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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

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Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**794**	**3509**	**4283**
Section 2	**911**	**4162**	**5069**
Section 3	**542**	**2645**	**3178**
Section 4	**721**	**3183**	**3891**
Section 5	**494**	**2257**	**2749**
Section 6	**460**	**2144**	**2583**
Total	**3922**	**17900**	**21753**

Answer-to-Question-_1_

Notes:
US citizen (not entitled to personal allowance (PA)
Non-UK Dom and never been to UK means he will qualify as a qualifying new resident (QNR) under FIG regime (10 full tax years non-UK resident prior to becoming UK resident)
Consider UK resident (UKR) from start fo assignment. I wil therefor not consider the SRT in this question.
Became UK resident in Jan 2024, which means he would have initially been eleigble to claim OWR under the remittance basis rules.
Paid by UK er £500k in to US bank account. Pink Limited (PL) obliged to operate PAYE. UK tax resident non domicles wer epreviously subject to UK tax on UK sourced income, and world wide income unless a claim under OWR was made on earnings not remitted (bought to or enjoyed, in the UK - he would liekly have claimed this given earnings paid into US bank account).

Prior to April 25
1 Jan 25 - April 25
59 days UK presence
+ 2/5 days non UK presence for remainder of tax year.
Jeff would have been eligble to claim OWR in respect of these days of non-UK workdays.

Visa costs - taxable. element of personal use.

Relocation allowance - Exemption of up to £8k on qualifying relocation costs incurred on a qualifying relocation.

Post April 2025:

- FIG regime rules replace RB rules.

the effect of this is that UK residents become subject to tax on worldwide income and gains unless a relevant election is made.

- In making elections, QNRs lose entitlement to UK personal allowance (which Jeff owuld not be entitled to as a US citizen and because of his earnings level) and their AEA.

- in relation to Jeff's employment income, he will be able to elect for the forgein employment income election. the effect of this is that he will be able to exempt a portion of his remuneration which is proportion to his non-UK workdays, where the duties of employment are carried out partly outside the UK. He should therefor elect for this on his Salarly form PL UK. this will need to be done via self assessment form, submitted by 31 Jan 2027 in respect of tax year 25/26. he will first need to declare all overseas (o/s) earnings on the form (including gains and other income), the make a claim for relief from UK tax due to being a QNR. PL will also need to undertake that a self assessment form is carried out correctly by the employee.

The FEI will therefor be equal to: foriegn general employment income for the period x o/s workdays/total workdays for the period (2/5).

QNRs can qulaifty for FIg relief for the first 4 tax years of qualifying new residence (including split years where applicable)

Transitional rules to be considered.

- those previously claiming OWR under the RB rules who qualify as QNRs will be entitled to claim FIG relief for a total of 4 years combined with the years spent claiming OWR.

Jeff will therefor be abel to claim FIG up to the completion of tax year 2027/28. on the basis that his secondment has been extended to 31 December 2027 we will be eligble to claim relief for the entire secondment period. He must re-elec for the every year.

With regard to NIC - by virtue of the US/UK reciprocal agreement provided, jeff will remain in US social security for the duration of his secondment. he shjould obtain a certificate of continuing liabily form US authoerites to confirm this.

In claiming FEI relief, PL may opt to include Jeffs earnings on a s690D direction. this will need to be registered with HMRC via the GME Notification system prior to the first payment being made in april 25.

Tax year 2024/25 tax comp
Earnings for the period:
- £150k
first 2 months - UK resident and present = £100k subject to UK IT (income tax)
final month - UK resident but with OWR claim: £50k x (2/5) = 20,000 subject to UK IT

tax year 25/26
£600k x (1-(2/5)) (assuming valid FEI election made) = £360k asubject to UK IT

Impact of extnesion on UK tax position:
Previous length of assignment: 2 years 1 Jan 24 - 31 Dec 25
extnesion to 31 Dec 27 = 4 year assignment.
He remains in social secuirity in the US regardless.
First year of OWR = 2024/25 - 3 more years to claim under FIG as he is a QNR, so he can claim up to 27/28
No impact as he is elgible to claim up to tax year 27/28

Trailing bonus rules.

