

THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

December 2023

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 2023 Tax Tables

PART A

You are required to answer BOTH questions from this Part.

1. The tax partner and the finance director of the Bottle Cap Group have recently met, to discuss the group's international operations.

The group consists of a parent company, Cappy Inc., incorporated and tax resident in the United States, and two wholly owned subsidiaries:

- Deckel GmbH, incorporated and tax resident in Germany; and
- Caps Ltd, incorporated and tax resident in the United Kingdom.

Cappy Inc. has 'checked the box' in the US, so that Caps Ltd is treated as transparent for US tax purposes.

Caps Ltd has experienced strong growth over the last 18 months and has identified an opportunity to increase and strengthen its customer base. In order to proceed, Caps Ltd will need significant funding from Cappy Inc.

The finance director has outlined the following options for this additional funding:

- a) Caps Ltd will issue £40 million in new ordinary shares to Cappy Inc. Caps Ltd will pay Cappy Inc. an annual dividend of approximately £500,000 on these shares. The dividends will be taxable in the US.
- b) Cappy Inc. will lend Caps Ltd £40 million. Interest of £500,000 will be paid annually by Caps Ltd to Cappy Inc. on this loan.
- c) Cappy Inc. will lend £40 million to Deckel GmbH, which will then lend the funds to Caps Ltd. Interest of £500,000 will be paid annually by Caps Ltd to Deckel GmbH. This interest income will be fully taxable for Deckel GmbH.

The finance director has read about the UK's anti-hybrid mismatch rules and is concerned that the planned funding could be affected.

You are required to prepare a memorandum for the finance director, including:

- 1) **an overview of the UK's anti-hybrid mismatch rules; and** (9)
- 2) **the potential impact of these rules on the three proposed options for Caps Ltd's additional funding.** (16)

Total (25)

2. Alisha is a full-time employee of a software development company, who has never previously visited the United Kingdom. Alisha is single and has a 12-year-old daughter who attends boarding school in the UK.

As her job allows her to work remotely from any country, Alisha decided to spend the 100-day period from 1 August 2023 in the UK. During this period, Alisha lived in a rented apartment and worked remotely.

Alisha's daughter began attending boarding school in the UK on 6 April 2023, and currently spends all of her time in the UK. She lived with Alisha in the UK for four weeks in August 2023, before returning to boarding school.

When not in the UK, Alisha lives in a property which she owns in Bulgaria and which is available for her use throughout the year.

Neil is a Jamaican national who has never previously visited the UK. He plans to move from Jamaica to the UK on 15 January 2024 to work as an IT technician. He will live in a hotel in the UK from 15-30 January 2024 before moving into a flat with a long-term lease on 31 January 2024. The lease on Neil's Jamaican property ends on 14 January 2024. Neil's first workday in the UK will be 17 January 2024.

You are required to:

- 1) **Determine and explain Alisha's UK Tax Residence position for tax year 2023/24 under the Statutory Residence Test.** (14)
- 2) **Determine and explain Neil's UK Tax Residence position for tax year 2023/24 under the Statutory Residence Test.** (11)

Total (25)

PART B

You are required to answer ONE question from this Part.

3. Quantum Innovations Ltd, a company incorporated and tax resident in the United Kingdom, operates globally through its various 100% controlled subsidiaries, with all companies having been in operation since 2018. In a recent meeting Michaela, the new finance director, mentioned that she would like to carry out a full review of the group's Controlled Foreign Companies (CFC) position.

