

The Chartered Institute of Taxation

Advanced Technical

Taxation of Individuals

November 2023

Suggested solutions

ANSWER 1

The conversion of cryptocurrency into sterling and the conversion into another cryptocurrency are disposal events for Capital Gains Tax purposes. Based on the information provided by Jason, he does not appear to be trading in cryptocurrencies so there is no requirement to consider Income Tax on his transactions. This is because it does not appear that he is buying and selling cryptocurrency with sufficient frequency, level of organisation and sophistication for the activity to amount to a trade and he is not undertaking mining activities.

Bitcoin purchases

Jason bought Bitcoin in May and August 2021 using sterling. These purchases are not a taxable event. The base cost of the Bitcoin is as follows:

No.	Purchase price + fees
1	£8,100
<u>2</u>	<u>£20,250</u>
3	£28,350

Purchase of Ethereum using Bitcoin

On 31 March 2022, Jason used half of his Bitcoin to purchase 10 Ethereum. He therefore made a chargeable disposal as follows:

Proceeds:	$1.5 \times £50,000 =$	£75,000
Cost	$1.5/3 \times £28,350 =$	<u>(£14,175)</u>
Net gain		£60,825
AEA:		<u>(£12,300)</u>
Taxable gain		£48,525
Tax at 20%		£9,705

Base costs of Bitcoin and Ethereum at 5 April 2022

Jason now has the following base costs:

1.5 Bitcoin	£14,175
10 Ethereum	£75,285

2021/22 tax return

Jason should have disclosed his cryptocurrency gain for the 2021/22 tax year. If he didn't he should file an amended return by 31 January 2024 at the latest. HMRC interest will be charged on any late payment from the date it was originally due, 31 January 2023 to the date paid.

Purchase of Tether with Ethereum

On 1 June 2022, Jason used 3 Ethereum to purchase 5 Tether which is again a chargeable transaction as follows:

Proceeds:	3 x £5,000 =	£15,000
Cost:	3/10 x £75,285	(£22,586)
Loss:		(£7,586)

This loss must be set off against gains in the same year with any remaining loss carried forward to offset against future capital gains in excess of the annual exempt amount from any chargeable assets.

Addition of wife to portfolio

By adding his wife onto his cryptocurrency account, Jason has made a disposal of 50% of his holdings to his wife. As this is a spousal transfer, there will be no capital gains tax due as the transfer is carried out on a No Gain/No Loss basis. Jason's wife acquires 50% of the cryptocurrency held at the date of transfer at Jason's base cost and any future gains or losses arising on her share will be taxable on her.

Disposal on 15 April 2023

Proceeds	£20,000
Base cost (note 1)	<u>9,450</u>
	10,550
1/2 share Jason	£5,275
Less annual exempt amount	<u>(5,275)</u>
	-

Loss to carry forward £7,586

1/2 share Anna	£5,275
Less annual exempt amount	<u>(5,275)</u>
	-

Note 1

Base cost	
1/1.5 x £14,175`	9,450

MARKING GUIDE

TOPIC	MARKS
Cryptocurrency transactions disposal for capital gains tax purposes	1
No indication he is trading so income tax not considered with reason	2
Purchase of Ethereum using Bitcoin:	
Identification of chargeable disposal	1
Calculation	1
Calculation of loss on purchase of Tether with Ethereum	1
Use of loss	1
Transfer to spouse – tax implications	1
Calculation of part disposal of Bitcoin:	
Pooling rule	1
Calculation	1
TOTAL	10

ANSWER 2

House/Holiday Home

Where an "asset" is entirely destroyed, the destruction of the asset is treated as a deemed disposal for Capital Gains Tax purposes. Where there are buildings on land, the position under general law is that the "asset" for this purpose is the underlying land. As land can never be entirely destroyed, the default position is that no deemed disposal takes place on the demolition of the building.

Under this default treatment, no capital gain or loss would arise for Patrick when the house is demolished. The base cost of the holiday home and the land it occupies would be as follows:

	£
Land and House	425,000
Cost to build holiday home	<u>385,000</u>
	810,000

It is possible to elect under s.24(3) TCGA 1992 for the default treatment not to apply. This would mean that the building is treated as an asset that is separate and distinct from the land on which it stands.

