Institution **CIOT - CTA**
Course **Adv Tech Human Capital Taxes**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**1483**	**6530**	**8003**
Section 2	**1087**	**4808**	**5889**
Section 3	**1297**	**6072**	**7357**
Section 4	**781**	**3594**	**4374**
Section 5	**964**	**4343**	**5240**
Section 6	**829**	**4085**	**4910**
Total	**6441**	**29432**	**35773**

Answer-to-Question-_1_

6 OCT 2024

Local contract with the UK entity. As Max is on a local contract with the UK entity he will bve gainfully employed by the UK entity and therefore will be subject to UK NICs from Day 1 of his 3 year fixed term contract.

The EU SSC Protocol will only need to be considered where he is a psoted worker and ion this case he is not as local contract, with the Ground Ltd. Also more than 2 years so not EU SSC posted worker.

IF EU SSC then multi state worker -> not 25% time in habitual residence coutnry which is NL --> NIC where employer is which is UK, Certificate of covergae form UK to exempt SS in other European coutnries.

Firstly the shares in deft plc will be consdiered readily convertible assets on the basis that they are listed on the stock exchnage hence quoted shares. As the shares are RCAs any charge of taxable income will be due via PAYE and there will be Class 1 NICs on the shares as well.

Max will be considered domiciled outside the UK hence non-dom in the UK and therefore he will be eligible to claim the rmeittance basis of taxation will exempts his foreign income and gains from UK income tax as long as they are not remitted to the UK. This has the impact of Max losing his tax free personal allowance of £12,570 and CGT annual exempt amount of £3,000. Remittance basis can be automatic without the claim if unrem,itted income is less than £2,000 in the tax year and the individual can keep their

personal allowances.

Max will be resident in the UK from 6 october 2024 and the defualt position is that UK residents are subject to UK income tax on worldwide income and gains unless remittance basis is claimed to exmept foriegn income.

For the first 3 tax years of residence Max can claim OVerseas workdays releif (OWR) to exempt income from his overseas workdays from UK income tax as long as not remitted to the UK.

Max is an internaltionally mobile employee.

Ground Ltd has the UK PAYE presence and hence subject to PAYE accounting and NIC accounting for Max.

The incentives which Max has been awarded will be taxed under the employment related securities (ERS) regime and therefore any chargeable events will create an income tax charge and create taxable employment income.

Any income from the incentive packages which is taxed on the remittance basis will be considered chargeable FSI and any income which is derived whilst non-resident in the UK with no UK workdays will be non-chargeable FSI which is not within the scope of UK income tax even if remitted to the UK.

Phantom Stock Units

In terms of the shares, the first Phantom stock units are RSUs but their tax liability will be dependent on the UK tax treatment within the grant to vest period.

They are effectively the same as RSUs.

We examine the UK tax liability within 6 January 2022 - 5 April 2025.

They were awarded while Max is non-UK resident. No tax charge in the UK on award.

From January 2022 - 6 October 2024 = 12 + 12 + 9 = 33 months of which it is simply non-chargeable foreign securities income hence not taxable in the UK.

6 October 2024 - 5 April 2025 = 6 months of which 80% ios immediately taxable in the UK and the other 20% is only taxable in the UK if it is remitted to the UK.

IT is therefore advised for Ground Ltd to split the cash award bonus into the chargeable and non-chargeable period.

We have 39 months of which 80% of the 6 months is immediately chargeable.

The amount which should be reported through the payroll on 5 April 2025 will be:

Assuming share price in April is the same as share price in March

20,000*3.50*(6/39)*80% = £8,615.

The NIC treatment differs from the tax treatment on the basis that it is a cash award hence we would only look at the NIC liability at the time of the share award which will be tax Max is subject to UK NIC on the basis that he is on the UK local contract. As such the whole amount of the value of the award will be subject to Class 1 NIC for the employee

and the employer.

20,000*3.5 = £70,000 (approx based on March Mv) SUBJECT to Class 1 employee and employer NIC.

The payroll amount for tax and NIC is differnet, perhaps recommneded to use a seperate payroll for NIC to reprot the whole amount for NIC and the usualy payroll to report the apportioned amount for tax.

