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	**939**	**4164**	**5069**
Section 2	**995**	**4369**	**5325**
Section 3	**1026**	**4853**	**5847**
Section 4	**1094**	**4904**	**5946**
Section 5	**599**	**2670**	**3253**
Section 6	**801**	**3732**	**4410**
Total	**5454**	**24692**	**29850**

Answer-to-Question-_1_

Requirement 1

PAYE

Jeff is UK resident so will be subject to tax in the UK on his worldwide income and gains. It is assumed that no relief from UK tax is available under a UK/US double tax agreement.

From 6 April 2025, the remittance basis is no longer available to Jeff.

However, Jeff will be a qualifying new resident has he has not been UK tx resident in the 10 tax years prior to his arrival in the UK in 2023/24. As such, from 6 April 2025, Jeff can exempt one or more sources of his overseas income, overseas employment income or overseas gains from UK tax.

As Jeff has already claimed 2 years of the remittance basis, thetransitional rules will apply. Under the transitional rules, Jeff will be able to claim 4 years of wverseas workday relief (OWR) via either the remittance basis or a foreign income and gains (FIG) election.

Where the transition al rules apply, Jeff will not be subject to the usual cap on FIG of the greater of 30% of qualifying employment income or £300,000.

Where FIG is claimed, Jeff will lose any foreign tax credts available where the income is doubly taxed.

Where FIG is claimed, Jeff will lose any entitlement to UK allowances such as the UK

personal allowance, however, considering his level of income, this will already be fully abated anyway.

Jeff can therefore make a claim under FIG in 2025/26 and 2026/27.

He will not be able to make a FIG claim in 2027/28 so will be subject to UK tax on his worldwide income and gains from 6 April 2026 to 31 December 2027 (the end of his assignment).

An income paid to his Jersey account in 2023/24 or 2024/25 will be taxable in the UK where it is remitted to the UK.

2025/26 and 2026/27

Under FIG, Jeff can make an election to exempt his overseas empoyment income from UK tax.

Overseas employment income is assessed on a fair and reasonable basis, and HMRC usually accept UK and overseas workdays.

As such, over this period, Jeff can claim OWR on 40% of his income, relating to his 2 overseas workdays per week.

As Pink Ltd has a UK tax presence, ie. office or branch at which HMRC could contact them, they are required to deduct PAYE on Jeff's earnings in full. Jeff will then be able to claim OWR on his self assessment tax return.

However, this may result in a cash flow disadvantage for Jeff. To manage this and to ease

administration, Pink Ltd could submit a s690D notification to HMRC and, once agreed, will only need to operate PAYE on a proportion of Jeff's earnings relating to his UK workdays, ie. 60%. A new notification must be made for each tax year and a revised notification must be submitted where JEff's circumstances change during the tax year.

Whether or not a s690D notification is made, a FIG election must be made on Jeff's self-assessment tax return for each tax year, with the tax return due by the normal deadline for amending a tax return, ie. 31 January 2028 for 2025/26 and 31 January 2029 for 2026/27.

2025/26

Jeff's salary will be taxable in 2025/26, however where a FIG election is claimed, only 60% will be taxable in the UK, ie. £300,000 (£500,000 x 60%).

2026/27

As in the previous tax year, Jeff's salary will be taxable in the UK subject to OWR, ie. £300,000.

Additionally, Jeff receives a bonus on 6 April 2026. As Jeff is not a director, this bonus will have a tax point as the earlier of entitlement or the date it is actually paid. This is assumed to be the same date ofr both, so 6 April 2026 and so falls into te 2026/27 tax year.

This bonus can also be subject to OWR, so only the portion of it relating to his UK workdays will be taxable, so the 2 months of full time work in the UK at the start of the assignment must be considered in addition to 60% after that point.

2027/28

Jeff will be taxable in the UK on his worldwide earnings from 6 April 2027, so PAYE should be operated on his salary in full.

Where any relief is available under a UK/US double tax treaty, an Appendix 5 may be relevant to operate PAYE on an amount net of foreign tax credit.

Social security

Under the UK/US social security agreement, Jeff will not be subject to UK national insurance contributions (NICs) for the duration of his assignment as it was not expected to exceed 5 years.

Under the agreement, an individual will only be subject to social security in one state at a time, so Jeff will only be liable to social security in the US.

A certificate of continuing liability should be sought from the US authoriies confirming that Jeff will be liable to social security in the US and not the UK.