Patrick would need to notify HMRC in writing if he wanted s.24(3) TCGA 1992 to apply. The effect of this for Patrick would be that on the demolition of the building, a capital loss of £245,000 (W1), would arise.

Patrick would also be treated as though he had disposed of, and immediately reacquired, the land at market value on the demolition date. This would give rise to a gain of £10,000. (W1).

He would have to use £10,000 of the loss on the building against the gain on the land. This would leave a balance of £235,000 available to offset against other gains in the year or to carry forward to offset against future gains.

Patrick would need to notify HMRC of the loss within four years of the end of the tax year in which it arose.

If Patrick chose to make the application, the base cost of the holiday home and the land it occupies would be as follows:

	£
Land	210,000
Cost to build holiday home	<u>365,000</u>
	575,000

Patrick may wish to make the election and trigger a capital loss if he is likely to sell other assets that would give rise to gains before he sells the holiday home. However, he should be aware that the other effect of making the election is that when he sells the holiday home, he will have a lower base cost. If he has not used all the loss that was triggered by the election, he can use this against any gain on the holiday home.

Field

A sale of land by an individual who is not trading in land would usually give rise to a Capital Gain. However, there is a risk that HMRC might seek to apply the Transactions in UK Land provisions.

These provisions apply where one or more of the following conditions is met:

Condition A: Land is acquired with the main purpose, or one of the main purposes, of realising a profit or gain from its disposal

Condition B: Property deriving its value from land (for example, shares in a company which owns land) is acquired with the main purpose, or one of the main purposes, of realising a profit or gain from disposing of the land

Condition C: Land is held as trading stock

Condition D: Land is developed with the main purpose, or one of the main purposes, of realising a profit from disposing of the developed land

HMRC are likely to argue that condition A applies in Patrick's situation. His original intention was to carry out a property development project and even though this is not now going ahead, he is still seeking to make a profit from the land by selling it to a developer. The fact that Patrick approached the developer rather than them approaching him, also points towards a profit seeking motive.

If HMRC determine that the sale is caught by the Transactions in UK Land rules, this would lead to any profit being subject to Income Tax rather than Capital Gains Tax.

The net profit would be £38,620 (W2). This would be subject to Income Tax at 40%. The tax would be due by 31 January following the end of the tax year in which the sale takes place. Based on Patrick's income, this profit would mean that his personal allowance would be restricted. An individual's personal allowance is reduced by £1 for every £2 of income over £100,000. His new personal allowance would therefore be £4,475.

Working One

Position if an Election is Made

	Land £	House £
Deemed Proceeds	210,000	0
Cost	(180,000)	(245,000)
Demolition Costs	(20,000)	
Net Gain/(Loss)	10,000	(245,000)

Working Two

Sale of Field

	£
Proceeds	400,000
Cost	(360,000)
Planning Application Costs	(1,380)
	38,620

MARKING GUIDE

TOPIC	MARKS
Destruction of an asset is treated as a deemed disposal for Capital Gains Tax	1
Default position is that the asset is the underlying land, which cannot be entirely destroyed	1
No gain or loss under default treatment	1
Base cost of holiday home & land under default treatment	1
Can elect for the default treatment not to apply	1
Method of Making Election	½
State that the election would give rise to a loss on the building	½
State the amount of the loss	1
State the effect of the election in relation to the land	½
Calculate the gain on the land	½
Discuss use of loss	1
State deadline to notify HMRC of the loss	½
State base cost of holiday home plot	1
Explain the implications of the election and the reasons why Patrick may wish to make it	1
Sale of land is usually subject to Capital Gains Tax	½
Transactions in UK Land rules may apply	1
Conditions	1
Application of the conditions to Patrick's proposed transaction	1½
Tax implications if the Transactions in UK Land rules apply	½
Calculate the profit	1
Tax would be at 40%	½
Loss of personal allowance	1
Calculation of new personal allowance	1
Due date for Income Tax	½
TOTAL	20

