

# THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

December 2022

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## MODULE 2.09 – UNITED KINGDOM OPTION

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### 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 2022 Tax Tables**

## PART A

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

1. Your client, Cumulus Ltd, is a company incorporated and tax resident in the United Kingdom which manufactures air conditioning units. Cumulus Ltd has recently acquired 100% of Stratus Inc., a company incorporated and tax resident in Utopia, which manufactures heating units.

In the year to 31 December 2021, Stratus Inc. reported an accounting profit of £10 million after operating expenditure of £5 million, and paid corporation tax in Utopia of £1 million. All of Stratus Inc.'s staff are based in Utopia, and all of the company's income was generated through sales of its heating units.

The board of Cumulus Ltd want to break into the UK heating market and start selling Stratus Inc.'s products in the UK. They have set out the following strategy for doing so:

- 1) First, Stratus Inc. will establish a representative office in the UK. This office will be used as a base for UK market research. Stratus Inc. staff will also be sent from Utopia to work in the representative office to assess whether demand exists for the heating units in the UK.
- 2) If demand is proven, Stratus Inc. will engage professional salespeople to negotiate and sign contracts with UK retailers on its behalf. These UK-based salespeople will be the same as those used by Cumulus Ltd, but will not be employed by either company and will likely perform a similar role for several other groups.

In the longer term, the board may contemplate migrating the tax residence of Stratus Inc. to the UK.

**You are required to draft a memo advising the board of Cumulus Ltd on the following:**

- 1) **The UK Controlled Foreign Company implications of the Stratus Inc. acquisition.** (11)
- 2) **The UK permanent establishment implications of the plans for Stratus Inc. to expand its activities into the UK.** (8)
- 3) **How Stratus Inc. could migrate its tax residence to the UK, and the UK tax implications of doing so.** (6)

Total (25)

2. Emily is a Swedish national who has spent approximately nine months per year in the United Kingdom since 2006.

Emily was born in Sweden to Swedish parents, and lived there until she was 35 before coming to the UK in 2006. She purchased a UK home in 2006, but continues to own a property in Sweden where she spends three months of the year. Her home in Sweden is vacant when not in use.

Emily is employed by GC Ltd (a UK company) and receives a salary of £300,000 per year. She spends 80% of her working time in the UK and 20% working from home in Sweden. Her employment income is not taxable in Sweden.

Emily also received the following personal income and gains during the 2021/22 UK tax year:

- a) UK dividend income of £15,000.
- b) French dividend income of £50,000 which has been remitted to the UK. French tax is not due on this income.
- c) Swedish dividend income of £30,000. This income has been paid into a non-UK bank account and not remitted to the UK. Swedish tax of 15% is payable on this income.
- d) Proceeds of £200,000 from the disposal of shares in a Swedish company. These shares were originally acquired in 2015 for £20,000. The proceeds were paid into her Swedish account and have not been remitted to the UK.
- e) Proceeds of £30,000 from the disposal of shares in a UK company. These shares were originally acquired in 2015 for £10,000. The proceeds were paid into her Swedish account and have not been remitted to the UK.
- f) A £25,000 gain from a Swedish life assurance policy. This is a qualifying life assurance policy from a UK perspective, and the proceeds have not been remitted to the UK.

Emily plans to spend a few more years in the UK before selling her UK property and returning to Sweden.

**You are required to:**

- 1) Explain the concept of domicile, and apply this to determine Emily's domicile status for the 2021/22 and 2022/23 tax years. (8)
- 2) Explain, with supporting calculations, how Emily's income and gains in 2021/22 will be taxed in the UK under the remittance and arising basis of taxation, and identify which basis would be most beneficial to her. (17)

Total (25)

## PART B

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

3. Ms Eriksson is the tax manager of Snowdon Ltd, a company incorporated and tax resident in the United Kingdom which sells camping equipment. Snowdon Ltd also holds 100% of the shares in the following companies:

- Craggy BV, a company incorporated and registered in Montania but which migrated its tax residence to the UK last year. Craggy BV pays a dividend to Snowdon Ltd each quarter.
- Blanc SAS, a company which carries out highly profitable sales and marketing activities in several countries outside the UK. Blanc SAS purchases products in the UK for use in its overseas operations and maintains a representative office in the UK for brand awareness.
- Elbrus Pty Ltd, a company based in Snowtopia which manufactures and sells camper vans. Elbrus Pty Ltd manufactures the camper vans at its UK factory, but all contracts for sale are negotiated and signed in Snowtopia. Elbrus Pty Ltd also provides camper van repair and maintenance services to customers, including some based in the UK.