- 6 april 2024 - 6 april 2026.

A POTION OF THIS BONUS will be subject to UK tax as it relates to duties carried out inside the UK.

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

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

Answer-to-Question-_2_

EBT

- Backgournd and Main benefits of an EBT:
- EBT is established and acquires shares from the company. Must meet necessary consitions.
- the EBT can acquire shares in the company from employees (provided certain conditions are met). the employee will not incur capital gains tax upon sale to the EBT. this is on the condition that the EBT owns a contorlling stake in the companies shares. the shares are acquired in the year that the company obtains and holds controlling shares int eh company.

the EBT continues to meet the necessary conditions to qualify as an EBT for the nest 4 complete tax years.

- EBTs can provide bonuses to employees £3,600 anually.
- All employees must eb eligble to participate on equal basis (although ditrcubtions don't have to eb equal).

Non-tax advnatged share schmemes. Employer must undertake to iregsiter and inform HMRC of all tax adv. and non tax adv schemes, and make an return detaling amounts of shares outstadning, the type of schemes in operation and chargeable events during the year by 6th July following the end of the tax year.

No tax upon grant of the option. although it is tax advnatged, the right to acquire the shares is conditional. under s62 ITEPA 2003, earnings are treated as recived at the earlier

of physical receipt or entitlement.
therefor, the earliest taxable date will be 5 April 2022.
Where a chargable event occurs, the share will be subject to PAYE and Class 1 NIC, this is because the shares may eb concisdered RCAs under s696 (prior arrnagment in place for them to be sold for cash - Put option June 2022. this gives the shares Money's worth under s62).

Backgournd - areas to consider:
- Taxble amounts in relation to ERS
Pre April 2025 (under Part 2, chpater 5B ITEPA 2003), the taxable amount will be determined by reference to ALinta's (AL's) UK resident period where she was physically present in the UK (taxable portion); her UK resident period where she was working overseas (non-taxable provided she is claiming OWR); her non-UK resident period with UK presnece (taxable) and non resident with non UK presence (non-taxble).
Post april 2025 - similar rules will apply however FEI rules (as decribed proivously will apply when detemrining any amounts not subject to UK tax - chpater 5C, Part 2 ITEPA 2003).

From an NIC persptive, whether any NICs are due on chargable events will depend on AL's NIC residence. There is no further apportionment for UK - O/s workdays or presence avaailble.

Liability to social security (SS), is dependant on where an individual has there settled and regular mode of life.
Having left the UK 6 april 2021, to work overseas in one covered country, under the EU SSC protocal (Pre jan 21) rules, AL would have remained in UK social secuirty provided her assignment was expected to last less than 24 months. Under the Pre Jan 21 rules there would have been scope to extend this to 5 years.

on calcutling the liability to social security we therefor look at the following periods:
6 april 2020 - 5 April 2021 - UK residnet and UK present. Any ERS gains subject to UK tax and NIC
6 April 2021 - 5 April 2022 - Broke social secuirty residence. also assume to have broken UK tax residence for the year (3rd automatic overseas test - >91 days spent outside UK with less than 31 UK workdays), so any ERS gains would not be subject to UK tax or NIC for this period.

s431 election - This means that AL elected to tax the unresticted market value of the shares exercise. this means that the taxable amount at be considered at exercise would be £50,000

Total taxable gain:
- IT at grant - no IT at grant due to perofrmance conditions
- IT at exercise (5 april 2022 - exercise price of NIL)
£50,000 unresticted market value(
less price paid - nil)
£50,000 = chargeable to PAYE and class 1 NIC (RCA - s969).
Reportable and payable via FPS by 22nd June if paying electronically
Note that this may overide the 50% overriding limit for deduction of tax from an employee in 1 month. the employer could make up the tax due on behalf of the employee (if there is not enough earnings int he emplopyees monthly pay to meet the tax liability), however the employee will need to make good this amount to the employer within 90 days or s222 BIK charge will arise, will will need to be reported on thje employees P11D, as settlement as an employees peronsal liability, with no offsets for tax later ,made good by the employee.