The remaining (6*20%)/39 of the amount will be chargeable FSI which will be taxable if Max brings it into the UK.

Ordinary shares

Forefieture restirction was of less than 5 years hnce there is no tax on the acquisition of the shares. The shares are restricted securities taxed under the rtestricted securities regime.

In this case we need to look at the rules in ITEPA s41F to determine the relevant period which for restricted securities is from the day of acquisition to the day of the chargeable event.

The chargeable event in this case will be the lifting of the forefeiture restriction.

In this period from 6 Jan 2022 - 5 Jan 2025 we have 36 months total and the chargeable period will be 6 October 2024 - 5 Janaury 2024 at 80%.

So 4 months at 80% chargeablility = 3.2. Therefore 3.2/36 of the amount will be immediately taxable in the UK on the basis that remittance basis and OWR claimed by Max.

As the shares are RCAs any amount is subject to income tax and NICs.

The amount subject to charge on the lifting of the restriction is the market value at that time multiplied by the percentage of the unrestricted market value at the date of acquisition which has neither been taxed nor paid for. In this case there was no tax on the acquisition as Max was non-resident with non-UK workdyas and there will have been no tax anyway due to foreifeutre restriction of l;ess than 5 years.

Max also paid nothing for the shares hence on the lifting of the restrictions 100% of the market value of the shares will be taxable and then apportion for the actual UK taxable amount as per the IME rules.

50,0000*3 = £150,000. UK portion = 150,000*(3.2/36) = £13,333 immediately taxable subject to PAYE and Class 1 NICs as the shares are RCAs.

Given the shares are in the Dutch company and not UK shares, they are not deemed to be remitted immediateley hence the chargeable FSI portion is only taxed in the UK when it is remitted to the UK.

Recommend that it be paid into a seperate overseas bank account.

In terms of NIC the charge is different. Max became subject to UK NIC from Day 1 due to local contract hence he will be subject to NIC for 4 months of the relevant period and no apportion for any owr FOR nic.

NIC fraction is therefore 4/36 of the taxable value. Class 1 EMPLOYEE AND employer NIC.

OPTIONS OVER SHAREs

THE OPTIONS again have a relevant period of 6 Janaury 2022 - 5 January 2025 which is the grant to the vst date.

The forfeiture provision exprising on 5 January 2024 was while Max is non resident with no UK workdays for the 2023/24 UK tax year hence no charge on this.

Again the option will be subject to UK tax on the immeditealy taxable portion which becomes (4*80%)/36 = 3.2/36.

This chargeable amount will occur on the exercise hence on the 5 MARCH 2025 hence put through the March 2025 payroll RTI submission.

The remaining 20%*4 = 0.8/36 will be taxed on remittance basis.

COMPLIANCE

All chargeable amounts must be put through the payroll in the month in whcih the charge occurs, RTI submission and to be reported on FPS on or before the deemed payment date.

As the shares are RCAs there is no limit on the PAYE which can be deducted each month. Usually the limit is 50% of gross pay but this doesn't apply here.

Max may face cash flow problem as all the shares are taxable income but no income to pay the tax. hence the sell to cover solves the issue and some of Max's shares will need to be sold in order to cover the UK tax on the chargeable events.

ERS returns required to be filed whenever we have a chargeable event,. on or before 6 July following the tax year end in which chargeable event occured. Ensure that enough information given to HMRC in order to calculate a tax charge.
No section 431 election means restricted are not ignored for tax purpsoes.

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

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

Answer-to-Question-_2_

Short term services apartments are not homes for UK tax purposes or permanent homes for treaty purposes

Firstly we need to consider the non-resident period in the UK of 6 April 2024 - 31 December 2024.

Alex has worked in the UK for 2 weeks a month each year hence he has (5*2)*9 = 90 workdays in the UK during this period and also 90 days in the UK during this period.

SurePharm Inc doesn't have a UK tax presence however the UK subsidiary does have the UK tax presence hence it will be the UK sub which is required to withold PAYE on Alex's income.

