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Course **APS Taxation of Individuals**

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Total	**5316**	**24436**	**29620**

REPORT

TO: ALAN BAIRD
FROM: CHARTERED TAX ADVISORS LLP
DATE: 30 APRIL 2026
SUBJECT: TAX ADVICE IN RELATION TO EMPLOYMENT AND RESIDENTIAL OPTIONS

1. INTODUCTION

This report has been prepared to tax advice to advice to Alan Baird ('Alan') in respect of the of the following matters:

- Purchase of new property in England or Scotland near his mother and funding the deposit;
- Tax implications of renting his current residence in Oxford (the 'Oxford House'); and
- Matters relating to the two employment offers.

This report has been prepared based on the facts presented in Alan's email to Sally Bainbirdge on 25 April 2026 and the relevant attachements to that email, in addition to the law as at 30 April 2026.

This report has been prepared soley for Alan's use and no other parties may rely on the advice contained within.

2. EXECUTIVE SUMMARY

If Alan acquires the Scottish property and lives full time in a house in Scotland for a tax year, he will be deemed to be a Scottish resident. Scottish resident's partically high earners such as Alan are subejct to higher rates of income tax than their UK coutnerparts.

Therfore, it is recommended that Alan does not buy the house in Scotland, instead acquiring the house in England, given all the mortgage and house costs are the same.

There will be stamp taxes on the acqusition of either house. In the UK this is called Stamp Duty Land tax and in Scottland this is know as Land and Buildings Transaction Tax. They are both referred to as the 'Land Taxes' for simplicity in this report.

Further, acuqiring the house in Enlgand will provide a Land Tax saving of around £5,600, as illustrated in Appendix 1. THis will be partically important to Alan given there are concerns around his cashflow position on the move.

In the case of the Scottish property and the English one that Alan is looking to acquire there will be a 8% and 5% surcharge on the respective Land Taxes. This is because Alan will be retaining the Oxford House and a surcharge applies to stamp taxes on land where the indivudal already owns property.

Assuming Alan lives in England rather than Scotland he should be considered to have a close connection to England and therefore be a UK resident and subject to UK income tax rates on his non-savings income even if he is working in Scotland.

He has two options with respect to his employment, 'Option 1' being a role with a Scottish vets as a salaried memeber, which provides him with a lower overall salary but some beneifts. 'Option 2' is as a 'Junior Partner' as part of a English limited liability partnership (LLP).

There are certain anti-avoidance rules that apply to salaried memebers of LLP's that predomiantly recive fixed income. The effect of these rules is that they will be taxed via PAYE and subejct to class 1 NICs on their salary, rather than class 4 NICs on their partnership share.

This appears likely to be the case in teh case of Option 2, and therfore there is limited difference between the net cash after taxes from the two employments.

Appendix 2 illustrates the net cash for Alan for a whole year after rental income and earnings from the relevent employments. Option 2 has higher pension contributions, but an upfront cost of £20,000 and actually nets Alan slightly less each year after taxes.

Therfore given the cashflow constraints Alan is having, and the worse per year post tax and mortgage postion for the Junior partner role, it is recommended that Alan takes Option 1 instead.

This has the added benefits, and it is recommened that Alan requests that his new employer cover some of his relocation expenses with the £5,000 they have available to spend. This would help reduce the cashflow issues Alan is facing and is an exempt benefit, meaning no income tax or NICs would be levied on the amonts, assuming they are qualifying expenses. Stamp duty on a new property is a qualifying expenses, so it is reocmmended that Alan asks his employ to aprtially pay for this, releiving £5,000 of relation expenses for him.

3. CEASING EMPLOYMENT

ALan may be aware that when he ceases employment with Paws & Claws, his current partnership, he will be subejct to income tax and class 4 National Insurance Contributions (NICs) on his profit share accruing to him in the current tax year.

Profits are anticiapted to remain the same in 2026/27 as prior years, so this would be £105,000 of partnership income for a year, and as Alan intends to cease on 30 June 2026, i.e 3 months into the tax year.

Therfore Alan is expected to accrue partnership income of around £26,250 in 2026/27.

Alan has historically made payments on accout of around £15,000 to HMRC in January and July each year to settle his tax liability.