amount to charge to CGT - it is possible that, due to the employee leaving the company, the CGT exemption for selling shares back to the EBT will cease to apply. I will come back and check this, however, to the extent that the exemption does not apply, the amount to charge to CGT will be as follows:

£100,000 (sold to EBT more more than market value)

Less Base cost: £50,000

= £50,000 charge as CGT.

assuming AL does not have any other gains in that year she should be entitled to AEA of £3k. CGT rates at 18% or 24% for higher rate tax payers.

Unlike the Income tax and SS income, non of this will will be attributable to an overseas period so will not be relievable.

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

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

Answer-to-Question-_3_

Lets consider each of the proposed benefit plans, per employee population.

2. Flight costs between UK and Italy for the employee and their family
Journeys at start and end of assignment
- for population A, costs will be exempt under s341 ITEPA 2003, as the duties are performed wholly overseas. this exemptions covered deductions fom earnings therefor the costs can be incurred by the employees and reimbursed without incurring charge to IT.
- For populaiton B, they would qualify for exemption from travel costs provided that they meet the exemption cirtieria in s373. they will qualify as qualifying new residents under FIg regime providing that they have not previously been Uk resident in any oof the prvious 10 years. the costs must also be incurred within 5 years of the qualifying arrival date (which they should meet given that their secondment is expected to last 3 years). this exemption covers provision and reimbursement of expenses.
Their families will also be covered under s374 ITEPA 2003 for the cost of travel (provided the previsouly mentione dcirtieria is met).

Up to 2 return trips per month

Families
Population A
- travel costs for families will not give rise to a charge to income tax proviing the

following conditions:
- A - the employee is abesent for a continous period of at least 60 days (this would be met for both populaitons
- B - between UK and place outisd the UK = met
- C the families consist of: spouse or civil partner, children under 18 at the begining outward journey

the cost off accomodation provided for population A will be exempt under the general temporary workplace rules, as their presence is italy is, in pursance of work at a temporary workplace. this is becuase their secondment to itlay is not some they attend regularly, and is ecxpected to last less than 2 years.

Visa costs
- Where the cost of the via can be linked to a qualifying inbound journey it can be considered exempt as travel "facilities" under s373 for qualifying new residents.

subsistence costs - Population A - for overseas secondments, reimbursements of meals costs should be assessed agaianst the overseas per diem scale rates when incurred overseas. any excess would be taxable. This is £20 per day.
- for populaiton B reimbursements of subsistence costs would be taxable.

Accomodation:
- Population A would be covered by the by the temporary workplace rules up to the value of £2000. any amount over this in respect fo their family would not be covered by any relevant exemption.
- for population B - provision of accomodation whilst overseas would be convered by s376 accomodation costs for employment carried out wholly overseas. any excess costs

incurred in relation to their family would not be covered under this exemption.

regarding any taxable benefits provided (employer paid) to UK resident employees during the period (i.e., population B), the employer would need to include these on a P11D submission, the tax would then be settled by the employees via self assessment and the NIC would need to be paid by the employer by 22nd following the end of the tax year of provision. Any taxable reimbursements would need to be subject to tax and NIC via payroll.

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

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

Answer-to-Question-_4_

notes:
UK inbound secondee from Ireland. costs borne by UK entity. No appendix 4 in place. no s960.
Secondment length - 1 Oct 2024 - 1 Jan 2025 (4 months)
1 Jan 2025 - offered full time job based wholly in UK. she spent 6 days in UK looking for house.
19 March 2025 full time work started.

