement and death benefits for all staff, and is regulated and registered for tax purposes with the Spanish tax authorities. These facts mean that it will meet the conditions to be a qualifying overseas pension scheme (QOPS), as it meets the two tests:

1. regulatory test (it is regulated in Spain)
2. tax recognition test (it is registered for tax purposes in Spain).

As a registered pension scheme in an EU country it is automatically considered a QOPS.

Employer contributions to a pension scheme will be caught by the disguised remuneration rules unless they can be exempted by other provisions. Employer contributions to a QOPS are exempt as providing provision for death or retirement. Therefore these contributions will not generate a charge to income tax and will be free of any PAYE obligations.

Sergio

As Sergio is below state pension age and has a salary of £50k he is an eligible jobholder for the purposes of auto-enrolment.

It appears that BL originally enrolled Sergio into their occupational plan when he joined on 1 November 2022, however he opted out of this auto-enrolment.

As discussed above, employers must complete a re-enrolment exercise every three years. On 1 November 2025 BL must complete this, and Sergio will need to be re-enrolled into the pension scheme. Sergio will need to be notified of this in writing, and he will have the opportunity to decline should he not wish to be enrolled. Provided this is done BL have complied with the auto enrolment rules.

Baz

Baz's age and salary mean that he is also an eligible jobholder for auto-enrolment. He will need to be automatically enrolled into a qualifying pension scheme when he is transferred to BL. As his employment contract offers a 10% employer pension contribution, this is above the minimum requirements for auto-enrolment and will be compliant with the auto enrolment rules.

However, it is necessary for Baz's contributions to be made into a qualifying UK pension scheme. the BTUP is not a qualifying scheme (not being a UK registered scheme), and contributions made to this are likely to be considered disguised remuneration and subject to UK income tax and NIC in full. In addition, the ESAPS is registered in Spain and so not a UK registered scheme.

However, it is assumed that Baz, as he is being transferred, was previously a member of the ESAPS being a transfer from Spain (and the ESAPS provided benefits for all staff). Therefore it will be possible for payments to be made into this scheme compliant with the auto enrolment conditions as the ESAPS will be considered a qualifying scheme, being a QOPS.

As Baz earns 260k, the annual allowance charge should be considered briefly. Baz's threshold income (being net income less any 'ee contributions) is £260,000, above the £200,000 threshold. His adjusted income is $(260,000 + (10\% \times 260,000))$ £286,000, being above the £260,000 threshold. Baz has an annual allowance of £60,000, meaning income which can be put into one's pension tax free per year. This is tapered by £1 for every £2 above £260,000 adjusted income, meaning his annual allowance is $(60,000 - (286000-260000)/2)$ 47,000. Any pension contributions above this generate an income

tax charge at Baz's marginal rate (45%). However, Baz's pension contributions for the year are 10% of his salary: £26,000. This means his contributions will not hit this threshold. It also should be noted that Baz would be able to carry forward unused annual allowance for the previous three tax years - provided he was a member of the ESAPS scheme then too - and therefore the annual allowance charge is unlikely to apply for that reason.

Any annual allowance charge would anyway not have to be dealt with via PAYE and instead Baz would have to add it to his self assessment tax return, to the extent that it is tapered due to salary (as opposed to contributions being over 60k, in which case the scheme administrators can be asked to do it).

All pension contributions made by employers will be fully deductible for corporation tax purposes provided that they were made wholly and exclusively for the purposes of the trade.

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

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

Answer-to-Question- _4_

Mrs Malde

Company Share Option Plans (CSOPs) are tax-advantaged share plans.

The grant of the shares under the CSOP would not have generated any income tax charge.

Upon exercise of the options, there would also be no charge to income tax, provided that Mrs Malde had held her shares for between three to ten years (as is the case here as she exercised five years later. There are no PAYE or NIC implications in respect of the grant or exercise.

Mrs Malde has paid $3 \times 10,000 = \text{£}30,000$ for the shares. When she comes to sell the shares, they will be subject to UK capital gains tax on the difference between the proceeds and the price she has paid.

