

# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2021

## MODULE 2.09 – UNITED KINGDOM OPTION

### ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

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TIME ALLOWED – 3½ HOURS

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

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

You must answer:

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

#### Further instructions

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

For your information this paper includes:

**ADIT Examinations 2021 Tax Tables**

## PART A

**You are required to answer BOTH questions from this Part.**

1. Your client, PSI plc, is a company incorporated and tax resident in the United Kingdom which manufactures tyres for Formula 1 cars. It is the head of a large trading group with a number of subsidiaries around the world.

PSI plc's finance director, Martin Cavendish, is preparing budgets and cashflow forecasts for the year to 31 December 2020. He has provided you with the following information about the PSI group of companies, all of which have been owned for several years and have the same 31 December year-ends.

- 1) Pressure Ltd is a company tax resident in Bahrain. The company is forecast to achieve trading profits of £400,000 and to receive interest of £40,000. Bahrain does not charge tax on any kind of company profits.
- 2) Tyres Ltda is tax resident in Brazil, a country with no double tax treaty with the UK and where profits are not subject to local withholding or corporate tax. PSI plc owns a 20% interest in Tyres Ltda, with the remainder being held by individuals. Tyres Ltda's estimated profits are £75,000.
- 3) Tread Pte is tax resident in Singapore, where the corporate tax rate is 17%, and has profits of £250,000.
- 4) Tube sp z o.o is tax resident in Poland and carries out low value added, back office functions and marketing activities, with a profit margin of 8% of operating expenses.
- 5) Grip Ltd is tax resident in Hong Kong and manufactures and sells tyres there. It is mainly staffed by locally recruited employees, with the UK directors of PSI plc making occasional visits to Hong Kong. PSI plc has provided the company with no financial support and provides some support services from the UK. Grip Ltd's profits for the year are £850,000.

Mr Cavendish is aware of the controlled foreign companies (CFC) regime, but he knows little about it. He therefore seeks a detailed analysis of it, and of its relevance to the PSI group.

**You are required to write a letter to Mr Cavendish setting out how the UK's CFC rules could apply to the subsidiaries of the PSI group described above, and identifying whether any of the profits could be subject to a CFC apportionment.** (25)

2. On 6 April 2017 Patrick Peterson left the United Kingdom with his wife, Jessica, to live in Monaco. In the 2018/19 tax year Patrick sold shares in his private company, generating a capital gain of £5 million. That year he also received a £1 million dividend from shares which he held in a publicly listed company. The retired couple have two adult children, both of whom are resident in the UK.

On 1 February 2020 you received a call from Jessica, explaining that Patrick had suffered an accident resulting in a serious injury while visiting his mother in the UK.

Jessica has informed you that in the period between 6 April 2019 and 1 February 2020 Patrick's travel diary indicates that he spent his time as follows:

	<u>Days</u>
Monaco	120 (spent in his home in Monaco)
UK	80
United States	50
Other countries	51
	<u>301</u> (6 April 2019 to 1 February 2020)

Following the accident, Jessica has received medical advice indicating that, while Patrick is likely to be released from hospital at the end of February 2020, it is vital that he remains in the UK until he is well enough to travel. The specialist attending to Patrick has made it very clear that there is no realistic chance of him being fit to travel before the end of April 2020.

From your file notes, you can see that the couple have homes in both the UK and Monaco. Patrick stays at their UK home whenever he visits the UK. He also mentioned in recent correspondence that, while he spent 95 days in the UK in the 2018/19 tax year, Jessica only spent 60 days in the UK in both 2017/18 and 2018/19.

Jessica has asked you to provide detailed advice as to Patrick's UK residence status for 2019/20, on the assumption that Patrick will spend the period from 2 February until the end of April 2020 in the UK.

