

# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

June 2023

## 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.
- 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. Cupful Ltd produces high-end, bespoke ceramic products, which are sold around the world. Cupful Ltd is a close company; its three shareholders and directors, Chip, Cerise and Charlotte, each own a third of the company, this being 10 ordinary shares each.

Cupful Ltd is incorporated and tax resident in the United Kingdom, with its headquarters in Yorkshire. It has two subsidiaries, both of which operate as sales and distribution centres, one of which is incorporated and tax resident in Germany and the other in Australia.

The three shareholders are all heavily involved in the day-to-day running of the business, concluding sales, designing products and managing staff, as well as undertaking general management of the company.

The company has grown rapidly during the last five years, and its management has undertaken a review of the global operations to streamline activities.

As part of a proposed new strategy:

- Chip will relocate to Vastland, in order to create a market presence and to increase and conclude sales there;
- Cerise will move to Bigland and work remotely, in an office for which Cupful Ltd will enter into a three-year lease;
- Charlotte will remain working at the headquarters in Yorkshire;
- Chip and Cerise will return to the UK regularly to attend board meetings; and
- A new entity will be incorporated in France, to assist with the supply chain for European orders. There will be no employees in France, with the warehousing and logistics to be undertaken by a third party.

You should assume that the double tax agreement between France and the UK follows the OECD Model Tax Convention, and that the domestic laws on residency and permanent establishment in Vastland and Bigland are the same as in the UK.

**You are required to prepare a memo advising the shareholders of Cupful Ltd on:**

- 1) **The potential tax residency and PE implications of the new strategy.** (20)
- 2) **How to mitigate the risk of Cupful Ltd becoming non-UK resident.** (5)

Total (25)

2. Nathalie Pascale is an international lawyer. She is currently based and domiciled in Canada, but is considering a move to the United Kingdom as her clients are increasingly headquartered in London and Europe.

You have been provided with the following information about Nathalie:

- She was born in Quebec, Canada.
- She currently has a home in Quebec City, where she spends her time when not on international engagements.
- She provides her legal services directly to her clients, and the usual duration of a client project is between four and six months.
- For a typical engagement, 25% of the work consists of preparatory and finalisation activities, including initial familiarisation, research and report writing, often performed at Nathalie's Canadian home. The remaining 75% consists of project fulfilment work, based at the client's location.
- Nathalie intends to retain her home in Quebec City for personal use until 31 March 2024, when the property will be rented out and not available for her use.
- She will rent a London apartment on a three-year lease from 6 April 2023.
- While she has never previously been UK resident, in tax year 2021/22 Nathalie spent 95 days in the UK providing legal services to a UK company.
- Her 21-year-old son, Jules, is in the first year of a bachelor degree at a UK university.

Nathalie holds the following assets:

- A directly held portfolio of Canadian property, likely to earn £500,000 income each year after deduction of £100,000 depreciation. Canadian Tax of £150,000 would be payable; and
- A large international share portfolio, which includes UK listed securities.

Nathalie has sent you the following estimate of where she will spend her time over the next two tax years:

#### 2023/24

<u>Country</u>	<u>Days</u>
UK (working 7 hours per day on various client assignments)	95
Italy (assignment)	80
Germany (assignment)	80
Canada	40
Other (holidays)	70

#### 2024/25

<u>Country</u>	<u>Days</u>
UK (working 7 hours per day on various client assignments)	80
Spain (assignment)	80
Ireland (assignment)	80
Netherlands (assignment)	40
Canada (staying with family)	20
Other (holidays)	65

**You are required to:**

- 1) Advise Nathalie on her UK tax residence position for the 2023/24 and 2024/25 tax years. (12)
- 2) Explain the tax regime available to non-domiciled taxpayers, including Income Tax, Capital Gains Tax and Inheritance Tax, and determine how Nathalie's non-trading income and gains will be taxed under this regime. (8)
- 3) Explain how Nathalie's trading income from her provision of legal services will be subject to UK Income Tax, assuming that she does not create a permanent establishment in any of the jurisdictions in which she is temporarily located when carrying out her engagements. (5)

Total (25)

## PART B

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

3. You are a tax partner, and have recently met with one of your firm's new clients, Alpha Ltd, a company which is tax resident in the United Kingdom and has subsidiaries across the world.

