THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2022

MODULE 2.09 – UNITED KINGDOM OPTION

ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

TIME ALLOWED – 3¼ HOURS

This exam paper has **three** parts: **Part A**, **Part B** and **Part C**.

You need to answer **five** questions in total. You will **not** receive marks for any additional answers.

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **One** question from **Part B** (20 marks)
- **Two** questions from **Part C** (15 marks each)

Further instructions

- All workings should be made to the nearest month and in Pound Sterling, unless otherwise stated.
- As you are using the online method to complete your exam, you must provide appropriate line breaks between each question, and clearly indicate the start of each new question using the formatting tools available.
- Marks may be allocated for clarity of presentation of your answers.
- The time you spend answering questions should correspond broadly to the number of marks available for that question. You should therefore aim to spend approximately half of your time answering Part A, and the other half answering questions in Parts B and C.
- There is no separate reading time, so you can start typing your answers as soon as the exam begins. However, we recommend that you set aside some time to thoroughly read each question and plan each of your answers.

For your information this paper includes:

ADIT Examinations 2022 Tax Tables

PART A

You are required to answer BOTH questions from this Part.

1. Innovation Ltd is a company incorporated and tax resident in the United Kingdom. It operates in the technology sector and has grown rapidly over the last five years. The management team intends to acquire an overseas subsidiary, Newness Ltd, a company incorporated and tax resident in Huginnland.

The finance director of Innovation Ltd has asked you to prepare a memorandum outlining the tax impact of the proposed new financing for the acquisition of Newness Ltd.

Innovation Ltd currently has the following:

- 270 employees;
- Turnover of £450 million per annum;
- Loans from third party banks totalling £16 million, with associated interest expense of £400,000 per annum;
- Net assets of £220 million; and
- Taxable earnings before interest, taxes, depreciation, and amortization (EBITDA) of £40 million.

To fund the acquisition of Newness Ltd, Planet Bank will provide Innovation Ltd with an additional £100 million loan which will incur additional annual interest charges of £5 million. Of these funds, £80 million will be used to acquire a 100% shareholding in Newness Ltd. The remaining £20 million will be lent by Innovation Ltd to Newness Ltd, with Newness Ltd required to make quarterly repayments of £200,000 (comprising £180,000 capital repayment and interest of £20,000).

Huginnland has a double tax agreement with the UK, which imposes withholding tax on interest and dividends at a rate of 30%. The corporate tax rate in Huginnland is 20%.

You are required to:

1) Prepare a memorandum for the finance director, outlining the UK Corporation Tax implications of the proposed £100 million financing and acquisition of Newness Ltd. (20)

2) Outline the withholding tax implications of the future dividend and loan payments from Newness Ltd to Innovation Ltd. (5)

Total (25)

2. Emma Jetson is a very wealthy Australian entrepreneur who has recently moved to the United Kingdom with her husband Geoff and their two young children. The family plans to remain in the UK for at least five years.

Emma rented a home in London from 6 July 2021, at which point the rest of the family also moved to the UK. The Australian home will be retained for regular visits to Australia. Emma has explained that, while the children will attend school in London and spend their time predominantly in the UK, she herself only spent 115 days in the UK in the 2021/22 tax year and is likely to spend 150 days in the UK in 2022/23. Emma expects to spend the remainder of her time travelling between various countries, spending no more than a month in any particular country with the exception of France, where she will spend 35 days in each tax year in her apartment on the Cote d'Azur. Geoff is likely to spend at least 183 days in each tax year in the UK.

Emma and Geoff have not visited the UK in either of the two tax years prior to 2021/22. Before moving to the UK, Emma stepped down from the board of her family company, in which she holds a significant minority interest. While Emma is likely to undertake some work in the UK, it is unlikely that she will work for more than three hours on more than 30 occasions per tax year. Geoff is taking a career break and will not work whilst in the UK.

Emma is the settlor of a large offshore trust (the Jetson Discretionary Trust), which holds foreign property assets, shares in non-UK trading and investment companies, and valuable artwork. She also directly holds a significant portfolio of internationally listed companies, some of which are listed on the London Stock Exchange.