As a non-resident in the UK Alex will only be subject to UK income tax on his UK sourced income which will be his UK workdays of employment.

However the UK company will strictly have a PAYE withholding requirement of 100% while Alex is in the UK. This can be prevented by easements.

The first easement which can be used for the non-resident period is a section 690 which

allows the payroll to only withold PAYE on Alex's income which relates to his UK workdays hence only 50%. A section 690 directive however comes with it an automatic UK tax return filing requirement.

Written confirmation needs to be provided from HMRC for the 2024/25 Uk tax year in order to oeprate section 690 but it will n longer be a directive from 2025/26 onwards (no permission required from HMRC with new rules but needs to be renewed).

Consideration should be given as to whether Alex's UK workdays could be exempt under Article 15(2) of the UK-US DTA. Alex would need to spend less than 183 days in the UK during the tax year in question and the costs of his remuneration must not be recharged to the UK entity. These conditions are not met on the basis that Sure Pharm Inc DOES recharge costs to the UK entity hence article 15(2) conditions not met and therefore no Appendix 4 agreement is suitable.

aRTICLE 15(1) APPLIES which echoes the UK domestic law anyway that the UK is limited to tax income from UK sources in respect of US residents and Uk non-residents.

Appendix 8 annual PAYE reporting cannot apply either on the basis that he has spent more than 60 NON-INCIDENTAL workdays in the UK during the tax year in question.

While non-resident in the UK, it is the US which will provide the foreign tax credit as the resident country.

No NIC liability between 6 April 2024 - 1 January 2025.

<u>UK RESIDENT PERIOD</u>

Considering the 1 January 2025 onwards period we have the issue of simultaneous double taxation as Alex is being taxed in the UK and the US on the same income. Local contract UK PAYE witholding 100%.

Alex is UK resident but non-domiciled in the UK so is eligible for remittance basis and overseas workays relief on the non-UK workdays do the 1 week per month in the US. Overseas workdays releif

Alex will be considered domiciled outside the UK hence non-dom in the UK and therefore he will be eligible to claim the rmeittance basis of taxation will exempts his foreign income and gains from UK income tax as long as they are not remitted to the UK. This has the impact of Alex losing his tax free personal allowance of £12,570 and CGT annual exempt amount of £3,000. Remittance basis can be automatic without the claim if unrem,itted income is less than £2,000 in the tax year and the individual can keep their personal allowances.

For the first 3 tax years of residence Alex can claim OVerseas workdays releif (OWR) to exempt income from his overseas workdays from UK income tax as long as not remitted to the UK.

In this case firstly the section 690 can continue on the basis that Alex is UK resident and taxed on the remittance basis and therefore only roughly 75% of his income can have PAYE witheld on as opposed to the 100% strict requirement.

The US however seems to tax Alex's US work duties. On the basis that a section 690 has not been applied for and there is a strict requirement for the Uk company to withold PAYE on 100% of Alex's duties, an Appendix 5 foreign tax credit via payroll could be

setup.

With Appendix 5 there are robust payroll requirements and advanced payroll required for it to be effective and HMRC quarterly reconcialiations and reprots required to be submitted and also a year end reprot to inform HMRC of all the foreign tax creidti claimed throguh the payroll.

However this will not work on the basis that he is not being double taxed effectively on any income after he becomes UK resident as the US is limited to taxing US workdays and UK only taxes UK workdays on the remittance basis if it is claimed. However if there happens to be 100% PAYE requriement probably due to section 690 not being obtained then appendix 5 may apply? But still no as the refund would then be applied via tax return in the UK self asessment.

Article 15(1) limits the US to only taxing US workdays while Alex is UK resident for tax purposes.

Residence - before 1 January 2025 - US treaty resident on basis that permanent home is in the UK.

Residence - After 1 Jnauary = UK treaty resident on basis permanent home is in the UK.

NICs

The certificate of coverage in the US exempts ALEX from UK NIC while he is an employee of the US entity, for up to 5 years while Alex working for the US enity in the

UK. As per article 4(2) of the UK-US SS agreement.

