THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

December 2021

MODULE 2.09 – UNITED KINGDOM OPTION

ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

TIME ALLOWED – 3¼ HOURS

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

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

You must answer:

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

Further instructions

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

For your information this paper includes:

ADIT Examinations 2021 Tax Tables

PART A

You are required to answer BOTH questions from this Part.

1. Your client, Panda plc, is a company incorporated and tax resident in the United Kingdom which owns and operates an online marketplace, used by customers worldwide (including in the UK) to hire short-term holiday accommodation.

   Panda plc has no subsidiaries, but is seeking to invest its substantial retained earnings into acquiring new businesses which will complement its online marketplace offering. The board of directors hope that these acquisitions will help the group achieve revenues in excess of £500 million for the first time.

   Panda plc's chief financial officer, Mr Singh, has been asked to approve the following acquisitions:

   1) 100% of Polar Inc., a company which owns and operates a popular social media platform. Polar Inc. is incorporated and tax resident in Bermuda, where it holds intellectual property relating to its social media platform, but has no staff in Bermuda and all of its financial and commercial decisions are made by UK-based directors. The company had trading profits of £10 million in the year to 31 December 2020 and paid no corporate tax. The directors of Polar Inc. are open to its acquisition by Panda plc and are willing to reorganise the business to be less aggressive from a tax perspective.

   2) 100% of Sun Ltd, a company incorporated and tax resident in Mauritius where the corporate tax rate is 15%. Sun Ltd generated taxable profit of £1 million in the year to 31 December 2020 and paid £120,000 corporate tax in Mauritius. The company also paid £40,000 of tax in Nigeria as a result of its branch operations there.

   3) 49% of Kodiak SRL, a company incorporated and tax resident in Uruguay. The remaining 51% of the ordinary share capital will continue to be held by Kodiak SRL's current shareholder, a company which is also based in Uruguay. Kodiak SRL's taxable trading profit for the year to 31 December 2020 was £350,000, and it also had interest income of £40,000.

   4) 20% of the ordinary share capital of Ursa GmbH, a company incorporated and tax resident in Switzerland. Following the acquisition, 35% of Ursa GmbH's share capital will be held by a UK company unrelated to Panda plc, and the remaining 45% will be held directly by an individual in Switzerland.

   Mr Singh has raised certain tax concerns, and he would like to understand their implications before he is willing to approve the acquisitions.

   You are required to prepare a memo for Mr Singh, setting out the following:

   1) The application of the UK controlled foreign companies (CFC) rules to the proposed acquisitions, including whether any of the target companies' profits could be subject to a UK CFC apportionment in Panda plc. (20)

   2) The impact of the UK's Digital Services Tax if the group's revenues were to exceed £500 million. You are not required to calculate any Digital Services Tax charge for Panda plc. (5)

   Total (25)

2. Ms Katz is a United Kingdom resident, non-domiciled taxpayer who came to live in London on 6 June 2011 and elects for the remittance basis of taxation. Since the 2011/12 financial year she has carried on a trade of providing project based consultancy advice, mainly overseas, although certain preparatory work and analysis takes place in the UK. Ms Katz has explained that the average project takes between two and three months to perform, and that on these trips she rents local hotel accommodation.

As 80% of her customers are resident outside the UK, and the work is predominantly performed on site, Ms Katz considers her trading activities to be eligible, at least in part, for the remittance basis. Ms Katz has calculated that 90% of her turnover and profit has arisen from her foreign customers and has therefore only declared 10% of her trading profit on her UK tax returns.

Ms Katz has recently inherited significant assets following the death of her mother, who resided in Italy. These assets include deposit account balances of €2 million, Italian commercial real estate and a large portfolio of international shares and securities.

Due to the significant increase in complexity of her tax affairs, she has requested your advice regarding the tax implications of her inheritance and whether any restructuring is required.

While reviewing her bank statements Ms Katz also recently identified that, since the 2013/14 financial year, dividends arising on a small shareholding which she owns in a Danish company have been incorrectly paid into her UK bank account, rather than an overseas account. Ms Katz cannot understand how this error occurred, as she is normally very careful in strictly adhering to the remittance rules. She seeks your advice on how this matter might best be disclosed to HMRC, and whether the extended time limits for offshore matters and offshore transfers would apply.