ANSWER 3

	£
Income Tax (W1)	1,127
Capital Gains Tax (W2)	<u>19,617</u>
Total 2022/23 liability	20,744

Working One
Income Tax

s.811 ITA 2007 sets out a limit on the UK tax liability of a non-UK resident individual. The maximum liability under this section for Daisy is as follows:

	£
Deemed tax deducted from disregarded income: 9,485 x 8.75%	829
Tax on non-disregarded income: 5,637 x 20%	<u>1,127</u>
	1,956

The above liability is then compared to a tax liability calculated using the usual rules, with the personal allowance included. For Daisy, this would be as follows:

	£	£	£
Net rent	5,637		
Interest		21,951	
Dividends			9,485
Personal allowance	(5,637)	(6,933)	
Taxable	<u>0</u>	<u>15,018</u>	<u>9,485</u>

	£
Interest:	
5,000 x 0%	0
1,000 x 0%	0
9,018 x 20%	1,804
Dividends:	
2,000 x 0%	0
7,485 x 8.75%	654
	<u>2,458</u>

£2,458 is higher than £1,956, therefore it is not beneficial for Daisy to claim the personal allowance.

Her Income tax liability will be £1,956 - £829 = £1,127 (Note 1)

Note 1: The £829 deemed tax on the dividends can be deducted from Daisy's liability.

Working Two
Capital Gains Tax

Non-UK residents have only been liable to UK Capital Gain Tax on the sale of residential properties since April 2015. There are three options for a non-UK resident to calculate their capital gain on a residential property sale.

Option One: The default method

Under this option, the April 2015 market value is used as the deemed cost of the property.

	£	
Proceeds		495,000
Less:		
Costs of sale	(6,671)	
April 2015 market value	(375,000)	
Parking area	(2,980)	
Net gain		<u>110,349</u>
Private Residence Relief (PRR) – Note 1		
9/86 x £110,349	(11,549)	
Gain after PRR		<u>98,800</u>

Option Two: Retrospective basis

Under this option, the gain is simply calculated as normal taking into account the entire ownership period.

	£	
Proceeds		495,000
Less:		
Costs of sale	(6,671)	
Cost	(117,763)	
Extension	(54,334)	
Parking area	(2,980)	
Net gain		<u>313,252</u>
PRR (see below)		
71/277 x £313,252	(80,292)	
Gain after PRR		<u>232,960</u>

Total period of ownership

30/04/1999 to 31/05/2022: 23 years and 1 month = 277 months

Period of occupation

30/04/1999 to 30/06/2004: 5 years and 2 months, plus deemed occupation for final 9 months = 71 months

Option Three: Time apportioned

Under this option, the gain is calculated as for option two and then time apportioned to find the gain arising after 5 April 2015.

Net gain (as for option two): £313,252

Chargeable proportion

06/04/2015 to 31 May 2022: 7 years and 2 months = 86 months

	£
$£313,252 \times 86/277 =$	97,255
Private Residence Relief (PRR) Final 9 months only $9/86 \times £97,255$	(10,178)
Gain after PRR	<u>87,077</u>

This is the lowest gain. Daisy should elect for the default method not to apply.

Taxable: £87,077 - £12,300 = £74,777

Tax due:

Balance of basic rate band:

	£
Total band	37,700
Total Income (£5,637 + £21,951 + £9,485)	<u> </u>
Less personal allowance £12,570	<u>(24,503)</u>
	13,197

	£
$13,197 \times 18\%$	2,375
$61,580 \times 28\%$	<u>17,242</u>
	19,617

This tax is due within 60 days of the date of completion along with a completed Capital Gains Tax on UK Residential Property Return.

Note 1: As Daisy has lived in the property, she is eligible to claim Private Residence Relief (PRR). Where the gain has been calculated using either the default method or time apportionment, the period of ownership is treated as starting on 6 April 2015 for this purpose. The final nine months of ownership will always be treated as a period of occupation. This will be the case even where the taxpayer's period of occupation falls entirely before 6 April 2015.

