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

Answer-to-Question-_1_

The purchase of Dennis' shares could be made from the cash reserve of Paintlite Ltd. This is so long as Paintlite meet the legal requirement of having sufficient distributable reserves and the requisite power in the articles of association to do so. Paintlite Ltd will probably have to transfer an amount equal to the capital bought from distributable profits to an undistributable capital redemption reserve, to maintain a sufficient capital buffer for creditors.

If the company buys the shares from their cash reservse, this will fall under the pruchase of own shares legislation, and would normally be treated as a dividend, on the amount received less the original subscription price. However, Dennis will meet the requirements for treatment of the share buy-back to be subject to the capital treatment. This is because:

- It is for the benefit of the trade, and the main purpose is not for the avoidance of tax; and
- Dennis is UK resident
- Dennis has owned the shares for at least 5 years
- There will be a substantial reduction in his holding where he will not hold more than 75% of what he owned prior to the buy-back.
- Dennis will not be connected with the company after the share buy-back as he will not own more than 30% of the shares.

It should be noted, that Dennis' scenario is deemed to be for the benefit of the trade as he is retiring from his role and the company do not want to sell the shares to external persons.

Furthemore, Dennis will meet the substantial reduction condition as before the buy-back he owned 30% of the shares of the company. After the buy-back he only owned 2% of the shares, meaning his interest reduced by over 25% of his holding before the buy-back.

As Dennis qualifies for the capital treatment, a normal capital gain calculation will apply, as so:

		£	
Proceeds		336,000	
Cost		(280)	
Gain		335,720	

Dennis would be able to use his annual exempt amount of £12,300 against this gain. Furthermore, the company qualifies as Dennis' personal trading company as he owned more than 5% of the share capital, voting rights and distributable profits for at least 2 years prior to sale. If he still has his BADR lifetime limit of £1 million left then any gains after his annual exempt amount will be taxed at 10%, if he elects for BADR.

We do not need to concern ourselves with any other scenario as the shares are not to be sold to external investors and Kate and Matthew do not have enough cash available.

There is potential Kate and Matthew could use the cash reserve to extract profits from the company as dividends to themselves to then buy these shares, but they would then have taxable dividend income and Dennis would still make a disposal at market value, as

they are connected persons. If done in this way, the purchase by Kate and Matthew would be eligible for gift releif but that would leave them with a large CGT liability when they eventually dispose of the shares as their base cost would be reduced. This paragraph is also applicable to Liz's shares.

As disucssed above, the shares are not to be sold to external investors and Kate and Matthew do not have the funds to purchase shares. Therefore, we can assume that Liz's shares would also be a purchase of own shares by the company. Unlike Dennis, Liz does not qualify for the capital treatment as she is not UK resident. As such, the income treatment will be applicable and the amount Liz receives for her shares less the original subscription price will be taxable as a dividend. As Liz subscribed for the shares, and did not buy them from someone else, there will be no chargeable gain, or loss, on the difference between the original subscription price and the purchase price. Liz's 'dividend' income will therefore be:

		£		
Proceeds		360,000		
Cost		(300)		
Dividend received		359,700		

This will not qualify for any reliefs such as BADR as it is not deemed to be a capital disposal. Also, even though Liz is non-resident, the dividend will be taxable in the UK as it from a UK source income. However, as Liz is non-resident there will be a limit on her UK tax liability under ITA 2007, s.811. Assuming this dividend is Liz's only UK source income, it is advisable for her to claim the personal allowance as this will give her a dividend allowance of £2,000 being taxed at 0%. This would not be available under s.811.

As the share option would be from Kate and Matthew, it will not be a non-tax advantaged share option or any other share scheme. Instead, we have to look at the disposal of options for individuals. We will assume both Kate and Matthew are disposing of 5 shares each, to total the 10 shares.

The option they grant Jon will give rise to a chargeable gain. Both Kate and Matthew are deemed to dispose of an asset, being the option to buy 5 shares from them, at the time the option is

granted. The option has a base cost of zero, so this will give rise to a chargeable gain if Jon pays anything for the option.

If Jon then exercised the option, both the exercise and the grant must be treated as one transaction. The sale proceeds would then be any proceeds received on the exercise, plus any on the grant, less the base cost of those shares. If we assume both Kate and Matthew give options over 5 shares each, Jon exercises these options, and nothing was paid for the grant of the option, the gain for both Matthew and Kate will be:

			£	
Proceeds:	Grant of option		0	
	Exercise of option		45,000	
Cost			(50)	
Gain			44,950	

Even though at exercise the market value has increased, the gain on an option is calculated using the exercise price and not market value, even where persons are connected (even though they aren't here).

