Institution **CIOT - CTA**
Course **Adv Tech Taxation of Individual**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**848**	**3760**	**4731**
Section 2	**654**	**3005**	**4618**
Section 3	**1172**	**4752**	**5887**
Section 4	**648**	**2982**	**3786**
Section 5	**943**	**4042**	**4955**
Section 6	**760**	**3524**	**4708**
Total	**5025**	**22065**	**28685**

Answer-to-Question-_1_

Cherry Tree Ltd

If Cherry Tree Ltd purchases it's own shares back, legally it must have sufficient distributable reserves, and it must have permission in the articles to do so.

The default position for taxation would be that the value of the shares at par less the original cost would be used to calculate a capital gain or loss, then any additional amount would be taxed as a dividend distribution.

If certain criteria can be met, the proceeds can be treated as a capital distribution:

- the company must be an unquoted trading company - this is true of Cherry Tree Ltd

- the main purpose of the purchase must be to benefit the trade - a disgruntled shareholder is a specifically mentioned allowable reason for this criteria

- the seller must be UK resdient, which Matt presumably is

- the shareholding interest of the shareholder must be substantially reduced - as Matt intends to dispose of all his shares, this criteria will be met

- the holding of the shareholder must be below 30% after the sale - this will be true

- the shares must have been owned for 5 years - this cannot be true for either Jess or Kym as the company was only incorporated in October 2021. If Matt, Jess and Kym wish to take this option, they will need to delay the sale until October 2026 or later.

Therefore, if the purchase of own shares is to go ahead in 2024/25, then the capital gain/loss for Jess and Kym will be:

Proceeds (6 x £1) 6
Cost (6 x £1) (6)
Gain/loss nil

The additional distribution of £80000 - £6 = £79994 will be taxed as dividend income.

Matt's other income is a salary of £32000, therefore the income tax on the dividend income would be:

Note 1) Matt's total income = £79994 + £32000 = £111994 therefore his personal allowance will be reduced by: (111994 - 100000)/2 = 5997
To: 12570 - 5997 = 6573

His taxable salary will therefore be £32000 - £6573 = £25427
And his remaining basic rate band will be: £12273
: less the annual dividend = 11383

Tax on dividend distribution = £11383 x 8.75% = 996
£68611 x 33.75% = 23156
Total tax on dividend = £24152

This will be payable by 31/01/2026.

This option will not lead to any additional taxation on Jess and Kym.

If Jess and Kym were each to buy three of Matt's shares. The sale will generate a capital gain or loss for Matt.

As Jess, Kym and Matt are brother and sister, any sale will be calculated at market value, regardless of proceeds actually received.

I presume that the £80000 agreed is equivalent to market value.

For each sale to each sister:

Proceeds (80000/2) 40000
Cost (3)
Gain 39997
Annual exempt amount (6000)
Chargeable gain 34097

Matt has held more than 5% of the shares, for longer than 2 years but he is not an employee or a director of the company. Therefore the gains will not be eligible to Business Asset Disposal Relief.

Therefore, Matt's gain will be chargeable at £11383 (remaining basic rate band per the previous calculation) at 10% = £1138 plus £22714 at 20% = £4543. Total tax on gain = £5681. This would have to be paid by 31/01/2026.

So under this method, Matt will pay £18471 less tax, so from his point of view, this would be the most advantageous.

However, Jess and Kym's personal tax will need to be included in the decision.

If Jess and Kym take out bank loans to fund the purchase of the shares (they will need £40000 each), the interest on the loan will be eligible to be deducted from their employment income as an 'above the line' deduction because they are investing in a close company, and they each own more than 5%.

The amount eligible would be capped at £50000 and 5% of their adjusted total income.

If Jess and Kym receive a dividend to fund the purchase, they would each need to receive a dividend of at least £43836 to receive a net amount of £40000 each to fund the purchase.

Their ordinary salary and dividends are all within their personal allowance and dividend allowance so they don't currently pay any tax. There will be £110 of dividend allowance left which would be received without tax being deducted.