**You are required to:**

- 1) Consider Patrick's residence position under the Statutory Residence Test (SRT) for the 2019/20 tax year. You may assume for these purposes that Jessica's day count in the period 6 April 2019 to 1 February 2020 is the same as Patrick's. However, for the period 2 February to 5 April 2020, Jessica will only spend 20 days in the UK, spending the remaining time in Monaco. (20)
- 2) Prepare a short note explaining the UK tax implications, in respect of Patrick's income and gains arising while non-resident, if he were to inadvertently become UK tax resident in 2020/21. You should assume for these purposes that Patrick is non-resident in 2019/20. (5)

Total (25)

## PART B

**You are required to answer ONE question from this Part.**

3. You are a tax manager with a firm of tax advisers, and have been requested to carry out a permanent establishment (PE) risk review for ILT Group Ltd, along with a study of the group's transfer pricing documentation held on file. Below are some notes on ILT Group Ltd.

### Client File Notes

Our client, ILT Group Ltd, is a company incorporated and tax resident in the United Kingdom with worldwide trading operations, providing learning courses and the associated training materials to clients.

The company has offices in Singapore, Brazil and several European countries, as well as warehouses in several different international locations for storage of training materials prior to their distribution to clients. Sales teams in each region travel to promote the learning courses and are often involved in contract negotiations.

ILT Group Ltd also has a number of subsidiaries around the world. All intellectual property is owned by ILT Group Ltd, with royalties being charged at a rate of 5% to all subsidiaries. Additionally, ILT Group Ltd re-charges a management fee for head office costs to all of its subsidiaries, based on a percentage of revenue, and also provides some loans to subsidiaries. There are a small number of intercompany agreements in place, as well as a draft transfer pricing policy.

The group has 508 employees, with consolidated turnover of £1 billion, taxable profits of £200 million and gross assets of £50 billion in the accounts for the year ended 31 March 2020.

As part of ILT Group Ltd's rapid international expansion, the group's directors are now looking to expand into China and are keen to understand any potential PE risks that may emerge, as they are determined to remain tax compliant. They also require an analysis of how the transfer pricing rules would apply to them, and what filing requirements apply to the group.

**You are required to prepare a report to the group tax director, covering the following areas.**

- 1) An overview of whether the group's current offices, warehouses and sales team, and the proposed expansion into China, could give rise to PEs. You should assume that the definition of a PE in all overseas territories is in line with the OECD Model, and that there is no double taxation agreement in force between the UK and the overseas territory in question. (10)
- 2) Comments on how the UK transfer pricing rules and documentation filing requirements will apply to the group, and whether their current documentation is sufficient, including whether the group should file a Country by Country Report (CbCR). (10)

Total (20)

4. You have recently been appointed to act as a UK tax adviser to an individual with international interests, Lara Lefevre. Ms Lefevre was born in the Netherlands to French parents, and believes herself to be Dutch domiciled. Her parents had emigrated from France in their early thirties and had always retained sole French citizenship. Although her parents eventually settled in the Netherlands, at the time of her birth and for many years subsequently, they planned to return to France.

Ms Lefevre currently lives in Amsterdam, and spends at least six months there each year. She spends most of the rest of each year in her homes in Italy and France. Ms Lefevre has a particular affection for France and has invested substantial time and money in accumulating a comprehensive library of medieval French literature.

You have been advised that Ms Lefevre has recently retired, having over the last 20 years built up an international investment portfolio valued at £200 million. The portfolio generates income of approximately £1 million per year, and capital gains that often exceed £500,000 per year. Ms Lefevre has also invested heavily in commercial real estate, and owns property assets in several European cities including London. The individual property assets are each held separately, in companies incorporated in the jurisdiction in which the property is located.

Ms Lefevre's father died last year, and upon his death she inherited the entire share capital of Odin Ltd, a company incorporated in the British Virgin Islands. Odin Ltd had once been a major trading company. However, its business was sold in 2016. The company now simply holds cash of approximately £15 million, representing historical trading profits. Ms Lefevre has earmarked this cash to meet her living expenses for the next five years. Her Dutch adviser has suggested that, in order to avoid Dutch tax issues, the cash could be extracted either via liquidation of Odin Ltd or through the payment of dividends following her departure from the Netherlands.

Ms Lefevre has decided to leave the Netherlands, possibly for five years or more, and to move to either Switzerland or the UK. She has not yet decided exactly what she will do after this, but has undertaken considerable renovation work on her French home. She has instructed you to prepare a report explaining how she would be taxed if she became resident in the UK.

Ms Lefevre has already received very detailed advice on the rules regarding the Statutory Residence Test (SRT) and has asked you specifically not to refer to the SRT in your advice.