Unapproved share option plan

This is a non-tax-advantaged share scheme, so the benefits of the CSOP will not apply here.

There is no charge to tax on the grant of the option of $\text{£}10,000$ shares. However, when Mrs Malde comes to exercise these, there will be a charge to tax as follows:

market value on exercise	60,000	6 x 10,000	
price paid	(30,000)		
employment income	30,000		

$\text{£}30,000$ will be considered employment income, being the difference between share price on exercise and the price paid. As Dazzle is a listed company, any employment income generated as a result of employment-related securities is considered a readily convertible asset, and will be subject to PAYE and Class 1 NICs payable by both Mrs Malde and Dazzle. Dazzle will have to process the employment income through the payroll and subject it to withholding. Dazzle will have to seek to recover the tax through Mrs Malde's other PAYE income or alternatively seek direct settlement if she does not have sufficient income on the payroll. If any tax is not recovered within 90 days following the end of the tax year, it will be considered that Mrs Malde has received a payment of a pecuniary liability and the amounts owed will be grossed up and subject to further income tax and Class 1 NICs.

Mr Richards

Save as You Earn (SAYE) schemes are tax-advantaged share schemes provided to employees.

The discount to market value of 20% is the highest acceptable discount for SAYE schemes.

There was no tax at the grant of options.

Mr Richards saves the following amounts:

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

add: bonus (200×3.2) = 640

total to use to exercise = 12,640

Mr Richards will buy $12,640/2.4 = 5266$ shares (can't get partial so rounded down).

There are no PAYE or NIC consequences as the terms of the SAYE scheme have been complied with in full. This is because the term is five years, there is a bonus, the discount is acceptable and the amount per month is within the limits of £10-£500. Also SAYE options must be exercised by 6 months after the end of the savings period, which is clearly adhered to here.

Reporting requirements

HMRC require employers who provide employment-related securities to report the details of all relevant schemes to HMRC.

For each tax-advantaged scheme (CSOP and SAYE in this case- the unapproved plan is not being commented on as per the question), a separate report will need to be provided to HMRC each year.

CSOP

By the 6 July following the end of the tax year in which the CSOP options are first granted, Dazzle will need to have registered the CSOP with HMRC and have it approved that it meets all the relevant requirements for a CSOP scheme.

On 6 July every year, Dazzle will need to provide a report to HMRC of the CSOP options, including any changes, such as where options have been granted, exercised, lapsed, etc. Nil returns will be filed if nothing has changed. In this case therefore a report on the grants would need to be done for 19/20 tax year, and then nil returns for 20/21 to 23/24, and then a report detailing the exercise in 24/25 (i.e. by 6 July 2025).

SAYE

SAYE schemes must also be registered with HMRC and in this case Dazzle must self certify that the SAYE scheme meets the requirements by 6 July following the tax year in which the scheme is first established.

As with the CSOP, a report by 6 July must be provided to HMRC of the SAYE options, including any changes, such as where options have been granted, exercised, lapsed, etc. Nil returns will be filed if nothing has changed. In this case therefore a report on the grants would need to be done for 19/20 tax year, and then nil returns for 20/21 to 23/24,

and then a report detailing the exercise in 24/25 (i.e. by 6 July 2025).

For both CSOP and SAYE annual returns, HMRC may levy penalties where late returns are submitted, and these can increase with the time during which they are outstanding.

Employees will also need to be provided with all relevant information relating to the share options. Reports should be provided to employees by 1 June on their P60 detailing the share options they have received and any amendments, due dates, etc.

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

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

Answer-to-Question- _5_

As TopHat Ltd (THL) has staff costs of under 2.5million the apprenticeship levy (0.5%) will not be applicable (as applies where staff costs are at least 3m due to the £15,000 exemption).