Therefore, the full £37700 of basic rate band is available at 8.75% and the remainder will be taxed at £33.75%.
110 x 0% = 110
37700 x 8.75% = 3299 i.e. a net receipt of 34401
Then they would need to receieve an additional:
8285 x 33.75% = 2796 i.e. a net receipt of 5489

Overall they will have paid £6095 to receive a net dividend of £40000

It will be up to Jess and Kym to decide whether the company has sufficient spare cash and distributable reserves to either grant the dividend or repurchase it's own shares, or whether they are willing to take out a loan, or take the financial hit on a dividend.

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

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

Answer-to-Question-_2_

Natalia

Natalia is non-UK domiciled but has been UK resident since 2014/15. She has therefore been UK resident for the 9 previous tax years.

As a UK resident but non-domiciled individual, Natalia will have to decide whether it is tax efficient for her to pay tax on the default arising basis whereby all of her worldwide income and gains are taxed on an arising basis, or whether she should claim the remittance basis and only pay UK tax on income and gains remitted to the UK.

If she chooses the remittance basis, she will have to pay a £30000 remittance basis charge because she has been UK resident for 7 out of the 9 previous tax years, but not 12 out of the previous 14 tax years.

If she chooses the remittance basis, she will also lose her UK personal allowance, and all income remitted will be taxed as NSI income.

If her unremitted income is below £2000, she will automatically qualify for the remittance basis without having to pay the remittance basis charge (RBC).

Arising basis:

	NSI	Int	Div
Salary	41260		
Rental income 1	18450		
Rental income 2	20800		
Foreign interest		15500	
Foreign dividends			22000
UK bank interest		75	
Total income	80510	15575	22000
Personal allowance (N1)	(3528)		
Taxable income	76982	15575	22000

37700 x 20% = 7540

39282 x 40% = 15713

500 x 0% = 0 (savings allowance)

15075 x 40% = 6030

1000 x 0% = 0 (dividend allowance)

21000 x 33.75% = 7088

43911

Less PAYE (10279)

Plus HICBC 1885

35517

N1

Natalia will not be entitled to a full personal allowance, even under the arising basis, as her income is too high. Adjusted net income = £80510 + £15575 + £22000 = £118085.

(118085 - 100000)/2 = 9042.

12570 - 9042 = 3528.

The Switzerland loan interest is not a qualifying loan, and there is no rental income generated from the property, therefore the loan interest is not an allowable deduction in Natalia's income calculation.

Any interest received on the junior ISA income is exempt income for the child it relates to, however, when looking at remittances, any income that is remitted to the UK for the benefit either the individual or their spouse or minor children is treated as remitted by the individual, so this will count as remited. £9000 x 2 = £18000

The withdrawal from the life assurance bond, gifted from Natalia's father is exempt as long as it falls within 25% of the total value. £1650000 x 25% = £412500. And Natalia has only drawn £60000.

Natalia is not entitled to any child benefit as her income is too high - her adjusted net income is over £60000 therefore she has to repay all of the child benefit received: (21.8+14.45) x 52 = 1885 as a higher income child benefit charge (HICBC).

If Natalia pays the remittance basis charge directly to HMRC from a foreign bank account, this will not count as an additional remittance.

Under the remittance basis:

Arising basis:

	NSI	Int	Div
Salary	41260		
UK bank interest		75	
Remitted income N2	125600		
Total income	166860	75	

37700 x 20% = 7540

87440 x 40% = 15713

41720 x 45% = 18774

75 x 0% = 0

42027

Less PAYE (10279)

Plus HICBC 1885

33633

Plus RBC 30000

To pay 63633

Note 2:

Total chargeable remitted income:

ISA to each child = 18000 from foreign dividends

Loan with foreign security 190000

Less previously remitted (90000) i.e. net of £100000

Loan payment 7600 from foreign dividends

125600

Unchargeable remitted income:

Bond from father 60000

Natalia cannot claim business investment relief on the income remitted to the UK re the holiday home as it is not a business asset.

Therefore, Natalia will pay a lower amount of tax if she does NOT elect to claim the remittance basis for 2023/24. And therefore her 2023/24 tax libaility will be per the arising basis above of £35517.

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

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

Answer-to-Question-_3_

Tom Douglas

To determine Tom's residence status, we will have to complete the statutory residence test for each of the tax years.

The statutory residence test is a three part test which is used to determine residence status. Each section must be considered in turn.