**You are required to:**

- 1) **Briefly explain the concept of 'domicile' for UK tax purposes, and outline your thoughts on Ms Lefevre's current domicile status and how this could be affected if she were to move to the UK.** (8)
- 2) **Outline how Ms Lefevre's income and gains will be taxed if she comes to live in the UK. You should also suggest any actions that she might consider taking prior to becoming UK resident. Your advice should consider UK tax issues only, and assume that Ms Lefevre does not become UK domiciled.** (12)

Total (20)

## PART C

You are required to answer TWO questions from this Part.

5. BarCo Ltd is the United Kingdom incorporated and tax resident parent company of a fast-growing technology group that manufactures and sells barcode scanning devices. The BarCo Group has subsidiaries in the UK, the United States and several European countries.

BarCo Ltd has a licence agreement with a third party under which the company has the right to market, promote and sell the third party's product and, in turn, BarCo Ltd sub-licenses to its subsidiaries the rights to market the devices within their relevant jurisdictions. Royalties are payable to the third party licensor under this agreement, calculated at 6% of the consolidated revenue of the group. Worldwide consolidated revenue for the year ended 31 December 2020 was £25 million.

The third party licensor is a company resident in Baritania, which does not have a double tax agreement with the UK.

Mr Miller, the finance director of BarCo Ltd, has asked for your help as the group's tax manager in calculating the tax that will need to be withheld on the royalty payment to the third party licensor in respect of the 31 December 2020 year-end.

Mr Miller has also emailed you to ask for more information on the withholding tax position of the dividends, royalties and interest paid to BarCo Ltd by its subsidiaries. The only intercompany loan is between the US subsidiary and BarCo Ltd, and was entered into five years ago.

**You are required to:**

- 1) Prepare a file note which briefly explains to Mr Miller why tax has to be withheld on the royalty payment to the third party licensor, how the tax withheld will be calculated, and what the administrative and reporting requirements will be. (6)
- 2) Respond to Mr Miller's email, explaining the withholding taxes which may apply to the dividends, royalties and interest received by BarCo Ltd during the year ended 31 December 2020, and how these can be mitigated. Your answer should assume that all relevant double tax treaties follow the OECD Model. (9)

Total (15)

6. You are a tax manager in an advisory firm and your senior partner has arranged a meeting with the chief financial officer of a multinational group headquartered in China (Shanghai MedCo), which is considering commencing business activities in the United Kingdom in 2021. Shanghai MedCo's main activity is in the development and sale of pharmaceutical products to businesses.

Shanghai MedCo's usual policy when entering a new country is to initially set up a branch rather than incorporating a local subsidiary, in case the business is not successful; however, the chief financial officer would like to consider both options. Shanghai MedCo plans to use its eventual UK entity as a hub to market and distribute products to customers across the UK, Europe and the United States.

The chief financial officer would also like to know whether Shanghai MedCo should register for VAT in the UK and, if so, what would be the VAT implications of selling to the above countries, assuming that the products are subject to the standard rate of VAT.

**You are required to prepare notes in advance of the meeting, including:**

- 1) High level comments on the implications of setting up a branch or subsidiary in the UK, including the Corporation Tax treatment of each. (9)
- 2) Whether Shanghai Medco is likely to be required to register for UK VAT, and the VAT implications of a UK entity making sales to the UK, Europe and the US. (6)

Total (15)

7. Ms Hanson, who is not resident in the United Kingdom, owns a large portfolio of UK commercial properties through Paragon Properties Ltd (PPL), a property investment group incorporated and based in the British Virgin Islands. PPL has no third party borrowings, but instead is funded through significant related party borrowings and is highly leveraged. Interest payments to related parties of £10 million are expected in the current year.

Your firm recently undertook a detailed transfer pricing exercise regarding the arm's length nature of the related party borrowings and considered that arm's length terms had been applied, so that no transfer pricing adjustment was required. PPL has recorded earnings before interest, taxes, depreciation and amortisation (EBITDA) of £8 million.

Ms Hanson has asked you to prepare a memo explaining how the UK property income of PPL will be taxed from 6 April 2020. She reminds you that there are large losses carried forward to 6 April 2020 and has asked that you cover the application of Income Tax and Corporation Tax.