Snowdon Ltd also makes loans to its subsidiaries, charging interest at arm's length rates.

Ms Eriksson would like to understand the UK's approach to determining UK source income.

The UK has treaties in place with all relevant countries, all of which reflect the OECD Model Tax Convention.

**You are required to:**

- 1) **Discuss the extent to which the dividend paid by Craggy BV will be deemed to have a UK source.** (2)
- 2) **Explain whether Blanc SAS and Elbrus Pty Ltd are likely to be considered to be trading in the UK. You are not required to consider tax residence, or discuss any resulting permanent establishment implications.** (9)
- 3) **Discuss, with reference to case law, the UK approach to determining the source of interest and the importance given to the relevant factors.** (9)

Total (20)

4. Gary, a United Kingdom national, has been living and working in the UK for many years. He is assigned by his employer to work in Germany for a period of 21 months from 1 June 2022 until 28 Feb 2024. His employer is providing him with a German rental apartment throughout the period of his assignment.

Prior to his departure on 1 June 2022, Gary spent all of his time in the UK.

During his assignment, Gary's wife and two children will remain at their family home in the UK. Gary will return to the UK to visit his family approximately every other weekend. Between 1 June 2022 and 5 April 2023 he will spend 40 days in the UK visiting his family and a further 15 days working in the UK. Between 6 April 2023 and 28 February 2024 he will spend 40 days in the UK visiting family, but will not work in the UK.

The initial plan is for Gary to return to the UK on 1 March 2024 and resume his role in the UK. He is expected to work 25 days in the UK between 1 March and 5 April 2024.

Gary is keen to understand what his UK tax position is during his assignment, and how his employment income and German housing will be taxed in the UK.

You may assume that Gary will work sufficient hours overseas in both 2022/23 and 2023/24. You should assume that the UK has a double taxation agreement (DTA) in place with Germany which reflects the OECD Model Tax Convention.

**You are required to:**

- 1) **Discuss Gary's tax residence in 2022/23 and 2023/24 under the Statutory Residence Test and the Germany/UK DTA, and explain how his employment income and German accommodation would be taxed in the UK as a result.** (14)
- 2) **Consider if Gary's assignment was extended to 31 March 2024. Explain how this would affect his UK tax residence position and how his income would be taxed in the UK.** (6)

Total (20)

## PART C

You are required to answer TWO questions from this Part.

5. Rose Ltd is a large company incorporated and tax resident in the United Kingdom. Rose Ltd has two 100% subsidiaries:

- Duff Ltd, which is incorporated and tax resident in the UK; and
- Slash Inc., a company incorporated and tax resident in Rodinia, where the corporate tax rate is 8%.

Duff Ltd, the main operating company of the group, owns a number of recording studios in the UK, and requires new audio equipment for its studios. Rather than Duff Ltd acquiring the equipment directly, Rose Ltd will subscribe for additional shares in Slash Inc., and Slash Inc. will acquire the equipment. Slash Inc. will then provide this equipment to Duff Ltd under an operating lease for an annual payment of £50 million.

Slash Inc. has two part-time administrative employees and very little activity.

Mr Leffen, the Tax Director of Rose Ltd, has assured the Board that the payments under the operating lease will leave Duff Ltd with very low taxable profits for the duration of the arrangement. The Board has endorsed the arrangement, but Mr Leffen is now concerned about the application of Diverted Profits Tax. He is also unsure of whether he has a duty to notify HMRC about the arrangement.