2024/25 tax year: secondment
- Jo was in the Uk for 3 weeks for her secondment. She was an STBV for tax purposes provided the following conditions were met:
- UK presence less than 183 days = met
- Paid by Irish entity = met
- costs not recharged ot or borne by UK entity. The UK entity is a Branch of the Irish entity so this condition would not have been met. however this condition is relaxed where the employees UK presence is less than 60 (this is also considering days 6 days house hunting and 17 days at the end of the tax year). Accordingly, Jo would have qualified under article 15(2) of the OECD model for exemption from UK tax in 2024/25. However, this would not have removed the technical PAYE obligation. and without an appendix 4, Jos earnings should have been subejct to PAYE by the UK employer

Jo would have remained in Irish social secuirty during this time due to her secondment

lasting less than 24 months by virtue of the EU SSC protocol.

Tax year 2025/26.
- Jo breaks UK residence during this year as she spends >183 days working in the UK (Auto UK test 1). she also would not meet any of the automatic overseas tests.

Jo would be a qualifying new resident in 2025/26 as she has not previouly been tax resdient in the UK for the 10 previous tax years.
this means that she can claim exemption from UK tax for any overseas earnings (income or gains) or and workdays for the first 4 tax years of UK resience, including the initial split year.
this would need to be claimed via self assessment by 31 Jan 2027.
from a social secuerity perspetcive, Jo would break social security residence as become laibily to social security form the start of her secondment.
This is becuase he settled and regular mode of life will now be in the UK as opposed to Ireland.

Relocation payments:
- qualifying costs in respect of qualifying relocations can be exlcuded from income tax provided the meet the follwoign conditions:
- qualifying relocation occuring due to a change in the place the duties of the job are carried out = met (overseas relocations usually qualify for this purpose)
- The costs are qualifying up to an exemption limit of £8k
qualifying costs above the £8k limit and any non-qualofying costs will be subejct to tax and NIC and will need to be reported via P11D, submitted by 6 july 2026, with Class 1A NIC paid by the employer by 22nd July 2022 if paying electronically. Costs may also be included on a PSA provided a relevant category has been agreed with HMRC prior to the provision of the benefit.

We will no look at the costs provided in isolation.

1. costs associated with house hunting - qualifying. travel and subsistence costs when visiting new area to find new home.
2. Legal fees - qualifying
3. shipping costs exempt
4. rent while searching for and wiating to occupy new property - qualifying
5. re wiring kithen - non-qualifying
6. Paitning - taxable as BIK >6 years ago = MV at gift. Less than 6 years old = MV at purchase. to be reported on P11D.

With regards to the bonus. this will need to be apportioned between UK resident and non-resident period when determining the amoutns to subject to UK tax.
The same will apply for sosical security.

for the 2 year period to 31 Dec 2024, Jo tax residence status was as follows:

2024/25 - did jo become UK tax resident?
she spent <91 days in the UK and fewer than 31 work days, so would not have met the automatic overseas tests.
She did not spend >183 days in 2024/25, she would have become UK resident by virtue of the UK work test. split year treatment could then apply. the year would be split on 19 March (starting UK employment).

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

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

Answer-to-Question-_5_

Notes:
Scenario 1
75% discount provided by reasona of employment - in house benefit - pepper v hart, benefit likely negligble.
Hugo made a bad investment using his companies investment platform.
Made a claim against teh company (Antofin) of £500k for losses incurred.

Arno Ltd provided Hugo with £500k in shares and £50k wine.

Shares
- if the Shares are considered RCAs under s696 (if they are listed on a registered stock exchange or if there are prior arrangement for them to be sold on already oi place at the time of award), the award of shares, if considered taxable, would be subject to PAYE and CLass 1 NIC. this award could result in the 50% overriding limited for tax collected in 1 pay period being overriden. this would result in more tax being due on the award of RCAs than there are earnings to deduct the tax from. In this scenario the employer could make good the amount due to HMRC, however, if the employee did not make good the tax paid on his behald within 90 days a s222 BIK in Kind charge could arise which would be subject to tax and NIC via payroll. If not an RCA, the employee would have to settle the tax due via self assessment, via tax return submitted by 31 Jan 2027. the same applies to the bottles of wine. It could be argued that there are live markets whereby sellers would be prepared to purchase the wine - on this basis they could be concisered RCAs,

and subject to tax and Class 1 NIC via payroll.