Requirement 2

Visa costs will not be taxable under s373 ITEPa where they relate to the employees expenses of travel to the UK to perform duties. As this additional cost is an extension and not related to the initial ravel to the UK, this will be taxable as earnings and should be included on Jeff's Form P11D for 2025/26, due by 6 April 2026.

Where the asisgnment is extended beyond 2 years,the UK will no longer be a temporary workplace from the date on which the decision is made, ie. 1 October 2025. From that dae, any expenses incurred in relation to Jeff's UK accommodatin or travel will be taxable.

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

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

Answer-to-Question-_2_

Jedda Ltd

6 April 2020 - grant

A charge to tax potentially arises under ITEPA Part 7A where there is an arrangement which is reasonable to suppose that the purpose is wholly or parly a means of providing an employee with rewards or recognition in connection to their employment, and a relevant step is taken by a relevant third person.

The earmarking of an asset, ie. the setting aside of the shares by the EBT (a third party) with a view to later being taken by Alinta, is a relevant step taken by a relevant third party, so potentially the value of the shares is chargeable as earnings under PArt 7A. However, there is an exclusion available for earmarking for employee share schemes provded that the main puposes of the award si to defer the payment of a sum of money to Alinta until a specified date (the vesting date), which is not more than 10 years after award. As the shares vest within 10 years, this exclusion applies and a charge will not arise under Part 7A on 6 April 2020.

These are employment related securities (ERS) as they are issued to Alinta by reason of her employment.

However, these securities are subject to a restriction on their sale which reduces their

market value, and so are restricted ERS. These securities are not subject to a forfeiture condition.

There will be a charge to income tax based on the restricted market value of the shares at grant, less any amounts Alinta paid for them (ie. nil).

5 April 2022 - vest

The lifting of the restrictions, ie. lift of performance conditions on the vest date, will be a chargeable event.

Alinta will be subject to income tax on this date based on the proportion of the unrestricted market value of the shares at that date which have not previously been subject to tax or paid for.

As Alinta is not-UK resident when the shares vest, she will not be subject to income tax on the full amount of the gain. She will be taxable in the UK on the proportion of the gain based on the days where she was chargeable to UK tax during the vesting period, ie. either UK resident, or non-UK resdient but performing substatial UK workdays.

Her workdays in the UK in 2021/22 whilst GErman resident will be taxable in the UK as was performing her nomal duties of employment, ie. the days were not anciliarry to her usual duties, such as training.

The vesting period was 6 APril 2020 to 5 APril 2022:

		Uk Workdays	Overseas workdays
6 April 2020 to 5 April 2021	UK resident	230	
6 April 2021 to 5 April 2022	Non-UK resident	23	208

		253	208

Alinta will therefore be taxable in the UK on 253/460ths of the gain.

1 June 2022 - exercise

Alinta and Jedda Ltd made an election under s431 for the shares not to be treated as restricted, however, as this was not made within 14 days of the acqusition of the shares (ie. by 15 June 2022), this election will be invalid and the shares will be taxed as a resticted security.

The securities were acquired for less than their market value at grant as their exercise price is £nil, so a tax charge will arise on acquisition.

This charge will be based on the shares' restricted market value at acqusition, less any amounts Alinta paid for them, so £45,000 (£45,000 - £0).

This amount will be subject to income tax and Class 1 NICs via PAYE as they are now RCA's (see below).

NICs are payable based on the portion of the vesting period in which the individual was liable to UK NICs.

During her assignment, Alinta would have been liable to German NICs for the secondment period as, under the EU SSC protocol, an inividual is only liable to social security in one state. Alinta's secondment lasted less than 24 months however she was replacing another worker, so the exemption in Article 11 would not apply. She would have been liable to German NICs only in 2021/22.

Alinta was liable to UK NICs in the years before and after her secondment, so that portion of the gain will be liabe to Class 1 NICs.

1 June 2022 - put option

Shares in Jedda Ltd will not be a readily convertible asset (RCA) as Jedda Ltd is not a publicly listed company and arrangements are not in place for their sale. The terms that she shares are to be sold to the EBT for no consideration is ALinta is a bad leaver is not an arrangement for their sale. Ni NIcs will theerfore be due and income tax will be payable via self assessment.

