

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2025

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 in Pound Sterling, unless otherwise stated. Any monetary calculations should be made to the nearest whole Pound. Any necessary time apportionments in your calculations should be made to the nearest whole month.
- 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 2025 Tax Tables

PART A

You are required to answer BOTH questions from this Part.

1. On 1 April 2023, Daniel Door, a United Kingdom citizen and UK domiciled individual, left the UK with his wife, Frederica, to live in Spain where he became tax resident. In the 2023/24 tax year, Daniel received a £40 million dividend from his shareholding in AI-5, a public listed company, where he was a non-executive director.

After receiving the dividend, Daniel immediately resigned as a director and sold his shares, generating a capital gain of £160 million. The couple have two adult children and three grandchildren, all of whom are resident in the UK but often visit the couple's Spanish home.

On 1 February 2025 you received an urgent email from Frederica, explaining that Daniel had suffered a very serious skiing injury in Switzerland and, for purely family reasons, had decided to immediately fly back to the UK under medical supervision.

Frederica has sent you a day count, as of 1 February 2025, of Daniel's 2024/25 whereabouts, showing the number of days spent in each country:

	<u>Days</u>
Spain	95 (spent in his Spanish home)
UK	70 (spent entirely in hotels, and used to visit friends and family)
Italy	40
Other countries	97
	302 (6 April 2024 to 31 January 2025)

Daniel was given strict medical advice to remain in hospital until the end of February 2025, as any earlier travel would be very detrimental to his health.

The couple have homes in several countries, including Spain and the UK. Daniel has maintained an extensive library of English literature in both their Spanish and UK homes. However, Daniel has not stayed at the couple's UK home since he left the UK on 1 April 2023, despite it remaining fully furnished and available for use.

Daniel only worked in the UK for more than three hours on five occasions during the 2024/25 tax year, and did no work at all in Spain. Daniel had spent 92 days in the UK in 2022/23 and 30 days in 2023/24; Frederica accompanied Daniel on all of his visits. In addition, in 2024/25 Frederica worked in the UK for more than three hours on 45 days.

You have been approached to advise Frederica regarding Daniel's UK residence status for 2024/25, on the assumption that Daniel spent the period of 1-28 February 2025 in hospital in the UK, and the period of 1 March to 5 April 2025 in Spain.

You are required to:

- 1) **Discuss Daniel's expected UK tax residence position under the Statutory Residence Test (SRT) for the 2024/25 tax year. You should assume that Frederica's travel pattern mirrors Daniel's.** (15)
- 2) **Assuming that Daniel is UK tax resident under the SRT, explain his position under the residence article of the Spain-UK double tax agreement (DTA). You should assume that Daniel is Spanish tax resident in 2024/25 and that the DTA follows the OECD Model Tax Convention.** (5)
- 3) **Assuming that Daniel is UK resident under the SRT for 2024/25, explain how Daniel's income and gains arising in 2023/24 will be taxed in the UK. You should ignore any potential implications of the Spain-UK DTA.** (5)

You should assume that Daniel and Frederica were UK non-resident in 2023/24.

Total (25)

2. Solaris Future SA is a solar panel manufacturing company, incorporated and tax resident in Spain.

The solar panels are manufactured in Spain, using intellectual property also held in Spain. The company currently has a minimal presence in the United Kingdom, consisting of an English language website based on a UK server through which it sells a small number of solar panels to UK customers.

Solaris Future SA now plans to expand its UK operations, and is considering the following two potential options to achieve this:

- 1) Opening a branch in the UK to provide marketing services and technical support to UK customers. The UK branch will not have any role in negotiating or concluding sales contracts with UK customers. The solar panels will continue to be installed by independent third party contractors.

The UK employees will be based in office premises in London owned by an unconnected company and rented by Solaris Future SA on a short-term basis. The company will hold some board meetings in the UK office, but all major strategic decisions will continue to be formally signed off in the Spanish head office.

- 2) Incorporating a UK company, Solaris UK Ltd, which will be wholly owned by Solaris Future SA. Solaris UK Ltd will provide technical and sales support to UK customers and will also employ a team of technicians for solar panel installation.

Solaris UK Ltd will acquire office premises in the UK. The board of Solaris UK Ltd will include both UK and Spanish-resident directors, but all board meetings will take place in London.