Emma has asked you to explain how the Statutory Residence Test (SRT) will apply to her and Geoff, for both the 2021/22 and 2022/23 tax years. She has also asked whether split year treatment will be available, as Geoff received a large dividend from a UK company in May 2021, and also disposed of a substantial foreign shareholding in that same month. You may assume that Emma and Geoff are both non-UK domiciled.

You are required to:

1) **Advise Emma and Geoff on the application of the SRT to their proposed circumstances for 2021/22 and 2022/23, and explain whether split year treatment will be available. You may ignore the effects of any double tax agreement.** (15)

2) **Explain the main features of the remittance basis, and how this would be applied to Emma's circumstances, suggesting any pre-arrival planning that would be advisable for her to consider undertaking.** (10)

Total (25)

PART B

You are required to answer ONE question from this Part.

3. Your overseas colleague has contacted you regarding her client, Ozark Ltd, an overseas incorporated and tax resident entity that designs, manufactures and distributes outdoor pursuit equipment. The senior managers of Ozark Ltd have been discussing their plans for expansion into the United Kingdom with your colleague.

   Following a recent telephone meeting with Ozark Ltd's tax director, your colleague seeks your advice in relation to any potential permanent establishment (PE) risks arising in the UK from the proposed expansion plans.

   The following alternative options are under consideration for this expansion:

   a) Engaging with an independent distribution centre that would acquire stock from Ozark Ltd at bulk discount, and incur advertising costs in the UK including TV, radio and billboard campaigns.

   b) Attending two annual 'outdoor adventure' exhibitions in the UK which will each last for five days. Ozark Ltd would send its two best sales personnel to the UK to provide demonstrations to consumers at these exhibitions.

   c) Utilising the services of Silvia Trail, a longstanding acquaintance of Ozark Ltd's managing director. Silvia has recently relocated to the UK and previously worked in the industry. She is nearing retirement and doesn't want to be directly employed, but is willing to work as a subcontractor for Ozark Ltd. It is envisaged that Silvia would be paid based on the level of sales agreed in the UK. Silvia would not be able to conclude contracts for sales, with any potential sales or contracts being sent back to head office for finalisation. Silvia will not be providing similar services to any other companies.

   d) Entering into a lease for a small office and shop front in the UK, employing one full time manager and two part-time sales employees;

   e) Expanding Ozark Ltd's current online presence in the UK, utilising local marketplaces and influencers to promote the products. Research has indicated that this method could achieve significant sales; however, consumers will expect next day delivery options. Ozark Ltd would therefore also need to engage with a third-party warehouse provider, to provide storage and packaging services relating to the UK stock.

   You are required to prepare a note outlining whether a UK PE could be created under each of the above proposals, under UK domestic law. You are not required to comment on potential overseas issues, double tax agreements or profit allocation methods. (20)

4. Louis is a United Kingdom resident, French domiciled taxpayer. He moved to the UK from Paris on 5 July 2017 and elects for the remittance basis of taxation. Louis purchased his London home for £5 million on 12 September 2019, using pre-arrival capital which he had segregated in an offshore bank account.

   At a recent meeting with your firm, Louis discussed a potential investment into a UK residential property portfolio, having identified five flats in need of substantial refurbishment. Louis estimates that the cost of acquiring the properties will be approximately £10 million, with the refurbishment costing a further £3 million and taking at least 12 months to complete. Louis will then be in a position to rent out the properties.

   Louis intends to rent out four of the properties to unconnected third parties at a commercial rent, retaining the other property for the use of his son, Marcel. Louis intends to fund the investment with £5 million of bank finance secured on the properties, and £8 million remitted from his Swiss bank account. This account is funded solely from untaxed foreign income.

   Louis has asked you to advise on how the acquisition of the properties may be structured to mitigate exposure to UK tax. He has also asked you to consider the tax implications if he decided to sell his investment in the future.

   You are required to:

   1) Explain to Louis how Business Investment Relief may apply to the proposed investment. (10)

   2) Outline the Inheritance Tax, Annual Tax on Enveloped Dwellings, Stamp Duty Land Tax, Income Tax and Capital Gains Tax implications of using a UK company to acquire the properties. (10)

   Total (20)

PART C

You are required to answer TWO questions from this Part.