As it appears likley that most of his tax in the following years is going to be deducted at source (discussed more below) it is recommended tht he writes to HMRC letting them know that his tax affairs have changes and the payments on account are too high for the amount of tax he will owe for the rest of 2026/27.

This should contain details of his expected tax affairs, such as his new employment, which ever one is selected.

Alan should note however that due to the plans to rent out the Oxford Home, he will still have to file a self assessment tax return each year, on or before 31 Janaury following the end of the tax year.

HMRC should already be aware of his chargeability to income tax due to prevously being a partner, and as such he will not need to notify them of chargeability again assuming he continues to file a tax return.

There will be no capital gains implications on the withdrawl from the partnership, nor any income tax ones on the return of his capital contribution.

Therefore on the receipt of the £30,000 capital contribution this will be recieved free of any UK tax.

Simialry when the Paws & CLaws partnership repays the loan Alan made to it, in say April 2027, this will also free from capital gains tax and income tax.

Any interest recieved in the interviening period, or upon settling the loan will be taxed on Alan as it has been in the past. It appears this is paid to him net of basic rate tax, and therefore he can claim a tax credit for 20% of the gross amounts. Further this is outside the parternship agreement so is not considered to be partenrship profits for these purposes, thereofre is subject to tax at the savings income rates, and will be entitled to the savings allwoance.

Therefore it is understood that Alan will recieve cash of £30,000 in April 2026, which will be tax free. Then next year a further £20,000 will be recieved in respect of the loan he made to the partnership.

Interest recieved on this loan will continue to be taxed as it has in prior years.

4. HOUSE ACQUISITION

4.1 NEW HOUSE ACQUSITION

Alan is considering acquiring a house in either Scottland or England. It is understood that both these houses are broadly the same in price and equally convient for Alan's personal aims of being close to his mother and his son Jake.

There will be stamp taxes on the acqusition of either house. In the UK this is called Stamp Duty Land tax and in Scottland this is know as Land and Buildings Transaction Tax. They are referred to as the 'Land Taxes' for simplicity in this report.

Alan already owns the Oxford Home, and threfore will not be entitled to first time buyers relief on either of the Land Taxes.

Further as Alan intends to retain the Oxford Home, there is a surcharge for both the land taxes where he acquires a second property. For Stamp Duty Land tax in the UK this is 5% on each slice.

Therefore the stamp taxes in the UK would be around £11,600, significnaly higher than Alan is currently expecting.

In Scotland the Land Tax will have an 8% surcharge due to it being his second property as well. This will result in Land taxes of around £17,100.

Both Land Tax calctuions are illustrated in Appendix one. This will be subject to the actual cosnideration given for the property when it is acquired.

Therfore just from a Land Taxes perspective, given the already contrainted cashflow postion the English house is recommended over the Scottish house.

There are further implications to this however, as it may impact the amounts of income tax Alan pays on his employment income.

Alan will be become a Scottish taxpayer if he has a close connection with Scotland, or does not have a close connection with England in the relevant tax year.

A close connection broadly means that, as Alan will only have one place of residence after the Oxford House is let, he will have a close connection to Scotland if his only residence is in Scotland (i.e the scottish home) and ALan lives there for part of the year, which will be the case.

In any case if Alan's Oxford Home is considered to a a residence for the relevant tax year, his residence within the UK will be determined by where he ends most of his days, which if the Scottish house is taken will result in the same treatement.

The Scottish rates of income tax, other than the starter rate on income of £2,827 is the same or higher than it would be for an English earner at the same level.

Therefore it is recommended that Alan retains his close connection to England by acquiring the English home over the Scottish one.

For completeness the Scottish tax rates only apply to non-savings income, any income generates from savings, or dividends on Alan would be taxed via the 'ususal' English tax bands whereever he lived.

The rates and tax bands for NICs contributions would also be the same whereever Alan is resident.

Therefore it is clearly preferable from a Land Taxes and income tax postion, no matter which employment is taken, to not be deemed to be a Scottish Taxpayer.

Accordinly given the properties are broadly the same in location to Jake and Alan's mother, and the acqusition of the English house will generate a Land Taxes saving of around £5,600 in additional to annual income tax savings, it is strongly recommended that Alan acquires the English house rather than the Scottish one.

4.2 DEPOSIT

It is understood that ALan will need a deposit of £50,000 in order to acquire the new house in the North.