MARKING GUIDE

TOPIC	MARKS
Income Tax:	
Explain impact of s811 ITA 2007	½
Calculate Daisy's maximum liability	1
Comment on availability or otherwise of personal allowance	½
Deduct personal allowance in standard liability calculation	½
Starting rate	½
Savings allowance	½
Basic rate on interest	½
Dividend allowance	½
Basic rate on dividends	½
Not beneficial for Daisy to claim the personal allowance	1
Calculate Daisy's net Income Tax Payable	1
Capital Gains Tax:	
Explain the three calculation methods available to non-UK residents & the relevance of April 2015	1½
Calculate gain using the default method	1½
Calculate Private Residence Relief for default method	1
Calculate gain using retrospective basis	1½
Calculate Private Residence Relief for retrospective basis	1
Calculate chargeable amount under the time apportionment method	1
Calculate Private Residence Relief for the time apportionment method	½
Daisy can elect for default method not to apply	1
Explain availability of Private Residence Relief	1½
Deduct Annual Exempt amount	½
Calculate the available basic rate band	1
Calculate the Capital Gains Tax liability	1
State due date for Capital Gains Tax	½
TOTAL	20

ANSWER 4

Unapproved share options are subject to Income Tax based on the difference between the market value at exercise and the option price. Where the conditions are met, HMRC Tax advantaged schemes do not require Income Tax to be paid at exercise, rather the difference between the grant price and the market value at the point of disposal is subject to CGT at 10% or 20%.

The taxpayer may also be liable to National Insurance and would pay Income Tax via PAYE if the shares acquired could be classed as "Readily Convertible Assets" (RCAs), i.e. whether there is an open market for the sale of the shares such as a stock exchange, or an agreement in place with a third party to purchase the shares.

No NIC or PAYE will be due on any of Robert's transactions as the shares are not RCAs.

2019 Option Shares

As the options were granted in a period when Robert was non-UK resident for tax purposes we must consider the 'relevant period' when calculating the UK tax due. The relevant period is the the period from date of grant to date of vesting i.e. 1 June 2019 to 1 June 2020. On the basis that Robert resumed UK residence on 1 January 2020, 5/12ths of his exercise would be subject to UK income tax and 7/12ths would not be taxable in the UK (as they do not relate to UK duties).

Apportionment of options for UK residence:

5/12 x 10,000		4,167
MV at exercise	4,167 x £4	16,668
Less: Option price	4,167 x £1	<u>(4,167)</u>
Subject to IT		12,501
Income tax @ 45%		£5,625
CGT Base cost	10,000	£40,000

2020 Option Shares

These shares would have been subject to Income Tax on the difference between the market value and option price at the time of exercise.

The base cost of the shares is 20,000 x £2.50 = £50,000, being the amount paid plus the amount subject to Income Tax.

CGT position 2019 & 2020 Options Shares

	£
Proceeds (30,000 x £4)	120,000
Base cost	(90,000)
Gain	30,000
Annual Exempt Amount	(12,300)
Taxable gain	17,700
Tax @ 20%	3,540

The disposals do not qualify for BADR as the company is not Robert's personal company as he does not hold 5% of the ordinary share capital.

2021 Option Shares

CSOP shares can be granted up to a maximum of £30,000 value and there is no charge to Income Tax or NICs when an option is exercised between three and ten years from the date of grant. If Robert were to exercise his options before 1 June 2024 they would lose their tax advantaged status. They would instead be taxed as non tax advantaged options:.

MV at exercise	15,000 x £4	£60,000
Less:		
Option price	15,000 x £1.50	<u>(£22,500)</u>
Subject to IT		£37,500
@45%		£16,875

If sold immediately there would be no CGT due as the base cost is equal to the amount subject to income tax.

If Robert waited until 3 years from the date of grant to exercise and sell his shares, no Income Tax would be payable on exercise and the CGT position would be as follows (assuming he is still a higher rate taxpayer and that his CGT annual exemption is available):

MV at exercise	£60,000
Less:	
Option price	<u>(£22,500)</u>
Net gain	£37,500
AE	<u>(£12,300)</u>
Taxable gain	£25,200
@ 20%	£5,040

2022 Option shares

There would be no charge to Income Tax or NIC on the exercise of the EMI options.

