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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID [redacted]

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**552**	**2596**	**3125**
Section 2	**417**	**1925**	**2322**
Section 3	**344**	**1567**	**1906**
Section 4	**445**	**1995**	**2423**
Section 5	**150**	**705**	**854**
Section 6	**405**	**1836**	**2176**
Total	**2313**	**10624**	**12806**

Answer-to-Question-_1_

Jeff had never worked in the UK before 1 Jan 2024 therefore he was non-UK resident for previous 10 tax years and will be considered a qualifying new resident(QNR). As a QNR, he is eligible to claim Foreign Income and Gains regime for 4 tax years including the year of split year (year of arrival) i.e. for 2025/26 and 2026/27. FIG regime allows Jeff to exempt foreign income, foreign gains and foreign employment income for the QNR period. Jeff is also under transistional rules as he claimed remittance basis as non-UK domiciled for 2023/24 and 2024/25. Generally, ff an election is made to exempt foreign employment income then a claim should be made to exempt lower of £300,000 or 30% of the qualifying employment income. However, as Jeff is under transistional rules, the cap won't apply and he can exempt all the foreign employment income. If Jeff, elects for FIG regime then personal allowance (and capital gains tax annual exempt amount) is not available. Although, given the salary for Jeff, the PA would be abated anyway. If an election and claim is made to exempt foreign employment income then no foreign tax credits will be available as the foreign workdays would not be subject to UK tax.

The visa renewal expense of £1000 will be exempt if it was incurred wholly and completely for the purposes of the trade. Historically, this has been exempt however, recently HMRC are taking a different view and discussion are ongoing for corrective mneasures.

	£			

Salary 500,000 x 60%	300,000			
Bonus 700K x 60% outside UK	420,000	No PA		
	720,000			
Tax 37,700@20%	7,540			
87,440@40%	34,976			
594,860 x 45%	267,687			
Class 1 @ 8% and 2%		Class 1 Secondary at 15%		

Accordign to the Double Tax Agreement (DTA) Article 4(2) the social security will be due in US provided the assignment does not exceed 5 years. This is the case with Jeff and a certificate of continuing liability should be obtained from US authorities to exempt UK NIC.
When Jeff transitioned to working 2 days internationally, he was still working for 3 days in the UK i.e. 60% was spent in the UK (more than 25%)and he would be subject to UK Social Security. However, provided he worked it the EU countries, EU SSC 2021 protocols would apply and, as long as he spent more than 5% in a particular country, he would be considered a multi state worker. As such, a MSW certificate for continuing liability should have been applied to exempt NIC in other EU states.
As Jeff had a change in the work pattern, a section 690 directive could and should be applied to limit the PAYE withholding to UK workdays. A notofication should be made in each tax year to HMRC and once acknowledgement is received, the employer can operate PAYE at the percentage of earnigns subject to UK workdays. Although, the arranegemnt is expected to be consistent, Jeff should keep track and record the travels in a travel diary as the accurate Uk workdays will need to be reported throguh self-assessment tax return.

Jeff is QNR until 5 April 2027 and for 2027/28(as the extension to 31 December 2028), he will be UK tax resident and will be subject to UK tax on worlwide income and gains. Although, split year case may apply.

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

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

Answer-to-Question-_2_

As Alinta will receive the share option by reason of employment, they will be employer related securities (ERS). Although, a third party (EBT) is involved, the disguised remuneration Part 7 won't apply as there is an exception for ERS. Jedda Ltd. should register the scehme with HMRC by 6 July following the year and annual returns should be submitted detailing any grants, changes or exercise of the options. Even when no activity takes place in a tax year, an ERS should be submitted to HMRC with the details of the options and the employees.

There is no tax or NIC on the grant of non-tax advantaged option. There will be a chargeable event on the lifting of restriction or vesting of the option.

The relevant period for the non-tax advantaged option is 6 April 2020 - 5 April 2022.

Alinta was non-UK resident for 2021/22 and therefore will be internationally mobile employee.

Chapter 5B applies and the time related to overseas workdays can be exempt.