You may assume that the Annual Tax on Enveloped Dwellings (ATED) provisions do not apply to any of the properties held by the overseas companies. You are not required to consider double taxation or treaty issues.

**You are required to prepare a memo which:**

- 1) Explains how the UK property business of PPL will be taxed from 6 April 2020, including changes to filing and payment arrangements; and (8)
- 2) Provides a high level overview of how the corporate interest restriction (CIR) rules could apply to the group from 6 April 2020, identifying any other relevant provisions which could restrict the interest deductions available to PPL. (7)

Total (15)

8. Joseph Osborne, a client who is tax resident in the United Kingdom but Australian domiciled, has recently sought your advice on how the purchase of his London residence should be structured. He has identified a property on the market for £3 million, which he believes would make an ideal home.

From your file, you note that:

- Joseph first became tax resident in the UK three years ago.
- Last year he created a non-resident discretionary trust (the Melbourne Trust), by settling £5 million. This sum was derived from a £6 million dividend he had received from Explorator Ltd, an offshore trading company in which he is a small minority shareholder.
- The trust has retained this cash in a foreign bank account.
- Interest of £25,000 has accumulated since the account was opened by the trust.

Joseph has suggested the following options:

- 1) The trust could acquire the property directly;
- 2) The trust could advance a loan, either on commercial terms or interest-free, and Joseph could use those borrowed funds to purchase the property; or
- 3) Joseph could approach a bank and obtain a mortgage. In order to reduce his financing costs, he proposes using the trust's bank account as security for the loan.

**You are required to provide high level advice to Joseph on the Income Tax, Capital Gains Tax and Inheritance Tax implications of the proposed options, indicating which of the suggested options you believe will give the best overall tax position. (15)**

9. Julia Henderson owns and runs a successful high tech group, Envision Worldwide, based in Toronto, Canada. The group's core business is implementing AI solutions through real-world applications. The business, which is fully subject to Canadian corporate tax, employs a very large Canadian workforce and has a significant physical presence in Canada, including the operation and ownership of Canadian factories and offices. While Julia is the entrepreneur behind the business and is renowned for a very decisive approach to strategic decision-making, she has delegated the day-to-day running of the business to Willow Gallop who has recently been appointed chief operating officer.

The group structure is multi-tiered, with the operating subsidiaries held directly through a Canadian incorporated intermediary holding company, Envision Worldwide Ltd (EWL), which itself is directly held through Henderson Worldwide Ltd (HWL), a holding company incorporated in the British Virgin Islands. While Julia exhibits an ad-hoc leadership style, she has increasingly become aware of the need to adhere to strict protocols concerning corporate governance and ensure that EWL's board of directors meets formally at the group's Toronto headquarters each month to ratify the decisions she has taken since their last meeting. Regarding HWL, the ultimate holding company of which she is the sole director, Julia sees no need to call directors' meetings for that company as HWL has no employees or offices and Julia considers meetings to be unnecessary in these circumstances.

Julia is anxious to expand into the UK market and is planning to move to the UK and become UK tax-resident for a couple of years in order to identify and nurture key business opportunities, potential partners and networks, which will be used as a platform to establish the UK business. The group is considering acquiring a small London office for these purposes, but does not intend to employ staff, and Julia does not intend to sign any purchase or sales contracts in the UK in the period while she is resident in the UK.

Your colleague Sian Jenkins, the firm's senior private client partner, has taken ownership of the case and has sent Julia a very detailed report explaining the personal tax implications of moving to the UK, including the opportunities available to non-domiciled taxpayers. Sian has put you in touch with Julia to address the corporate tax implications of Julia's impending move. After an informative introductory meeting with Julia, in which you outlined the key features of the UK corporate tax system, Julia has asked you to provide further clarity on two areas of particular concern, identified in your earlier meeting with her.

During your preliminary research you noted that Article 4 of the double tax agreement between the UK and Canada provides, among other things, that where under their respective domestic laws a company is resident in both jurisdictions, the tax residence status of that company is to be determined where possible by mutual agreement between the competent authorities of both states.