The CGT base cost is based on the grant cost of the option i.e. £100,000 (£2 x 50,000).

The CGT payable on disposal would be £20,000 ((£4 x 50,000 - £100,000) @ 20%)

The requirement for Business Asset Disposal Relief to hold 5% of the ordinary share capital does not apply to the disposal of EMI shares. However, the options must have been granted at least two years prior to the share disposal. Assuming Robert has not otherwise used his lifetime allowance a claim for BADR reduces the rate of CGT on the disposal to 10%.

Consequently, if Robert delayed the exercise of the shares until 1 June 2024 and then sold them immediately, he would potentially save £10,000 (((£4- £2) x 50,000) @ 10%), assuming the market value of the shares remains stable and his annual exempt amount is used against the 2021 option shares.

If delaying selling the 2021 and 2022 options shares Robert must bear in mind the fact that market value of the share could fall prior to 2024 and his colleague may no longer be willing to buy them.

MARKING GUIDE

TOPIC	MARKS
Unapproved - IT on exercise	0.5
NI position and definition of RCAs	1
Tax advantaged scheme - Tax advantageous and CGT only	0.5
2019 shares - 'Relevant period' and identify apportionment required for period of UK res/Non-res	2
Calculation of IT due	1
2019 option shares – base cost	1
2020 option shares – base cost	1
NO BADR on 2019 & 2020 option shares	0.5
In order to retain the CSOP advantages, shares must be held for at least 3 years.	1
Calculation of IT due if exercised before qualifying date	1
Calculation of tax if waits three years	1
No IT regardless of exercise date	1
Calculation of CGT on disposal	1
2022 - EMI shares must be held for at least 2 years to obtain BADR	1
BADR available on EMI shares even though doesn't hold 5%	0.5
Tax saving if held 2 years	1
TOTAL	15

ANSWER 5

Rakesh:

	Workings	£
Rental income:		
Salon:		
Lease premium	1	24,600
Annual rent	2	2,291
Bakery:		
Lease premium	3	-
Annual rent		4,375
Residential property profit	4	22,045
Trading profit		<u>16,800</u>
Total income		70,111
Less: Personal allowance		<u>(12,570)</u>
Taxable income		<u>57,541</u>
Income tax:		
Scottish starter rate £2,162 at 19%		410
Scottish basic rate £10,956 at 20%		2,191
Scottish intermediate rate £17,974 at 21%		3,774
Scottish higher rate £26,449 at 41%		<u>10,844</u>
		<u>17,219</u>
Capital gains tax:		
Gain (bakery)	3	3,209
Gain (salon)	1	<u>318</u>
Total gain		3,527
Less: annual exempt amount		<u>(3,527)</u>
Taxable gain		<u>Nil</u>

Workings:

Note – Rakesh’s property income would be automatically taxable on the cash basis as his total turnover is less than £150,000 per annum. However, it would be beneficial for him to elect for the accrual basis as the amounts received in June and September 2022 would be apportioned according to the tax years they relate to, rather than being fully taxable in 2022/23, thus resulting in lower taxable income in 2022/23. This is beneficial because his income is higher than usual in 2022/23 due to the premium; his income is likely to be at a lower rate in future years.

1. Lease of salon to Pamela:

Lease is short (less than 50 years) so part of the premium is charged to income tax as property income in the year of grant.

Premium	30,000
Less: $2\% \times 30,000 \times (10 - 1)$	<u>(5,400)</u>
Property income	24,600

The rest of the premium will be subject to CGT:

Capital element of premium	5,400
Less:	
Cost $80,000 \times 5,400 / (30,000 + 55,000)$	<u>(5,082)</u>
Gain	318

2. Annual rent $2,750 \times 10/12 = £2,291$

3. Lease of bakery to Daniel:

Lease is long (more than 50 years) so the entire premium is charged to capital gains tax in the year of grant.