Michaela has provided the following information to help with this review:

- Quantum Leap Ltd is a subsidiary company incorporated and tax resident in Bermuda. Quantum Leap Ltd generates trading profits of £250,000 each year from the sale of widgets in Bermuda, and pays no tax on its profits. The widgets are manufactured by a group company in the UK, and sold to Quantum Leap Ltd at cost plus 3%.
- Long Leap Ltd is a subsidiary incorporated and tax resident in the United Arab Emirates, and has annual profits of £2,750,000 and a profit margin of 60%. The corporate tax rate in the UAE is 9%. Long Leap Ltd has two employees in the UAE, and sells widgets to the UAE market. It acquires the widgets from a UK group company, and they are delivered directly to customers using a third-party provider.
- Evolve Quantum Ltd is incorporated and tax resident in India. It employs 75 people to provide administration services to Quantum Innovations Ltd, including processing of all invoices, credit control and preparation of monthly management accounting packs. An intercompany charge of cost plus 1% applies to these services.
- Advanced Quantum Ltd is a French subsidiary that operates a warehouse and sells directly to wholesale customers in France. It has annual profits of £4,650,000 and pays tax at an effective rate of 23%.

You are required to provide a letter to Michaela:

- 1) **outlining the CFC rules, and the implications for each of the subsidiaries; and** (16)
- 2) **explaining how any CFC charge arising would be calculated.** (4)

You are not required to consider any transfer pricing issues.

Total (20)

4. AtlantisCo is a hotel company based in the fictional country of Raritania that is planning to send the following staff to its United Kingdom subsidiary, London Ltd, during the 2023/24 tax year:

- Ava will be sent to the UK for 42 days to assist with the acquisition of a new hotel in the UK by London Ltd.
- Billy will be sent to the UK for 75 days to receive training from London Ltd employees, which will be beneficial to him and to AtlantisCo when he returns to his employment in Raritania.
- Ciara will be sent to the UK for 90 days to work at the reception desk of one of London Ltd's UK hotels while the current receptionist is on maternity leave.
- Daniel, a statutory director of London Ltd, will be sent to the UK for two weeks to attend London Ltd's annual board meeting.

All four individuals will remain employed and paid by AtlantisCo, and will be tax resident in Raritania. The UK has a double tax agreement (DTA) with Raritania, which is identical to the OECD Model Tax Convention.

You are required to explain how the UK's short term business visitor rules will apply to the above individuals, and identify any relief which may be available under the UK/Raritania DTA.

You are not required to comment on the individuals' UK tax residence status. (20)

PART C

You are required to answer TWO questions from this Part.

5. Castlezone Ltd is new online marketplace that allows businesses to promote and sell their goods directly to consumers via a user-friendly mobile app.

Castlezone Ltd charges consumers a monthly subscription of £5.99 (or the relevant currency equivalent) to access the app, while businesses are charged 8% of the value of their sales made via the app. The app has become extremely popular during the last two years and is now the most downloaded app for consumers aged between 25 and 40 years old.

Castlezone Ltd is incorporated and tax resident in Digiland, and all of its revenues arise from the charges described above. Its worldwide turnover last year was £450 million, with United Kingdom user revenues totalling £30 million. The chief financial officer has provided you with the following forecasts for this financial year:

- Worldwide turnover - £635 million
- UK user revenues - £48 million

You are required to prepare a note outlining the Digital Services Tax (DST) rules, and how these might apply to Castlezone Ltd. You are not required to consider VAT. (15)

6. Popcorn Kernels Ltd is a United Kingdom incorporated and resident company that owns and operates a factory in the UK producing a range of popcorn products. Popcorn Kernels Ltd sells to supermarkets, independent food stores and directly to consumers at food festivals.

Sales in the UK have been steadily increasing and the management team intends to expand overseas, starting in Ireland.

The management team has researched the Irish food market and has hired two sales directors in Ireland, who have been employed since 1 January 2023. Each sales director visits potential customer sites in Ireland and has the authority to conclude contracts on behalf of Popcorn Kernels Ltd.

Sales in Ireland have been growing strongly, and the management team is in the process of hiring an administrative employee in Ireland to assist with its Irish marketing. The new employee is due to start on 1 January 2024. The management team has also agreed to lease an office in Ireland for the three employees to use.