He will recieve his capital contribution to the partnership tax free and therfore have at least £30,000 available for this.

Alan will also have some of his income from the partnership for the 2026/27 tax year that accrues on him as discussed above.

If this is not required for living expenses it is recommneded that he uses these funds in preference to using his ISA amounts.

ISA income is recieved completely free of UK Income tax, each year Alan can put in up to £20,000. Therfore removing this may not be as effieicent.

Assuming Alan needs a further £20,000, where these funds are then replaced in the same tax year the £20,000 allowance will not be used.

Given the partnership is not expected to pay Alan on the loan out until next year this may not be advisable as Alan would only be able to input £20,000 in in 2026/27 and 2027/28 respectively.

As Alan will be due some of the profit share from the partnership and his capital amount from the partnership as well, he should request that he is paid these as soon as possible so that he can pay the deposit for the house.

He would be liable for income tax and class 4 NICs on the partnership income accrued to him, however this is not due until at least 31 Janaury 2027 when the first payment on account for 2026/27 is required. By then he will have had some of his earnings from the new role, which can cover the tax.

From a tax perspective this would be more effective than having to access the income in the ISA, as the ISA is producing tax free income for ALan at the moment.

4.3 RENTAL OF FORMER PROPERTY

ALan intends to rent out his former property. There are a few things he should be aware of in repect of this which will impact his tax position.

Broadly rental profits are subjet to non-savngs rates of tax, which assuming Alan acquires the English house as recommneded, this wil be at rates of 20%, 40% and 45%, after his personal allowance (discussed more below).

ALans rental profits will be his gross income, expected to be around £30,000 per annum, less qualifying expenses.

The qualfiying expenses will be the amounts paid to the letting agent, expected to be around £120 a month, as well as qualifying expenditure throught the tax year, such as on the relplacement of white goods or furniture. All expenditure needs to be considered as if this is deemed to be cosnidered to be capital then this will be disallowed expenditure for income tax purposes, but based on the illsutrative £50 a month this is expected to be around £600 a year.

Interst and capital payments on a mortgage on a property being let out will not an allwoable expense for these purposes when calculating rental income.

Instead a basic rate tax reducer will be given on the amount of allowable interest that has been paid.

For completeness this amount is restricted to the level of totla rental income without any interest deductions or the amount of non-savings income Alan has in the tax year less the personal allowance. Neither of these appear to apply to ALan.

Therefore Alan can claim a deduction for his total income tax each year for 20% of the interst paid on the mortgage for the Oxford Home. This is expected to be around £2,640 (i. e £1,100 * 12 *20%).

No releif is given for the capital amounts of the mortgage repaid each month.

Therfore Alan's rental income for tax purposes is expected to be around £27,960 per annum, as illsutrated in Appendix 2.

The amount of tax Alan will be suuffering is disproprtionate to his net cash psotion before tax, due to the restricion on releif for interest on residential properties as set out above.

The rental income of £27,960 will be taxed at rates of 40%, although in the case of both employment offers lead to some of Alan's personal allwoance being tapered.

Alan's personal allowance will be tapered by £1 for each £2 in excess of £100,000 he earns. Where he makes personal pension contributions this is deemed to increase the £100,000 limit.

Even in the best case scenario where the rental income is taxed at a rate of 40% and no taper occures to his personal allowance, which Appendix 2 shows is unlikley, Alan would be liable for income tax of at least £11,184 (40% * £29,960) in respect of renting out the property, inadditon to all other costs.

Even the best case scenario from a tax perspective is higher than the amount of actual profit Alan would generate. The overall cost however would be lower, due to the profits offseting the mortgage payments, even if there is a fair amount of tax.

Therfore Alan should be aware that he will not net a profit from the rental of the Oxford Home, but the profits will go some of the way to offseting the mrotgagepaymetns due, so

it is still worth while.

Therfore it is reocmmended that Alan does rent out the Oxford Home as he intends to, noting that this will lead to his personal allwoance being tapered.

	No rental	Rental	
	£	£	
Taxable income (after expenses)	27,960		
Mortgage cost	(20,400)	(20,400)	1,700 * 12
Income tax	(11,184)		
Net postion	(3,624)	(20,400)	

This is a a 'best case' scenario above, where the tax illsutrated is less than anticiapted, but even with a marginal income tax rate of around 60% (which would be the case when the personal allwoance is tapered) there is still a benefit to renting out the Oxford Property in the short term which he does not live there.