**You are required to:**

- 1) Discuss the application of Diverted Profits Tax to this arrangement. (11)
- 2) Outline whether there is a duty to notify HMRC of the arrangement under the Diverted Profits Tax rules. (4)

Total (15)

6. "Anti-avoidance provisions in double tax treaties and the UK's domestic anti-avoidance legislation are both seeking to achieve the same goal: the prevention of tax abuse by companies. The robustness of the UK's domestic anti-avoidance measures means that anti-avoidance provisions in the UK's treaty networks are largely unnecessary."

**You are required to discuss the extent to which you agree with this statement, with reference to specific domestic and treaty-based anti-avoidance measures.** (15)

7. Bruno is a United Kingdom national who is being seconded to France by his UK employer for three years. During his assignment, Bruno will be 'equalised' on his employment income for tax and National Insurance by his employer.

Bruno will commute to France every week and work in France from Monday to Thursday, before returning to the UK to work on Friday and spending the weekend in his UK family home with his wife and two children.

Bruno will stay in a French hotel arranged by his employer for the first six months of his assignment, before being provided with a French apartment by his employer for the remainder of his secondment. He will remain UK tax resident throughout his assignment under the Statutory Residence Test and will also be considered as French tax resident under France's domestic legislation.

Bruno will continue to receive his regular salary while on assignment, and will receive a monthly £500 net cost of living allowance. The only other source of income that Bruno will receive is an estimated £15,000 of dividend income per year from shares held in the French parent company of his UK employer.

You should assume that the UK has a double taxation agreement (DTA) in place with France which reflects the OECD Model Tax Convention.

**You are required to write a memo to Bruno, advising him on the following topics:**

- 1) The concept of tax equalisation, including how this will be implemented by his employer. (2)
- 2) Bruno's treaty residence position under the France/UK DTA, including how his employment income will be taxed and how double taxation relief should be obtained. (10)
- 3) Bruno's social security position, and how the country in which he is liable for social security will be determined. (3)

Total (15)

8. Tamara lived in the United Kingdom her whole life, before moving to Chile for four years on 6 April 2020. As a result, Tamara will be UK tax non-resident for the 2020/21-2023/24 UK tax years, before returning to the UK on 6 April 2024.

Tamara disposed of the following assets on 6 October 2022:

- UK shares acquired on 6 April 2020;
- UK shares acquired on 6 June 2021;
- a Rolex watch; and
- UK residential property, acquired on 6 April 2010 for £300,000.

The UK residential property was sold for £450,000 with £5,000 of incidental costs. Tamara spent £25,000 enhancing the property in 2013. The property had a market value on 6 April 2015 of £350,000. Tamara owned and occupied this property as her primary residence from 6 April 2010 until her move to Chile on 6 April 2020. The property remained empty while she was in Chile, until it was sold.

**You are required to prepare a memo advising Tamara on the UK tax treatment of her disposals and advise her of any reporting obligations she may have. (15)**

9. Your client, Susie, is the owner of several UK and overseas rental properties. Susie is eager to try to reduce her income tax liability in a legal manner.

Susie has been researching some schemes designed to reduce her income tax burden and has found that one that promises to do so by transferring ownership of the properties to a company located in a zero-tax jurisdiction where Susie is the sole shareholder.

Susie is resident and domiciled in the UK.

**You are required to write a letter to Susie, advising on the application of the General Anti-Abuse Rule (GAAR) to tax avoidance schemes, including potential penalties, and the application of the 'Transfer of Assets Abroad' (TOAA) legislation to the specific scheme mentioned. (15)**

# ADIT EXAMINATIONS

2022

## TAX TABLES

### INCOME TAX - RATES AND THRESHOLDS

	2021/22	2020/21
<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>	<b>£</b>	<b>£</b>
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,500
Higher rate band	37,701 – 150,000	37,501 – 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 – 2,097	1 – 2,085
Scottish basic rate	2,098 – 12,726	2,086 – 12,658
Intermediate rate	12,727 – 31,092	12,659 – 30,930
Higher rate	31,093 – 150,000	30,931 – 150,000
Top rate	150,000 +	150,000 +