The question asks for the tax treatment of certain relocation benefits. Under s.271 ITEPA, certain relocation costs where an employee must relocate as a result of a change in employment duties are exempt (up to an £8,000 limit), provided that it would not be reasonable for the employee to commute from their previous place of work to the new one. As Philippa is moving from Edinburgh to Manchester, this change in distance will be considered significant enough for the exemption to apply. The exemption applies for costs in the first two tax years from relocation.

1. The relocation allowance provided to Philippa will not be covered by the relocation exemption of 8k, as the expenses must be either directly paid or reimbursed in relation to specific costs. This will therefore be treated simply as cash earnings and subject to PAYE and Class 1 NIC.
2. The provision of temporary accommodation ahead of a relocation falls under the 8k exemption. It is helpful that this is paid directly as it is clear this is not a cash allowance. This will be fully exempt from tax and NIC as it is within 8k.
3. Professional fees are also exempt as relocation expenses. It is fine that this was reimbursed - though it is assumed evidence is within the expence claim to prove the costs (e.g. a receipt).
4. The removal of belongings is exempt up to 8k - this is likely to tip the amoiant paid over and so this will be calculated soon to consider whether the exemption applies.

	items subject to relo allowance		
temp accom	5,000		
professional fees	1700		
moving belongings	2000		
total	8,700		
less relo allowance	(8000)		

taxable relo	700		
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The taxable relocation is subject to income tax as a taxable benefit and class 1A NIC. This would usually have to go on the P11D due on 6 July and Class 1A NIC due on 22 July (if paying electronically). THL want to settle on behalf of Philippa so the easiest thing to do would likely be for THL to set up a PAYE Settlement Agreement (PSA) to settle the tax on behalf of Philippa. Class 1B NIC would then be due and the value would have to be grossed up - more on this below. However they can also settle the tax on behalf of Phillipa through grossing up

5. The new fitted curtains and blinds are not exempt - only replacement of domestic goods is allowed - and this will generate a charge to income tax and class 1 NIC due to the fact that THL are reimbursing Philippa.

6. The payment of school fees is subject to Class 1 NIC and income tax as the settlement of a pecuniary liability - no exemption possible.

Payments for travel to Leeds

Leeds will be considered a temporary workplace as Philippa will be there for three months - up to two years will be considered a temporary workplce. This means that any travel or subsistence costs in relation to travel to Leeds will be exempt from tax and NIC under the temporary workplace rules.

- meal allowance will be exempt as it is paid directly to reimburse business subsistence and there is a receipt

- the electric car will generate a taxable benefit based on the list price to Philippa. The car benefit rules to determine the cash equivalent won't consider the cost to the employer:

list price	90,000		
emissions percentage	2%	as zero emissions	
cash equivalent	450	$90,000 \times 2\% \times 3/12$	

The car benefit will be subject to income tax and class 1A NIC, reportable on the P11D.

- The provision of electric charging point at or near employees' place of work is exempt from income tax.

cost to THL

	items generating income tax charge + class 1 NIC	items generating income tax + class 1A NIC	no tax but costs to THL	
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relocation allowance	8,000			
relocation costs above 8k exemption		700	8000	see table above
fitted curtains	300			
school fees	2400			
meal allowance			1,080	30 x 36
electric car		450	2400	
charging point			300	
costs incurred in provision by THL				8000 + 700 + 8000 + 300 + 2400 + 1080 + 2400 (excl. car benefit for now) + 300 = 23,180
totals	10,700	1,150		
gross up		2090		x 100/55
gross up	20,189			x 100/53
income tax due	9085	941		x45%
class 1 prim NIC	182			x2%
class 1 secondary NIC	1254			x13.8%
class 1A NIC		288		x13.8%
total taxes to THL	11,750			9085 + 182 + 1254 + 941 + 288
total cost to THL	34930			11,750+ 23180

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

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

Answer-to-Question- _6_

As WellBeing UK Ltd (WBUK) wants to tax equalise Sophie, this will mean she is neither better or worse off from a tax perspective as if she had stayed in the UK. This means a hypothetical tax (hypo tax) will be calculated to determine the tax she would have received had she stayed in New Zealand (NZ), and this is the tax charge to be deducted to reach Sophie's net salary. As WBUK will then be settling tax on behalf of Sophie there will be an additional charge to tax grossed up and payable by WBUK to reflect that they have effectively settled some of Sophie's pecuniary liabilities.