This will significnatly helf Alan's cash flow concerns following the move, however this assumes he can find a tennats very quickly, so the additional cash may not be available to Alan imediatly.

It is understood that Alan does not wish to sell the Oxford Home as he intends to return there after around 5 years.

For compelteness were he to sell the house, it would likley be wholly exempt from capital gains tax on dispsoal, meaning the only cost he would have to bear is the repayment of the mortgage.

The gain would be fully exempt as the Oxford Home has always been Alan's main residence for private residence relief purposes (PRR) and he has always occupied it. PRR is disccused more in section 6 below.

As it is understood that Alan does not want to sell the house this has not been discussed further.

5. EMPLOYMENT OFFERS

It is assumed on our recommendation abov ethat Alan will be a English resident and therfore subject to English non-savings income tax for the analysis in this section.

It is understood that Alan has tow employment offers. Option 1 is an offer as a salaried employee in a scottish Vets practice. Whereas Option 2 is a offer for partnership with the majority of the income being gaurenteed, rather than based on the profit share.

These and their benefits are considered in turn below.

5.1 OPTION 1

The car benefit recieved by Alan would be subject to income tax and class 1 employee NICs as if it were additional salary recieved.

Alan's gross pay under this route would be £85,500, assuming he does opt for the pension contributions via saraficing £4,500 of his salary for this.

WHile we can not provide invesment advice, it is generally held that pension contributions are a tax efficent way to provide for the future. Any growth on the funds in the funds int he pension ar etax free, and Alan can access thes when he reaces pensionable age.

The only commerical reason Alan may not want to take this is due to needing access to the cash before he reaches pensionable age, as he is intending to move once, and then potenially in 5 years move again.

Therefore Alan will need to consider whether the cash is more important to him now or whether he can make these contributions.

Where Alan does not make the contributions he will be treated as having a frther £4,500 of earnings. This would be subejct to income tax under his marginal non-savings rate, being 40% or 45%. It would also be subject to class 1 NICs.

Where ALan does opt for the employer pension contributions, this will be wholly tax free, although there could be tax on this when drawn from the pension. Employer pension contributions are an exempt benefit, meaning that no benefit in kind charge will arise on Alan.

Further the contribution of £9,000 is less than Alan's annual exmept amount each year,

which is £60,000. Further he has enough relevant earnings to make contributions. As such this would be a tax efficent way to save money.

While this is a smaller pension contribution that Alan would have under the other scheme, it is effective for ALan as it only 'costs' gross salary of £4,500 and would be tax free.

There are other benefits as well. Assuming Alan takes the private medical he insurance, he would be subject to income tax on the cost of his new employer providing this benefit. This would result in a tax charge.

If it is somethign Alan thinks he wont use then he can not be compelled to take it as a benefit, so could save himself tax in the region of £400 - £450 (40% / 45% on £1,000 value) each year.

Given the relevatively low expense and possible upside it is recommended that ALan retains this.

Further under Option 1 his employer would be willign to cover a further £5,000 of benefits.

It is strongly recommended that Alan requests the cover some of the moving expenses. Where an employer reimburses, or pays for upto £8,000 of qualifying reolcation expenses, this is an exempt benefit.

This would include things like ALan's travel and also the stamp duty land tax payable on the acqusition of his new property.

As such this is a tax efficetn way for Alan to make use of the benefit, and releive some of the intial cash flow issues for the deposit on the new house.

Alan's net income after mortgage payments, tax and NICs is expected to be around £49,007 under option 1.

This assumes a whole year of income, and ignores the interst payable on the loan to the Paws & Claws Partnership.

Further there appears to be a commerical benefit to this. Alan may enjoy the lower levels of stress being a more junior memeber of a team, while still being allowed a level of control, and adopting a simialr role to the one he had a Paws & Claws, which does not appear to be the case under Option 2.

As he would be an employee all tax from his employment income would be deducted at

source via PAYE, and he would recieved the net amount of income after tax.

He would likely then only be liable for income tax on the rental profits each year frm the Oxford Home. This would still need to be reported via self assessment, as Alan has done in the past for his partnership profits.