Should option 2 be selected, Solaris Future SA intends to provide Solaris UK Ltd with a £100 million loan at an interest rate of 4.5% to cover the following costs:

- Office premises (£40 million);
- Plant and machinery for use in the installation of solar panels (£25 million); and
- Working capital requirements (£5 million)

The remaining £30 million will be used by Solaris UK Ltd to acquire a 5% stake in Solaris Research SA, a company incorporated and tax resident in Spain that is currently a 100% subsidiary of Solaris Future SA. Solaris Research SA is currently loss-making, but is considered to be strategically important to the Solaris group as it provides important research and development services to Solaris Future SA. The £30 million investment by Solaris UK Ltd would therefore support the commercial objectives of the Solaris group.

Once Solaris UK Ltd is incorporated, its board of directors will formally approve the loan from Solaris Future SA.

The loan is unaffected by the UK's Corporate Interest Restriction regime, the loan amount and terms (including the interest rate) are at arm's length, and neither the loan instrument or entities involved have any hybrid features.

You may assume that the double tax agreement between the UK and Spain follows the OECD Model Tax Convention 2017.

You are required to prepare a memo, advising the board of Solaris Future SA on the following:

- 1) **The UK corporate tax implications of the current structure and the two options for expansion into the UK.** (13)
- 2) **An overview of the unallowable purpose rule and the possible impact on the proposed loan under option 2.** (8)
- 3) **The withholding and UK corporate tax implications of any dividend payments received and paid by Solaris UK Ltd under option 2.** (4)

Total (25)

PART B

You are required to answer ONE question from this Part.

3. Freja Hansen is a United Kingdom resident, non-domiciled taxpayer, who has always claimed the remittance basis. She has recently spoken to friends who have advised her of the advantages of using an offshore insurance bond as a tax efficient investment 'wrapper'.

Freja currently holds two investment portfolios; one of these contains shares listed on foreign stock exchanges, while the other consists of a selection of foreign private equity investments with significant cash calls expected over several years. Freja also owns shares in a family company. Ideally, Freja would like to transfer all three investments into the wrapper.

Freja is a hands-on investor and personally selects each stock, preferring not to use a discretionary investment manager. She is particularly pleased with the performance of her share portfolio, which has seen significant growth further fuelled by the reinvestment of dividends and capital gains. While Freja has no immediate need to withdraw funds, she anticipates that in five years' time she will need to bring significant funds to the UK, representing 20% of her initial premium.

You are required to:

- 1) **Explain the main tax features of offshore insurance bonds, as well as the tax consequences of withdrawals made from the bonds being remitted by Freja to the UK.** (8)
- 2) **Explain to Freja which of her personally held investments may be held tax efficiently in the wrapper.** (5)
- 3) **Explain the anti-avoidance provisions that may apply, and the actions Freja may take to minimise the associated risk.** (7)

Total (20)

4. You are a tax adviser to London Holdco plc, the United Kingdom-resident holding company of an international group. You have been provided with the following group structure and financial information for the year ending 31 December 2024.

Wholly-owned subsidiaries of London Holdco plc:

- Zurich R&D SA, a company incorporated in Switzerland that undertakes research and development and intellectual property (IP) development activities for the group. It licenses its IP to various group companies. Although incorporated abroad, Zurich R&D SA is treated as UK-resident under the terms of the UK-Switzerland double tax agreement.
- Eire Trading Ltd, an Irish-resident company that provides sale support services to UK group companies. It reports profits of £450,000, subject to Irish Corporation Tax at a rate of 12.5%. All of Eire Trading Ltd's profits arise from its primary trading activity.
- Dutchco BV, a Netherlands-resident company. It has profits of £2 million and pays tax in the Netherlands at a rate of 25.8%.

Minority shareholdings held by London Holdco plc:

- Lux Finco SARL, a Luxembourg-resident investment holding company. It has non-trading finance profits of £400,000, all attributable to UK activities. London Holdco plc holds a 20% shareholding in Lux Finco SARL.
- Cayman Ventures Ltd, an investment holding company resident in the Cayman Islands. It has non-trading finance profits of £1,600,000, also fully attributable to UK activities. London Holdco plc holds a 30% shareholding in Cayman Ventures Ltd.