5. Luke is the 100% shareholder and managing director of Pillow Soft Ltd, a company that designs and manufactures anti-allergen soft furnishings. The company was incorporated in the United Kingdom in 1995 and originally manufactured its products in the UK. However, due to rising costs all of Pillow Soft Ltd's manufacturing was subcontracted to Taiwan in 2016.

For personal reasons, Luke left the UK and became tax resident in Zuterland from April 2022. He has purchased an office and warehouse in Zuterland, which he will use as Pillow Soft Ltd's new head office. The UK warehouse and offices will remain open to receive shipments of stock from Taiwan, collate orders and provide delivery with installation to customers in the UK. Luke expects the Zuterland office and warehouse to assist in achieving sales growth in Asia, the United States and Zuterland.

Luke's partner Daisy, who is also a director at Pillow Soft Ltd and is responsible for the company's sales and marketing, has also moved to Zuterland with Luke. 14 Pillow Soft employees will remain in the UK: nine warehouse staff, two administration and finance staff, and three sales managers. All of these employees will continue to report directly to either Luke or Daisy.

Luke has asked if Pillow Soft Ltd will have to continue to pay UK Corporation Tax following his move.

You are required to provide a brief memorandum for Luke outlining how the corporate residency status of Pillow Soft Ltd could be affected by his move, and what the Corporate Tax consequences of any change in residency might be.

You may assume that the Zuterland-UK double taxation agreement reflects the OECD Model Convention 2017. (15)

6. You are the tax manager of Trucks Ltd, a medium-sized company incorporated and tax resident in the United Kingdom that has recently been acquired by Logistics Inc., a United States entity. Trucks Ltd will retain its current management team, but will receive access to transport tracking and planning software developed by Logistics Inc. Logistics Inc. has a group transfer pricing policy in place, but this does not yet include intercompany charges with Trucks Ltd, and the intercompany licence agreement is currently being drafted.

Logistics Inc. purchased the shares of Trucks Ltd from its current UK tax resident shareholders for £25 million.

Trucks Ltd has the following, at its 31 December 2021 year end:

- Turnover of £40 million;
- Annual interest payable of £1.2 million;
- 86 employees; and
- Gross assets of £8 million.

The Logistics Group, including the consolidated Trucks Ltd, has:

- Turnover of £870 million;
- Annual interest payable of £26 million;
- 3,678 employees;
- Gross assets of £460 million; and
- Internally developed software of £150 million.

The group completes all of its country-by-country reporting and master file documentation in the US. You may assume that the applicable double tax agreement between the UK and the US is based on the OECD Model Tax Convention 2017.

You are required to write an email to the Chief Financial Officer of Logistics Inc., outlining:

1) **The UK filing and compliance obligations which will arise following the acquisition of Trucks Ltd, including in respect of intercompany charges; and** (12)

2) **The Stamp Duty implications of the acquisition of Trucks Ltd.** (3)

Total (15)

7. Jason is a United Kingdom resident, Canadian domiciled taxpayer who moved to the UK on 6 April 2017 and has elected to be taxed on the remittance basis each year. Jason is employed by a UK publishing company and has so far used his UK taxed salary, paid directly into his UK bank account, to fund all of his UK expenditure. Jason has not previously sought UK tax advice, and was dismayed to learn that he had created a mixed fund by paying all his offshore income and gains into his Canadian bank account.

Jason met with you on 6 April 2021 and provided you with the following table, explaining the composition of his Canadian bank account:

Balance on 5 April 2017	£2,000,000

Jason made the following transfers into the account:

Transferred in year ending 5 April 2018	£250,000 (Foreign untaxed income)
Transferred in y/e 5 April 2019	£150,000 (Foreign capital gain)
Transferred in y/e 5 April 2020	£270,000, comprising: • £50,000 (capital) • £20,000 (UK taxed employment income) • £100,000 (Foreign untaxed income) • £100,000 (Foreign capital gain)
Transferred in y/e 5 April 2021	£100,000 (inheritance therefore capital)
Balance on 6 April 2021	£2,770,000

Jason explained at the meeting that no transfers would be made into the Canadian bank account in the year to 5 April 2022.