5.2 OPTION 2

While on the face of it, it would appear that ALan would be subejct to tax under Option 2 as he had been at the Paws & Claws partnership, in that he would be treated as recieving his allocation of the parternship income each year and this would be treated as trading income.

Trading income is subject to income tax and class 4 NICs. Class 4 NICs between trading incoe of £12,570 and £50,270 is at a rate of 6%, rather than 8% which is the class for class 1 employees NICs between the same thresholds. They are both 2% in excess of £50,270.

However, he would be a partner in an Limited Liability Partnership (LLP) under Option 2. There are special rules applying to salaried partners in LLP's which appear to capture ALan's situation.

Broadly where these apply, Alan would be subject to class 1 NICs on the amounts recieved, further income tax and NICs would need to be deducted at source via PAYE, rather than reported via self assessment.

Broadly for Alan, if these provisiosn where to apply then the net impact on Alan would be £754 (£37,700 * 2%) in additon to a restriction on his cash flow postion each year.

Therefore the impact is marginal. THe anti-avoiance provisons apply where:

- At least 80% of the total amount payable to Alan is fixed, which is clearly the case as he is gaurenteed to recieve £93,000 each year, and can only share in profits upto a maximum of £10,000;
- Alan has limited ability to influence the partnership and is not involved in the decision making. THis again appears to be the case; and
- Alan's contribution to the partnership is less than 25% of the disguised salary payable to Alan. This is also met as £20,000 < 25% * £103,000 being Alan's effective fixed income.

It therefore appears liekly that these provisiosn will apply. THis means that for tax

purposes, Alan will be treated as a contracted employee of this LLP, rather than a full partner. As noted above the tax impact is small, but is around £800 a year of additional tax

Alan owuld expect to continue to make pension contribtions of £10,000 each year.

As Alan is aware, personal pension contribtuiosn (as opposed to employer pension contributions set out in Option 1) would be treated as made net of basic rate tax.

HRMC will effectively contribution 20% of the personal pension input each year. Therfore if Alan were to put in £10,000 this would be treated as a £12,500 pension contribution.

Relief is also given by extending the basic and higher rate tax bands bt the amount of pension in put.

Therfore while the expected income is higher in Option 2, due to the pension contributions the personal allowance is tapered less than Option 1 detailed above.

Alan's net income, due to the £10,000 pension contrbition hwoever is expected to be around £48,721.

Therfore this is less than Option 1 detailed above.

The upside is that his pension contributions will be higher each year compared to option 1. However he will have to contribution £20,000 to the LLP and will end up in broadly the same postion psot tax.

Furtther he will not be entitled to any benefits as part of this role and Alan appears to be less sure in the work itself.

5.3 Recommendation

Although ALan will have lower pension contributions each year (by around £3,500) it is recommended that Alan takes option 1 and takes the job with the Scottish Partnership as a salaried employee.

Not only will this provide him with a role he is famili with and confident in int he short term, his net cash postion each year after tax and mortgage payments will be marginally bettwer.

Further it is recommeded that Alan asks his employer to pay him the £5,000 now to cover relocation expenses such as the Land Taxes on the acqusiton of his new home. Assuming

these are spent on qualfiying epxnediture this will be exempt from tax, therfore helping Alan's cashflow postion on the move to the North.

It is recommneded that Alan consider whether the private medical is useful to him, as if it is not then he should refuse this and save around £400 - £450 in income tax year year.

In 2026/27 Alan will have been subejct to class 1 and class 4 NICs frm his new employment and partnership profits respectively. There is an annual maxima that applies to the amount of NICs paid each year where this is the case. Alan should provide us with details of the partnerhsip income and his employment income when this is know and we can assist in determining whether this maxima applies. Where it does it may generate a small NICs repyament.

Further, Alan's payments on account for self-assement tax reutrn perposes have been around £15,000 every 6 months histroically. Given that his new employment in 2026/27 is very likely to have tax deducted at source, this is liekly to be much to high and result in an overpayment of tax.

It is recommneded that ALan applies to HMRC to have this reduced in 2026/27, noting that he will have to pay some income tax for the rental of the Oxford Home by self assessment each year going forwards.

This will improve the cashflow position for Alan, however only from the date the first payment is due, being 31 January 2027, so not in time ot assist with the house deposit.