Taxable specific income = Securities Income - Foreign Securities Income

FSI = 230 - 23 = 207

SI	45,000		
FSI 45,000 x 207/460	(20,250)		
	24,750		
price paid	-		
Liable to Income tax and NIC	**24,750**		

As trading arrangements were in place (i.e. EBT to buy or sell shares, the shares will be Readily convertible asset and subject to PAYE and Class 1 NIC.

There will be a chargeable event on the lifting of restriction.

Alinta is subject to EU Social Security Co-Ordination 2021 as she went to germany after 1 Jan 2021. The EU SSC protocol was established to ensure NIC is not paid twice in EU states. The EU SSC protocol and SRT for Inco,me tax are not aligned and SSC depends on ordinary residence and habitually residence. As the assignment was less than 24 months and she was seconded from UK to replace a Germany worker and not another detached worker, a certificate of continuing liability should be obtained from UK authorities to prove no social security will be due in Germany.

There is no tax or NIC on the grant of Jedda Inc option.

The S431 election was made by employer and employee on 17 June however, an election should be made within 14 day after the acquisition i.e. by 15 June. As such, the election s431 to tax the shares upfront will not be valid.

As the election was not valid the unrestricted market value cannot be used and tax will be liable onthe exercise price of £100,000.

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

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

Answer-to-Question-_3_

Stoppa Ltd

Category A workers are are seconded to Italy for less than 24 months (they are seconded for 12 months) and therefore it will be considered a temporary workplace.

Category B workers are seconded from Italy to the UK for 36 months (more than 24 months) and perform all the duties in the Uk therefore it will be a permanent workpalce.

Cost of accommdoation for Category A workers will be exempt as they are travelling to temporary workplace. However, the cost will be taxable for Category B employees as it is accommdoation benefit provided by the employer and it should be reportde on P11D and Class 1A NIC will be due.
The provision of accommodation is not job related i.e. not for better performance of work and customary to provide therefore it will be a beneit in kind for category B workers.

Thet flight costs at the start and end of the secondment will be exempt for both category of workers. Two inward and two return journeys are allowed in a tax year for the employees' families. Family means spouse and children under 18. The age is checked when taking the first inward flgiht. Excess of flight flight journeys will above two inward and two return will be taxable. Moreover, the Category B employee has to stay in the UK for 60 days after they arrive and as they work completely in the UKfor 36 months this will be met but better to outline in the policy for the family visits.

As long as the employer bears the cost, the journey will be exempt if reimbursed to employee.

Subsistence for category A workers will be exempt as they are needed for temporary workplace. However, for category B, the reimbursement will be taxable and NICable. Generally, there is a limit of £35 per day for meals and incidental expenses of £5 per day in the UK and £10 outside the UK.

UK immigration and visa costs will be exempt as they are borne by the employer necessarily and wholly for the purposes of trade.

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

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

Answer-to-Question-_4_

Buzz UK

Jo's secondment in October 2024 had 20 UK days (presence days) and 19 UK workdays (21 -2 rest days)

Relocation expenses of up to £8,000 are exempt from tax and NIC provided they are qualifying expenses of removal and the employee moves to be within reasonable commuting distance to the permanent workplace and the previous home is not within reasonable commuting distance. Jo meets the criteria and qualifying expenses will be exempt.
The costs incurred until the next tax year of the move can be considered.
Any excess over £8,000 is subject to tax and NIC. Any benefits provided should be reported on P11D by 6 July following the tax year and a P11D(b) and the payment of Class 1A NIC should be made by 19 July or 22 July if paying electronically.

Flight costs in January were not at the start of the secondment therefore not exempt under this. The train journey will be taxable as not for work.
£600 for meals and taxis will be exempt as Uk is still a temporary workplace.

Legal fees of £6000 for sale of house will be exempt and part of the £8,000.

Reimbursement of £500 to move furniture will be exempt.

Rent of £2,500 will be exempt however only £1,500 is remaining of the £8,000 exemption. Therefore, 1,000 will be taxable and reported on P11D.

Rewiring the kitchen is not exempt and will taxable.