Jason also mentioned that he had identified the following assets which he hoped to acquire later in the tax year to 5 April 2022, using the funds in his Canadian bank account.

- A French oil painting currently hanging in a Paris gallery, which he intended to purchase for £100,000 and bring to the UK.
- An Italian sports car, located in Rome, which he intended to purchase for £250,000 and drive in London.

You are required to advise Jason on the following:

1) **How do the 'mixed fund' rules operate, and what steps may be taken by Jason to ensure that the effect of these rules may be minimised in future?** (7)

2) **Explain the respective tax implications of Jason acquiring and bringing to the UK the French painting only, and the car only. What would the tax implications have been if he had acquired both items and brought them to the UK? You may assume in the latter case that the painting and car would be brought to the UK at the same time.** (8)

Total (15)

8. Gina was born in the United Kingdom in 1960. Her Italian parents, Giovanni and Lucrezia, had emigrated to London from Milan in the early 1940s and established a successful business importing Italian fashion to the London market.

At the date of Gina's birth, the family was settled in London and owned their UK home. However, both parents intended to eventually return to Italy if a suitable opportunity arose and retained a family burial plot in Italy. Lucrezia inherited a small apartment in Milan from her aunt, where the family would stay during their frequent visits to Italy. Giovanni and Lucrezia both died in London in the 1990s and it was accepted that both were likely to have acquired a domicile of choice in the UK prior to their deaths.

Gina is a fluent Italian speaker and has always maintained a close connection to Italy. In 1990 she moved to Rome, where she lived for many years and enjoyed a very successful career as a designer, before returning to London upon her retirement on 6 April 2021.

Gina currently rents her London home, although it is likely that she will acquire UK property as soon as she has sold her apartment in Rome. Gina holds both Italian and British passports and has maintained bank accounts in both countries. Gina has never voted in the UK and has remained on the Italian electoral register as an overseas voter.

Gina has sought your advice on her domicile status for tax purposes. She is particularly concerned about the Inheritance Tax implications of her domicile status for the Gina No 1 Discretionary Trust, which she created on 2 April 2012 and which contains valuable Italian real estate and shares in her Italian investment company. Gina is a beneficiary of this trust.

You are required to provide Gina with advice concerning her current domicile status and the implications of that status for the taxation of the Gina No 1 Discretionary Trust. (15)

9. Ruth is a United Kingdom resident, non-domiciled taxpayer, who files her self-assessment tax returns on the remittance basis. She has approached your firm for advice on incorporating a Jersey limited company, in order to acquire UK commercial real estate worth £15 million, with the properties to be let to third party tenants.

Ruth proposes financing the Jersey company by subscribing for £10 million of shares on its incorporation, with the remaining £5 million being provided in the form of a loan from a British Virgin Islands (BVI) company of which she is the sole shareholder. The BVI company holds a large cash reserve and would be prepared to lend £5 million to the Jersey company on a five-year fixed term, secured on the property and carrying a 7% interest rate. It is envisaged that the interest and expenses on this loan will be paid out of the Jersey company's UK rental income.

Ruth has been advised that the Jersey company will be fully subject to UK Corporation Tax on its rental income, subject to the usual deductions for rental expenses and interest. She is keen to take full advantage of her non-domicile status and has been informed by a non-domiciled friend, who operates a similar structure, that the remittance basis applies as both the Jersey company and the BVI company are non-resident, foreign incorporated companies.

Ruth seeks your advice regarding the implications of the Transfer of Assets Abroad income tax anti-avoidance legislation for her proposed structure.

You are required to:

1) **Provide a brief analysis of any potential UK withholding tax issues which may apply on the payment of interest from the Jersey company to the BVI company.** (5)

2) **Explain how the UK Transfer of Assets Abroad Income Tax legislation (Income Tax Act 2007, Sections 721 and 727) is applicable to Ruth's proposed transaction. You may assume that the Jersey company will obtain a full deduction for all interest paid to the BVI company, against its UK rental income.** (10)

Total (15)

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INCOME TAX - RATES AND THRESHOLDS