If Kate and Matthew had not exceeded their BADR lifetime limit, they could claim BADR on this gain and be taxed at 10%. If so, it would not be wise to use their annual exempt amount against this gain and instead ot use it against gains being taxed at higher rates.

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

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

Answer-to-Question-_2_

Ellie is a temporary non-resident for tax purposes. This is because she was a UK resident for 4 out of the 7 preceding years before departure, and was non-resident for less than 5 years. This means any capital gains Ellie made whilst non-resident will be taxable in her year of return, as well as any dividends received from UK close companies.

Ellie's income received on 8 April 2021 will not be taxable in the UK, as it was income that related wholly to a period outside of her residency period, being the period up to 5 April 2021, as well as being for services carried out outside the UK.

As mentioned above, Ellie will be taxable on the gain of her shareholding in Happy Holidays plc upon her return, as she bought the shares whilst she was still UK resident. She will receive a double tax credit relief, being the lower of the UK tax due on the gain, or the Portuguese tax paid on the gain. Ellie will be entitled to a full annual exempt amount as she is a UK resident.

Further to the above gain, Ellie made a capital loss on the piece of jewellery. Her cost would have been the probate value of £7,100. However, as jewellery is a chattel, it follows the chattel rules that a chattel which cost more than £6,000 but is disposed of for less than £6,000 is deemed to have been disposed for gross sale proceeds of £6,000. Her capital loss on the jewellery is therefore:

		£	
Deemed proceeds		6,000	
Cost (probate value)		(7,100)	
Capital loss		(1,100)	

When double tax relief is available for capital disposals, it is tax efficient to set capital losses and the annual exempt amount against any UK gains in order to maximise the DTR available. As

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Ellie's only other disposal in the year created a loss, this is irrelevant. The gain will be charged at 10%, for any remaining basic rate band, and 20% for anything else. We can see that Ellie only receives salary of less than £20,000 in the year so the whole gain will be taxable at 10%. As such, the gain on Happy Holidays plc is:

		£	
Chargeable gain		21,720	
Current year capital loss		(1,100)	
Annual exempt amount (AEA)		(12,300)	
Capital losses b/f		(1,631)	
Taxable gain		6,689	
@10%		669	
DTR		(608)	
UK CGT due		**£61**	

Next we must look at Ellie's income tax and national insurance liabilities. Ellie's income tax for the year is:

		£		
Salary		16,000		
Bonus		3,000		
Personal allowance (PA)		(12,570)		
Taxable income		6,430		
20%		**£1,286**		

The bonus is taxable in 2021/22 despite being received in 2022/23, as Ellie is a director so her income is taxable at the earliest of:

- the date the payment is physically made
- the date the director becomes legally entitled to the payment
- the date the sums on account are credited to company's accounts
- the end of the company's accountign period if earnings have been determined by then
- the date the earnings are determined if that falls after the end of the company's accounting period

It was decided in 2021/22 that she would be entitled this bonus, meaning the sums would have been credited to the accounts in 2021/22 and she would have been legally entitled to it.

There are further implications of Ellie being a director. Her NIC contributions will be subject to the annual earnings period for directors, whereby her NIC contributions are done on a cumulative basis through the year, to stop distortion of NIC's due by directors. As Ellie was appointed in the middle of the tax year, her annual earnings period will be apportioned. This means the primary threshold will be £6,680 (9,568 x 37/53), and the upper earnings limit will be £35,094 (50,270 x 37/53). As Ellie is paid gross salary of £16,000 over 37 weeks, we will assume her weekly salary will be £432.43. Ellie's NIC liabilities will therefore be:

		£	NIC's
First 15 weeks		£6,486	0
Remaining 22 weeks		£16,000	£1,118.40
Bonus		£3,000	£360

Ellie only exceeds the apportioned primary threshold after 15 weeks, so will have no NIC's due for the first 15 weeks. After this, Ellie will be paying 12% of gross salary to NIC's on all remaining weeks as she exceeds the apportioned primary threshold. She never exceeds the apportioned upper earnings limit so never pays NIC's at 2%. The bonus is at year end and may make a large NIC liability due in March. As the above has been apportioned, Ellie will be due an NIC repayment as he actualy salary does not constitute this many NIC's.