You are required to advise Ms Katz on the following matters, considering UK taxes only:

1) Explain the rules concerning 'foreign' trading income and non-domiciled, remittance basis taxpayers, with particular reference to Ms Katz's trading activities. (6)

2) Outline how the remittance basis works, explain how Ms Katz will be taxed on the assets she has inherited, and suggest appropriate restructuring to mitigate against future liabilities. (13)

3) Explain how the extended time limits for offshore matters and requirement to correct rules may apply to Ms Katz's tax affairs. (6)

Total (25)

PART B

You are required to answer ONE question from this Part.

3. Gondor Ltd is a company incorporated and tax resident in the United Kingdom. Gondor Ltd has just acquired Endor BV, a company incorporated and tax resident in the Netherlands, which has become successful selling its first and only product, the hyperdrive, exclusively in the Netherlands. Gondor Ltd considers the UK to be a prime market opportunity for hyperdrives and, now that this acquisition has been completed, plans to focus Endor BV's efforts on the UK.

   In order to act quickly, the board of Gondor Ltd have developed the following three-step plan to promote hyperdrives to the UK market:

   i) A small team of sales staff from the Netherlands, employed by Endor BV, will be sent to the UK to carry out market research and generate leads. They will be based in the Gondor Ltd offices and will be permitted to discuss and negotiate the terms of a contract with prospective customers, but will not have authority to sign contracts on behalf of Endor BV.

   ii) Once the UK market is proven, half of Endor BV's board of directors will relocate to the UK with a view to overseeing the growth of the UK operations and providing strategic direction. Endor BV's board meetings will continue to be held in the Netherlands, and the UK-based directors will have the option to attend remotely.

   iii) If the hyperdrive proves successful in the UK, Endor BV will move its entire operations, and its tax residence, to the UK.

   You are required to advise the board of Gondor Ltd on the following tax questions relating to this plan:

   1) On what basis may the presence and activities of the Endor BV sales staff give rise to a UK permanent establishment for Endor BV, either under UK domestic law or in light of wider international developments? (9)

   2) What UK tax residence implications may arise for Endor BV as a consequence of the proposed partial relocation of the board of directors to the UK? (7)

   3) If Endor BV becomes tax resident in the UK, and is therefore dual-resident, how will its residence be determined? (4)

   You may assume that the Netherlands-UK Double Taxation Agreement reflects the OECD Model Convention. Total (20)

4. Mr Schulz is a UK resident but German domiciled taxpayer. He owns 100% of the share capital of a large international group, generating significant dividend income which he retains offshore.

Mr Schulz has previously been reluctant to bring funds to the UK as he wished to avoid being subject to UK income tax on a remittance of his offshore income. However, he recently attended a seminar presentation at which Business Investment Relief (BIR) was outlined.

Mr Schulz sees significant scope to invest in the UK, and has asked you to determine whether the relief would apply to the following investment opportunities which he has identified:

- The purchase of 20% of the ordinary share capital of Woking Ltd, a UK logistics company, from Ms Dean, the existing majority shareholder. Mr Schulz is particularly attracted to this opportunity as Woking Ltd has historically generated significant dividends each year.

- An investment, by way of subscription for shares, in Falmouth Yachting Ltd. The proposed investment amounts to £1 million, in return he will receive newly issued shares amounting to 30% of the company's share capital. A key attraction is that this investment would entitle Mr Schulz, an experienced sailor, to one week's yacht charter in the Mediterranean each year at a heavily discounted rate. Mr Schulz also notes the advice of Falmouth Yachting Ltd's accountants, that this benefit would not be taxable.

Mr Schulz has also identified a UK residential rental business opportunity, requiring an initial investment of £4 million. The properties are currently in need of substantial renovation, for which a further £2 million would be required and which is expected to take at least 12 months to complete. The properties will then be available to rent at a commercial arm's length rate.

Mr Schulz is aware that Annual Tax on Enveloped Dwellings (ATED) may apply to UK residential property acquired through corporate vehicles and is anxious to avoid this, since it would make the investment commercially non-viable. Mr Schulz understands, however, that corporate ownership is required to qualify for BIR. He is interested in learning whether this investment could be structured in a way that may qualify for both BIR and ATED relief.