Part 1 - automatic overseas tests. If any of these are 'passed' then Tom will be automatically non-resident for that tax year:

1.1) if you were UK resident for one or more of he 3 tax years before this one and you spend fewer than 16 days in the UK in the tax year

1.2) if you were resident in the UK for none of the last 3 tax years and spend fewer than 46 days in the UK in the tax year

1.3) If you work overseas, full time for the tax year and you spend fewer than 91 days in the UK in the tax year, and you work for 3 hours or more for less than 31 days in the UK and there is no significant break of 31 days or more for your overseas work.

None of these will apply to Tom in 2024/25 and 2026/27 as he will have been UK resident for one or more of the 3 previous tax years for all the years we are looking at, and he will spend more than 16 days in the UK in the tax year for 2024/25 and 2026/27.

1.3 will apply to Tom for 2025/26 as he will be working abroad, full time for the entire tax year, except for a 3 week holiday at christmas where he does not intend to work, and three weeks is only 21 days.

Therefore Tom is automatic overseas resident in 2025/26 only.

Part 2 - automatic UK test. If any of these are 'passed' then Tom will automatically be UK resident for that tax year:

2.1) you spent 183 or more days in the UK in the tax year

2.2) you have had a home in the UK for all, or part of the tax year, and there is at least one period of 91 consecutive days where you had a UK home AND you spent at least 30 of these 91 days in the home, and at that time, you had no overseas home, or were present in it for fewer than 30 days in the tax year.

2.3) you work full time in the Uk for any period of 365 days where more than 75% of the days where you work (more than 3 hours) are in the UK and at least one of the 365 days is in the UK working and in the tax year

Tom will pass point 2.1 and 2.2 and be automatically UK resident for 2024/25 and 2026/27 as he is spending at least 183 days in the UK, and has a UK home that he is living in for those 183 days.

We therefore do not need to look at the third test which focuses on UK ties: family, work, home, 90 days and previous tax years.

As a UK resident, Tom may be elgible to claim the split year treatment. This is only available to UK residents.

There are a number of cases that may apply when looking at split year treatment.

In 2024/25, Tom is leaving the UK so we look at cases 1/2/3.

Case 1) Starting full time work overseas - this applies to Tom as he was non-resdident in 2023/24 and from 06/01/2025, he begins working full time overseas.

Case 2) The partner of someone starting full time work overseas - this does not apply to Tom

Case 3) Ceasing to have a home in the UK - this does not apply to Tom as he is retaining his home in the UK and it will be available to him all year.

Therefore in 2024/25, the split year will apply, and Tom will be UK resident from 06/04/2024 - 05/01/2025. He will be non-UK resident from 06/01/2025 - 05/04/2025.

In 2026/27, Tom is arriving back in the UK so we look at cases 4/5/6/7/8.

Case 4) Starting to have a home in the UK only - this does not apply to Tom as he has retained his UK home throughout his non-residence.

Case 5) Starting full-time work in the UK - this will not apply to Tom as although he was

not resident in the UK for the previous year (25/26). And there is a point in the year, being 04/05/2026 where he starts working full time in the UK again. He does not qualify because he DOES have sufficient UK ties in the period before he started full time work in the UK - being his family and his UK home.

Case 6) Ceasing full time work overseas - this will apply to Tom as he was not resdient in the UK for 2025/26 due to meeting the automatic overseas test for that year, and on the first day of the tax year he is working full time abroad but this ceases within the tax year. He would be non-resident until 02/05/2026.

Case 7) The partner of someone ceasing full-time work overseas - this does not apply to Tom.

Case 8) Starting to have a home in the UK - this does not apply to Tom as he has had a UK home at the start of the tax year.

Therefore in 2026/27, the split year will apply and Tom will be non-resident from 06/04/2026 - 02/05/2026. He will be UK resident from 03/05/2026 - 05/04/2027.

If more than one case had applied to Tom, case 1 has precedence over cases 2 and then 3.

And regarding cases 4-8, the one that takes precendence is the one that gives Tom the longest UK residence.

Part 2)

Tom acquired his rental property in 2022 when he was UK resident and sold it in 2025/26 when he is non-resident.

Ordinarily, as a non-resident individual, the sale of UK residential property would be a non-resident capital gain, and only the gain from 06/04/2015 to the sale would be chargeable.