Popcorn Kernels Ltd's financial controller has provided you with the following financial information regarding the expansion:

Year ending 30 September 2023:

- Total UK and Ireland sales: £14 million
- Total taxable profit: £4 million
- Irish profits (included in the above): £200,000

Forecast for year ending 30 September 2024:

- Total UK and Ireland sales: £22 million
- Total taxable profit: £7 million
- Irish profits (included in the above): £1.5 million

Popcorn Kernels Ltd pays UK Corporation Tax at the main rate of 25%; the applicable Irish corporate tax rate is 12.5%.

You are required to prepare a memorandum for the financial controller, outlining the permanent establishment consequences of the expansion into Ireland and whether a branch exemption election would be beneficial to Popcorn Kernels Ltd. (15)

7. Global Green Ltd is a United Kingdom incorporated and tax resident company engaged in the manufacture and export of electronic goods. The company has subsidiaries in various countries, including the United States, Germany and China. The company has recently experienced financial difficulties, due to increased competition and changing market trends.

In order to finance its ongoing operations and invest in new technology, Global Green Ltd has taken loans from both a UK-based bank and a German lender. These loans have the following terms:

UK bank:

- Loan amount: £430 million
- Annual interest: £6 million

German lender:

- Loan amount: £180 million
- Annual interest: £4 million
- The lender has provided Green Global Ltd with a Double Taxation Treaty Passport reference number.

The finance department of Green Global Ltd has approached you for advice.

You are required to prepare a letter to Green Global Ltd, advising on the potential application of the UK Corporate Interest Restriction (CIR) rules and whether there are any withholding tax obligations on the interest payments.

You should assume that the UK/Germany double tax agreement is identical to the OECD Model Tax Convention. (15)

8. Emma is tax non-resident in the United Kingdom for the 2023/24 UK tax year, under the Statutory Residence Test. During the 2023/24 tax year, Emma receives the following income and gains:
- UK bank interest of £15,000;
 - Dividend income from UK companies totalling £20,000;
 - Dividend income from shares in UK companies held within a Stocks and Shares ISA, totalling £8,000;
 - French bank interest of £2,000; and
 - Gross rental income from a UK rental property of £25,000, before deducting the following expenses:
 - £1,000 in management fees;
 - £2,000 for utilities; and
 - £4,000 for a new hot tub installed in the garden.

You are required to explain the UK tax treatment of Emma's income in 2023/24, and calculate her overall UK tax liability. (15)

9. John and Helen were a married couple. Helen was United Kingdom domiciled, but John is not.

Helen passed away during the 2023/24 tax year and her assets at death were as follows:

	£
50% share of the UK family home held with John	600,000
Publicly listed shareholding	400,000
Cash	500,000

Helen had an outstanding bank loan of £100,000 at death. She had also made a cash gift of £100,000 to John, four years before her death.

Under the terms of Helen's will, a cash gift of £400,000 is to be given to a Belgian registered charity. The remainder of her estate will pass to John.

Continued

9. Continuation

Helen and John had no other family, and John expects to donate the entirety of his estate to the same Belgian charity upon his death.

You are required to write a memo to John, including calculations, explaining the Inheritance Tax implications of Helen's estate and identifying any elections that can be made to reduce his Inheritance Tax liability. (15)

ADIT EXAMINATIONS

2023

TAX TABLES

INCOME TAX - RATES AND THRESHOLDS

	2022/23	2021/22
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	7.5
Dividend upper rate	33.75	32.5
Dividend additional rate and trust rate for dividends	39.35	38.1
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 – 150,000	37,701 – 150,000
Dividend allowance	2,000	2,000
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	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 – 2,162	1 – 2,097
Scottish basic rate	2,163 – 13,118	2,098 – 12,726
Intermediate rate	13,119 – 31,092	12,727 – 31,092
Higher rate	31,093 – 150,000	31,093 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2022/23	2021/22
	£	£
Personal allowance ⁽²⁾	12,570	12,570
Married couple's allowance ⁽³⁾	9,415	9,125
– Maximum income before abatement of relief - £1 for £2	31,400	30,400
– Minimum allowance	3,640	3,530
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,260	1,260
Blind person's allowance	2,600	2,520
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.