You are required to:

1) Outline the current BIR regime, and advise Mr Schulz of the availability and application of BIR to the proposed investments in Woking Ltd and Falmouth Yachting Ltd. (10)

2) Explain to Mr Schulz how ATED, Stamp Duty Land Tax (SDLT), BIR and Inheritance Tax would apply to the proposed acquisition of UK residential property, on the assumption that the investment is made through a newly incorporated UK company. (10)

Total (20)

PART C

You are required to answer TWO questions from this Part.

5. “The UK remains a leading choice of holding company jurisdiction for a multinational group.”

   You are required to explain, by reference to the UK tax system, the extent to which you agree with this statement. You are not required to consider issues outside of taxation. (15)

6. You have recently started a new position as UK tax manager at Priscus Inc., the parent company of a multinational group which manufactures high-performance batteries. Priscus Inc. is incorporated and tax resident in Rodinia.

   The group has a number of significant operations in the United Kingdom, which are carried on by 100% subsidiaries of Priscus Inc. The chief financial officer, Naomi, has approached you with two possible restructuring options which she believes may generate substantial tax savings. However, she is concerned about the impact of the UK’s anti-hybrid legislation and requests your advice.

   Naomi’s proposals are as follows:

   1) Vitro Ltd is the group’s manufacturing company, incorporated and tax resident in the UK. As part of its operations, Vitro Ltd uses intellectual property (IP) held by Priscus Inc. in Rodinia. Vitro Ltd pays an annual, arm’s length fee of £500,000 for use of this IP. Naomi proposes that this annual payment is instead made directly to Priscus Inc.’s UK permanent establishment (PE). In calculating the profits of the PE, a deduction would be recognised for the transfer of the IP fees back to head office in Rodinia, as this is where the risks and rewards of the IP ownership would remain. An election has been made by Priscus Inc. to exempt income derived from the UK PE from tax in Rodinia, so the transfer would not be considered in calculating Priscus Inc.’s taxable profits under Rodinian tax law.

   2) Vitae Ltd is the group’s UK incorporated and tax resident research company, which requires funding of £50 million. Naomi suggests providing this finance using a specific type of debt instrument from Priscus Inc., upon which interest will be charged at an arm’s length rate of 8%. Local Rodinian tax advice has confirmed that the debt will be treated as equity in Rodinia and any receipts arising from it will qualify for Rodinia’s dividend participation exemption.

   Naomi has also discovered that there may be tax benefits associated with using a Rodinian Partnership (RP). An RP is a transparent entity under Rodinian law which is able to carry on business in its own right and declare dividends in a similar way to a company. An RP does not have share capital, and the assets used in its trade are legally owned by its members. Naomi notes that the neighbouring country of Ambrosia treats RPs as opaque, and has asked you to comment on whether an RP is likely to be treated as opaque or transparent for UK tax purposes.

   You are required to:

   1) Comment on the application of the UK’s anti-hybrid legislation to each of Naomi’s proposals, including how any hybrid mismatches will be counteracted by the legislation. (10)

   2) Discuss whether the RP is likely to be considered transparent or opaque for UK tax purposes. (5)

   Total (15)

7. Magnolia Ltd is incorporated and tax resident in the United Kingdom, where it operates a successful gardening business. It also operates in Germany and France through permanent establishments (PEs).

The German PE has had periods of profitability but is now largely loss-making. After eight years of the business being loss-making in France, the French PE started making a profit in the year to 31 December 2019. The applicable corporate tax rate in France is 28%.

Magnolia Ltd's directors are concerned that the operations in France are no longer tax efficient and have asked your advice in relation to the following three options:

1) Making a Branch Exemption Election under s.18A CTA 2009.
2) Incorporating the French branch into a subsidiary.
3) Continuing to operate the profitable French business through a non-exempt PE.

You are required to discuss the UK tax implications of each of the three options, and make a recommendation to the directors. (15)

8. Mr Blevins was born in Blackpool, United Kingdom, in 1940. In 1960 he moved to London to train as an optician and lived there until 1985 when he moved to Portugal. Mr Blevins was drawn to Portuguese culture and quickly learned the language, joined the local literary society and purchased a home in the Algarve. In 1991 Mr Blevins formed the intention to reside in Portugal permanently. It is accepted that at this point he never intended to return to live in the UK; subsequent visits to the UK were short and infrequent. At about this time Mr Blevins cut all financial ties with the UK, including selling his remaining UK property and closing his UK bank accounts.