	2021/22	2020/21
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	7.5	7.5
Dividend upper rate	32.5	32.5
Dividend additional rate and trust rate for dividends	38.1	38.1
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,500
Higher rate band	37,701 – 150,000	37,501– 150,000
Dividend allowance	2,000	2,000
Savings Allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,097	1 – 2,085
Scottish basic rate	2,098 – 12,726	2,086 – 12,658
Intermediate rate	12,727 – 31,092	12,659 – 30,930
Higher rate	31,093 – 150,000	30,931 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2021/22	2020/21
	£	£
Personal allowance(2)	12,570	12,500
Married couple's allowance(3)	9,125	9,075
– Maximum income before abatement of relief - £1 for £2	30,400	30,200
– Minimum allowance	3,530	3,510
Transferable Tax allowance for married couples and civil partners(4)	1,260	1,250
Blind person's allowance	2,520	2,500
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	100,000	100,000
Social investment relief	1,000,000	1,000,000

Notes:
(1) Scottish taxpayers pay Scottish income tax on non-savings income.
(2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
(3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
(4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
(5) The limit is £2 million, where over £1 million is invested in knowledge intensive companies.

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ISA limits	**2021/22**	**2020/21**
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions

	Annual allowance(1)	**Lifetime allowance**	**Minimum pension age**
	£	£	
2020/21	40,000	1,073,100	55
2021/22	40,000	1,073,100	55

Basic amount qualifying for tax relief £3,600

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £240,000 for individuals with threshold income above £200,000. It cannot be reduced below £4,000.

Employer Supported Childcare

Exemption – basic rate taxpayer(2)	£55 per week	£55 per week

Note: (2) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van(3)	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2021/22

Emissions	**Electric range (miles)**	**Car benefit %(4) Pre 6 April 2020 registration**	**Car benefit %(4) On/after 6 April 2020 registration**	
0g/km	N/A	1%	1%	
1-50g/km	>130	2%	1%	
1-50g/km	70-129	5%	4%	
1-50g/km	40-69	8%	7%	
1-50g/km	30-39	12%	11%	
1-50g/km	<30	14%	13%	
51-54g/km		15%	14%	
55-59g/km		16%	15%	
60-64g/km		17%	16%	
65-69g/km		18%	17%	
70-74g/km		19%	18%	
75g/km or more		20%	19%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%		
165g/km or more			37%	

Note: (4) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

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Fuel benefit base figure	**2021/22**	**2020/21**
	£	£
	24,600	24,500

Van benefits	**2021/22**	**2020/21**
	£	£
No CO_2 emissions	Nil	2,792
CO_2 emissions > 0g/km	3,500	3,490
Fuel benefit for vans	669	666

INCOME TAX - CHARGES

Child benefit charge	**Withdrawal rate**
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

	2021/22	**2020/21**
Official rate of interest	2%	2.25%

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA)(1)	100%
WDA on plant and machinery in main pool(2)	18%
WDA on plant and machinery in special rate pool(3)	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA)	3%

Notes: (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2021 (£200,000 from 1 January 2022).

(2) The main pool rate applies to cars with CO_2 emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).

(3) The special pool rate applies to cars with CO_2 emissions greater than 50g/km (prior to April 2021 greater than 110g/km).

100% First year allowances (FYA) available to all businesses

Capital expenditure incurred by a person on research and development.
New zero-emission goods vehicles (until April 2025).
New cars if the car either emits 0 g/km of CO_2 (50g/km prior to April 2021) or it is electrically propelled (until April 2025).
Electric vehicle charging points (until April 2023).

Super- deduction available to companies only

Additional FYA for companies incurring expenditure on new plant and machinery (other than cars) between 1 April 2021 to 31 March 2023:

FYA for assets in main pool	130%
FYA for assets in special rate pool	50%

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INCOME TAX - SIMPLIFICATION MEASURES

Allowances

	2021/22	2020/21
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses	First 10,000 business miles		45p per mile
	Additional business miles		25p per mile
Business use of home	25 – 50 hours use		£10 per month
	51 – 100 hours use		£18 per month
	101+ hours use		£26 per month
Private use of business premises	No of persons living there:	1	£350 per month
		2	£500 per month
		3+	£650 per month

Cash Basis for Unincorporated Businesses

	£
Turnover threshold to join scheme	150,000
Turnover threshold to leave scheme	300,000