The individual would be able to decide whether to use the gain from 06/04/2015, to go back and calculate the full gain from purchase to disposal, or whether to pro-rate the full gain down to 06/04/2015 only.

This gain would be eligible to an annual exempt allowance.

However, as Tom has been UK resident for 4 of the previous 7 tax years before he left the UK. And he was only absent from the UK (non-resident) for one year i.e. less than 5 years. He is classed as temporarily non-resident.

Therefore, when he re-enters the UK and becomes UK taxable, the gain would become chargeable. Tom is allowed an annual exempt allowance on the gain as long as he has not made an S6ZA claim for foreign losses.

As a residential property gain, the gain will be taxable at 18% up to the remaining basic rate band, then 28% over the basic rate band.

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

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

Answer-to-Question-_4_

Ellen Woods

As Ellen's total property income exceeds £150000, it will be calcualted on an accruals basis rather than a cash basis.

Office Block:

As the annual rent is £100000 and the insurance is £3800 and a full year applies to both, the rental profit is £100000 - £8300 = £91700.

Retail Property:

The rental premium for five years needs to be split between the capital element and the rental element:

20000 x (51-5)/50 = 92% rental element

20000 x 92% = £18400 rental

20000 - 18400 = £1600 capital

Under the accruals basis, the total rental income for the year is:

(6/12) x (1/5) x 18400 = 1840 re premium

(6/12) x £12000 = 6000 re annual rental charge

Total rental income = £7840

I believe i have made a mistake here. The short lease cannot be a part disposal, as we have not been provided with a revisionary interest. I believe this is because the lease is less than 10 years? I was going to calculate a part disposal with the capital proceeds less cost x a/(A+B) where a is the capital proceeds, A is the total lease proceeds and B is the revisionery interest.

Therefore, the premium should have simply been split over the 5 years instead of being split between capital and rental.

The total rental income is therefore:
(6/12) x (1/5) x 20000 = 2000
Plus (6/12) x 12000 = 6000

Total rental income = £8000

Ray's failure to pay the rent, does not reduce the rental income under the accruals method as Ellen has not greed to the reduction therefore, the amount is still owed, and there is still a likelihood that Ellen will receive the money. Especially as Ray is continuting to rent the property and has, indeed, paid money towards next year.

As all of the insurance proceeds have been used in the repair works, there is no part disposal of the amount unspent. Therefore, the additional £1500 over and above the insurance proceeds will be added to the base cost as an enhancement for when Ellen comes to sell the property.

The allowable expenses for Ellen are:

Buildings insurance (12/12 x 1200)	1200
Buildings insurance (re next year)	0
Utilities (whilst vacant)	550
Letting agent	800
Replacement kitchen	2500
Redecoration	2000
	7050

As the replacement kitchen and redecoration are repairs/replacement of the same value i. e. not enhancement costs, then these are all revenue expenditure and come off of the rental income.

Total rental profit from retail property = £950

Land used as a car park:

Annual rental income = ((11/12) x 24000) + ((1/12) x 26400) = 24200

The expenditure in February 2024 has been an improvement to the site, but it is not substantial enough in nature to be considered an enhancement - the filling of the potholes and resurface is a repair, that sounds as though it was long overdue.

The landscaping could potentially be described as an enhancement if it was substantial but it is described as small and is simply to improve the look and feel of the car park. The painting of the lines also sounds like a small part of the total charge, and doesn't really constitute enhancement, unless it has increased the capacity of the car park, which it

doesn't sound like it has.

If the contractor could break down the cost, it may be possible to add part of the cost to the base cost as enhancement, but as a whole it sounds more like repairs to be deducted from rental income.

Rental profit from the car park = 24200 - 20000 = 4200.

Overall rental profits for 2023/24:

Office Block	91700
Retail property	950
Car Park	4200
Total	96850

This rental income will be taxable at NSI rates i.e. 20%/40%/45% depending on Ellen's other income on her 2023/24 tax return, which must be filed and paid by 31st January 2025.

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

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

Answer-to-Question-_5_

Sam

The annual maxima applies to individuals who either have two employments, or who have one employment and one self employment.

First we will need to determine the Class 1 primary national insurance that Sam has paid on each of his employments. Sam is aged 45 so pays Class 1 primary national insurance.

Sam is not a director, so his national insurance would have been calculated on a weekly/monthly basis depending on his pay periods.