The remaining shares in both Lux Finco SARL and Cayman Ventures Ltd are held by Airtrain Ltd, an unrelated UK-resident company with no connection to London Holdco plc.

The non-trading finance profits of both Lux Finco SARL and Cayman Ventures Ltd are eligible for the 75% finance company exemption for qualifying loan relationships. No other exemptions apply at either the entity or income level.

Continued

4. Continuation

You are required to:

- 1) **Explain the purpose and key features of the UK's Controlled Foreign Company (CFC) regime. (7)**
- 2) **Evaluate whether any of the above entities give rise to a CFC exposure for London Holdco plc. (6)**
- 3) **Calculate the CFC charge, if any, arising to London Holdco plc for the year ending 31 December 2024. (7)**

Total (20)

PART C

You are required to answer TWO questions from this Part.

5. Chloe Dubois is a wealthy United Kingdom resident, non-domiciled taxpayer, who has been UK resident since 30 July 2012. During the 2012/13 tax year she qualified for the split year basis.

Chloe currently directly holds a large equity portfolio, comprising mainly of stocks listed on non-UK stock exchanges and offshore non-reporting funds, together with several foreign homes available for her personal use, and foreign commercial property which she rents out.

Chloe has approached your firm to understand the tax consequences of becoming UK 'deemed domiciled' and, in particular, has asked you to explain the UK tax consequences of establishing a 'protected settlement'.

You are required to:

- 1) **Identify the first tax year that Chloe Dubois will become UK deemed domiciled, and outline the Income Tax, Capital Gains Tax and Inheritance Tax consequences of acquiring deemed domiciled status.** (8)
- 2) **Explain the tax implications to Chloe of creating a protected settlement.** (7)

Total (15)

6. Jasper Conrad was born in Toronto, Canada in the 1960s. He came to the United Kingdom in the early 1980s to study in Scotland, before moving to London and setting up a successful logistics business. On 1 April 1994, after a meeting with his tax accountant, Jasper established an off-shore discretionary trust (the Jasper No 1 Trust), of which he is also a beneficiary. He funded the trust initially from fully taxed UK profits.

Over the years, the trust accumulated very significant wealth, free of UK taxation. The trust invested in a portfolio of foreign incorporated companies listed on foreign stock exchanges. It also acquired a portfolio of UK commercial property, held directly by the trustees, and a large residential property in London, held through a foreign incorporated company. Jasper became deemed domiciled in the UK for Inheritance Tax purposes, when he satisfied the 17 out of 20-year rule many years ago. In addition, on 6 April 2017, he became deemed domiciled in the UK for Income Tax and Capital Gains Tax purposes under the Finance Act (No 2) 2017.

In 2017, you had several meetings with Jasper to explain the tax regime applying to 'deemed domiciled' taxpayers, and provided him with a memorandum outlining how the Jasper No 1 Trust would be taxed under the new regime. In particular, the value of the UK commercial property remained at its original purchase cost of £8 million throughout the period. However, the UK residential property was valued at £4 million on 6 April 2017, which increased to £5 million on 1 April 2024.

Jasper reminds you that, as a result of a very lengthy tax investigation into his domicile status, it had been agreed with the UK tax authority that he had acquired a 'domicile of choice' in the UK from 1 January 2025. Jasper confirms that the value of the UK residential property had increased to £5,500,000 at that date.

You are required to:

- 1) **Explain to Jasper the Income Tax and Capital Gains Tax consequences of acquiring a domicile of choice in the UK and, in particular, how it may affect the taxation of the income and gains arising in the Jasper No 1 Trust.** (5)
- 2) **Calculate the 10 year anniversary charge occurring in 2024 for the Jasper No 1 Trust. You may assume that no exempt threshold is available.** (5)
- 3) **Outline the Inheritance Tax consequences of Jasper having acquired a domicile of choice in the UK on 1 January 2025.** (5)

Total (15)

7. Health Solutions Ltd is a United Kingdom-resident company which designs and manufactures health monitoring devices. The company has 200 employees, an annual turnover of €60 million and gross assets of €35 million. Health Solutions Ltd is a 100% subsidiary of Health Solutions, Inc., a United States-resident company. The Health Solutions group as a whole has global consolidated revenues of €200 million and a consolidated balance sheet total exceeding €150 million.