**You are required to:**

- 1) Explain the possible impact of Julia's move to the UK on the corporate residence status of EWL and HWL. (5)
- 2) Prepare a list of actions which should and shouldn't be taken, to ensure that foreign incorporated companies remain non-UK resident. (5)
- 3) Prepare a brief overview, explaining whether or not Julia's envisaged UK activities could create a permanent establishment in the UK. (5)

Total (15)

# ADIT EXAMINATIONS

2021

## TAX TABLES

### INCOME TAX - RATES AND THRESHOLDS

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

### INCOME TAX - RELIEFS

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

2021

## TAX TABLES

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

### **Pension contributions**

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

Basic amount qualifying for tax relief £3,600

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

### **Employer Supported Childcare**

Exemption – basic rate taxpayer <sup>(1)</sup>	£55 per week	£55 per week
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**Note:** (1) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

### **ITEPA mileage rates**

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

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

### **INCOME TAX - BENEFITS**

#### **Car benefits – 2020/21**

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

# ADIT EXAMINATIONS

2021

## TAX TABLES

### **Car benefits – 2019/20**

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

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

<b>Fuel benefit base figure</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
	24,500	24,100
<b>Van benefits</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
No CO <sub>2</sub> emissions	2,792	2,058
CO <sub>2</sub> emissions > 0g/km	3,490	3,430
Fuel benefit for vans	666	655

### **INCOME TAX - CHARGES**

<b>Child benefit charge</b>	<b>Withdrawal rate</b>
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

<b>Official rate of interest</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
	2.25%	2.5%

### **INCOME TAX - SIMPLIFICATION MEASURES**

<b>Allowances</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
<b>'Rent-a-room' limit</b>	7,500	7,500
<b>Property allowance/Trading allowance</b>	1,000	1,000
<b>Flat Rate Expenses for Unincorporated Businesses</b>		
Motoring expenses	First 10,000 business miles Additional business miles	45p per mile 25p per mile
Business use of home	25 – 50 hours use 51 – 100 hours use 101+ hours use	£10 per month £18 per month £26 per month
Private use of business premises	No of persons living there: 1 2 3+	£350 per month £500 per month £650 per month
<b>Cash Basis for Unincorporated Businesses</b>		<b>£</b>
Turnover threshold to join scheme		150,000
Turnover threshold to leave scheme		300,000

# ADIT EXAMINATIONS

2021

## TAX TABLES

### CAPITAL ALLOWANCES

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

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

### 100% First year allowances available to all businesses

- 1) Capital expenditure incurred by a person on research and development.
- 2) New zero-emission goods vehicles (until April 2025).
- 3) New cars if the car either emits not more than 50 g/km of CO<sub>2</sub> (0 g/km of CO<sub>2</sub> from April 2021) or it is electrically propelled (until April 2025).
- 4) Electric vehicle charging points (until April 2023).

### NATIONAL INSURANCE CONTRIBUTIONS

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

### Class 1 primary contribution rates

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

### Class 1 secondary contribution rates

Earnings above ST <sup>(1)(2)</sup>	13.8%	13.8%
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- Notes:**
- (1) Rate of secondary NICs for employees < age 21 on earnings between ST&UST is 0%.
  - (2) Rate of secondary NICs for apprentices < age 25 on earnings between ST&AUST is 0%.

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

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## TAX TABLES

### OTHER PAYROLL INFORMATION

<b>Statutory maternity/adoption pay</b>	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.20 and 90% of AWE
<b>Statutory shared parental pay /paternity pay/parental bereavement pay</b>	For each qualifying week, the lower of 90% of AWE and £151.20
<b>Statutory sick pay</b>	£95.85 per week
<b>Student Loan</b>	Plan 1: 9% of earnings exceeding £19,390 per year (£1,615.83 per month/ £372.88 per week) Plan 2: 9% of earnings exceeding £26,575 per year (£2,214.58 per month /£511.05 per week)
<b>Postgraduate Loan</b>	6% of earnings exceeding £21,000 per year (£1,750 per month/£403.88 per week)

### National living/minimum wage (April 2020 onwards)

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

### HMRC INTEREST RATES

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

### CAPITAL GAINS TAX

	<b>2020/21</b>	<b>2019/20</b>
Annual exempt amount for individuals	£12,300	£12,000