### INCOME TAX - RELIEFS

	2021/22	2020/21
	£	£
Personal allowance <sup>(2)</sup>	12,570	12,500
Married couple's allowance <sup>(3)</sup>	9,125	9,075
– Maximum income before abatement of relief - £1 for £2	30,400	30,200
– Minimum allowance	3,530	3,510
Transferable Tax allowance for married couples and civil partners <sup>(4)</sup>	1,260	1,250
Blind person's allowance	2,520	2,500
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**

2022

## **TAX TABLES**

<b>ISA limits</b>	<b>2021/22</b>	<b>2020/21</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>
2020/21	40,000	1,073,100	55
2021/22	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**

**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 – 2021/22

Emissions	Electric range (miles)	Car benefit % <sup>(4)</sup>	Car benefit % <sup>(4)</sup>
		Pre 6 April 2020 registration	On/after 6 April 2020 registration
0g/km	N/A	1%	1%
1-50g/km	>130	2%	1%
1-50g/km	70-129	5%	4%
1-50g/km	40-69	8%	7%
1-50g/km	30-39	12%	11%
1-50g/km	<30	14%	13%
51-54g/km		15%	14%
55-59g/km		16%	15%
60-64g/km		17%	16%
65-69g/km		18%	17%
70-74g/km		19%	18%
75g/km or more		20%	19% + 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	
165g/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%).

# ADIT EXAMINATIONS

2022

## TAX TABLES

<b>Fuel benefit base figure</b>	<b>2021/22</b>	<b>2020/21</b>
	£	£
	24,600	24,500
<b>Van benefits</b>	<b>2021/22</b>	<b>2020/21</b>
No CO <sub>2</sub> emissions	£	£
CO <sub>2</sub> emissions > 0g/km	Nil	2,792
Fuel benefit for vans	3,500	3,490
	669	666

### 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>2021/22</b>	<b>2020/21</b>
	2%	2.25%

### 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)	3%

- Notes:**
- (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2021 (£200,000 from 1 January 2022).
  - (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).

### 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 if the car either emits 0 g/km of CO<sub>2</sub> (50g/km prior to April 2021) or it is electrically propelled (until April 2025).  
 Electric vehicle charging points (until April 2023).

### Super-deduction available to companies only

Additional FYA for companies incurring expenditure on new plant and machinery (other than cars) between 1 April 2021 to 31 March 2023:

FYA for assets in main pool	130%
FYA for assets in special rate pool	50%

# ADIT EXAMINATIONS

2022

## TAX TABLES

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

#### **Allowances**

	<b>2021/22</b>	<b>2020/21</b>
	£	£
'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

### **NATIONAL INSURANCE CONTRIBUTIONS**

<b>Class 1 limits</b>	<b>2021/22</b>			<b>2020/21</b>		
	<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>
Lower earnings limit (LEL)	£6,240	£520	£120	£6,240	£520	£120
Primary threshold (PT)	£9,568	£797	£184	£9,500	£792	£183
Secondary threshold (ST)	£8,840	£737	£170	£8,788	£732	£169
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,000	£4,167	£962
Upper secondary threshold for under 21 (UST) <sup>(1)</sup>	£50,270	£4,189	£967	£50,000	£4,167	£962
Apprentice upper secondary threshold for under 25 (AUST) <sup>(2)</sup>	£50,270	£4,189	£967	£50,000	£4,167	£962

#### **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%.

	<b>2021/22</b>	<b>2020/21</b>
<b>Employment allowance</b>		
Per year, per employer	£4,000	£4,000
<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	£3.05 pw
Small profits threshold	£6,515 pa	£6,475 pa
<b>Class 3 contributions</b>	£15.40 pw	£15.30 pw
<b>Class 4 contributions</b>		
Annual lower profits limit (LPL)	£9,568	£9,500
Annual upper profits limit (UPL)	£50,270	£50,000
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

# ADIT EXAMINATIONS

2022

## TAX TABLES

### OTHER PAYROLL INFORMATION

<b>Statutory maternity/adoption pay</b>	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.97 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 £151.97
<b>Statutory sick pay</b>	£96.35 per week
<b>Student Loan</b>	Plan 1: 9% of earnings exceeding £19,895 per year (£1,657.91 per month/ £382.59 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 £25,000 per year (£2,083.33 per month /£480.76 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 2021 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>8.91</b>	18–20 year olds	<b>6.56</b>
21–22 year olds	<b>8.36</b>	16–17 year olds	<b>4.62</b>
<b>Accommodation Offset</b>	£8.36 per day		
		Apprentices	<b>4.30</b>