However when Alex moves onto the UK local contract he will be subject to UK NIC from Day 1 as he is gainfully employed by a UK employer. As such Class 1 employee and employer NIC will be due on Alex's EARNINGS from 1 Janaury 2025.

Local UK contract means no more US social security either form start date of UK local contract.

NIC easements such as appendix 7A don't apply as there is no equalised assignemnt and app7b is for outbounds.

FTC

Foriegn tax credits in the UK provided at rate of lower of foriegn tax PAID and UK tax liabiltiy on double taxed income. However as a result of section 690 there should be no situation in the residence period in which he is actually double taxed.

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

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

Answer-to-Question-_3_

Benefits other than accommodation (special offset) are not considered to be part of the National Minimum Wage(NMW) calculation.

Company Car

The company car is offered under an optional remuneration arrangement (OPRA) hence the benefit will be the higher of the cash foregone to receive the benefit and the cash equivelent of the benefit under the normal rules.

Cars with emissions under 75g/km and electric cars will however bve exempt from the optional remuneration arrangement rules.

As the car has changed in the middle of the year we are required to do a daily benefit calculation:

Firstly we have the petrol car which is used for 3 out of the 12 months.
6 April - 6 July = 25+31+30+6 = 92 days.

CO2 emissions % = (95-75)/5 +20 = 24%.

Car benefit normal rules = 92/365*26,000*24% = £1,573

Cash foregone = 600*3 = £1,800

Hence we have a car benefit of £1,800 for the first 3 months.

The car benefit for the year will also have been lower than cash foregone hence from April - June payroll the car benefit amount should have been £600 per month.

Then when the car benefit is changed:

Days = 25+31+30+31+30+31+31+28+31+5 = 273.

Traditional calculation = 28,000*2%*(273/365) = £419

No OPRA rules due to electric car.

Therefore total annual benfit = 1,800+419 = £2,219.

The benefit reported April - JUNE = (1,800)

BENEFIT LEFT TO REPORT = 419 OVER 9 MONHTS.

Benefit per month July 2025 - March 2025 = 419/9 = £46.55 = £47 round up for conservative approach.

<u>Accommodation</u>

Accommodation benefit cannot be payrolled hence must be reported on the P11D and

subject to income tax via either self assessment for employee or adjustment of employee tax code which HRMC must issue, no emplyoer say. Also Class 1A NICs for employer to be due 19th/22nd (latter if e-payment) July following the end of the tax year.

P11D to be submitted to HMRC by 6 July following the end of the tax year in question so 6 July 2026 or 2025/26 UK tax year.

Accommodation is leased hence the benefit will be:

lease premium/length of lease + annual rents

The monthly rents are higher than the annual value (£4,800 annual monthly rents).

The bathrooms are capital in nature and fixtures in the building in preparation for employee use, no seperate additional benefit arises in repsect of these bathrooms.

Accommodation total benefit = 90,000/8 + 4,800 = £16,050

This is split between 3 employees hence beenfit to each employee is divided by 3 therefore we have beenefit to John of £5,350.

Accommodation benefit again was via an OPRA and it is not an exempt OPRA benefit so the benefit will bve the higher of the cash equivelent or the cash foregone. Johns cahs foregone is £4,800 and cash equivelent is £5,350 hence the £5,350 is higher so use this.

Again not reported throguh payroll as cannot be payrolled. £5,350 on the P11D.

Furnitute provision is the avialability of an asset to an employee hence we utilise the value of the furniture when bought multiplied by 20% threfore 3,000*20% = £600. Used by 3 employees so arguably can be divided by 3 althoguh HMRC may question this given each employee has avaiakbility of enjoyment 24/7 but not if other emplyoee i guess is using it so yes appoortion. Hence £200 for John but £600 in total for the 3 employees.

This can be payroll and 200/12 = £16.6 = £17 to be payrolled each month.

Loan

Taxable cheap loans again cannot be payrolled. The loan to cover the cosmetic dental is not for any recommended medical treatment hence the £500 exemption doesnt apply. Assuming it is interest free and the loan is actually a loan to John an there is a written agreement that John will pay back the loan then only can it be consdiered an itnerest free loan. HMRC will scrutinise this and perhaps the direct payment of the feees doesn't constitute a loan.

