

# THE CHARTERED INSTITUTE OF TAXATION

## APPLICATION AND PROFESSIONAL SKILLS

### Taxation of Individuals

**May 2025**

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TIME ALLOWED

3 HOURS 30 MINUTES

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- In order to secure a pass in this exam, you will be required to demonstrate competence in each of three skills.

You will be assessed across your answer as a whole for Structure. A pass or fail grade will be awarded.

You will be assessed for competence in a number of broad topics for the following skills:

- Identification and Application
- Relevant Advice and Substantiated Conclusions

For each topic for each of these two skills, a grade will be awarded. The grades for those topics will be weighted and averaged to produce a final grade for each skill of 0, 1, 2, 3 or 4. A grade of 3 or 4 is required to demonstrate competence.

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- Candidates who answer any law elements in this paper in accordance with Scots law or Northern Ireland law should indicate this where relevant.
- Scots law candidates may provide answers referring to Land and Buildings Transaction Tax rather than Stamp Duty Land Tax.
- Unless otherwise required by the question, candidates may answer the question using Scottish Income Tax rates or Income Tax rates applying elsewhere in the UK.
- Unless otherwise indicated by the provision of additional information in the question, you may assume that 2024/25 legislation (including rates and allowances) continues to apply for 2025/26 and future years. Candidates answering by reference to more recently enacted legislation or tax cases will not be penalised.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

You are a tax manager in a firm of Chartered Tax Advisers. Your client is Alison Rolle, who is currently resident and employed in the Bahamas.

Alison has written to Sara Gleeson, your senior manager (**EXHIBIT A**), asking for advice in relation to an assignment in the UK and some properties she owns in the UK.

The following exhibits are provided to assist you:

**EXHIBIT A:** Email from Alison Rolle to Sara Gleeson

**EXHIBIT B:** Summary history of UK properties

**EXHIBIT C:** Pre-seen information

**Requirement:**

**Prepare a report to Alison making recommendations on her remuneration package for her UK assignment and on her UK properties.**

Continued

**EXHIBIT A**

Email from Alison Rolle to Sara Gleeson

To: Sara Gleeson  
From: Alison Rolle  
Date: 25 April 2025  
Subject: Assignment to the UK

Dear Sara

I hope you are keeping well. I have some news on forthcoming changes in my circumstances, which I wish to share with you and ask for your advice on.

UK Project

Bahot LLC is about to complete the purchase of a UK company based in Bristol. They have asked me to head up the integration of this company into the Bahot group, which means I will be returning to the UK this summer for what will be a four-year project.

I am under no illusion as to why I have been selected for this role; I do not need a visa or permit to work in the UK and my boss knows I have connections in the Bristol area. Nevertheless, I am interested to do it. My boss is due to retire at the end of 2029 and so, if I make a success of the project, I would be in line for his job on my return to the Bahamas.

The project will be a full-time position and likely to be wholly based in the UK. They have told me I can choose between a contract with the UK company or continuing on my current contract and being seconded to the UK company. My current salary here is equivalent to £85,000. As you know, there is no Income Tax or Capital Gains Tax in the Bahamas, so that is how much I take home. They have offered me a salary of £130,000 in the UK, which they say will give me roughly the same net income as at present.

I will probably have a one-week business trip on my own to Bristol in June. We will then travel as a family to our house in Cornwall at the end of July. I will take a week's holiday to settle in before starting work on Monday 11 August 2025.

Family arrangements

Eric is not at all happy at the prospect of spending four years in England. He will be giving up his job here and he will not be able to get a permit to work in England. It means we will be losing about £15,000 of household income.

He has only agreed to the move if we live in our house in Cornwall, since he likes it there. He has refused completely to live in Bristol. He has already found the perfect school for Peter and Martha in Cornwall so I am not going to try and argue the case with him for living in Bristol.

We will keep our house in Nassau available. I am sure that Eric will take every opportunity during school holidays to return there with the children.

Therefore, I will live in Bristol during the week and spend the weekends in Cornwall. Hopefully, after a few months I will be able to arrange to work from home on a Friday or a Monday too. It means Eric will need a car in Cornwall and I don't yet know if I will drive or take the train between Bristol and Cornwall.

Continued

Bahot LLC’s international relocation policy usually provides housing and local transport capped at £20,000 and a relocation allowance of £10,000. They know I have property in Bristol and they imagine I will move into one of these properties and be able to walk or use public transport. They have therefore said, as an alternative, that they will pay me a cash lump sum of £30,000 to help with the loss of Eric’s earnings, loss of rent and cover any relocation costs. We won’t move many possessions as we are keeping the Nassau home and the Cornwall house is fully-furnished, but we will spend quite a lot on flights back to the Bahamas for holidays. We will also need to buy the car or cars.

What do you recommend in relation to my contract?