However, when a put option is placed on their sale on 1 June 2022, arrangements are in

place for thair sale and so the shares will become a readily convertible asset from this date. RCA's are subject to income tax and CLass 1 NICs via PAYE. Where Alinta does not have sufficient monthly income to cover a tax charge, and does not make good the tax due by 90 days follwing the end of the tax year, a s222 charge will arise on the tax paid for by the employer, which should be included on her Form P11D and subject to Class 1A NICs.

1 June 2025

Sale of shares will incur a capital gains tax liability based on the market value of the shares at sale, less the base cost of the shares (any amounts paid for them or previously subject to income tax).

Reporting obligations

Report the grant of shares on the annual ERS return by 6 July following the end of the tax year of grant (6 July 2021).

Any reportable events, ie. vest, sale, exercise, lifting of restrictions, should be reported on the ERS return by the 6 July following the end of the tax year in which the event occurs.

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

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

Answer-to-Question-_3_

Category A

Relief for the costs of travel and subsistence may be available where employees are attending a temporary workpace.

A temporary workplace is defined as onw ehich the employee attends in the performance of the duties of the employment:
- For the purpose of performing a tash of limited duration, or
- For some other temporary purpose.

A place will not be regarded as a temporary workplace if the employee's attendance there is in a period of continuous work lasting more than 24 months (or all/almost all of the period of the employment), and duties are performed there to a significant extent (ie. more than 40%).

As the Category A assignees are only expected to visit Italy for 12 months, temporary workplace relief will be available.

Temporary workplace relief (TWR) can exempt the cost of the employees accommodation, flights, and subistence, where it can be shown that these expenses were incurred for qualifying purposes.

However, TWR can only only apply to the cost of accommodation provided to the individual, ie. up to a value of £2,000. The additional cost of accommodation for family will be taxable as a benefit, subject to income tax and Class 1A NICs.

Under TWR, only the employees flights will be exempt.

s341 will also be available to exempt the cost of the employees flights at the start and end of the assignment from UK income tax and NICs as the duties are performed wholly outside the UK, the employee is UK resident and the employer is a UK employer.

Return flights for the employee during the assignment period will be exempt from UK tax and NICs under s370 as the employee is absent from the UK wholly and exclusively for the purpose of performing the duties of the employment and these duties can only be performed outside the UK (Case A). The journey is from Italy, where the duties are performed, to the UK and return. There is no limit to the number of journeys which can

be provided under this exemption.

As the employees are absent from the UK for a continuous period of at least 0 days, 2 return flights can be reimbursed per tax year for the employees spouse and minor children. The children must be under the ager of 18 on the date the depart from the UK for each trip. This can include flights at the start and end of the secodnment. However, where more tahn 2 flights are provided in the tax year, or a flight is provided to anyone other than the employee's spouse or minot child, a taxable benefit will arise on the cost to the employer of that flight. Thsi should be reported on the Form P11D subject to tax and CLass 1A NICs as the landlord is contracted with directly.

Whilst TWR will not exempt the full cost of accommodation for family, an exemption is available under 376 for the cost of foreign accommodation and subsistence costs and expenses. Teh conditions of this exemption are:
- The duties of the employment are performed wholly outside the UK;
- The employee is UK resident; and
- Where the employer is a foreign employer, the employee is nto a qualifying new resident.

The above conditions are met as the employees remain UK resident throughout the assigmnent and work wholly in Italy. The full accommodation and subsistence costs can therefore be reimbursed free of tax and NICs.

Where subsustence is reimbursed for non-allowable costs, this will be taxable as earnings subject to income tax and Class 1 NICs via PAYE.

Category B

TWR will not be available for these individuals as their assignment to the UK is expected to last more than 24 months.

An exemption is available under s373 for non-resident or qualifying new residents travel costs and expenses where duties are performed in the UK. As the secondees will be UK tax resident throughout their assignment, they will be qualifying new resident where they have not been UK resident in any of the 10 previous tax years.

s373 relief is avaiable for travel expenses incurred where the journey ends within 5 years of the employee's qualifying arrival date. The qualifying arrival date will be their date of arrival if they ahve not been UK tax resident in the previous 2 yax years.

As the secondment is exected to last 5 years, relief can be received for the employees travel to and from the UK throughout the assignment.

As the individual becomes UK resident, this relief cannot be claimed for a subsequent assignemnt if this begins more than 5 years after the original one started, and the individual was UK resident in the previous 2 years.

s374 relief will also apply to exempt travel facilities for the employees spouse and minor children as the employee is in the UK for a continuous period of at least 60 days. This relief will be subject to the same conditions as s373.