On the basis it is a loan and interest free, there is no taxable benefit as the loan is less than £10,000.

Class 1A NIC as paid directly to the provided if there is any benefit occuring.

On the basis that it is not a loan, the taxable benefit would be £1,500 to be payrolled by 1500/12 = £125 per month but likely it is a loan given that John will have paid this back

already.

Pension

Employer pension contributions will be an exempt benefit and they are based on the gross salary. No tax laibility arising.

Pension contributions are exempt from the OPRA rules so employee sacrificing salary for emloyer contributions to pension will not be taxable.

ANnual reproting

Where the payrolled amounts are lower than the actual benefit then the excess needs to be reporeted on the P11D for the employee at year end.

P11D due by 6 July and Class 1A NICs by employer on all the benefits should be paid by 19th/22nd July following end of tax year.

Each employee, so John included should receive a report of the benefits which have been payrolled in the tax year that they have received from the employer. This is due by 1 June following the end of the tax year. It should be given from employer to employee and lists all benefits payrolled and the tax dedcuted.

No employee NIC liabilities on any of the benefits, they are all class 1A.

If the employer wishes to opt out of future reporting then

P11D(B) also submitted by employer by 6 JULY 2026 for 2025/26 tax year which reports the employer's class 1A NIC liability to be reported to HMRC.

Class1A NIC at 13.8%.

National minimum wage

In relation to benefits which the employee has optionaly sacrificed salary for, these benefits will not be deducted from pay for NMW purposes.

Employee pension contributions via salary sacrifice can be deductd for NMW purposes.

Notably John has turned 21 in March 2025 so from this date the NMW for John is the NLW at rate of £11.44 per hour.

John worked 2040 + 10 = 2,050 hours for the relevant period for NMW purpsoes.

He has a salary of £24,000 per annum.

In terms of the accommodation offset ther can be an addition of £9.99 per day for employer provided accommodation which is free.

24,000*4% = £960

24,000 - 960 = £23,040

Employer contirbutions and any benefits provided accept accommodation are not added to the pay for NMW purposes.

If THE EMPLOYER CHARGES MORE than £9.99 per day then the excess is deductible.

400/30 = £13.33 hence (13.33 -9.99) = £3.34

Currently John's salary for NMW purposes is therefore:

23,040 - (3.34*365) = £20,861

Wage per hour: 20,861/2050 = £10.17 which is much lower than the NMW.

It can be argued that as the accommodation was a choice for John the accommodation offset doesnt apply as if the employee pays out of their salary voluntairyl for extra benefits then this wouldnt be added.

£11.44 is requried wage for John.

Actions the employer should take are to repay John the underpayment below NLW immediately in the enxt payroll to avoid any furhter penalties.

They must also ensure they clsoely monitor NMW changes in age for example as while john was under 21 the obligation would ahve been met as NMW was £8.60 for 18-20

year olds. Hnece monitor birhtdays.

Penalties for non-complaince are maximum of £20,000 per employee. penalties calcualted as 200% of underpayment or £100 if higher. EMployer naming and shaming. IF HMRC notice and payment within 14 days then the penalty can be reduced by 50%.

Pyament required to John as soon as possible = (11.44-10.17)*2050 = £2,604 and this paym,ent via payroll cubject to PAYE and Class 1 NICs for employee and emplyoer as its considered earnings.

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

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

Answer-to-Question-_4_

Albert will be considered resident in the UK on the basis that he spends most of his time in the Uk and works full time here so 183 days test of SRT met and the FTWUK test met. UK residence and domiciled individual I assume hence liable to UK income tax on his worldwide income.

As Albert is the remote worker and the contract allows him to work remotely, the workdays in the UK will be considered UK workdays and workdays in SPain are Spanish workdays.

Vasquez SA doesn't have a PAYE presence in the UK nor does it have a permanent establishment in the UK and Albert will not himself create a permanent establsihment for Vasquez ltd.