Health Solutions Ltd has recorded the following transactions with group companies, all of which are wholly-owned subsidiaries of Health Solutions, Inc.:

- Provision of accounting and payroll support services to Health Ireland Ltd, an Irish-resident company. The fee for these services is calculated by applying a small mark-up to Health Solutions Ltd's costs of providing the services.
- Provision of manufacturing services by Health Pvt Ltd, an Indian-resident company, to Health Solutions Ltd. A profit split method is used to calculate the fee paid to Health Pvt Ltd.
- Provision of research and development (R&D) services to Health China LLC, a Chinese-resident company responsible for developing new products. The fee for these services is calculated by applying a mark-up to Health Solutions Ltd's costs of providing the services.

A recent functional analysis of the group's operations drew the following conclusions:

- Health Pvt Ltd carries out manufacturing services to specifications provided by Health Solutions Ltd. The functionality of Health Pvt Ltd is very similar to many independent contract manufacturers operating in India, although there are some differences in the specific products made by the independent manufacturers. Health Pvt Ltd has significant assets (in the form of manufacturing facilities owned by the company), but is exposed to a limited amount of risk.
- The R&D services provided by Health Solutions Ltd rely on valuable technical knowhow provided by UK R&D personnel. Due to the unique nature of the technical knowhow required, it is unlikely that Health China LLC would have been able to outsource the R&D work to an independent contractor.
- Health China LLC holds intellectual property (IP) which is used in the development of new products. The IP held by Health China LLC is considered highly valuable by the group.

You are required to:

- 1) **Explain whether or not Health Solutions Ltd will qualify for the small and medium-sized enterprise (SME) exemption from the UK transfer pricing rules, and on what basis.** (5)
- 2) **On the assumption that Health Solutions Ltd is within the scope of the UK transfer pricing rules, discuss whether the transfer pricing methodologies applied to Health Solutions Ltd's intra-group transactions are likely to be appropriate.** (5)
- 3) **Outline the benefits and drawbacks of Health Solutions Ltd seeking an Advance Pricing Agreement (APA) in relation to the intra-group transactions.** (5)

Total (15)

8. "Any interest deductions not disallowed under the Corporate Interest Restriction (CIR) regime will be fully deductible for United Kingdom Corporation Tax purposes. Interest disallowed under the CIR regime can be carried forward and offset against profits in future years."

You are required to:

- 1) **Outline the CIR rules.** (6)
- 2) **Discuss the accuracy of the statement above.** (9)

Total (15)

9. AI Optima is a multinational group headquartered in Sweden, specialising in digital transformation consultancy and AI-based software solutions. The group operates globally and has substantial customer sales in the United Kingdom.

The group has significant sales in the United Kingdom, all of which are booked in Optima (Ireland) Ltd, an Irish-resident group company which pays Irish Corporation Tax at a rate of 12.5%. Optima (Ireland) Ltd has no permanent establishment in the UK, either under UK domestic legislation or under the UK-Ireland double tax agreement. The sales structure used by the group results in significant tax savings, compared with the alternatives of AI Optima booking UK sales in a UK-resident company or Optima (Ireland) Ltd trading in the UK through a permanent establishment.

AI Optima's new group tax manager is concerned about the Diverted Profits Tax in relation to the group's arrangements and activities, and the potential for double taxation.

You are required to draft a memo to AI Optima's group tax manager, advising her of the following:

- 1) **The purpose and scope of the Diverted Profits Tax.** (6)
- 2) **Any obligation to notify HMRC of Diverted Profits Tax liability.** (4)
- 3) **Any specific double taxation risks that may arise in relation to the Diverted Profits Tax.** (5)

Total (15)

ADIT EXAMINATIONS

2025

Tax Tables

INCOME TAX - RATES AND THRESHOLDS

	2024/25	2023/24
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	8.75	8.75
Dividend upper rate	33.75	33.75
Dividend additional rate and trust rate for dividends	39.35	39.35
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,700
Higher rate band	37,701 – 125,140	37,701 – 125,140
Dividend allowance	500	1,000
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	N/A	1,000
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	42
Advanced rate	45	N/A
Top rate	48	47
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,306	1 – 2,162
Scottish basic rate	2,307 – 13,991	2,163 – 13,118
Intermediate rate	13,992 – 31,092	13,119 – 31,092
Higher rate	31,093 – 62,430	31,093 – 125,140
Advanced rate	62,431 – 125,140	N/A
Top rate	125,140+	125,140+