ADIT EXAMINATIONS

2023

TAX TABLES

ISA limits	2022/23 £	2021/22 £
Maximum subscription:		
‘Adult’ ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions	Annual allowance ⁽¹⁾ £	Lifetime allowance £	Minimum pension age
2021/22	40,000	1,073,100	55
2022/23	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 for individuals with threshold income above £200,000. It cannot be reduced below £4,000.

Employer Supported Childcare	2022/23	2021/22
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 – 2022/23

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	2022/23 £	2021/22 £
	25,300	24,600

ADIT EXAMINATIONS

2023

TAX TABLES

Van benefits	2022/23	2021/22
	£	£
No CO ₂ emissions	Nil	Nil
CO ₂ emissions > 0g/km	3,600	3,500
Fuel benefit for vans	688	669

Official rate of interest	2%	2%
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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

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 March 2023 (£200,000 from 1 April 2023).
(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 freeport tax site expenditure (until 30 September 2026).

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 April 2025).
New cars which either emit 0 g/km of CO₂ (50g/km prior to April 2021) or are electric (until April 2025).
Electric vehicle charging points (until April 2023).

First year allowances (FYA) available to companies only

	Assets in main pool	Assets in special rate pool
Expenditure on new plant and machinery (other than cars) between 1 April 2021 and 31 March 2023	130%	50%
Expenditure on new plant and machinery (other than cars) in a freeport tax site (until 30 September 2026)	100%	100%

INCOME TAX - SIMPLIFICATION MEASURES

	2022/23	2021/22
	£	£
'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

ADIT EXAMINATIONS

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TAX TABLES

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2022/23			2021/22		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,396	£533	£123	£6,240	£520	£120
Primary threshold (PT) ^{(1) (2)}	£11,908	£1,048	£242	£9,568	£797	£184
Secondary threshold (ST)	£9,100	£758	£175	£8,840	£737	£170
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
Freeport upper secondary threshold (FUST)	£25,000	£2,083	£481	N/A	N/A	N/A

Note: (1) The monthly and weekly primary thresholds were £823 and £190 respectively until 5 July 2022.

(2) Due to the increase in the primary threshold part way through the 2022/23 tax year, for the purposes of the Annual Maxima Test 1 calculation, the primary threshold amount to use in Step 1 is £229.

Class 1 primary contribution rates

Earnings between PT and UEL	13.25%	12%
Earnings above UEL	3.25%	2%

Class 1 secondary contribution rates

Earnings above ST ⁽³⁾	15.05%	13.8%
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Note: (3) Rate of secondary NICs between the ST & the UST, AUST and FUST is 0%.

	2022/23	2021/22
Employment allowance		
Per year, per employer	£5,000	£4,000
Class 1A contributions	15.05%	13.8%
Class 1B contributions	15.05%	13.8%
Class 2 contributions		
Normal rate	£3.15 pw	£3.05 pw
Small profits threshold ⁽⁴⁾	£6,725 pa	£6,515 pa
Lower profits limit (LPL) ⁽⁴⁾	£11,908	N/A

Note: (4) In 2022/23, Class 2 NICs are only payable where profits exceed the LPL. However, where profits are between the small profits threshold and the LPL, there will be an entitlement to contributory benefits.