Part disposal of freehold.	
Premium	46,000
Less:	
Cost $80,000 \times 46,000 / (46,000 + 40,000)$	<u>(42,791)</u>
Gain	3,209

Annual rent $7,500 \times 7/12 = \text{£}4,375$

4. Residential flat:

Rental income	24,700
Less:	
Management fees	(2,000)
Inventory fee	(195)
Washing machine (replacement of a domestic item)	<u>(460)</u>
Taxable profit	22,045

Pamela:

	Workings	£
Rental income:		
Salon:		
Sub-lease premium	5	(1,032)
Annual rent	6	333
Trading profit		12,400
Less: Personal allowance		<u>(12,570)</u>
Taxable income		<u>Nil</u>
Capital gains tax:	7	<u>Nil</u>

Workings:

5. Rental income on sub-lease of salon to Mary:	
Premium	9,000
Less: $2\% \times 9,000 \times (3 - 1)$	<u>(360)</u>
	8,640
Less: allowance for original premium paid ($24,600 \times 3/10$)	(7,380)
Less: rent payable to Rakesh for the period if on accruals basis ($2,750 \times 10/12$)	(2,292)
Property income/(loss)	(1,032)

6. Annual rent $1,000 \times 4/12 = \text{£}333$

Pamela's property income is also automatically assessed on the cash basis because her income is below £150,000. It would be beneficial for her to claim the accruals basis because next year's income is much lower than the personal allowance. Apportioning the annual rent on the accruals basis will result in a lower tax liability in 2022/23 and no tax liability in 2023/24.

7. Capital gain on sub-lease of salon to Mary:	
Proceeds	9,000
Less: Cost (reduced by premium relieved against trading income)	
(24,600/10) x 0.5 = 1,230	
(30,000-1,230) = 28,770 x (44.295 – 33.305)/46.695	<u>(7,159)</u>
Premium paid by Pamela x (s-x)/y	
S = years remaining at grant of sub-lease December 2022 = 9.5 =	
(43.154+46.695)/2 = 44.925%	
X = years remaining at expiry of sub-lease December 2025 = 6.5 =	
(31.195+35.414)/2 = 33.305%	
Y = years remaining at acquisition of head-lease June 2022 = 10 = 46.695%	
Gain	1,841
Less: Charged as property income	<u>(Nil)</u>
Chargeable gain	1,841

Gain will be covered by Pamela's annual exempt amount, so no CGT is payable.

MARKING GUIDE

TOPIC	MARKS
Rakesh	
Calculation of premium income element	1
Salon annual rent	0.5
Taxed automatically on cash basis	0.5
Accrual basis more beneficial	0.5
Identify bakery long lease	0.5
Calculate residential property profit	1
Personal allowance	0.5
Calculate income tax liability – Scottish rates	1.5
Capital gain on bakery lease	1
Capital gain on salon lease	1
Annual exempt amount	0.5
Capital gains tax liability	1
Pamela	
Calculation of income element/(loss)	1.5
Calculation of capital gain element	1
Reduction of cost for premium relieved against trading income	1
Calculate income tax liability	0.5
Personal allowance	0.5
Capital gains tax liability	0.5
Annual exempt amount	0.5
TOTAL	15

ANSWER 6

Termination package:

Contractual payments received by Samantha are automatically taxed as earnings and are subject to Income Tax and Class 1 NIC in full. Non-contractual payments are subject to s401 ITEPA 2003 instead of being treated as earnings, so may fall under a specific exemption.

On this basis, the amounts Samantha received are taxed as follows:

- Contractual PILON is earnings, £36,500 is subject to Income Tax and Class 1 NIC.
- Non-contractual cash payment £45,000 and statutory redundancy payment £13,000 less £30,000 exemption = £28,000 subject to Income Tax and Class 1A NIC
- Some items are exempt: cost of retraining course & employer pension contribution to registered pension scheme.
- Restrictive covenant payment £7,500 subject to Income Tax and Class 1 NICs in full.

As the termination package is paid by the UK branch, and all of Samantha's employment duties are performed in the UK, taxation will be as set out above. Samantha cannot claim the remittance basis in respect of this income because it constitutes UK income.