6. OTHER CONSIDERATIONS

Alan will be elegible for PRR on his Oxford Home. When he acquires a new home in the North, he will be deemed to have two main residences.

If no action is taken then ALan HMRC will determine which is considered to be his main residence for PRR purposes.

PRR only gives capital gains relief for periods of actual and deemed occupation on Alan's main residence. Currently he will have 100% on his Oxford Home.

However it is likely that the new Northern home would be considered to be his main resuidence if he lives there for 5 years before returning.

It would be possible however to make an election to HMRC to determine which residence

is cosnidered his 'main residence' once this election has been made it can be vairied at any point.

The election needs to be made within 2 years from the pruchase of the new property.

The last 9 months of ownership are always deemed to be a period of occupation for PRR purposes.

Alan will therfore need to consider which property it is more important to get PRR releif on, if he intends on selling either of them.

Given the new property is not expected to increase in value, it appears likely that there will be no capital gain or a limited capital gain on its disposal in 5 years. As such it is recommended that Alan makes an election to make the Oxford Residence his main residence for these purposes.

It can not be his main residence for PRR purposes while it is rented out.

If Alan ensures he recocupies this once his work in the North has finished then the period may be treated as a period of deemed residence. Deemed residence is allowance on periods of three years of non-occupatiuon for any reason, or 4 years of non-occupation due to having to work elsewhere in the UK which appears to be the case here.

These periods can be aggreagted, but are only availabel if there are periods of actual and occupation either side of the period of non-occupation for ALan.

As Alan intends to reoccupy the Oxford Home, the loss of some of the PRR avalable on the Oxford property does not seem like a large concern. If Alan thinks he may eventually sell this property ot intends to in the short term, then it is recommended that further advice is sought on this point.

7. NEXT STEPS

Once Alan has had a chance to review the contents of this report he should contact Sally Bainbridge at Chartered Tax Advisors LLP to discuss next steps and any queries he might have.

Chartered Tax Advisors LLP
30 April 2026

APPENDICES

APPENDIX 1 - SDLT and LBTT on new property

Scottland	Slice	Rate	
	£		£
	145,000	8%	11,600
	55,000	10%	5,500
			17,100
England			
	125,000	5%	6,250
	75,000	7%	5,250
			11,500
Differnce	£5,600		

APPENDIX 2 - JOB OFFERS

On an annual basis, say for complete tax year of 2027/28, ignoring interst to Paws and Claws as this will be repaid in due course.

Scottish Practice	£		
Salary	85,500		
Car allowance	7,200		
Private medical	1,000		
Rental income - N1	27,960		
	121,660		
Personal allowance	(1,740)	12,570 - 21,660 / 2	
Taxable income	119,920		
Income tax		£	
37,700	@20%	7,540	
82,220	@40%	32,888	
NICs			
37,700	@8%	3,016	
42,430	@2%	849	

Interst reducer		(2,640)	
Total		41,653	
Net pay	£		
Salary	85,500		
Rents after expenses	27,960		
Car allowance	7,200		
IT AND NICS	(41,653)		
Total net pay	79,007		
Less mortgage Oxford House	(20,400)		
Less Mortgage New house	(9,600)		
	49,007		

English employment	£		
Salary	93,000	7,750 * 12	
Profit share	10,000		
Rental income	27,960		
	130,960		
PErsonal allowance	(3,340)		
Taxable income	127,620		
Income tax		£	
37,700 + 12,500	@20%	10,040	
77,420	@40%	30,968	
Clas 1 NICs			
12,570	@0%	0	
37,700	@8%	3,016	
42,730	@2%	855	

Interest reducer		(2,640)	
Total		42,239	
Net pay	£		
Salary	93,000		
Assumied profit share	10,000		
Rental income after expenses	27,960		
IT and NIC	(42,239)		
Total	88,721		
Less pension contribution	(10,000)		
Total	78,721		
Less mortgage Oxford	(20,400)	1,700 * 12	
Less Mortgage new home	(9,600)	800 * 12	
	48,721		

N1 - Rental income

	£		
Rents	30,000		
Agetn fees	(1,440)		
Other costs	(600)		
Net rental income	27,960		

N2 - Interest tax reducer

12 * 1,100 = £13,200

£13,200 * 20% = £2,640

N3

130,960 - 10,000 * 100/80 = 118,460

12,570 - 18,460 / 2 = 3,340