INCOME TAX - RELIEFS

	2024/25	2023/24
	£	£
Personal allowance ⁽²⁾	12,570	12,570
Married couple's allowance ⁽³⁾	11,080	10,375
– Maximum income before abatement of relief - £1 for £2	37,000	34,600
– Minimum allowance	4,280	4,010
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,260	1,260
Blind person's allowance	3,070	2,870
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	200,000	200,000
De minimis trusts amount	500	N/A

- 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.

ADIT EXAMINATIONS

2025

Tax Tables

ISA limits	2024/25	2023/24
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions

	Annual allowance ⁽¹⁾	Minimum pension age
	£	
2023/24	60,000	55
2024/25	60,000	55

Basic amount qualifying for tax relief £3,600

Lump sum allowance £268,275

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 for individuals with threshold income above £200,000. It cannot be reduced below £10,000.

Employer Supported Childcare	2024/25	2023/24
Exemption – basic rate taxpayer ⁽²⁾	£55 per week	£55 per week

Note: (2) 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 ⁽³⁾	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2024/25

Emissions	Electric range (miles)	Car benefit % ⁽⁴⁾	
0g/km	N/A	2%	
1-50g/km	>130	2%	
1-50g/km	70-129	5%	
1-50g/km	40-69	8%	
1-50g/km	30-39	12%	
1-50g/km	<30	14%	
51-54g/km		15%	
55-59g/km		16%	
60-64g/km		17%	
65-69g/km		18%	
70-74g/km		19%	
75g/km or more		20%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	

Note: (4) 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	2024/25	2023/24
	£	£
	27,800	27,800

ADIT EXAMINATIONS

2025

Tax Tables

Van benefits	2024/25	2023/24
	£	£
No CO ₂ emissions	Nil	Nil
CO ₂ emissions > 0g/km	3,960	3,960
Fuel benefit for vans	757	757

Official rate of interest	2.25%	2.25%
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INCOME TAX - CHARGES

Child benefit charge	Withdrawal rate
Adjusted net income >£60,000	1% of benefit per £200 of income between £60,000 and £80,000
Adjusted net income >£80,000	Full child benefit amount assessable in that tax year

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).
(2) The main pool rate applies to cars with CO₂ emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).
(3) The special pool rate applies to cars with CO₂ emissions greater than 50g/km (prior to April 2021 greater than 110g/km).
(4) A 10% rate applies in respect of special tax site expenditure.

100% First year allowances (FYA) available to all businesses

Capital expenditure incurred by a person on research and development.

New zero-emission goods vehicles (until 1 or 6 April 2025).

New cars that either emit 0g/km of CO₂ (50g/km prior to April 2021) or are electric (until 1 April 2025).

Electric vehicle charging points (until 1 or 6 April 2025).

First year allowances (FYA) available to companies only

	Main pool assets	Special rate pool assets
Expenditure on new plant and machinery (other than cars) from 1 April 2023 onwards ⁽⁵⁾	100%	50%
Expenditure on new plant and machinery (other than cars) in a special tax site	100%	100%

- Notes:** (5) 130% for main pool expenditure and 50% for special rate pool expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2024/25	2023/24
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses		
Cars or vans	First 10,000 business miles	45p per mile
	Additional business miles	25p per mile
Motorcycles		24p 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

ADIT EXAMINATIONS

2025

Tax Tables

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2024/25			2023/24		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£12,570	£1,048	£242
Secondary threshold (ST)	£9,100	£758	£175	£9,100	£758	£175
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,270	£4,189	£967
Upper secondary threshold for under 21 (UST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Apprentice upper secondary threshold for under 25 (AUST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Special tax sites upper secondary threshold	£25,000	£2,083	£481	£25,000	£2,083	£481
Class 1 primary contribution rates						
Earnings between PT and UEL			8%			12%
Earnings above UEL			2%			2%
Class 1 secondary contribution rates						
Earnings above ST ⁽¹⁾			13.8%			13.8%

Note: (1) Rate of secondary NICs between the ST and the UST, AUST & special tax sites upper secondary threshold is 0%.