During the meeting, Alpha Ltd's finance director mentioned that the group has never reviewed the UK's Controlled Foreign Companies (CFC) rules, assuming that as the group pays tax in most countries it shouldn't have any issues. However, the finance director has asked for an explanation of the rules and how they will be applied in relation to the following subsidiaries:

- 1) Beta Ltd, a subsidiary company incorporated and tax resident in the Cayman Islands, which pays no tax on its profits. Beta Ltd generates trading profits of £350,000 each year from intellectual property rights owned by Alpha Ltd.
- 2) Charlie Ltd, a subsidiary incorporated and tax resident in Turkey, which employs 40 people and provides administration assistance services to Alpha Ltd. These services include the processing of invoices, credit control and the preparation of monthly management accounting packs. An intercompany agreement is in place, under which Charlie Ltd charges Alpha Ltd cost plus 5% margin on all services.
- 3) Delta Ltd, a French incorporated and tax resident entity is the group's designated sales and distribution company, which operates a warehouse in France. It is allocated an annual profit of £1,500,000 and pays tax at a rate of 23%.
- 4) Echo Ltd, a newly acquired company incorporated and tax resident in the United Arab Emirates, which has been a subsidiary of Alpha Ltd for four months. It is opening a new office in Dubai, will employ more than 80 staff, and is expected to generate annual profits of £750,000. The corporate tax rate in the UAE is 9%.

**You are required to provide a letter to the finance director of Alpha Ltd, outlining the UK CFC rules and how they could apply to the four subsidiaries.** (20)

4. Julie Dupont is a Canadian domiciled taxpayer who relocated to the United Kingdom on 5 May 2016. Julie, who remains non-domiciled in the UK, has provided you with the following information about her financial interests:

1) Mixed Fund Deposit Account

On the date of Julie's move to the UK, she held £400,000 in an overseas bank account. After her move to the UK, the following transactions occurred:

- On 30 August 2017, Julie sold a valuable painting for £300,000. She originally bought the painting for £30,000. She paid the proceeds into her account.
- On 1 March 2019, Julie received a dividend of £200,000 from a British Virgin Islands company she had incorporated many years ago; again these proceeds were placed immediately into her deposit account.
- On 1 April 2019, Julie remitted £50,000 from the account to the UK to fund her living expenses.
- On 1 May 2021, Julie received an inheritance of £500,000 into the account.

Julie plans to transfer a further £550,000 from the overseas account to the UK on 1 February 2023, in order to purchase a property which she will use as her principle private residence.

2) Investment opportunity

Julie has become aware of a UK investment opportunity involving Swallows Ltd, a UK holiday home letting business. One of Swallows Ltd's directors has offered Julie an opportunity to purchase 50 ordinary shares in the company for £500,000. Julie believes the company has good prospects and that the shares are likely to rise significantly in value.

The company's profits will be used to buy further holiday homes. Julie therefore does not expect to receive significant dividends. However, she will receive significantly discounted rates for holiday bookings.

**You are required to:**

- 1) **Advise Julie on the UK tax implications of her overseas bank account, including the past transactions and proposed remittance of £550,000 on 1 February 2023.** (10)
- 2) **Advise Julie on whether her proposed share purchase in Swallows Ltd is likely to qualify for Business Investment Relief.** (10)

Total (20)

## PART C

You are required to answer TWO questions from this Part.

5. An overseas colleague has contacted you regarding a mutual client, the Phoenix Group, a multinational enterprise that manufactures and distributes electronics across the world. The group is currently undertaking a review of its worldwide transfer pricing obligations.