On 1 January 2000 Mr Blevins settled the Blevins Trust, an excluded property trust, using a Gibraltar trust company as the trustee. He transferred £2 million to the trust, which incorporated a wholly owned British Virgin Islands company, Yorkstone Ltd, to hold a portfolio of shares in large Portuguese listed companies.

Mr Blevins lived happily in Portugal until July 2017. On 1 August 2017, while visiting London, Mr Blevins suffered a sudden, incapacitating illness and could not return to Portugal. He remained in the UK until his death in June 2020. During Mr Blevins's illness he financed his UK expenditure from capital. No distributions were received from the Blevins trust, of which he remained a beneficiary. At the date of Mr Blevins's death, the trust's investments were valued at £6 million. The trust had also accumulated cash of £300,000 received as a dividend from Yorkstone Ltd on 1 August 2019.

You are required to:

1) Explain the domicile and Inheritance Tax implications of Mr Blevins's return to the UK in August 2017. You should assume that, on the date of its creation, the Blevins Trust was an excluded property settlement. (9)

2) Explain how Mr Blevins may be taxed on the income arising in the Blevins Trust and Yorkstone Ltd following his return to the UK. You should assume that both the trust and its underlying company remain non-resident. You are not required to consider any non-UK taxes. (6)

Total (15)

9. The Harmen Trust is an offshore discretionary trust managed by professional trustees in Guernsey. It was created on 6 January 2015 by Ms Strigil, a UK resident, non-domiciled settlor. On creation of the settlement Ms Strigil transferred €5 million to the trustees. The trustees incorporated Stix Ltd, a company incorporated in the British Virgin Islands. The trustees hold all shares in this company and have funded it by way of a shareholder loan of €5 million. Stix Ltd has invested in a foreign share portfolio, which is sitting at a significant gain.

Ms Strigil first became UK resident on 6 April 2016. At present, all income arising in Stix Ltd is distributed to the Harmen Trust by way of dividend; the trust then distributes the income offshore to Ms Strigil's Guernsey account to fund her overseas expenditure.

Due to a significant change in circumstances, Ms Strigil now requires all funds to be remitted to the UK and has asked for your advice concerning the tax implications of on-shoring the structure. She is particularly interested in learning the rules governing the tax residence of trusts, and has asked whether she can suggest to the Guernsey trustees that they appoint her sister Martha, a lawyer and Canadian tax resident, as an additional trustee and then themselves resign. Martha has extensive knowledge of the law regarding fiduciary duties, and her advice is highly valued by Ms Strigil. It is proposed that Martha, as sole trustee, may then simply appoint three new UK resident trustees so that the majority of trustees are UK resident.

You are required to:

1) **Explain how the UK Income Tax and Capital Gains Tax rules regarding the determination of trust residence apply to the Harmen Trust and, at high level, the steps which could be taken to make both the Harmen Trust and Stix Ltd UK resident.** (7)

2) **Explain the UK Income Tax, Corporation Tax and Capital Gains Tax consequences of the Harmen Trust and Stix Ltd becoming UK resident.** (8)

Total (15)

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INCOME TAX - RATES AND THRESHOLDS

	2020/21	2019/20
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	7.5	7.5
Dividend upper rate	32.5	32.5
Dividend additional rate and trust rate for dividends	38.1	38.1
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,500	1 – 37,500
Higher rate band	37,501 – 150,000	37,501– 150,000
Dividend allowance	2,000	2,000
Personal Savings Allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,085	1 – 2,049
Scottish basic rate	2,086 – 12,658	2,050 – 12,444
Intermediate rate	12,659 – 30,930	12,445 – 30,930
Higher rate	30,931 – 150,000	30,931 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2020/21	2019/20
	£	£
Personal allowance(2)	12,500	12,500
Married couple's allowance(3)	9,075	8,915
– Maximum income before abatement of relief - £1 for £2	30,200	29,600
– Minimum allowance	3,510	3,450
Transferable Tax allowance for married couples and civil partners(4)	1,250	1,250
Blind person's allowance	2,500	2,450
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	100,000	100,000
Social investment relief	1,000,000	1,000,000

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

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ISA limits	**2020/21**	**2019/20**
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	4,368

Pension contributions

	Annual allowance(1)	**Lifetime allowance**	**Minimum pension age**
	£	£	
2019/20	40,000	1,055,000	55
2020/21	40,000	1,073,100	55

Basic amount qualifying for tax relief £3,600

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £240,000 (2019/20: £150,000) for individuals with threshold income above £200,000 (2019/20: £110,000). It cannot be reduced below £4,000 (2019/20: £10,000).