Vasquez therefore will not have any PAYE withholding obligations in the UK in respect of Albert however as aAlbert has the UK income tax obligations he must account for this via self-assessment with HMRC. Alternatievely Albert could enter into a direct payemnt scheme with HMRC to collect the PAYE in regular instalments.

Vasquez Ltd however does have the option hwoever to voluntarily setup a payroll in the UK to account for PAYE for Albert however this is not recommended for several reasons. Payroll will be expensive to setup just for 1 employee and requires a lot of admin. THere

is risk of compliance failure as Vasquez needs to consider RTI submissions, FPS and EPS which again is very tricky to manage.

For Albert there may be issues from cash flow perspective as he will likely be liable to Spanish witholding tax on the SPanish workdays and if payroll is setup then it must withhold PAYE on 100% of ALbert's earnings which therefore means that he is double taxed on the SPANISH WORKDAYS in Spain and in the UK.

As such an appendix 5 would be required to provide relief for foreign tax paid via the payroll in the resident country. This requires an advanced payroll and robust software which is again expensive to setup and it comes with quarterly submissions of reprots to HMRC and annual reconciliation and reprot to HMRC which again is greater compliance which Vazquez is better off avoiding.

Hence no compulsory requirement and recommended not to voluntarily make a UK payroll as this will not be beneficial and could create lots of compliance problems. COmpliance fialures result in interest charged for late payments and also penalties for failures.

NIC

We consider the EU SSC Protocol above any domestic legislation in this case. Albert will be considered a multi-state worker as he is working in 2 or more countries with at least 5% of his time in each country.

Multi state worker rules state that the individual will be laible to UK NICs in the country in which they are habitually resident if they spend more than 25% of their working time in that country. Else it will be the place of residence of the employer.

As Albert spends 80% of his time working in the UK and he is a UK national living in the UK so it implies that his habitual residence will likely be in the UK and not Spain, hence the first part of the multi state ruels are met and Albert will remian subjest to UK NIC for the duration of the contract.

As EU SSC limit social security (SS) witholding to only 1 coutnry covered at a time, he will be exempt from Spanish social securirty.

A certificate of covergae should be obtained in the UK to prove this and allow exemption from Spanish SS contributons.

Under the EU SSC Vasquez has an obligation to register with the authorities of the home country (so HMRC) as a NIC contributor. It also has the obligation to run a payroll of NIC purposes in the UK to account for Alberts NIC liability. This can however be a shadow payroll in line with the actual payroll in Spain.

Class 1 NICs must be deducted from Alrbert's pay and paid to HMRC each month on the 19th/22nd after the end of the month (22nd if paying electronically).

There is no secondary contributions for the employer Vasquez on the basis that they have no UK tax presence or permanent establishment and there is no UK entity benefiting from the services of Albert.

The reporting obligations therefore are all in respect of the NIC liability.

Where any earnings provided to Albert these should be liable to Class 1 NIC and paid each month. Where any taxable benefits provided to Albert which are subject to Class 1A NICs, as the employer is exempt from NICs no Class 1A NICs for the employer will arise on any taxable benefits provided to Albert.

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

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

Answer-to-Question-_5_

UK tax residence is detrermined by the statutory residence test.

In priorty order: Amelia meets none oif the automatic non-residence tests in the UK. Then consdier automatic UK tests:

Amelia will have been in the UK from 6 APril 2025 - 1 July 2025 which is more than 91 consecutive days of which 30 in UK tax year and will have had a home in that period in the UK hence will leiekly meet the only homes test of the SRT or the full time work UK test of the SRT at the start of the tax year.

No split year treatment under case 1 on the basis that she has spent too many days back in the UK in the 2025/26 UK tax year - given she left in July she will be limited to spending 67 days in the UK of which only 23 are UK workdyas. She will have exceeded this.

iN OTHER TAX YEARS 3*52 = 156 DAYS IN THE uk. sUFFICIENT TIES WILL BE Accommodation, workdays, 90 days tie and family tie hence 4 ties and resident in 1 of last 3 tax years hence defiantley reisdent in the UK for full year for all years of secondment.

UK residence already established.