You have been provided with the following information regarding the Phoenix Group and its United Kingdom subsidiary company, Sunburst Industries Ltd:

- Sunburst Industries Ltd is incorporated and tax resident in the UK. It purchases electronic goods from Stellar Enterprises, a group company located in Germany. Upon arrival in the country, the electronic goods are stored in a UK warehouse and then sold to customers across the UK.
- Sunburst Industries Ltd has a turnover of £90 million and employs 350 staff.
- The current transfer pricing policy is based on the Resale Price method, with Sunburst Industries Ltd allocated a margin of 1%.
- Sunburst Industries Ltd is one of 18 sales and distribution entities within the Phoenix Group. All sales and distribution entities operate a Resale Pricing method and receive margins in the range of 1-5%.
- Sunburst Industries Ltd pays a management charge to its parent company for assistance with general administration and marketing activities, at cost plus 5%.
- The group has a consolidated turnover of £860 million, net assets of £4 billion and 4,680 employees for the year ended 31 December 2022.
- The group has a worldwide transfer pricing policy document, and has two local transfer pricing files, one in the United States and one in Germany.

**You are required to prepare a note outlining the UK transfer pricing rules, and documentation filing requirements and penalties, in relation to Sunburst Industries Ltd and the Phoenix Group. (15)**

6. Art Print GmbH is a luxury watch retailer based in Germany. The company has been selling its products through its website to customers across the world for several years. It has recently received an increased number of orders from customers in the United Kingdom, and is considering opening a physical store in London to increase sales further.

Art Print GmbH will operate as a permanent establishment in the UK, with watches being manufactured in Germany and then sent to the UK retail store for sale to customers.

The company will also continue to sell watches to UK customers via its website. However, with its new location in the UK, it will be able to ship stock from the retail store to online customers in the UK.

Art Print GmbH is unsure about its tax obligations in the UK, and seeks your advice on how to comply with the prevailing rules.

**You are required to prepare a memo for Art Print GmbH, explaining any UK tax implications and filing obligations relating to:**

- 1) Corporate tax; and (10)  
2) VAT. (5)

Total (15)

7. Stoney Island Ltd is a large real estate development company, based in the United Kingdom with its headquarters in London. The company owns several residential properties across the UK, most of which are leased out to tenants.

The value of these properties has increased significantly over the years, and Stoney Island Ltd's management team is concerned about the tax implications of holding onto them.

The following properties are owned by Stoney Island Ltd:

- 1) Willow Lodge, built in 2008 for £250,000 and let out fully furnished to tourists. It is now valued at £1.2 million.
- 2) Chestnut House, a large period home that is currently being renovated and converted into six apartments. Each apartment will be valued at £300,000. A letting agent has been appointed to market these apartments, after the completion of works.
- 3) Sunflower Cottage, a small two-bedroom cottage built in 2016. It is currently vacant and has not been rented since December 2021. It is valued at £750,000.
- 4) Bluebell Manor, a care home that is let to HomeCare Ltd, a third-party care home operator.
- 5) Four semi-detached properties on the Oakwood Estate. Each property is worth £240,000. Three properties are let to third party tenants, with the fourth let to the sister of the majority shareholder in Stoney Island Ltd. All of the tenants have occupied these properties since they were completed in 2009.
- 6) Wonderland Tower, an architectural experiment with views over the English countryside. It is valued at £800,000. Nobody lives in Wonderland Tower, but it is open to the public every day between 1 June and 30 September each year.

Stoney Island Ltd's financial controller has heard about the Annual Tax on Enveloped Dwellings (ATED), but is unsure about how it works and whether it applies to the company's various properties.

**You are required to prepare a memo for the financial controller, outlining the implications of the ATED rules for Stoney Island Ltd.** (15)

8. Pieter Hamaekers, a Netherlands-domiciled individual, moved to the United Kingdom in July 2018. Prior to the move, on 6 March 2018 and following the advice of his London accountants, he created the Pieter Hamaekers discretionary trust, by settling £5 million in pre-arrival capital. Pieter's accountants explained that using a trust might be highly tax efficient and significantly reduce his UK Income Tax bill.