	2024/25	2023/24
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions		
	13.8%	13.8%
Class 1B contributions		
	13.8%	13.8%
Class 2 contributions		
Rate	£3.45 pw	£3.45 pw
Small profits threshold (SPL) ⁽²⁾	£6,725	£6,725
Lower profits limit (LPL)	N/A	£12,570

Note: (2) From 2024/25, self-employed individuals with profits below the small profits threshold can pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension.

Class 3 contributions	£17.45 pw	£17.45 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£12,570
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	6%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £184.03 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £184.03
Statutory sick pay	£116.75 per week

ADIT EXAMINATIONS

2025

Tax Tables

Student Loan	Plan 1:	9% of earnings exceeding £24,990 per year (£2,082.50 per month/ £480.57 per week)
	Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
	Plan 4:	9% of earnings exceeding £31,395 per year (£2,616.25 per month /£603.75 per week)
Postgraduate Loan		6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

National living/minimum wage (April 2024 onwards)

Category of Worker	Rate per hour £	Category of Worker	Rate per hour £
Workers aged 21 and over	11.44	16–17 year olds	6.40
18–20 year olds	8.60	Apprentices	6.40

Accommodation Offset £9.99 per day

HMRC INTEREST RATES (assumed)

Late payment interest	7.75%
Interest on underpaid corporation tax instalments	6.25%
Repayment interest	4.25%
Interest on overpaid corporation tax instalments	5.00%

CAPITAL GAINS TAX

	2024/25	2023/24
Annual exempt amount for individuals	£3,000	£6,000

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 24% (28% in 2023/24) if the gain is in respect of a residential property

Business Asset Disposal relief	2024/25	2023/24
Relevant gains (lifetime maximum) ⁽⁴⁾	£1 million	£1 million

Investors' relief

Relevant gains (lifetime maximum)	£10 million	£10 million
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Note: (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

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

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Tax Tables

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

CORPORATION TAX

Financial year	2024	2023
Main rate	25%	25%
Standard small profits rate	19%	19%
Augmented profit limit for standard small profits rate	£50,000	£50,000
Augmented profit limit for marginal relief	£250,000	£250,000
Standard marginal relief fraction	3/200	3/200
Marginal rate	26.5%	26.5%

Patent rate	10%	10%
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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.

ADIT EXAMINATIONS

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Tax Tables

Research and development expenditure

Financial year	2023
Total relief for Small & medium enterprises (SMEs)	186%
R&D tax credit for SME losses	10%
Large companies – RDEC	20%
Financial year	2024
Enhanced R&D Intensive Support (ERIS) - total relief for loss making R&D intensive SMEs	186%
R&D tax credit for R&D intensive SME losses	14.5%
RDEC (merged scheme RDEC) ⁽¹⁾	20%

Note: (1) From 1 April 2024 the merged scheme RDEC is available to all companies.

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
Limits	2024/25	2023/24
	£	£
Annual registration limit	90,000	85,000
De-registration limit	88,000	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 March 2024)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	11p	1600cc or less	12p
1401cc to 2000cc	15p	13p	1601cc to 2000cc	14p
Over 2000cc	24p	21p	Over 2000cc	19p

Electricity rate 9p

OTHER INDIRECT TAXES

	2024/25	2023/24
Insurance premium tax ⁽²⁾		
Standard rate	12%	12%
Higher rate	20%	20%

Notes: (2) Premium is tax inclusive (³/₂₈ for 12% rate and ¹/₆ for 20% rate).