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

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

Answer-to-Question-_3_

		NSI	S	D	Top slice
		£	£	£	£
Salary		75,600			
Relocation costs (N1)		1,950			
Round sum allowance (N2)		1,750			
Dedecutible round sum allowance		(1,750)			
Loan benefit (N3)		135			
Treasury stock			1,600		
Unit Trust				2,480	
Joint interest 1,750/2			875		
Overseas interest			375		
Total		77,685	2,850	2,480	
EIS s.131 (N4)		(14,000)			
White Skirt s.131 (N5)		(10,000)			
Green Shawl qualifying interest (N6)		(1,000)			

Net income		52,685	2,850	2,480	
PA		(12,570)			
		40,115	2,850	2,480	
20% (37,700)		7,540			
40% (2,415)		966			
0% (500)			0		
40%			940		
0% (2,000)				0	
32.5% (480)				156	
Totals		8,506	940	156	
PAYE		(7,000)			
FTC (N8)			(75)		
Tax liability		1,506	865	156	

The total income tax position for 2021/22 is **£2,527**. Lenny will also have an EIS clawback of £9,000.

N1

Reimbursement of removal expenses are exempt up to £8,000. As Lenny is having to mve from London to Birmingham this means he is applicable for this exemption. Allowable reimbursements include legal fees (including Stamp Duty), travel for the employee and their family to visit the new area. The exemption does not apply to temporary accomodation and redecoration as this is not needed. As such, of the £7,450, £1,950 will be taxable.

N2

As Lenny receives reimbursement for the client entertaining, this is an allowable reimbursement. He will be taxed on the £900 received from the round summ allowance, but will also have it as a deductible payment, as it will be disallowed in the company's taxable profits, meaning a net neutral effect. The reimbursement of the subscription is also allowable if the subscription is to

an approved association and is in relation to his duties.

N3

Lenny will have a taxable loan benefit as the loan outstanding from the company is more than £10,000 in total. As Lenny pays some interest on the loan, the taxable benefit will be the difference between the interest that would have been paid at HMRC's official rate (2%), and the interest actually paid (ss.173-191 ITEPA 2003). On the average method the taxable benefit is:

	Workings	£	
Loan average	(12,500 + 16,000)/2 x 2%	285	
Interest paid		(150)	
Taxable benefit		135	

Under the strict method, the benefit is:

	Workings	£	
Original loan	12,500 x 5/12 x 2%	104	
New loan	16,000 x 7/12 x 2%	187	
Interest paid		(150)	
Taxable benefit		141	

As there is not a big difference, HMRC will not insist on the strict method, it also does nt make sense for Lenny to elect for the strict method to apply.

N4

Lenny sold his EIS shares within 3 years of subscribing for them, so there will be an EIS clawback. The assessment for this clawback will be for the tax year in which it was given. The clawback is limited to the original percentage of the tax reducer, being 30%, mulitplied by the sales proceeds, but never

exceeding the original income tax relief. Lenny's EIS clawback will therefore be £9,000.

However, as Lenny made a loss on the EIS shares, he is also eligible to claim s.131 relief to offset his capital losses against his net income for the year. The amount he can claim is:

Proceeds		30,000	
Cost		(50,000)	
Loss		(20,000)	
Income tax relief not withdrawn		6,000	
s.131 claim		(14,000)	

N5

Lenny is eligible for s.131 relief on his deemed disposal of White Skirt Ltd as this was a qualifying trading company in which he subscribed for shares. Lenny will need to make a negligible value claim, to declare a deemed disposal of the shares at their market value, being £0. This will give Lenny a capital loss of £10,000 which he can then set against his net income for the year under s.131.

N6

The interest paid on the purchase of shares in Green Shawl Ltd is a deductible payment, as it is qualifying interest under ITA 2007 s.392. Lenny bought shares in a qualifying company and owns more than 5% of the shares after the purchase. However, as the interest and the loan was jointly borrowed and paid between spouses, Lenny is only eligible for half of the interest paid to be a deductible payment, being £1,000.

The interest paid on the loan for Turqiouse Ltd shares is not deductible as it's not a close company, being situated outside of the UK and EEA.

N7

There is no relief for Lenny's shares in Inidgo Sandal Ltd to a charity as the company is unquoted. Lenny should have gifted quoted shares as their market value would then have been

deductible.