The trust was created under Guernsey law, and Guernsey resident trustees were appointed. Under the trust deed Pieter, who remains domiciled in the Netherlands, was included as a discretionary beneficiary.

On 8 March 2018 Pieter settled further assets into the trust, including shares in a Dutch company, Hamaekers BV. In May 2018, the trustees received a letter of advice from their UK tax adviser explaining the necessity of strictly segregating capital from income. The trustees implemented this advice, setting up separate trust bank accounts for capital and income amounts. On 1 July 2018, the trustees invested the £5 million originally settled, into a non-income producing asset.

On 1 January 2022 a £1 million dividend was paid by Hamaekers BV into the trust's non-interest-bearing income account. This income has been retained by the trust, in a non-interest-bearing account.

In January 2023 Pieter, who has incurred significant costs refurbishing his UK home, met with the trustees in Guernsey and asked them to consider making a capital distribution of £1.5 million to him out of the trust's capital account. The trustees are unsure of the tax consequences of this proposal, and have instead suggested the alternative option of providing an interest-free loan of £1.5 million to Pieter.

You may assume an official interest rate of 2%, and that the trustees have correctly segregated income and capital, and that any payment or loan to be made to Pieter will be made out of 'clean' capital.

**You are required to advise the trustees on the respective Income Tax implications of making a capital distribution of £1.5 million to Pieter in the UK, and of making an interest-free loan.** (15)

9. Filipa Anderson was born in London in 1978. Her parents had moved to the United Kingdom from Denmark in 1975, at first on a temporary basis when her father accepted a short-term assignment. Over the next decade the Andersons settled in the UK, purchasing a London house and obtaining British citizenship in the early 1990s. By 1993, Filipa's parents had both purchased burial plots in London and considered the UK their permanent home.

Filipa attended a UK university and remained in the country until 2005, when she embarked on a very successful career in finance, working for a major bank in Switzerland. In 2023 her employer offered her an opportunity to lead their London operation.

During her years with the bank, Filipa has settled funds into a very substantial offshore discretionary trust, established in the British Virgin Islands, which holds investment portfolios and non-UK residential property.

Contemplating retirement, Filipa has recently purchased a flat in Monaco and is not certain that her circumstances will lead to a permanent move back to the UK.

Filipa has received comprehensive tax advice from a major international accountancy firm on the taxation of her remuneration package. She has approached your firm for specialist advice regarding her domicile status and the UK taxation of her offshore trust.

**You are required to advise Filipa on her domicile status, and how this may impact on the taxation of her trust.** (15)

# ADIT EXAMINATIONS

2023

## TAX TABLES

### INCOME TAX - RATES AND THRESHOLDS

	2022/23	2021/22
<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	8.75	7.5
Dividend upper rate	33.75	32.5
Dividend additional rate and trust rate for dividends	39.35	38.1
<b>Thresholds</b>	<b>£</b>	<b>£</b>
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
<b>Scottish Tax Rates<sup>(1)</sup></b>	<b>%</b>	<b>%</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>	<b>£</b>	<b>£</b>
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 <sup>(2)</sup>	12,570	12,570
Married couple's allowance <sup>(3)</sup>	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 <sup>(4)</sup>	1,260	1,260
Blind person's allowance	2,600	2,520
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**

2023

## **TAX TABLES**

<b>ISA limits</b>	<b>2022/23</b>	<b>2021/22</b>
	£	£
Maximum subscription:		
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

### Pension contributions

	<b>Annual allowance<sup>(1)</sup></b> £	<b>Lifetime allowance</b> £	<b>Minimum pension age</b>
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.

<b>Employer Supported Childcare</b>	<b>2022/23</b>	<b>2021/22</b>
Exemption – basic rate taxpayer <sup>(2)</sup>	£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 <sup>(3)</sup>	First 10,000 business miles Additional business miles	45p 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 % <sup>(4)</sup>
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%).