Sam will have paid class 1 national insurance on his annual salary, his cash bonus, and his shopping voucher from employment 1.

His reimbursement of genuine business expenses is exempt from income tax and national insurance.

His cash bonus and shopping voucher is a readily convertible asset meaning it is easily converted to cash and therefore taxable as employment income and chargeable to Class 1.

The private medical insurance is a taxable benefit but it is not readily convertible,

therefore, his employer will pay class 1a national insurance on it. Sam will not be liable to any national insurance on this item.

Therefore total employment 1 charge to national insurance:
50000 + 2500 + 500 = 53000
Sam will have paid 12% x (50270 - 12570) = 4524
plus 2% x (53000 - 50270) = 55

Total liability = 4524 + 55 = 4579

For the second employment:

Sam will have paid class 1 primary national insurance on the annual salary and the bonus shares (as shares listed shares are deemed to be a readily convertible asset as there is a market to easily sell them).

Sam will also have paid income tax and class 1 primary national insurance on the mileage claim over and above the approved rates of 45p a mile for the first 10000 miles then 25p per mile thereafter (45p per mile for all miles for NIC).

50p x 2000 = £1000
45p x 2000 = £900
Additional income of £1000-£900 = £100

The prize is exempt from income tax and national insurance.

The payment of the personal credit card bill is also chargeable to class 1 primary national insurance as the employer has paid the employees liability - equivalent to having given

them cash to pay it themselves.

The childcare vouchers are not chargeable to national insurance, they may also be exempt from income tax depending on whether Sam is in the childcare voucher scheme or not.

The interest free loan is a taxable benefit calcualted as 12500 x 2.25% = £281 but this is subject to class 1a national insurance payable by his employer, not class 1 by Sam and his employer.

Therefore total employment chargeable to national insurance for Sam re employment 2 = 25000 + 5000 + 100 + 1500 = 31600.

Sam will have paid 12% x (31600 - 12570) = 2284

The total paid over the two employments = 4579 + 2284 = 6863.

To calcualte the annual maxima:
1) 53 x (UEL - PT) = 53 x (50270-12570) = 1998100
2) Multiply by 12%
1998100 x 12% = 239772
3) Total earnings over PT up to UEL =
emp 1) 50270 - 12570 = 37700
emp 2) 31600 - 12570 = 19030
Total = 56730
4) Subtract step 3 from step 1
= 1998100 - 56730 = 1941370
5) Multiply by 2% = 38827
6) Add together earnings over UEL =

emp 1) 53000 - 50270 = 2730

emp 2) nil

7) Multiply step 6 b 2% = 55

8) Add together steps 2, 5 and 7 =

239772 + 38827 + 55 = 518426

This is the annual maxima calculated using the annual figures.

To calcualte the annual maxima using the weekly figures:

1) 53 x (UEL - PT) = 53 x (967-242) = 38425

2) Multiply by 12%

38425 x 12% = 4611

3) Total earnings over PT up to UEL =

emp 1) 50270 - 12570 = 37700

emp 2) 31600 - 12570 = 19030

Total = 56730

4) Subtract step 3 from step 1

= 4611 - 56730 = -52119

5) Multiply by 2% = nil

6) Add together earnings over UEL =

emp 1) 53000 - 50270 = 2730

emp 2) nil

7) Multiply step 6 b 2% = 55

8) Add together steps 2, 5 and 7 =

4611 + 0 + 55 = 4666

This is the annual maxima calculated using the weekly figures.

Sam's liability is above this amount therefore he is entitled to a refund for 2023/24.

Total paid = 6863
Annual maxima = (4666)
To be refunded 2197

To note: Sam's employer will also have paid class 1 secondary national insurance on all the items that Sam has paid class 1 primary national insurace on. However, they are not subject to the annual maxima.

Employees with more than one job will normally find themselves expecting a refund at the end of the tax year.

Therefore, employees with more than one employment, who anticipate earning in excess of the UEL in one or in a number of employments, can apply to HMRC for permission to defer some of their contributions liability.

Where permission is granted, Sam would pay 2% on all earnings above the PT in the deferred employments. So Sam should apply to defer his second employment, and only pay the main rate on his first.