Landfill Tax (pro rated for part tonnes)

Standard rate	£103.70 per tonne	£102.10 per tonne
Lower rate	£3.30 per tonne	£3.25 per tonne

Landfill Communities Fund (LCF) ⁽³⁾	5.3% x landfill tax liability	5.3% x landfill tax liability
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Notes: (3) Relief for 90% of qualifying contributions

Aggregates Levy (pro rated for part tonnes)	£2.03 per tonne	£2 per tonne
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Plastic Packaging Tax (PPT) (pro rated for part tonnes)	£217.85 per tonne	£210.82 per tonne
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ADIT EXAMINATIONS

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Tax Tables

Climate Change Levy (CCL)⁽¹⁾

Electricity	0.775p per kwh	0.775p per kwh
Natural gas	0.775p per kwh	0.672p per kwh
Liquified petroleum gas (LPG)	2.175p per kg	2.175p per kg
Any other taxable commodity	6.064p per kg	5.258p per kg

Carbon Price Support (CPS) rates

Natural gas	0.331 per kwh	0.331 per kwh
LPG	5.28p per kg	5.28p per kg
Coal & other taxable solid fossil fuels	£1.5479 per GJ on GCV	£1.5479 per GJ on GCV

Tobacco products duty

	From 22.11.2023	From 15.03.2023
Cigarettes	16.5% x retail price + £316.70 per thousand cigarettes (or £422.80 per thousand cigarettes ⁽²⁾)	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes ⁽²⁾)
Cigars	£395.03 per kg	£367.61 per kg
Hand-rolling tobacco	£412.32 per kg	£351.03 per kg
Other smoking/chewing tobacco	£173.68 per kg	£161.62 per kg
Tobacco for heating	£325.53 per kg	£302.93 per kg

Alcohol Duty⁽³⁾

From 1 August 2023 to 1 February 2025

	Duty in £ for each litre of pure alcohol in the product		Duty in £ for each litre of pure alcohol in the product
Beer (ABV)		Spirits/Spirit based products (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	21.01	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Cider (not sparkling) (ABV)		Wine/sparkling wine (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	9.67	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Sparkling cider (ABV)		Other fermented products like fruit ciders (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 5.5%	9.67	3.5% to 8.4%	24.77
5.6% to 8.4%	24.77	8.5% to 22%	28.50
8.5% to 22%	28.50	Stronger than 22%	31.64
Stronger than 22%	31.64		

Notes: (1) For holders of a Climate Change agreement (CCA), the rate charged is a percentage of the main rate given in the table. For 2024/25 (2023/24 in brackets) for electricity the rate is 8% (8%), for gas it is 11% (12%), for LPG it is 23% (23%) and 11% (12%) for any other taxable commodity

(2) The £422.80/£393.45 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

(3) There are reduced rates for qualifying draught products

ADIT EXAMINATIONS

2025

Tax Tables

INHERITANCE TAX

Death rate	40% ⁽³⁾	Lifetime rate	20%
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Note: (3) 36% rate if 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 2026	£325,000

Residence nil rate bands⁽⁴⁾

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 2026	£175,000

Note: (4) 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 1.4.24	From 1.4.23
>£0.5m - ≤ 1m	£4,400	£4,150
> £1m - ≤ 2m	£9,000	£8,450
> £2m – ≤ 5m	£30,550	£28,650
> £5m – ≤ 10m	£71,500	£67,050
> £10m – ≤ 20m	£143,550	£134,550
> £20m	£287,500	£269,450

STAMP DUTY/SDRT

Stamp duty⁽¹⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax (SDRT)⁽²⁾	- 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 (SDLT)

Qualifying purchases in a Freeport receive full SDLT relief

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

Basic Rate % ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Residential ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Rate %	Non-Residential
0	£0 - £250,000	0	£0 - £150,000
5	£250,001 - £925,000	2	£150,001 - £250,000
10	£925,001 - £1,500,000	5	£250,001 +
12	£1,500,001+		

- Notes:** (3) The basic rates are increased by 3% (the 'higher rates') where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 4 below.
- (4) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).
- (5) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £425,000. For homes between £425,000 and £625,000, SDLT will be payable at 5% on the amount above the £425,000 threshold. Homes bought for more than £625,000 will incur the rates as per column 1 in above table.
- (6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property. This is in addition to the basic rate, the higher rate (where applicable, in Note 3), and the 15% rate (where applicable, in Note 4).

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

Rate (%)	Net present value of rent	
	Residential	Non-residential
0	Up to £250,000	Up to £150,000
1	Excess over £250,000	£150,001-£5m
2	N/A	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) The 'Additional Dwelling Supplement' of 6% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & 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 ⁽⁴⁾
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

Note: (4) Residential leases are generally exempt