UK properties

The tenants in the Bristol house have given notice and the agent managing the property is advertising for new tenants. Interestingly, someone has seen the advert and having visited the property, they have told the agent that they would like to buy the property. They have made an offer of £600,000. I am not sure whether to take it for a couple of reasons.

Firstly, as you know, I have always planned to sell the Bristol properties when the children are 18 to fund their higher education. Both are likely to go into further education, probably in the US, and this will be extremely expensive: perhaps £800,000. I don’t therefore have any immediate need for the funds. I expect I will sell one property first and then the other a year or two later, when the money from the first has run out.

Secondly, if I am to live in Bristol, I would probably prefer to live in the house, just because it’s nicer. The flat was my home and only property for three years after I finished university and whilst I worked in Bristol, until I went back to live in the Bahamas. However, it is bit small now, but it is close to the hospital and therefore easy to rent out. The agent also tells me I could sell it for £400,000 without any difficulty or delay.

From a tax perspective, what do you recommend that I should do with my Bristol properties?

I’ve prepared a short summary of when I acquired each property and for how much, which I thought might be useful (**EXHIBIT B**).

I am sure there are things I have not even thought of that I should also ask. If you need any further information, then please don’t hesitate to ask.

Best regards

Alison Rolle

Continued

EXHIBIT B

Summary history of UK properties

This is a summary of my UK properties. I own them all freehold and in my sole name. I don't have a mortgage on any of them.

Flat 21, 75 Walker Street, Bristol, BS2 8HE

Date purchased	6 April 2005
Date first occupied	6 April 2005
Purchase price	£123,000
Costs of acquisition	£1,000
Date occupation ceased	5 April 2008
Date rental began	26 April 2008
Date rental ceased	Ongoing
Estimated value 6 April 2015	£330,000

103 Apsley Crescent, Bristol, BS8 2SL

Date purchased	Inherited from my aunt on her death on 6 September 2022
Date first occupied	I've never lived in this house
Probate value	£520,000
Date rental began	6 October 2022
Date rental ceased	Ongoing

7 Church Lane, Penpol, Cornwall TR3 6AU

Date purchased	Inherited from my aunt on her death on 6 September 2022
Date first occupied	See details below
Probate value	£340,000
Current estimated value	£365,000

When I inherited this house, we decided it to keep it for the long-term and use it as a holiday home for ourselves, rather than rent it out. I still have family and friends in the area so it makes visiting them easier. We have also used it as a base from which to make some city breaks in Europe. We elected, based on your advice, for it to be our main residence from the start of the 2023/24 tax year. You told me to keep a record of the number of nights we stay there each year. We didn't visit anywhere else in the UK.

From	To	No. of nights
22 December 2022	31 December 2022	9
6 April 2023	21 April 2023	15
2 July 2023	29 July 2023	27
2 August 2023	31 August 2023	29
18 December 2023	6 January 2024	19
25 March 2024	5 April 2024	11
23 May 2024	1 June 2024	9
28 June 2024	27 July 2024	30
1 August 2024	31 August 2024	30
14 December 2024	4 January 2025	21

So far this year we have visited for the Easter school holiday from 6 to 22 April 2025 (16 nights).

EXHIBIT C

Pre-seen information

Client name

Alison Rolle

Date and place of birth

17 March 1983, Nassau, Bahamas

Nationality

British

Spouse

Eric Rolle (Bahamian national, born 28 October 1982)

Date and place of marriage

1 July 2009, Bahamas

Children

Peter (born 15 June 2010)  
Martha (born 15 June 2010)

Employment

Full-time Operations Manager at Bahot LLC, Bahamas, since 6 April 2008. All duties are performed in the Bahamas.

Residence and Domicile History

17 March 1983 to 5 September 1994	UK non-tax resident Bahamian tax resident	Domicile of origin in the Bahamas
6 September 1994 to 5 April 2008	UK tax resident only	In the UK temporarily Domicile of origin unchanged
6 April 2008 to date	UK non-tax resident Bahamian tax resident	Domicile of origin unchanged

There is no double tax treaty or reciprocal agreement for social security between the UK and the Bahamas.

Assets

Main Residence

Alison and Eric jointly own their four-bed home in Nassau, Bahamas.

Other Property

Alison owns, in her sole name:

- 1) A three-bed house in Cornwall, s.222(5) election in place from 6 April 2023.
- 2) A three-bed house in Bristol, rented out to long-term tenants.
- 3) A one-bed flat in Bristol, rented out to long-term tenants.

2024/25 UK Tax Return

Tax Calculation

	<u>Bristol House</u>	<u>Bristol Flat</u>	<u>Total</u>
	£	£	£
Income	24,000	12,000	
Expenses	<u>(8,000)</u>	<u>(3,000)</u>	
Net profit	16,000	9,000	25,000
Personal allowance			<u>(12,570)</u>
			12,430
Income Tax due (£12,430 x 20%)			<u><u>£2,486</u></u>