Employer Supported Childcare

Exemption – basic rate taxpayer(1)	£55 per week	£55 per week

Note: (1) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van(1)	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (1) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2020/21

Emissions	**Electric range (miles)**	**Car benefit %(1) Pre 6 April 2020 registration**	**Car benefit %(1) On/after 6 April 2020 registration**	
0g/km	N/A	0%	0%	
1-50g/km	>130	2%	0%	
1-50g/km	70-129	5%	3%	
1-50g/km	40-69	8%	6%	
1-50g/km	30-39	12%	10%	
1-50g/km	<30	14%	12%	
51-54g/km		15%	13%	
55-59g/km		16%	14%	
60-64g/km		17%	15%	
65-69g/km		18%	16%	
70-74g/km		19%	17%	
75g/km or more		20%	18%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%		
170g/km or more			37%	

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Car benefits – 2019/20

Emissions	**Car benefit %(1)**
0 – 50 g/km	16%
51 – 75 g/km	19%
76 – 94 g/km	22%
95 g/km or more	23% + 1% for every additional whole 5g/km above threshold
165 g/km or more	37%

Note: (1) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

Fuel benefit base figure	**2020/21**	**2019/20**
	£	£
	24,500	24,100

Van benefits	**2020/21**	**2019/20**
	£	£
No CO_2 emissions	2,792	2,058
CO_2 emissions > 0g/km	3,490	3,430
Fuel benefit for vans	666	655

INCOME TAX - CHARGES

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

	2020/21	**2019/20**
Official rate of interest	2.25%	2.5%

INCOME TAX - SIMPLIFICATION MEASURES

Allowances

	2020/21	**2019/20**
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

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

Cash Basis for Unincorporated Businesses	£
Turnover threshold to join scheme	150,000
Turnover threshold to leave scheme	300,000

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CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA)(1)	100%
WDA on plant and machinery in main pool(2)	18%
WDA on plant and machinery in special rate pool(3)	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) (4)	3%

Notes: (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2020 (£200,000 from 1 January 2021) (£200,000 before 1 January 2019).
(2) The main pool rate applies to cars with CO_2 emissions of not more than 110 g/km (from April 2021 not more than 50g/km).
(3) The special pool rate applies to cars with CO_2 emissions greater than 110 g/km (from April 2021 greater than 50g/km). The special pool rate was 8% before 6 April 2019 (1 April 2019 for companies).
(4) The SBA rate was 2% prior to April 2020.

100% First year allowances available to all businesses
1) Capital expenditure incurred by a person on research and development.
2) New zero-emission goods vehicles (until April 2025).
3) New cars if the car either emits not more than 50 g/km of CO_2 (0 g/km of CO_2 from April 2021) or it is electrically propelled (until April 2025).
4) Electric vehicle charging points (until April 2023).

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits		**2020/21**			**2019/20**	
	Annual	**Monthly**	**Weekly**	**Annual**	**Monthly**	**Weekly**
Lower earnings limit (LEL)	£6,240	£520	£120	£6,136	£512	£118
Primary threshold (PT)	£9,500	£792	£183	£8,632	£719	£166
Secondary threshold (ST)	£8,788	£732	£169	£8,632	£719	£166
Upper earnings limit (UEL)/ Upper secondary threshold for under 21 (UST)(1) Apprentice upper secondary threshold for under 25 (AUST)(2)	£50,000	£4,167	£962	£50,000	£4,167	£962

	2020/21	2019/20
Class 1 primary contribution rates		
Earnings between PT and UEL	12%	12%
Earnings above UEL	2%	2%
Class 1 secondary contribution rates		
Earnings above ST (1)(2)	13.8%	13.8%

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

	2020/21	**2019/20**
Employment allowance		
Per year, per employer	£4,000	£3,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Normal rate	£3.05 pw	£3.00 pw
Small profits threshold	£6,475 pa	£6,365 pa
Class 3 contributions	£15.30 pw	£15.00 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£9,500	£8,632
Annual upper profits limit (UPL)	£50,000	£50,000
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