### 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>2021/22</b>	<b>2020/21</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>2021/22</b>	<b>2020/21</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

2022

## 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

2022

## TAX TABLES

### CORPORATION TAX

Financial year	2021	2020	2019
Main rate	19%	19%	19%
Patent rate	10%	10%	10%
<b>EU definition of small and medium sized enterprises</b>			
	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

	Standard rate	VAT fraction
Rate	20%	1/6
<b>Limits</b>		
Annual registration limit	From 1.4.21 £ 85,000	From 1.4.20 £ 85,000
De-registration limit	83,000	83,000
<b>Thresholds</b>		
Turnover threshold to join scheme	Cash accounting £ 1,350,000	Annual accounting £ 1,350,000
Turnover threshold to leave scheme	1,600,000	1,600,000

### ADVISORY FUEL RATES (as at 1 March 2021)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	10p	7p	1600cc or less	9p
1401cc to 2000cc	12p	8p	1601cc to 2000cc	11p
Over 2000cc	18p	12p	Over 2000cc	12p

Electricity rate	4p
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### OTHER INDIRECT TAXES

	2021/22	2020/21
<b>Insurance premium tax<sup>(3)</sup></b>		
Standard rate	12%	12%
Higher rate	20%	20%
<b>Tobacco products duty</b>	<b>From 16.11.2020</b>	<b>From 11.3.20</b>
Cigarettes	16.5% x retail price + £244.78 per thousand cigarettes (or £320.90 per thousand cigarettes <sup>(4)</sup> )	16.5% x retail price + £237.34 per thousand cigarettes (or £305.23 per thousand cigarettes <sup>(4)</sup> )
Cigars	£305.32 per kg	£296.04 per kg
Hand-rolling tobacco	£271.40 per kg	£253.33 per kg
Other smoking/chewing tobacco	£134.24 per kg	£130.16 per kg
Tobacco for heating	£251.60 per kg	£243.95 per kg

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

(4) The £320.90/£305.23 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).

# ADIT EXAMINATIONS

2022

## TAX TABLES

### INHERITANCE TAX

Death rate	40% <sup>(1)</sup>	Lifetime rate	20%
<b>Note:</b> (1) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.			
<b>Nil rate bands</b>			
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
<b>Residence nil rate bands<sup>(2)</sup></b>			
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:** (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	From 1.4.21	From 1.4.20
>£0.5m - ≤ 1m	£3,700	£3,700
> £1m - ≤ 2m	£7,500	£7,500
> £2m - ≤ 5m	£25,300	£25,200
> £5m - ≤ 10m	£59,100	£58,850
> £10m - ≤ 20m	£118,600	£118,050
> £20m	£237,400	£236,250

### STAMP DUTY/SDRT

Stamp duty <sup>(3)</sup>	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax <sup>(4)</sup>	- On agreements to transfer shares <sup>(4)</sup>	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

**Notes:** (3) Does not apply to UK securities traded on a recognised growth market (eg AIM).  
(4) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

# ADIT EXAMINATIONS

2022

## TAX TABLES

### STAMP DUTY LAND TAX

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

Basic Rate % <sup>(1)(2)(3)(4)</sup>	Higher Rate % <sup>(1)(2)(4)</sup>	Residential <sup>(1)(2)(3)(4)</sup>	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:**
- (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 (subject to exceptions).
  - (3) 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.
  - (4) 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 2 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

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

Basic Rate % <sup>(5)(6)(7)</sup>	Residential	Rate % <sup>(5)</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:**
- (5) 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.
  - (6) 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.
  - (7) 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>(8)</sup>	
	Non-residential	
Zero	Up to £150,000	
1%	£150,001 to £2,000,000	
2%	£2,000,001+	

**Note:** (8) Residential leases are generally exempt.