<b>Fuel benefit base figure</b>	<b>2022/23</b>	<b>2021/22</b>
	£	£
25,300		24,600

# ADIT EXAMINATIONS

2023

## TAX TABLES

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

<b>Official rate of interest</b>	2%	2%
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### **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

### **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 March 2023 (£200,000 from 1 April 2023).
  - (2) The main pool rate applies to cars with CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> (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**

	<b>2022/23</b>	<b>2021/22</b>
	£	£
<b>'Rent-a-room' limit</b>	7,500	7,500
<b>Property allowance/Trading allowance</b>	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

2023

## TAX TABLES

### NATIONAL INSURANCE CONTRIBUTIONS

<b>Class 1 limits</b>	2022/23			2021/22		
	<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>
Lower earnings limit (LEL)	£6,396	£533	£123	£6,240	£520	£120
Primary threshold (PT) <sup>(1)(2)</sup>	£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 <sup>(3)</sup>	15.05%	13.8%
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- Note:** (3) Rate of secondary NICs between the ST & the UST, AUST and FUST is 0%.

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

<b>Class 3 contributions</b>	£15.85 pw	£15.40 pw
<b>Class 4 contributions</b>		
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

2023

## TAX TABLES

### OTHER PAYROLL INFORMATION

<b>Statutory maternity/adoption pay</b>	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £156.66 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 £156.66
<b>Statutory sick pay</b>	£99.35 per week
<b>Student Loan</b>	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)
<b>Postgraduate Loan</b>	6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

### National living/minimum wage (April 2022 onwards)

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

### 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

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

### 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

<b>Business Asset Disposal relief</b>	<b>2022/23</b>	<b>2021/22</b>
Relevant gains (lifetime maximum) <sup>(4)</sup>	£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.

# ADIT EXAMINATIONS

2023

## 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		

# ADIT EXAMINATIONS

2023

## TAX TABLES

### CORPORATION TAX

<b>Financial year</b>	<b>2023</b>	<b>2022, 2021 and 2020</b>
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 <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.

### Research and development expenditure

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

### VALUE ADDED TAX

	<b>Standard rate</b>	<b>VAT fraction</b>
Rate	20%	1/6
<b>Limits</b>	<b>From 1.4.22</b>	<b>From 1.4.21</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	£ 1,600,000	£ 1,600,000

### ADVISORY FUEL RATES (as at 1 March 2022)

<b>Engine size</b>	<b>Petrol</b>	<b>LPG</b>	<b>Engine size</b>	<b>Diesel</b>
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
<b>Electricity rate</b>	5p			

# ADIT EXAMINATIONS

2023

## TAX TABLES

### **OTHER INDIRECT TAXES**

	<b>2022/23</b>	<b>2021/22</b>
<b>Insurance premium tax<sup>(1)</sup></b>		
Standard rate	12%	12%
Higher rate	20%	20%
<b>Tobacco products duty</b>	<b>From 27.10.2021</b>	<b>From 16.11.20</b>
Cigarettes	16.5% x retail price + £262.90 per thousand cigarettes (or £347.86 per thousand cigarettes <sup>(2)</sup> )	16.5% x retail price + £244.78 per thousand cigarettes (or £320.90 per thousand cigarettes <sup>(2)</sup> )
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% <sup>(3)</sup>	<b>Lifetime rate</b>	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<sup>(4)</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 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)

<b>Residential property value</b>	<b>From 1.4.22</b>	<b>From 1.4.21</b>
>£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

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

### STAMP DUTY LAND TAX

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

<b>Basic Rate %<sup>(3)(4)(5)(6)</sup></b>	<b>Higher Rate %<sup>(3)(4)(6)</sup></b>	<b>Residential<sup>(3)(4)(5)(6)</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:** (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

<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

# ADIT EXAMINATIONS

2023

## TAX TABLES

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

Basic Rate % <sup>(1)(2)(3)</sup>	Residential	Rate % <sup>(1)</sup>	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 <sup>(4)</sup>
Zero	Non-residential Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

- Note:** (4) Residential leases are generally exempt