Visa and immigration costs will be exempt from income tax under s373 where they relate to travel to the UK.

Social security

The individuals liability to social security will be determined under the EU SSC Protocol.

Category A employees will remain liable to UK NICs throughout their secondment period as their secondment is expected to last 24 months and they are not replacing another worker.

As such, Class 1 NICs (employee and employers) will be due on any taxable benefits reimbursed and should be reported on the FPS. Any taxable accommodation costs will be subject to Class 1A NIC.

A certificate of continuing liability should be sought from the UK authorities confirming that the individuals will be liable to social security in the UK and not Italy.

Category B workers will not benefit from the same exemption as their secondment is expected to exceed 24 months. They are not multistate workers as 100% of their working time is spent in the UK, so will be liable to UK NICs. A certificate of continuing liability should also be sought from the UK authorities in respect of these workers confirming that the individuals will be liable to social security in the UK and not Italy.

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

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

Answer-to-Question-_4_

Jo will be automatically UK resident in 2025/26 as a result of spending more than 183 days present in the UK at midnight. As such, she will be taxable in the UK on her worldwide income and gains.

However, if Jo has not been UK resident in the previous 10 tax years, she will be a qualifying new resident. Jo was automatically not UK resident in 2024/25 as a result of spending less than 46 days present in the UK at midnight having not been UK resident in the 3 previous tax years. She can therefore elect to exempt one or more sources of her foreign income, employment income or gains from UK income tax.

Relocation expenses

The payment or reimbursement of qualifying removal expenses can be made free of tax where an employee changes residence as a result of becoming employed, a change to the duties of the employment or an alteration of the place where they are to normally perform those duties, and the change of residence is made wholly or mainly to allow the employee to reside within a reasonable daily travelling distance of the new workplace where the previous residence was not.

Jo meets these conditions as her move to Ireland was a result of her new role and her previous Irish residence would not have been in ordinary daily travelling distance of the London office.

As such, relief is available for qualifying relocation expenses incurred up to an amount of £8,000. These expenses must be incurred by the end of the tax year folowing the date of the relocation, ie. 5 APril 2027 (limitation day) as Jo started her full time job on 19 March 2025.

Qualifying relocation expenses include:
- Costs of acquiring the new residence;
- COsts of disposing of the old residence;
- Costs of transporting belongings;
- Travel and subsustence;
- Replacement of domestic goods; and
- Bridging loans

The return flights, accommodation and househunting costs incurred to visit the new area

will be a qualifying cost. The costs of travel to the home exhibition will not be, and so will be subject to income tax and Class 1 NICs as earnings via PAYE. £300 should therefore be included on the FPS.

Legal services connected to the disposal or intended disposal of the old residence, and estate agents fees incurred in the disposal will be qualifing costs. As the £500 was reimbursed before the limitation day, this will be exempt from income tax and NIC and no reporting is required.

The shipping costs for moving furniture will also be exempt.

The reimbursement of rent of temporary accommodation will be exempt as travel and subsustence as this was incurred before the in connection to the change of residence. The portion of the accommodation relating to Jo's spouse will also be exempt.

The cost of rewieing the kitchen in the new home will not be exempt as an acquisition exense as this is a cost incurred in connection with a utility serving the new residence for use by the employee and/or their household.

Qualifying relocation costs

			£
Flights and accommodation			3,000
Househunting costs			600
Legal and estate agent's fees			6,000
Shipping costs			500
Temporary accommodatin			2,500
Rewiring kitchen			1,500
			14,100
			(8,000)
Taxable			6,000

The excess qualifying costs of £6,000 will be taxable via PAYE and subject to Class 1A NICs.

The gift of a painting is not a qualifying relocation cost as it is not the replacement of a domestic good. As such, a tax charge will arise based on the market value of the painting at transfer, and this will be subject to income tax and CLass 1A NICs, and should be reported on Jo's Form P11D.

Reporting

Jo's Form P11D will be due to her and HMRC by 6 July 2026. The Form P11D(b) will be due by the same date, with payments of Class 1A NICs due by the 19 July (or 22nd if payment is made electronically).

Any benefits reported via PAYE should be included on the FPS on or before the date of payment, with assosciated tax and Class 1 NICs due to HMRC by the 19th following the end of the tax month (or 22nd if paid electronically).

Bonus

A bonus will be taxable as earnings on the earlier of the date the employee is legally entitled to it and the date the employee receives it. The determination of the bonus on 1 June 2025 does not give Jo legal entitlement, so the tax point of the bonus will be the date of payment on 28 June 2025.