Class 3 contributions	£15.85 pw	£15.40 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£11,908	£9,568
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	10.25%	9%
Percentage rate above UPL	3.25%	2%

ADIT EXAMINATIONS

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TAX TABLES

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £156.66 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £156.66
Statutory sick pay	£99.35 per week
Student Loan	Plan 1: 9% of earnings exceeding £20,195 per year (£1,682.91 per month/ £388.36 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 £25,375 per year (£2,114.58 per month /£487.98 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 2022 onwards)

Category of Worker	Rate per hour £	Category of Worker	Rate per hour £
Workers aged 23 and over	9.50	18–20 year olds	6.83
21–22 year olds	9.18	16–17 year olds	4.81
Accommodation Offset	£8.70 per day		
		Apprentices	4.81

HMRC INTEREST RATES (assumed)

Late payment interest	3.5%
Underpaid corporation tax instalments interest	2.00%
Repayment interest	0.5%
Credit interest	0.5%

CAPITAL GAINS TAX

	2022/23	2021/22
Annual exempt amount for individuals	£12,300	£12,300

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 relief	2022/23	2021/22
Relevant gains (lifetime maximum) ⁽⁴⁾	£1 million	£1 million

Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

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

ADIT EXAMINATIONS

2023

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

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

2023

TAX TABLES

CORPORATION TAX

Financial year	2023	2022, 2021 and 2020
Main rate	25%	19%
Standard small profits rate	19%	N/A
Augmented profit limit for standard small profits rate	£50,000	N/A
Augmented profit limit for marginal relief	£250,000	N/A
Standard marginal relief fraction	3/200	N/A
Marginal rate	26.5%	N/A
Patent rate	10%	10%

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.

Research and development expenditure

SMEs (Note)	230%
Large companies – RDEC	13%

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
Limits	From 1.4.22	From 1.4.21
	£	£
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 March 2022)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	8p	1600cc or less	11p
1401cc to 2000cc	15p	10p	1601cc to 2000cc	13p
Over 2000cc	22p	15p	Over 2000cc	16p
Electricity rate	5p			

ADIT EXAMINATIONS

2023

TAX TABLES

OTHER INDIRECT TAXES

	2022/23	2021/22
Insurance premium tax⁽¹⁾		
Standard rate	12%	12%
Higher rate	20%	20%
Tobacco products duty	From 27.10.2021	From 16.11.20
Cigarettes	16.5% x retail price + £262.90 per thousand cigarettes (or £347.86 per thousand cigarettes ⁽²⁾)	16.5% x retail price + £244.78 per thousand cigarettes (or £320.90 per thousand cigarettes ⁽²⁾)
Cigars	£327.92 per kg	£305.32 per kg
Hand-rolling tobacco	£302.34 per kg	£271.40 per kg
Other smoking/chewing tobacco	£144.17 per kg	£134.24 per kg
Tobacco for heating	£270.22 per kg	£251.60 per kg

Notes: (1) Premium is tax inclusive ($\frac{3}{28}$ for 12% rate and $\frac{1}{6}$ for 20% rate).

(2) The £347.86/£320.90 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

INHERITANCE TAX

Death rate	40% ⁽³⁾	Lifetime rate	20%
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Note: (3) 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 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
	Grandchild or remoter issue or other party to marriage
	Other
	£5,000
	£2,500
	£1,000

ADIT EXAMINATIONS

2023

TAX TABLES

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	From 1.4.22	From 1.4.21
>£0.5m - ≤ 1m	£3,800	£3,700
> £1m - ≤ 2m	£7,700	£7,500
> £2m – ≤ 5m	£26,050	£25,300
> £5m – ≤ 10m	£60,900	£59,100
> £10m – ≤ 20m	£122,250	£118,600
> £20m	£244,750	£237,400

STAMP DUTY/SDRT

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

STAMP DUTY LAND TAX

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

Basic Rate % ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Higher Rate % ⁽³⁾⁽⁴⁾⁽⁶⁾	Residential ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	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: (3) 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 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 £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 in above table.
(6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property from 1.4.21. This is in addition to the basic rate, the higher rate (where applicable), and the 15% rate, in Note 4, where applicable.

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

ADIT EXAMINATIONS

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TAX TABLES

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 of 4% 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