### CGT rates for individuals, trusts and estates

Gains qualifying for business asset disposal <sup>(1)</sup> /investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band <sup>(2)</sup>	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates <sup>(3)</sup>	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<sup>(1)</sup> relief

	<b>2020/21</b>	<b>2019/20</b>
Relevant gains (lifetime maximum) <sup>(2)</sup>	£1 million	£10 million

### Investors' relief

	<b>2020/21</b>	<b>2019/20</b>
Relevant gains (lifetime maximum)	£10 million	£10 million

**Note:** (1) Formerly called entrepreneurs' relief

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

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## TAX TABLES

### Retail Prices Index

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

<b>Years</b>	<b>Percentage</b>	<b>Years</b>	<b>Percentage</b>	<b>Years</b>	<b>Percentage</b>	<b>Years</b>	<b>Percentage</b>
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		

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## TAX TABLES

### CORPORATION TAX

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

### EU definition of small and medium sized enterprises

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

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

### VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
<b>Limits</b>	<b>From 1.4.20</b>	<b>From 1.4.19</b>
Annual registration limit	£ 85,000	£ 85,000
De-registration limit	83,000	83,000
<b>Thresholds</b>	<b>Cash accounting</b>	<b>Annual accounting</b>
Turnover threshold to join scheme	£ 1,350,000	£ 1,350,000
Turnover threshold to leave scheme	1,350,000	1,600,000

### ADVISORY FUEL RATES (as at 1 June 2020)

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

Electricity rate	4p
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### OTHER INDIRECT TAXES

	2020/21	2019/20
<b>Insurance premium tax<sup>(1)</sup></b>		
Standard rate	12%	12%
Higher rate	20%	20%
<b>Tobacco products duty</b>	<b>From 11.3.20</b>	<b>From 29.10.18</b>
Cigarettes	16.5% x retail price + £237.34 per thousand cigarettes (or £305.23 per thousand cigarettes <sup>(2)</sup> )	16.5% x retail price + £228.29 per thousand cigarettes (or £293.95 per thousand cigarettes <sup>(2)</sup> )
Cigars	£296.04 per kg	£284.76 per kg
Hand-rolling tobacco	£253.33 per kg	£234.65 per kg
Other smoking/chewing tobacco	£130.16 per kg	£125.20 per kg
Tobacco for heating	£243.95 per kg	£234.65 per kg <sup>(3)</sup>

**Notes:** (1) Premium is tax inclusive ( $\frac{3}{28}$  for 12% rate and  $\frac{1}{6}$  for 20% rate).  
(2) The £305.23/£293.95 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).  
(3) From 1.7.19.

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## TAX TABLES

### INHERITANCE TAX

Death rate	40% <sup>(1)</sup>	<b>Lifetime rate</b>	20%
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**Note:** (1) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

#### Nil rate bands

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

#### Residence nil rate bands<sup>(2)</sup>

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

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

#### Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

#### Quick Succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

#### Lifetime exemptions

Annual exemption	£3,000	
Small gifts	£250	
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

### ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

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

### STAMP DUTY/SDRT

<b>Stamp duty<sup>(1)</sup></b>	- On shares transferred by physical stock transfer form	0.5%
<b>Stamp duty reserve tax<sup>(1)</sup></b>	- On agreements to transfer shares <sup>(2)</sup>	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.

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## TAX TABLES

### **STAMP DUTY LAND TAX**

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

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

- Notes:**
- (1) The basic rates are increased by 3% where the purchase is of an additional residential property for individuals (see column 2 for the rates that apply). Companies and trusts pay the additional 3% on all purchases of residential properties, subject to note 2 below.
  - (2) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000.
  - (3) First-time buyers purchasing a single dwelling as their only or main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £300,000. For homes up to £500,000, SDLT will be payable on £200,000 at 5%. Homes bought for more than £500,000 will incur the rates as per column 1 of the table above.

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

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

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

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

- Notes:**
- (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.
  - (2) An additional amount of tax equal to 4% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals and trusts (over which the beneficiary has substantial rights) and to purchases of a dwelling by certain businesses, companies and other trusts.
  - (3) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

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

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

- Note:** (1) Residential leases are generally exempt