Sophie is UK tax resident from 1 July, so she will be in the UK for 9 months (9/12 of the year). No national insurance for Sophie as she has a certificate of coverage in NZ.

The charges to income tax will be on:

sophie's salary;

cost of living allowance (COLA);

travel allowance - as this is not to go home after the end of the secondment but just to travel home when she wishes no exemption;

company car for private use - 15k (I assume that no fuel benefit is provided for the private use as this would generate an additional cost to WBUK and taxable benefit); and

private medical insurance - there is an exemption for those who work overseas but no exemption for UK secondees.

The accommodation paid by the company will also be a taxable benefit on Sophie as she is in England for a three year secondment and the temporary workplace rules can't apply.

There will be an exemption from tax for the provision of the flight at the start of the secondment as Sophie is a non-domiciled individual travelling to work in the UK, nor will the VISA costs be taxable as they were incurred wholly and exclusively and necessarily for the purposes of employment.

income tax equalisation calc:

salary	375,000	500000 x 9/12	
COLA	45,000	60000 x 9/12	
travel allowance	3,750	5000 x 9/12	
company car	11,250	15000 x 9/12	
PMI	5,250	7000 x 9/12	
accom benefit	3,750	5000 x 9/12	

total	444,000		
less: hypo tax	(112,500)	150000 x 9/12	
net	331,500		
tax eq. casl		note - no personal allowance as salary far too high	
30160	37700 x 0.8	gross up to	37700
52464	87440 x 0.6		87440
248,876	248,876 x 100/55	(331500-30160-52464)	452,501
total tax			
37700 x 20%	7540		
87440 x 40%	34976		
452,501 x 45%	203,625		
total tax due	246,141		

At the moment, there are strict PAYE and RTI reporting requirements in respect of Sophie's salary, as WBUK will need to operate PAYE on her monthly salary to determine the exact amount of tax she owes each month and pay this by 19th of the month (or 22nd if paying electronically). This is likely to be onerous and difficult for WBUK particularly as Sophie has a range of benefits and it is always possible not everything is finalised at the start of the secondment - i.e. some numbers to be updated. Full payment submissions (FPS) will also need to be reported to HMRC monthly on 22nd. HMRC can levy penalties and interest in respect of late reports or late/incorrect reports, and unpaid tax. WBUK have an obligation to operate PAYE on Sophie's salary as they have a UK PAYE presence.

Instead, WBUK could opt for an Appendix 6 agreement with HMRC. This is a modified payroll agreement which employers can put in place where they have tax equalised individuals. This relaxes the strict reporting requirements each month for tax equalised individuals and instead WBUK would be able to estimate the tax due each month without as much pressure from HMRC. It would estimate the tax due for Sophie and pay this in equal monthly instalments throughout the year.

WBUK would then, towards the end of the tax year, perform reconciliations to determine any unpaid tax /miscalculations, and provide HMRC with this information at the end of the tax year. It would then have until 31 January following the end of the tax year to pay the remainder of tax due, and this is when any P11Ds would need to be submitted too (as opposed to the earlier deadline of 6 July following the end of the tax year). WBUK would also have to ensure that Sophie was completing a self-assessment tax return; it could consider whether it would want to provide her the taxable benefit of competing this in house or getting an advisor to do this for her - as this might make them more confident

this obligation was fulfilled.

WBUK will need to agree the Appendix 6 agreement with HMRC prior to operating this modified payroll, however it is likely to significantly help with simplification. they will have to operate a separate payroll for Sophie however, so they should keep in mind this will require some administrative extra costs (and potentially finding extra expertise).

There are no national insurance reporting requirements as Sophie is paying social security in NZ.