In order for an amount to be considered earnings, we should also assess whether the shares and wine have been provided by reason of employment under s62. Based on the facts present it would be readsnable to suggest that this condition is met.

Inducement payments are subject to tax and class 1 NIC via payroll.

Scenario 2
Again, we should assess whether the payment made ro robert, 10 years after his retirement, was made by reason of employment (s62).

As the reasn for making the payment from the founder and majority shareholder of the company was in respect of good work carried out by robert, there is an arguement to suggest that ther payment was made in recognition of perofrmance, and therefor has been made by reason of employment. If this is the case, the payment will need to be made using month 0T tax code, and 1 week 1 apportionment of the relevant tax thresholds, as the payment has been made post the P45 being issued.

Additionally, this payment could cought under the rules concerning employer financed retuirement benefit schemes. this legislation provides that payments made on or in anticpation of retirment would be considered earnings for PAYE and Class 1 NIC purposes. If this were the case, the payment would be subject to tax and NIC deductions with tax code 0T using month 1 week thresholds.

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

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

Answer-to-Question-_6_

Tax treatment of various benefits provided:
3. Festive Hamper. taxable amount of benefits in general is cost to employer less any amount made good by employee. So, £25 unless any exemptions apply. At £25, the hampers meet the criteria to qualify for the trivial benefits exemption (less than £50). They also meet the criteria as they are not provided in recognition of service or as a reward for service. Non-taxable.

4. PMI - £25 per employee. Taxable benefit of cost to employer. Should be reported via P11D submission (taxable on employee, via tax code audjustemnt)- deadline 6 July 2026. Payment of Class 1A Nic at 15% per employer payable via 22nd July 22nd, and reported via P11D(b). Employer could also voluntarily payroll this benefit, such that tax is collected monthly via the employee's ("Ee's") payroll. Er would need to register to payroll the benefit prior to the start of the tax year.

4. Tax prep fees - taxable benefit. As above, should be reported via P11D.

6. Easter eggs - as above, qualifying under the trivial benefits exemption.N Non-taxable benefit.

7. High street vouchers - reward for service (non-qualifying under trivial benefits exemption). Reported to P11D and Class 1 Employee and Employer NIC.

8. Jewellery. Consider long service awards exemption. Criteria - £50 per year of service. Minimum service requirement = 20 years in order to be eligible. on this basis the reward will qualify for relief under this exemption. However this is on the assumption that they did not recieve any LSAa in the prior 10 tax years.

Entertaining:
- annual functions exemption can be considered for the annual summer party. However this can not be considered for the Companies 50th annniversairy as it is not an event that is expected to occur annually (althoguh all Ees were invited to attend)

Total cost of summer party =
15,625 + 12,625 = 28,250
divided by 175 (guests can be included in head count) = £161 per head.
Staff entertaining can be included on the PSA assuming their is a PSA in place prior to the start of the tax year (or prior to when the liability to class 1 NIC arises) and a relevant category agreed by HMRC.

Items to be cinldued on the PSa have to be ad-hoc, minor or irregular.

PSA comp

total value of taxable benefits to be included:
28,250 + 10,938 = 39188
Benefit per employee (/100) = £392

Intermediate rate employees
392 x 100/79 = 496
x 30 = 14,886

Advanced rate

392 x 100/55 = 712

x 45 = 32,072

Top rate

392 x 100/52

= 753 x 25= 18,846

total grossed up tax due = 65804

Class 1B NIC due @15% = 9,870

Payable by 19th october 2026 or 22nd if paying electronically.