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2021/22			2020/21		
	Annual	**Monthly**	**Weekly**	**Annual**	**Monthly**	**Weekly**
Lower earnings limit (LEL)	£6,240	£520	£120	£6,240	£520	£120
Primary threshold (PT)	£9,568	£797	£184	£9,500	£792	£183
Secondary threshold (ST)	£8,840	£737	£170	£8,788	£732	£169
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,000	£4,167	£962
Upper secondary threshold for under 21 (UST) (1)	£50,270	£4,189	£967	£50,000	£4,167	£962
Apprentice upper secondary threshold for under 25 (AUST) (2)	£50,270	£4,189	£967	£50,000	£4,167	£962

	2021/22	2020/21
Class 1 primary contribution rates		
Earnings between PT and UEL	12%	12%
Earnings above UEL	2%	2%
Class 1 secondary contribution rates		
Earnings above ST (1)(2)	13.8%	13.8%

Notes: (1) Rate of secondary NICs for employees < age 21 on earnings between ST&UST is 0%.
(2) Rate of secondary NICs for apprentices < age 25 on earnings between ST&AUST is 0%.

	2021/22	2020/21
Employment allowance		
Per year, per employer	£4,000	£4,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Normal rate	£3.05 pw	£3.05 pw
Small profits threshold	£6,515 pa	£6,475 pa
Class 3 contributions	£15.40 pw	£15.30 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£9,568	£9,500
Annual upper profits limit (UPL)	£50,270	£50,000
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

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OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay		First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.97 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay		For each qualifying week, the lower of 90% of AWE and £151.97
Statutory sick pay		£96.35 per week
Student Loan	Plan 1:	9% of earnings exceeding £19,895 per year (£1,657.91 per month/ £382.59 per week)
	Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
	Plan 4:	9% of earnings exceeding £25,000 per year (£2,083.33 per month /£480.76 per week)
Postgraduate Loan		6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

National living/minimum wage (April 2021 onwards)

Category of Worker	**Rate per hour** £	**Category of Worker**	**Rate per hour** £
Workers aged 23 and over	**8.91**	18–20 year olds	**6.56**
21–22 year olds	**8.36**	16–17 year olds	**4.62**
Accommodation Offset	£8.36 per day		
		Apprentices	**4.30**

HMRC INTEREST RATES

Late payment interest	2.6%
Underpaid corporation tax instalments interest	1.1%
Repayment interest	0.5%
Credit interest	0.5%

CAPITAL GAINS TAX

	2021/22	**2020/21**
Annual exempt amount for individuals	£12,300	£12,300
CGT rates for individuals, trusts and estates		
Gains qualifying for business asset disposal(1)/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band(2)	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates(3)	20%	20%

Notes: (1) Formerly called entrepreneurs' relief
(2) The rate is 18% if the gain is in respect of a residential property
(3) The rate is 28% if the gain is in respect of a residential property

Business Asset Disposal relief	**2021/22**	**2020/21**
Relevant gains (lifetime maximum) (4)	£1 million	£1 million
Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

Note: (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

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Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	–	–	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

ADIT EXAMINATIONS
2022
TAX TABLES

CORPORATION TAX

Financial year	**2021**	**2020**	**2019**
Main rate	19%	19%	19%
Patent rate	10%	10%	10%

EU definition of small and medium sized enterprises

	Small [2]	Medium [2]	Extended definition for R&D expenditure
Employees[1]	< 50	< 250	<500
Turnover[1]	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets[1]	≤ €10m	≤ €43m	≤ €86m

Notes: (1) Must meet employees criteria and either turnover or balance sheet assets criteria.
(2) Thresholds apply for transfer pricing and distributions received by small companies.