Appliations can be made online or in the post using form CA72A. He will need to repeat the deferral every tax year. If approved, HMRC writes to the employer giving them permission to only deduct the 2%. This will not affect the employers rate of national insurance.

If he underpays as a result, a correction payment will be required.

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

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

Answer-to-Question-_6_

Sarah White

Ordinarily, under a non-taxadvantaged scheme, when an employee receives shares from their employer as part of their remuneration, income tax is paid on the market value at receipt.

As the shares are readily convertible assets, any amount charged to income tax is also charged to class 1 primary and secondary national insurance paid by the employee and the employer respectively.

Then when the shares are sold, the capital gain is calcualted as proceeds less cost less any amounts charged to income tax.

A Share Incentive Plan is a tax advantaged scheme.

Under a SIP agreement, Sarah pays no income tax when the shares are put into the trust.

If the shares are withdrawn within 3 years, Sarah must pay income tax on the market value at withdrawal.

If the shares are withdrawn within 3 years and 5 years, Sarah must pay income tax on the

lower of the market value at grant and the market value at withdrawal.

If the shares are withdrawn after 5 years, there is no charge to income tax.

When the shares are sold, the capital gains tax calculation is proceeds less market value at withdrawal.

Sarah must be an employee to keep the benefits of the tax advantaged scheme, therefore all shares will be withdrawn from the trust when she leaves.

The matching shares are restricted at the time of receipt as they must be forfeited if the employee leaves within 3 years. As the forfeiture is less than 5 years, there is no income tax to pay on the date of receipt.

Then on the date that the restriction is lifted, the unrestricted market value is charged to income tax and national insurance (unless an election is made to either charge the restricted value at receipt, and then tax the untaxed percentage on the restriction lifting). Or an alternative election can be made to tax the entire unrestricted value upfront then pay no further income tax on restrictions lifting, however, this is risky as that income tax cannot be repaid if the shares end up being forfeited. We will assume that Sarah has not made any elections.

Share pool:

Free shares will have been gifted to Sarah so have no base cost. Partnership shares will have been purchased by Sarah for £1. Matching shares will also have been gifted to Sarah in proportion to the partnersip shares so also have no base cost. However, these will have been subject to income tax at market value on the date of restrictions lifting, so any

matching shares held longer than 3 years will have a base cost of £1.

No shares have been purchased on the day of leaving or the 30 days after therefore all shares come from the pool.

Date	Type	No.	£	Total £
01/12/2017	Free shares	250	0	0
01/12/2017	Partnership	1800	1800	1800
01/12/2017	Matching	3600	3600	5400
01/12/2019	Free	100	0	5400
01/12/2019	Partnership	1000	1000	6400
01/12/2019	Matching	2000	2000	8400
01/12/2021	Free	150	0	8400
01/12/2021	Partnership	1800	1800	10200
Total		10700		
02/03/2024	Sale	(2500)		(2383)
		8200		7817
01/10/2024		(1000)		(953)
		(1000)		(953)
		(6200)		(5911)

The final matching shares from 01/12/2021 will not be in the pool as they are still restricted and will be forfeited when Sarah leaves on 01/03/2024.

01/12/2021 Matching 3600 0 4600

02/03/2024 Sale of £2500 shares x £3.50 each.

Proceeds 2500 x £3.50 8750

Cost (10200/10700) x 2500 (2383)

Gain 6367

The shares gifted to her husband will be at nil gain, nil loss. Therefore, there will be no chargeable gain or income tax to pay, but he will inherit Sarah's base cost for the shares being £953.

The shares gited to her son will be at market value because he is a connected party. He is aged under 16 and the value is over the limit, and she gifted them to him, so Sarah will be taxed on the dividend from these shares in October 2024.

Sale to son:

Proceeds 1000 x £4.20 4200

Cost (7817/8200) x 1000 (953)

Gain 3247

Sale to third party:

Proceeds 6200 x £4.20 26040

Cost (7817/8200) x 6200 (5911)

Gain 20129

None of the sales of the shares will be eligible for business asset disposal relief because Sarah was not an employee at the date of the sale.

Therefore all gains will have one annual exempt amount deducted from the total gains of £6000 then taxed at either 10% or 20% depending on Sarah's other income levels.

The gains should be reported and paid by 31st January 2025 on a self assessment tax return.