When asset is made available the benefit is higher of 20% of the cost at the time of acquisition or the cost of benefit provided (5,000 x 0.20 = 1,000). Therefore, 2,200 will be taxable.

The receipt of bonus will be earlier of when the payment is made and when the person

becomes entitled to payment. Jo is not a director and a decision to make payment is not entitlement. The date remains 28 June 2025.

The bonus will be apportioned and subject to UK tax on UK workdays.
25,000 x 19/240 = £1,979.

Jo was never resident in the UK in previous 10 tax years and will be eligible for FIG regime. She can claim for foreign employment income relief and exempt the bonus related to Ireland workdays.

Jo is subect to EU SSC protocol and only liable to NIC in one country. As she did not replace another secondee in UK and was seconded for less than 24 months at the time, she will be ordinarily resident in the Ireland, a certificate of continuing liabulity should be applied to exempt UK NIC.

In 2025/26, Jo will be UK resident and subject to PAYE and NIC from day 1 under UK legislation. She will perform substantial activity in UK.

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

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

Answer-to-Question-_5_

Hugo received the shares by reason of employment therefore it will be employment related securities.

The wine bottles worth £50,000 were also made available by reason of employment and will be considered benefit in kind and food and drinks are not deductible as gifts. The value of benefit will be the market value at the time of transfer i.e. 50,000 and it will be considered a readily convertible asset as there exists a market to trade wines and will be subject to PAYE and NIC.

The payment to |Robert was not contractual and neither a redundancy pay. It can be considered a retirement benefit if so, will be subject to PAYE and NIC. However, as he retired 10 years ago, the amount can be considered ex-gratia and therefore the first £30,000 will be exempt from tax and NIC.

Arno should not have induced Hugo even just to prevent contingent liability.

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

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

Answer-to-Question-_6_

Sunshine Shores Ltd (SSL) provided below benefits.

Annual Summer Party

Total cost is inclusive of VAT = 12,500 x 1.20 = 15,000
Total guests attended = 175
Per Head = 15000/175 = £86

Accommdoation cost (incl. VAT) = 10100x1.20 = 12,120
Per head = 12,120/175 = £69

The summer party will be exempt (subject to further analysis of other benefits) however accommdoation costs wil be taxable as maximum of £150 each tax year is exempt on staff entertainment (86+69 = 155).

50th Anniversary

Total cost = 8750 x 1.20 = 10,500
Total attendees = 75
Per head = £140

It would be more beneficial to exempt the Anniversary costs of £140 per head to maximise the £150 per head limit in a tax year.

Festive Hamper

The benefit is the cost to the employer therefore £100 - 25 = £75
This is not a trivial benefit (as not under £50) therefore it will be taxable.

Private Medical Insurance

The cost of providing the benefit is £300 (25 x 12) and this will be taxable.

Tax Return

The tax return preparation cost will be taxable and Class 1A NIC will be due.

Easter Eggs

The Easter eggs will be exempt as trivial benefit under £50.

High Street Vouchers

The vouchers will be taxable as they are provided in recognition of work and performance of duties.

Jewellery

The long service award is exempt provided they have worked more than 20 years (which each of the 4 senior managers have) and they did not receive any reward for service in the previous 10 years.

As the employer will settle the liabilities through PSA, we can apportion all the costs across all the employees and need to gross up the benefit and tax (subject to Scottish rates) liable to Class 1B NIC at 15% due on 19 October (or 22 October if paid electronicaaly) following the tax year. The PSA should be submitted by 5 July following the tax year.

PSA	£		Tax Return	High street	Total	Tax
Annual Party	27,120					
Hamper	7,500					
Medical Ins	30,000	64,620				
Associates at Intermediate rate		19,386		750	20,136	5,353

30/100 x 64,620 Tax@ 21/79						
Managers at Higher rate 45/100 Tax@42/58		29,079			29,079	21,057
Senior Managers at top rate 25/100 Tax@48/52		16,155	6,000		22,155	20,451
					71,370	**46,761**

Class 1B on benefit 71,370 x 15% = 10,706
Class 1B on gross up tax 46,761 x 15% = 7,014
Total = £17,720 + 46,761 = 64,481