Research and development expenditure

SMEs (Note)	230%
Large companies – RDEC	13%

VALUE ADDED TAX

	Standard rate	**VAT fraction**
Rate	20%	1/6

Limits	**From 1.4.21**	**From 1.4.20**
	£	£
Annual registration limit	85,000	85,000
De-registration limit	83,000	83,000

Thresholds	**Cash accounting**	**Annual accounting**
	£	£
Turnover threshold to join scheme	1,350,000	1,350,000
Turnover threshold to leave scheme	1,600,000	1,600,000

ADVISORY FUEL RATES (as at 1 March 2021)

Engine size	**Petrol**	**LPG**	**Engine size**	**Diesel**
1400cc or less	10p	7p	1600cc or less	9p
1401cc to 2000cc	12p	8p	1601cc to 2000cc	11p
Over 2000cc	18p	12p	Over 2000cc	12p

Electricity rate 4p

OTHER INDIRECT TAXES

	2021/22	**2020/21**
Insurance premium tax[3]		
Standard rate	12%	12%
Higher rate	20%	20%

Tobacco products duty	**From 16.11.2020**	**From 11.3.20**
Cigarettes	16.5% x retail price + £244.78 per thousand cigarettes (or £320.90 per thousand cigarettes [4])	16.5% x retail price + £237.34 per thousand cigarettes (or £305.23 per thousand cigarettes [4])
Cigars	£305.32 per kg	£296.04 per kg
Hand-rolling tobacco	£271.40 per kg	£253.33 per kg
Other smoking/chewing tobacco	£134.24 per kg	£130.16 per kg
Tobacco for heating	£251.60 per kg	£243.95 per kg

Notes: (3) Premium is tax inclusive ($^{3}/_{28}$ for 12% rate and $^{1}/_{6}$ for 20% rate).
(4) The £320.90/£305.23 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).

ADIT EXAMINATIONS

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TAX TABLES

INHERITANCE TAX

Death rate	40%(1)	**Lifetime rate**	20%

Note: (1) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2026	£325,000

Residence nil rate bands(2)

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2026	£175,000

Note: (2) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

Taper relief		
Death within 3 years of gift		Nil%
Between 3 and 4 years		20%
Between 4 and 5 years		40%
Between 5 and 6 years		60%
Between 6 and 7 years		80%
Quick Succession relief		
Period between transfers less than one year		100%
Between 1 and 2 years		80%
Between 2 and 3 years		60%
Between 3 and 4 years		40%
Between 4 and 5 years		20%
Lifetime exemptions		
Annual exemption		£3,000
Small gifts		£250
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	**From 1.4.21**	**From 1.4.20**
>£0.5m - ≤ 1m	£3,700	£3,700
> £1m - ≤ 2m	£7,500	£7,500
> £2m – ≤ 5m	£25,300	£25,200
> £5m – ≤ 10m	£59,100	£58,850
> £10m – ≤ 20m	£118,600	£118,050
> £20m	£237,400	£236,250

STAMP DUTY/SDRT

Stamp duty(3)	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax(4)	- On agreements to transfer shares(4)	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes: (3) Does not apply to UK securities traded on a recognised growth market (eg AIM).
(4) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

ADIT EXAMINATIONS

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TAX TABLES

STAMP DUTY LAND TAX

Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI

Basic Rate %(1)(2)(3)(4)	Higher Rate %(1)(2)(4)	Residential(1)(2)(3)(4)	Non-Residential
0	3	£0 - £125,000	£0 - £150,000
2	5	£125,001 - £250,000	£150,001 - £250,000
5	8	£250,001 - £925,000	£250,001 +
10	13	£925,001 - £1,500,000	N/A
12	15	£1,500,001+	N/A

Notes: (1) The basic rates are increased by 3% where the purchase is of an additional residential property for individuals (see column 2 for the rates that apply). Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 2 below.

(2) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).

(3) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £300,000. For homes up to £500,000, SDLT will be payable on £200,000 at 5%. Homes bought for more than £500,000 will incur the rates as per column 1 in above table.

(4) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property from 1.4.21. This is in addition to the basic rate, the higher rate (where applicable), and the 15% rate in Note 2 where applicable.

New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent	
	Residential	**Non-residential**
Zero	Up to £125,000	Up to £150,000
1%	Excess over £125,000	£150,001-£5m
2%		Over £5m

Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate %(5)(6)(7)	Residential	Rate %(5)	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

Notes: (5) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.

(6) An additional amount of tax of 4% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & other trusts.

(7) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

New leases – Land and Buildings Transaction Tax (LBTT) on lease rentals - Scotland

Rate (%)	Net present value of rent(8)
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

Note: (8) Residential leases are generally exempt.