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OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.20 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £151.20
Statutory sick pay	£95.85 per week

Student Loan	Plan 1:	9% of earnings exceeding £19,390 per year (£1,615.83 per month/ £372.88 per week)
	Plan 2:	9% of earnings exceeding £26,575 per year (£2,214.58 per month /£511.05 per week)
Postgraduate Loan		6% of earnings exceeding £21,000 per year (£1,750 per month/£403.88 per week)

National living/minimum wage (April 2020 onwards)

Category of Worker	**Rate per hour** £	**Category of Worker**	**Rate per hour** £
Workers aged 25 and over	8.72	18–20 year olds	6.45
21–24 year olds	8.20	16–17 year olds	4.55
Accommodation Offset	£8.20 per day		
		Apprentices	4.15

HMRC INTEREST RATES

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

CAPITAL GAINS TAX

	2020/21	**2019/20**
Annual exempt amount for individuals	£12,300	£12,000

CGT rates for individuals, trusts and estates		
Gains qualifying for business asset disposal[(1)]/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band[(2)]	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates[(3)]	20%	20%

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

Business Asset Disposal[(1)] relief	**2020/21**	**2019/20**
Relevant gains (lifetime maximum) [(2)]	£1 million	£10 million
Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

Note: (1) Formerly called entrepreneurs' relief
(2) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

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Retail Prices Index

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

Lease percentage table

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

ADIT EXAMINATIONS

2021

TAX TABLES

CORPORATION TAX

Financial year	**2020**	**2019**	**2018**
Main rate	19%	19%	19%

EU definition of small and medium sized enterprises

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

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

VALUE ADDED TAX

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

Limits	**From 1.4.20**	**From 1.4.19**
	£	£
Annual registration limit	85,000	85,000
De-registration limit	83,000	83,000

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

ADVISORY FUEL RATES (as at 1 June 2020)

Engine size	**Petrol**	**LPG**	**Engine size**	**Diesel**
1400cc or less	10p	6p	1600cc or less	8p
1401cc to 2000cc	12p	8p	1601cc to 2000cc	9p
Over 2000cc	17p	11p	Over 2000cc	12p

Electricity rate 4p

OTHER INDIRECT TAXES

	2020/21	**2019/20**
Insurance premium tax(1)		
Standard rate	12%	12%
Higher rate	20%	20%

Tobacco products duty	**From 11.3.20**	**From 29.10.18**
Cigarettes	16.5% x retail price + £237.34 per thousand cigarettes (or £305.23 per thousand cigarettes (2))	16.5% x retail price + £228.29 per thousand cigarettes (or £293.95 per thousand cigarettes (2))
Cigars	£296.04 per kg	£284.76 per kg
Hand-rolling tobacco	£253.33 per kg	£234.65 per kg
Other smoking/chewing tobacco	£130.16 per kg	£125.20 per kg
Tobacco for heating	£243.95 per kg	£234.65 per kg(3)

Notes: (1) Premium is tax inclusive ($^3/_{28}$ for 12% rate and $^1/_6$ for 20% rate).
(2) The £305.23/£293.95 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).
(3) From 1.7.19.

ADIT EXAMINATIONS

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TAX TABLES

INHERITANCE TAX

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

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

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2021	£325,000

Residence nil rate bands(2)

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2021	£175,000

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

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

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	**From 1.4.20**	**From 1.4.19**
>£0.5m - ≤ 1m	£3,700	£3,650
> £1m - ≤ 2m	£7,500	£7,400
> £2m – ≤ 5m	£25,200	£24,800
> £5m – ≤ 10m	£58,850	£57,900
> £10m – ≤ 20m	£118,050	£116,100
> £20m	£236,250	£232,350

STAMP DUTY/SDRT

Stamp duty(1)	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax(1)	- On agreements to transfer shares(2)	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes: (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).
(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

ADIT EXAMINATIONS

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TAX TABLES

STAMP DUTY LAND TAX

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

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

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

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

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

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

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

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

Basic Rate %(1)(2)(3)	Residential	Rate %(1)	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

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

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

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

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

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

Note: (1) Residential leases are generally exempt