N8

The foreign tax credit is the lower of the tax paid abroad or in the UK. The £375 is subject to tax at 40% in the UK and only 20% abroad, so the credit is £75.

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

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

Answer-to-Question-_4_

Scarlett will be subject to capital gains tax on the initial disposal of the farmland and farmhouse to Ron. This is because she never purchased the farmland and farmhouse with the intention of development. Scarlett will receive principal private residence relief on the farmhouse, as it was always her main residence, but this relief will not extend to the entirety of the land as it was not required for her reasonable enjoyment, and was well in excess of 0.5 hectares. Furthermore, Scarlett will not be eligible for business asset disposal relief as it was not an eligible trading company. This means the total gain will be apportioned for the amount that qualifies for PPR. The rest of the land will be taxable at normal CGT rates of 10% on any unused basic rate band, and 20% for anything thereafter, as it is not residential property.

We know Scarlett will not be subject to transactions in UK land on the initial disposal as she let the land for the entire ownership period. This means she invested in the land to provide a home (the farmhouse) and to generate an income stream from letting the land (the farmland).

However, Scarlett will be subject to the transactions in UK land provisions on the further consideration of 10% of any profits in excess of £1.5million which Ron makes from developing the land. This is because Scarlett will fall under the 'slice of the action' provisions. Scarlett will be subject to this as:

- the purchaser (Ron) buys, develops and sells the land as a trading activity, as he is a property developer
- Scarlett is able to share in the proceeds of the trading activity due to entering into the slice of the action
- Condition D ITA 2007 s.517B(7) will be satisfied as the land is being developed with the main purpose of realising a profit on the eventual disposal of the land.

As Scarlett meets the above conditions, she will be charged to income tax on any consideration she receives in respect of the profit made on developing the land. If Ron's estimates are correct and he will make profit of £2.4million, Scarlett will therefore receive £90,000 which will be chargeable to income tax.

This will need to take into account any element which would qualify for Scarlett's PPR relief, as this is exempt from the provisions under ITA 2007 s.517M.

Note the initial fixed payment is not caught by the anti-avoidance rules as it is not contingent on the development and the realised profit. Scarlett would have received this £3million regardless of if the development and subsequent sales went ahead.

Melanie will be taxed subject to the ITA 2007 s.517D, as the property she is disposing of (Green Ltd) is property which derives its value from land in the UK. Melanie will be subject to these provisions as:

- she is realising a profit or gain from the disposal of her shares
- at the time of the disposal, over 50% of the value was derived from land (being all of it)
- she is party to an arrangement concering that land
- the main purpose of the arrangement is to develop the land

This means the gain arising to Melanie on the sale of her shares will be subject to income tax, as opposed to CGT. Melanie's base cost for the purpose of calculating the gain subject to income tax will be the probate value at her father's death. As opposed to Scarlett, the initial consideration that Melanie receives will not be eligible for CGT, and instead the gain made on both the immediate consideration and the additional consideration will be chargeable to income tax in the hands of Melanie.

Melanie will be deemed to be the party in the arrangement as she is the sole director and therefore the only other party in the transaction besides Ron.

There are provisions to prevent a double tax charge where the profit has already been charged to income tax or corporation tax in the hands of the company, but as Melanie is disposing of the entire shareholding we do not need to be concerned with this.

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

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

Answer-to-Question-_5_

For loan stock to qualify as as a qualifying corporate bond (QCB), the following three conditions must be met:

- the loan stock must have been issued after March 1984.
- the loan stock must be expressed in sterling
- the loan stock cannot be converted into a foreign currency.

Both Series A and B 12% loan stocks satisfy the first two conditions, but the Series A loan stock can be converted into a foreign currency, meaning it is a non-qualifying QCB.

QCB's are exempt assets for CGT purposes, whilst non-QCB's are not, meaning the tax treatment of the two loan stocks on the insolvency of the company will be different.

Any interest that is paid on the loan stock will have 20% tax withheld at source, meaning Horace receives the interest net. For Horace's income tax, he will need to include the gross figures of interest, and the 20% withholding tax will be given as a tax credit.

The fact Haste Ltd has become insolvent means Horace is likely to realise a capital loss of £150,000 on both the Series A and the Series B loan stock, as it will be of negligible value. The treatment of these losses will be different for the QCB (Series B) and the non-QCB (Series A).