Income tax and Class 1 NIC will have been collected via PAYE.

Share disposal:

Samantha has realised a capital gain on the sale of her shares. The gain is calculated as proceeds £28,000 less base cost £15,000 = gain of £13,000. This, less her annual exempt amount (assumed available), is subject to Capital Gains Tax at 20% in 2022/23.

However, as the shares are US situs and the proceeds were received in Samantha's non-UK bank account, she could claim the remittance basis. As a result, the gain would not be subject to CGT unless she remits the proceeds to the UK.

Samantha can claim the remittance basis without any remittance basis charge being payable since she has been UK resident for fewer than 7 of the last 9 tax years.

However doing so would forfeit her personal allowance and her annual exempt amount. Given the level of her income in 2022/23 is over £125,140 her PA would be tapered to nil anyway. Therefore, unless she plans to remit the sale proceeds, it would be beneficial to claim the remittance basis in 2022/23.

		£
Employment income	(146,000 x 7/12)	85,166
New employment income	(158,000 x 3/12)	39,500
Termination package		
	N/c cash payment	45,000
	Statutory redundancy	13,000
	Exemption	(30,000)
	PILON	36,500
	Restrictive covenant	7,500
		<hr/> 72,000
Net income		196,666
Less: personal allowance		-
Taxable income		<hr/> 196,666
Income tax:		
Tax on non-savings income		
Basic rate band £37,700 at 20%		7,540
Higher rate band £112,300 at 40%		44,920
Additional rate band £46,666 at 45%		21,000
Income Tax liability		<hr/> 73,460

Capital Gains Tax liability:

Nil on assumption remittance basis claim made and no remittance of proceeds

NIC:	£
Primary threshold	
- to 5 July 2022	823
- from 6 July 2022	1,048
Upper earnings limit	4,189

Samantha's monthly earnings:

Regular month first job = $146,000/12 = 12,166$

October 2022 (termination month) = $12,166 + 36,500 + 7,500 = 56,166$

Regular month new job = $158,000/12 = 13,166$

Class 1 NICs:

$(4,189 - 823) \times 13.25\% \times 3 =$ 1,337

$(12,166 - 4,189) \times 3.25\% \times 3 =$ 777

$(4,189 - 1,048) \times 13.25\% \times 3 =$ 1,248

$(12,166 - 4,189) \times 3.25\% \times 3 =$ 777

$(4,189 - 1,048) \times 13.25\% =$ 416

$(56,166 - 4,189) \times 3.25\% =$ 1,689

$(4,189 - 1,048) \times 13.25\% \times 3 =$ 1,248

$(13,166 - 4,189) \times 3.25\% \times 3 =$ 875

8,367

MARKING GUIDE

TOPIC	MARKS
Termination package:	
Subject to income tax and NICs under s.401 ITEPA 2003	1
Non-contractual cash payment – income tax & class 1A NIC	1
Statutory redundancy payment – income tax & class 1A NIC	1
PILON – automatically earnings as contractual – income tax & class 1 NIC	1
Cost of retraining course – exempt	0.5
Restrictive covenant – income tax & class 1 NIC on full amount	1
Employer pension contribution – exempt	0.5
£30,000 exemption – deducted from cash payment & statutory redundancy payment	0.5
Paid by UK company so can't benefit from claiming the remittance basis	0.5
Income tax & class 1 NIC collected via PAYE	0.5
Share disposal:	
Capital gain on shares (proceeds less base cost = gain of £13,000)	1
US shares & proceeds received in non-UK account so could claim remittance basis	1
No remittance basis charge payable as only UK resident since 2021/22	0.5
Loss of personal allowance - but would lose anyway because of income level in 2022/23	1
If proceeds are ever remitted to UK, would be subject to CGT	0.5
If remittance basis is not claimed, subject to CGT but annual exemption available	1
Recommend claiming remittance basis in 2022/23	0.5
Calculation of Income Tax and CGT liabilities	4
Calculation of NIC liability	3
TOTAL	20