This falls in the 2025/26 tax year when Jo is UK resident. As such, she will be liable to UK tax on the amount in full.

Buzz Ltd should withhold PAYE on the full amount of the bonus via PAYE, and report on the FPS for June under RTI.

HOwever, Jo is a qualifying new resident so can make an election under FIG to exempt one or more sources of her foreign income, employment income or gains from UK icnome tax. This would be the portion of the bonus relating to her overseas workdays.

If this election is made, the bonus will only be taxable in the UK where it relates to UK duties, ie. substantal UK workdays. Jo had 19 UK workdays during 2024, so will be liable to UK tax on 19/240ths of her bonus:

£25,000 x 19/240 = £1,979

However, where this election is made, Jo will lose entitlement to her UK personal allowance. As the amount of the bonus saved from tax is greater than the UK PA (£223,021 > £12,570), this election is still likely to be beneficial.

FIG will be subject to a cap on the greater of 30% of qualifying employment income or £300,000. Where FIG is claimed, Jo will lose any foreign tax credts available where the income is doubly taxed.

Jo will need to make a FIG claim on her tax return for 2025/26, and FIG can be claimed up to and including 2028/29 with separate claims needed for each tax year. The deadline for a claim is 31 January 2028.

The bonus will be subject to NICs based on where Jo was liable to NICs during the earnings period. Under the UK/EU social security protocol, Jo would have been liable to German NICs only for the full calendar year 2024 as her assignment in the UK was less than 24 months and she was not sent to replace another worker. As such, the bonus will not be subject to UK Class 1 NICs.

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

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

Answer-to-Question-_5_

Hugo is employed by Antofin Ltd, however the shares and Wine are provided by Arno Ltd. We must therefore consider if a charge will arise under Part 7A for disgused remuneration paid via a third party. Arno Ltd is not a relevant third party as it is part of a group of companies with Antofin Ltd, so Part 7A will not apply.

25% discount

The 25% discount on brokerage services can be provided to Hugo as a tax free benefit, provided the cost to Arno Ltd of these services is not more than the reduced cost paid by Hugo.

Share issue

These are employment related securities (ERS) as they are issued to Hugo by reason of his employment with Antofn Ltd.

The grant of ERS under a non-tax advantaged share scheme at a discount will incur an income tax charge based on the market value of the shares at grant less any employee contributions, ie. £500,000 (£500,000 - £0).

The method of taxation will depend on whether the shares are a readily convertible asset (RCA). An RCA is shares in a listed company, or shares with arrangements in plae for their sale. If when the shares are granted on 31 July 2025 the sale to a third party is in discussions, trading arrangements may be in place and the shares may be an RCA liable to income tax and Class 1 NICs via PAYE. If the shares are not RCA, there will be no NICs due an income tax will be payable via self-assessment.

The grant of shares must be reported on Arno Ltd's annual ERS return by 6 July 2026, and any subsequent reportable events must be reported on later returns.

Wine

The gift of the wine to Hugo will result in a taxable benefit arising based on the cost to the employer of providing the benefit, ie. £50,000. This benefit will be subject to income tax and Class 1A NIC and should be included on Hugos Form P11D due 6 July 2026, and Anto Ltd's P11D(b) due by the same date.

Where Arno Ltd makes a payment to Hugo of the amount of tax due on this benefit, this will be a benefit in itself, taxable as earnings so subject to income tax and Class 1 NICs. Report on FPS.

Payment to Robert

The treatment of the payment to Robert will be determined by whether it is considered earnings from his employment.

As Robert has retired, this will likely not be considered earnings from his employment and instead a payment from an employer financed retirement benefits scheme (EFRBS) as this is not a contribution to a registered pension scheme.

Under s393B ITEPA, the payment of any lump sum, gratuity or other benefit provided after the retirement of a former employee in connection with past service will be taxable as earnings. The amount of the benefit received will be considered employment income for the relevant tax year where it exceeds £100, which is the case here, at 45%.

Even if Robert is non-resident when he receives the payment, it will be taxable in the UK as it relates to UK employment duties. This payment should have been included in the December 2025 FPS and PAYE deducted. An amended FPS should be submitted showing the correct amounts and PAYE paid over to HMRC as soon as possible as interest may accrue from the due daye of 19 January 226 (or 22 if paid electronically).