The QCB (Series B) is an exempt asset for capital gains tax purposes. This means had Horace of sold the QCB, any profit made on the QCB would have been exempt from CGT. However, losses are also exempt from CGT. This means any loss made on the QCB (Series B), will not be an allowable loss for capital gains tax purposes. As such, given the company is now insolvent, Horace is unlikely to receive any consideration for his Series B loan stock, and the £150,000 loss will not be able to offset any capital gains.

The non-QCB (Series A), is not exempt from CGT purposes, as it is not a qualifying corporate bond due to being able to be converted into another currency (USD). This makes the loan stock a chargeable asset for CGT purposes, and we treat it in the exact

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same way as if they were shares. As such, as the company is insolvent, Horace would be able to make a negligible value claim under s.24 TCGA 1992, on the non-QCB (Series A). This would have the effect of pretending he sold the loan stock for current market value (being £0 as the company is insolvent), thus creating a capital loss of £150,000. Furthermore, Horace can make an election to treat this loss as a current year loss, or a loss arising in either of the two previous years, if he can prove the loan stock was of negligible value for those two years. Horace can then set this £150,000 loss against any capital gains made in the year, and any unused losses from the claim can be carried forward to offset capital gains made in future years.

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

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

Answer-to-Question-_6_

Both Thomas and Lucille became UK resident in 2007 under the automatic UK tests, including being present in the UK for 183 days or more. Both would be eligible for split-year treament.

Firstly we will look at Thomas' scenario. Thomas had a domicile of origin, and we can assume a domicile of dependence too. For Thomas to be a non-dom in the UK, he would have had tie severe all ties with the UK. The factors which HMRC will look at are:

- Intentions of the individual. Thomas left the UK to work in Paris but HMRC will need to know whether he intended to never work in the UK again.

- Permanent residence. Thomas settled in Marseille with Lucille and thus his permanent residence was in France.

- Business interests. Thomas worked in France and thus his business interest were there.

- Social ands family interests. We do not know of Thomas' family and friends but the fact his wife was French and living in France it is fair to assume these would be based in France.

- Ownership of property, again we know this is Marseille.

- The form of any Will they have. We do not have information about this but it would have been sensible to write a new Will detailing his French domicile.

A balance of probabilities approach will be taken by HMRC, and given the above it is fair to assume he did severe all ties with the UK and become a French domicile.

Thomas returned to the UK in 2007 for work, but this does not make his domicile of choice UK again, as he would have to severe all ties with France. As such, he will be a UK resident but a UK non-dom, meaning he can claim the remittance basis.

However, Thomas will fall under the conditions of being a formerly domiciled resident. This is because:

- Thomas was born in the UK.
- Thomas has a UK domicile of origin
- Thomas is UK resident for the tax year(s).

Thomas came back to the UK on 1 June 2007 which means he could have been eligible for split-year treatment. However, the deemed domicile rules are triggered on 6 April in a tax year of UK residence, even if there is a split year applicable.

As such, Thomas has been both a UK resident since 2007 but also a deemed domicile since then too. The effect of this is that Thomas must pay tax on the same basis as taxpayers who are domiciled under UK general law, meaning he cannot be taxed on the remittance basis. Instead, as Thomas is UK resident and deemed domiciled, he will be taxed on his worldwide income and gains on an arising basis.

As Thomas has claimed the remittance basis since returning to the UK, although he should have been taxed on worldwide income and gains on an arising basis, it is possible he has ommitted foreign income and gains from his tax returns, which should be chargeable. If so, Thomas will be under the scope of the Requirement to Correct (RTC) scheme, where he had until 30 September 2018 to disclose any offshore non-compliance relating for tax years up to the end of 2016/17. It is very likely Thomas would therefore have to disclose information from when he was claiming the remittance basis. This scheme was aimed at complex offshore tax evasion, non-disclosure by a UK resident of non-UK income and gains, and incorrect categorisation of remittances.

If Thomas did not make these corrections by 30 September 2018, he would have been liable to the penalties for Failure to Correct (FTC). The standard penalty is between 100 and 200% of the uncorrected tax, based on cooperation and the seriousness, this cannot be reduced below 100%. He would also have been subject to further penalties if HMRC could show he moved assets and funds to hide this (50% of standard penalty). As it is not a serious case, this would be the only potential additional penalty.