As she is UK resident and Genovia resident we look at the UK-genovia DTA to determine treaty residence.

Article 4 of the OECD model article treaty states that the individualw ill be reisdent in the jurisidiction in which they have their permanent home.

Amelia has a permenent home in both the UK and in Genovia hence this is inconclusive. Next we look at where here centre of vital interests are in the UK.

Centre of vital interests looks at the economic and social ties of the individual and where they are closer. She has economic ties in both the UK and Genovia through her work but as her family is living in the UK she will have closer social ties to the Uk and family is a strong social tie. Hence her centre of vital interests will be clsoer to the UK.

Therefore UK resident and liable to UK income tax on her worldwide income. Article 15(1) of the UK-Genovia DTA will however limit Genovia to only taxing income relating to workdays in Genovia. Article 15(2) exemption doesn't apply to exempt genovia workdays from tax in Genovia as spending more than 183 days in Genovia during a 12 month period and article 15(2) doesnt apply to exempt uk workdyas from uk tax as she is resident in the Uk and employer in UK bearing costs.

Accommodation will be taxable in the UK on the basis that she is going to Genovia for more than 2 years hence the Genovia workplace is not a temporary workplace.

Foreign tax credit

This is calculated as the lower of the UK tax on the double taxed income or the foriegn tax paid on the double taxed income.

The UK tax on the double taxed income will be the difference of the UK tax liability with the double taxed income and the UK tax liability without the double taxed income.

Genovia tax:

Assuming no Genovia tax on her bonus as nothing mentioned

Accomm = 3000*12*80% = 28800

SALary = 80,000*80% = 64,000

	Taxable (80%)	Tax paid		
Salary	64,000			
PMI	4,000			
Bonus	0			
Accomm	28,800			
TOTAL	**96,800**			
96,800*43%		£41,624		

UK tax:

With the double taxed income:

	Taxable	Tax due			
Salary	80,000				
PMI	4,000				
Bonus	24,000				
Accom	36,000				
TOTAL	**144,000**				
Less: PA	(0)				
37700*20%		7,540			
87,440*40 %		34,976			
18,860*45 %		8,487			
Total tax		**£51,003**			

PA tapered to £0 as income above £125,140

Without the double taxed income (i.e. UK only taxed income)

The figures are the difference between the total of each item and what was taxed in Genovia.

	Taxable	TAX DUE			
Salary	20,000				
PMI	1,000				
Bonus	24,000				
Accom	7,200				
TOTAL	52,200				
Less: PA	(12,570) [redacted]				
TOTAL TAXABLE	**£39,630**				
37,700 *20%		7,540			

1,930* 40%		772			
TOTAL		**£8,312**			

Total UK tax on the double taxed income = £51,003 - £8,312 = £42,691.

Compare this to the Genovia tax liability which is £41,624 hence the Genovia tax liability is lower therefore the whoel of the Genovia tax paid will be able to be given as credit in the UK hence £41,624 of credit available in the UK.

There is simultaneous withholding issue here on the basis that the UK PAYE will be liable on 100% of her income and the Genovia payroll is taxing her Genovia workdays via withholding therefore the employer can apply for an Appendix 5 with HMRC which allows for the foreign tax credit to be provided through the payroll.

Foriegn tax creidt is typically claimed via the UK self-assesment tax return.
Genovia treaty releif via article 15(1) may only be able to be claimed at year end there so in the payroll the whole may be taxed but I will consider there are provisions to allow Genovia payroll to apply treaty relief on the payroll.

Appendix 5 obligations involve quarterly reporting to HMRC of the foriegn tax rate, income on which foreign tax credit has been claimed via the payroll and the total income for the employee, providing Amelia's full name and NI number.

Appendix 5 also brings with it an annual reporting obligation to acocunt to HMRC the total foriegn tax credit claimed via the payroll during the tax year.

THe payroll must be robust and advanced to allow for an Appendix 5 calculation hence it must be made sure that payroll can acutally operate Appendix 5 successfully. Exchange rate fluctuations are a largely complex issue for payroll.