Rob is assumed to be above the retirement age, so Class 1 employee and employer's NICs will not be due in respect of the payment.

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

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

Answer-to-Question-_6_

An individual will be liable to income tax at Scottish rates where their home is in Scotland. It is assumed this is the case for all 100 employees based in Scotland.

Requirement 1

Usually, taxable non-cash benefits are reported on an employee's Form P11D and subject to Class 1A NICs at 15% via the employer's Form P11D(b). However, where expenses are minor and irregular, and the employee wishes to bear the tax cost on the employees behalf, these benefits can be taxed via a PAYE Settlement Agreement (PSA) and subject to Class 1B at 15%.

Where the PSA is an option, it has been mentioned below.

Annual summer party

An exemption is available under s264 ITEPA for annual functions where the VAT inclusive cost per head does not exceed £150 and the party is generally availableto all employees, or all employees at a particular location (Which is the case here).

The cost will include any trabsport or accommodation provided, and will be divided by the total number of persons (ie. including non-employees).

		VAT inclusive cost £	£
Function	£12,500 x 120%	15,000	
Accommodation	£10,100 x 120%	12,120	
Total cost		27,120	
Cost per head		/175	154

As the cost per head exceeds £150, the full benefit will be taxable. This benefit can be included on the PSA.

Sunshine Stores Ltd should consider whether the cost per head could be reduced moving forward such that the exemption can be utilised.

October party

The annual functions exemption will not apply to this pary as, whilst the cost per head was below £150 (£140) and the event was available to all employees, this is an anniversary event and so will not occur annually.

The full benefit will therefore be taxable. This benefit can be included on the PSA.

Hamper

Where the cost to SS Lts was less than £50 and the hamper was not provided in recognition of performance, as is the case here, the hamper can be provided free of income tax and NICs under the trivial benefits exemption.

Private medical insurance (PMI)

Private medical insurance will be taxable as a benefit on the cost to the employer, ie. £25 per month per employee

SS Ltd should consider whether it may be more appropriate for employees to pay the tax on this cost, and as the cost is a regular monthly amount, this benefit would be payrolled rather than included on a Form P11D.

This has been included in the PSA however consideration should be goven to the method of taxation moving forward as processing via the payroll/P11D would reduce both the employers cost of bearing the tax, and the income tax and NICs on the benefit of tax being borne.

Tax return preparation costs

Taxable.

Easter eggs

This can also be provided free of income tax and NIcs under the trivial benefits exemption as the cost to the employer is less than £50.

High street vouchers

Non-cash vouchers will be taxable as a benefit based on the cost to the employer. These will be subject to Class 1 NIC, however the benefit itself should be included on the PSA.

Vouchers are treated as being earnt when given to the employee, not spent.

Custom jewellery

Long service awards can be provided free of income tax and NICs under s323 ITEPA where the employee has had service of at least 20 years with the same employer and the benefit value is a maximum of £50 for eaxh year of service.

The maximum value for 30 years of serice would be £1,500 (£50 x 30). The jewellery is therefore provided tax free.

Where another award was/is made within 10 years of this one, the exemption may not be available. It is assumed this is not the case.

Requirement 2

Under a PSA, the total taxable amount will be grossed up in proportion of the employees marginal rates of tax. As scottish taxpayers, this will be:

	Number of employees	Taxable income £	Marginal rate of income tax
Assosciates	30	30,000 - 12,570	21%
Managers	45	65,000 - 12,570	42%
Senior managers	25	135,000 - 0* = 135,000	48%
	100		

*No PA as income exceeds £125,140.

Total amount taxable via PSA:

		£	
Summer party		27,120	
Anniversaryparty	120% x £8,750	10,500	
Hamper		0	
PMI	£25 x 12 x 100	30,000	
Tax returns	2,000 x 3	6,000	
Easter eggs		0	
High street vouchers		750	

Jewellery		4,400	
TAxable benefit		78,770	

This amount should be grossed up bu the employees marginal rate of tax:

	% of workforce	x taxable amount	Gross up	TAxable amount £
Assosciate	30%	23,631	x 100/(100-21)	29,912
Managers	45%	35,447	x 100/(100-42)	61,116
Senior managers	25%	19,693	x 100/(100-48)	37,871
				128,899

Class 1B NICs = 15% x £128,899 = £19,335

Taxable amount £	Income tax	Tax due £	
29,912	21%	6,282	
61,116	42%	25,669	
37,871	48%	18,170	
		50,121	