In conclusion, Thomas has been a UK resident and deemed domiciled since 2007, under the formerly domiciled residents condition, and as such would have been liable to UK income tax and CGT on worldwide income and gains, respectively, since this date. He should have corrected any offshore non-compliance by 30 September 2018. Furthermore, any undisclosed worldwide income and gains relating to tax years 2017/18 and onwards will need to be

disclosed to HMRC and will be liable to penalties and late payment interest.

The situation is different for Lucille as she does not fall under the formerly domiciled residents rule, as she was French-domiciled. However, Lucille became UK resident in 2007 under the automatic UK test, as mentioned previously. As such, Lucille will be deemed-domicile from 2022/23, as she then would have been a UK resident for 15 of the previous 20 tax years, being 2007/08 to 2021/22. This will mean from 2022/23, Lucille will also be taxable on an arising basis on worldwide income and gains. This is due to split years counting as a year of residence. Once Lucille is deemed domicile, she will no longer be able to claim the remittance basis, as she has been doing.

Furthermore, as Lucille has been claiming the remittance basis since 2007/08, meaning she has paid the RBC of both £30,000 after being UK resident for 7 of the previous 9 tax years, and then £60,000 after being UK resident for 10 of the previous 12 tax years.

The remittance of £1,000,000 will be subject to UK income tax and UK capital gains tax upon the remittance. This is because we are to assume the fund was a mixed fund as we are told the remaining £500,000 was from before she was UK resident, and thefore clean capital.

However, within 45 days of this remittance to the UK, Lucille makes a qualifying investment, by subscribing for shares in an unlisted trading company. This means the £460,000 invested into this company is remitted tax free. As the money for the subscription came from a mixed fund, it is treated as an offshore transfer, with an appropriate proportion of the difference types of income and gains as being invested into the qualifying investment. The propertion of the mixed fund immediately before the transfer was:

		£	%	
Foreign income		750,000	50%	
Foreign gains		250,000	16.67%	
Clean capital		500,000	33.33%	

Given the above, the amount invested into Broadbean Ltd is comprised of:

	Workings		£	
Foreign income	460,000 x 50%		230,000	
Foreign gains	460,000 x 16.67%		76,667	
Clean capital	460,000 x 33.33%		153,333	

The above investment is therefore not subject to tax, by virtue of being a remittance, until a chargeable event.

The remainder of the £540,000 will be taxable at the time of remittance as it was not invested into a qualifying company for Business Investment Relief. As it came from a mixed fund, the statutory ordering rules will apply, meaning the remittance will be deemed to come from the foreign income, before the foreign gains, before the clean capital. The remaining £540,000 was therefore made up of:

			£	
Foreign income			520,000	
Foreign gains			20,000	

This is because the amount of foreign income was depleted from the investment into Broadbean Ltd. These remittances would have been taxable at Lucille's marginal rate of tax.

The investment into Broadbean Ltd also qualified for EIS relief, meaning Lucille was eligible for income tax relief of £138,000, as well as her deferring a capital gain of £460,000.

When Lucille sells 3,000 shares in 2022/23, this will be a chargeable event, and any foreign income and gains used to purchase the shares will then be deemed to have been remitted, even though they are disposed of in a tax year where Lucille is deemed domicile under the long term resident condition. The gain on the shares will be as follows:

	Workings		£	
Proceeds	3,000 x 250		750,000	
Cost	460,000 x 3,000/4,600		(300,000)	
Gain			450,000	

To mitigate the sale being deemed as a remittance, Lucille can take the entire proceeds offshore, or reinvest the whole proceeds into another qualifying investment. These mitigation steps must be taken within 45 days from the day in which the proceeds became available. Lucille should pay these proceeds into a new offshore bank account, which will then be deemed to hold foreign income, foreign gains, and clean capital in the proportion they were orignally invested. The pre-existing French bank account will therefore still only contain clean capital, which can be brought to the UK remittance free. She could then bring this clean capital of £500,000 to the UK to pay her CGT liability on the disposal, without incurring any tax on a remittance.

Also, as Lucille has disposed of some of her shares for which she claimed EIS deferral relief, the appropriate proportion of the deferred gain will come back into charge. The gain coming back into charge will be:

	Workings		£	
Deferred gain			460,000	
Amount not disposed	460,000 x 1,600/4,600		(160,000)	
Unfrozen			300,000	

Lucille will therefore have a gain of £300,000 coming into charge on the sale of the shares. As she is a deemed domicile from 2022/23, she will get an annual exempt amount to offset this by £12,300. The tax due on the gain will be 10% for any unused basic rate band, and 20% thereafter.