Appendix 5 application needs to be made to HMRC and only operate once approved by HMRC. Will ensure a cash flow benefit for Amelia as she will not then be subject to simultaneous double taxation on her income.

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

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

Answer-to-Question-_6_

Propman will be considered a contractor for the purposes of the Construction industry scheme (CIS). Propman Ltd will be considered a deemed contractor on the basis it engages in construction contratcs exceeding £3 million within the tax year but its main trade is not construction but it is property management.

Propman could potentially bne considered a mainstream contractor on the basis that it will cease majority of other work to focus on the construction project but this could be considered and liased with HMRC to determine the status.

Propman will also be considered a subcontractor of the landlord plc on the basis that it is not the end user of the construction services.

The former mill office doesnt fall under the regulation 22 exemptions on the basis that it is not used for the personal use in trade of Propman and is instead built to sell to Landlord plc.

Propman's requriements as a contractor will be to verify with HMRC the status of all its subcontractors. Where subcontractors are registered for gross payment, then there will be no CIS withholding on the payment and the payment can be made to the subcontractor gross. Where the subcontractor is registered with HMRC but not eligible for gross payment the CIS witholding is 20%. Where the subcontractor is not registered the CIS witholding is 30%.

The CIS witholding will only be on the labour element of any payment and the cost of materials will be deducted from the payment in which the CIS deduction needs to apply.

Considering all the contractors:

A LLP = Architects not actually engaging in construction will not be considered as engaging in construction operations and they will fall outside the CIS hence no requirement for witholding via CIS on the £150,000 payment to A LLP, this can be made gross.

B Ltd = Providing soleley scaffolding but the scafollding will be the work of the individuals and the main supply is individuals who will build the scaffolding hence falls under the CIS. Any cost of the scaffolding can be deducted as it is materials and therefore only the labour element of the charge will fall within the CIS. IF it doesn't charge on the labour element then no CIS deduction.

C Ltd = Definately within the CIS regime and on the basis that they also contract out soume of their work then they will also be subject to CIS scheme as contractors (mainstream contractor). Each instalment will be subject to CIS witholding from Propman Ltd dependent on the subcontractor status of C LTd. C Ltd is likely registered for gross payment itself ofn the basis that it will meet the business test, turnover test and compliance test for the gross payment status to be granted by HMRC.

D Ltd - Electricians installing wiring also fall under the definition of construction operations hence falling under the CIS. The withholding will be on the cost of the wiring and power supplies so the £300,000 is subject to CIS but not the £100,000 for the security system as this is not under the CIS and is not a construction operation.

Contractor compliance

As a contracotr, Propman must ensure they register with HMRC as a contractor. They must also then verify the status of each of theri subcontractors with HMRC and make the appropriate CIS deductions on labour element of payments to subcontractors based on the status verification provided by HMRC.

The contractor must also complete monthly CIS300 returns to submit to HMRC. These are due on the 19th/22nd after the end of each month and along with the required withholing payment sent to HMRC paid by 19th/22nd if electronically submitting.

This monthly returns detail the payments made to each contractor and the CIS amounts withheld.

The penalties are liable where Propman fails on its CIS compliance obligations for monthly returns, similar to the penalties for teh late PAYE FPS submissions.

Maximum penalty of £3,000 per CIS return if it is incorrect.

CIS monthly returns must continue for at least 4 months of consecutive nil returns before

they can stop or inform HMRC that no mroe consturction operations.

Gross payment tests

As a subcontractor itself Propman will also wnat to register for gross payment so there is no withholding subject on the fee it recieves from landlord

All 3 tests must be satisficed.

Business test = carrying out consturction operations and providing labour for it.

COmpliance test = ensure previously compliant with all requirements and up to date with HMRC compliance. HMRC will ignore minor compliance errors such as late tax returns or where penalties or late tax is under £100.

Turnover test = have more than £30,000 of turnover within 12 month period if individual. Have more than £30,000 per partner or £100,000 if lower turnover if partnership. Have more than £30,000 turnover if company.

Propman doesn't usually do just the construction operations so on this basis they will likely not be eligible fro gross payment from HMRC.

Landlord pls