THE ADVANCED DIPLOMA IN INTERNATIONAL TAXATION

December 2020

MODULE 2.09 – UNITED KINGDOM OPTION

ADVANCED INTERNATIONAL TAXATION (JURISDICTION)

TIME ALLOWED – 3¼ HOURS

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

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

You must answer:

- **Both** questions in **Part A** (25 marks each)
- **One** question only from **Part B** (20 marks)
- **Two** questions only 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 2020 Tax Tables

PART A

You are required to answer BOTH questions from this Part.

1. The Annabelle Group comprises a number of overseas entities throughout Europe and North America. You have just received the following email from the group's tax director:

   Hi,

   Thanks for calling me last week to discuss recent developments with our Spanish subsidiary, Annabelle SL. To recap, this company is incorporated in Spain and has, to date, been tax resident in Spain.

   As well as having its own trading operations in Spain, Annabelle SL acts as a regional sub-holding company, mainly holding interests in other group companies across Europe, though it also has a subsidiary in the Cayman Islands. Its main assets, apart from shareholdings in subsidiaries, are freehold factories, all of which are located in Spain. The company receives dividends from its subsidiaries, and it in turn pays dividends to its parent company. It also pays interest on a loan from our group financing company in Luxembourg.

   We are looking at bringing in a new director to the board of Annabelle SL – John Smith. John has extensive expertise in our field, and we think he is exactly the kind of person to lead future developments for the company. John is a United Kingdom citizen who currently lives in London. As his children are still at school in the UK he doesn't want to move to Spain (where the other board members live), but will instead travel to Spain for board meetings or dial in as needed. To reduce the amount of travel John will have to do, we might occasionally hold board meetings in London. Given John's level of expertise in the field, and the speed of developments, he may need to make some decisions outside of board meetings. Where this is the case the board will consider and ratify those decisions when they next meet in person.

   I'm aware that directors can be important to the tax residence of a company, so wanted to check whether you had any thoughts on these proposals? Don't worry about payroll taxes or remuneration for John – we have that covered elsewhere.

   Thanks,
   Danielle

   You are required to prepare a reply to Danielle's email, setting out:

   1. **How the proposed addition of John Smith to the board of directors could affect the tax residence of Annabelle SL, and what can be done to mitigate the risk of the company being deemed UK tax resident. For these purposes, you should assume that the Spain-UK double tax agreement follows the OECD model.** (13)

   2. **An outline of the potential UK Corporation Tax consequences if Annabelle SL were to become UK tax resident. Your answer should cover any tax consequences arising directly from the change in residence, as well as the ongoing tax treatment of the company.** (12)

   Total (25)

2. Michael Parker is a wealthy individual who enjoys running his highly profitable family company, Hexogen Ltd. Michael holds the entire share capital of Hexogen Ltd, which has accumulated substantial cash reserves, in contemplation of paying large dividends. While continuing to expand, Hexegon Ltd has fewer than 200 employees and the company's turnover is less than €50 million.

Over the years Michael has acquired a large, directly held commercial property portfolio which generates significant net rental income. He has also invested heavily in listed equities in the United Kingdom.

Michael is currently considering leaving the UK to live in Switzerland, where he already spends significant time each year and intends to acquire a home. At present Michael spends approximately 220 days in the UK each year, and has a family home in London where he lives with his partner Caroline and their two children, Sam (aged 13) and Jane (aged 19). Sam attends a local school, while Jane is studying at a Scottish university. It is intended that Sam will remain in the UK until he has completed his schooling, and will remain in the UK for much of the school holidays.

Michael has explained that, while he plans to continue to work full time, it will be relatively easy to reduce the time spent in the UK each year to less than 183 days; however, for business and personal reasons he would need to spend at least 60 days annually in the UK. Of the time he intends to spend in the UK, Michael will be required to work on 45 days for at least five hours. Michael considers it likely that he will spend at least 250 days in Switzerland during each tax year.

It is envisaged that, if Michael moves abroad, Caroline will split her time fairly evenly between Switzerland and London. The family intends to retain the London home throughout the period of non-residence. Michael has stressed that, while he would be happy to live abroad for the next three complete tax years, he then intends to return to the UK.

As a final point, Michael mentioned that in order to maximise the advantages of becoming non-resident, he was very interested in exploring a suggestion made by the recently appointed finance director of Hexogen Ltd, Sarah Walker. Sarah had suggested that Michael incorporate a standalone BVI company (of which Michael would be sole shareholder), which would provide consultancy services to Hexogen Ltd at inflated prices. The objective would be to obtain a tax deduction in Hexogen Ltd in respect of consultancy services supplied by BVI Ltd. As Michael would not be UK tax resident, Sarah argues that there is no danger that BVI Ltd would be subject to UK corporation tax. The result would be an inflated corporate tax deduction in Hexogen Ltd, thus reducing Hexogen Ltd's corporate tax liability. However, no UK corporation tax would arise on the corresponding consultancy income received by BVI Ltd.

You are required to:

1) **Provide Michael with a detailed analysis of how the Statutory Residence Test (SRT) would apply to the circumstances proposed above, to determine whether he would be deemed non-resident under the SRT.** (12)

2) **Explain how Michael's income and capital gains would be taxed if he successfully became non-resident for three complete tax years before returning to the UK. Michael has specifically asked you to include in your considerations the implications of his receiving a substantial dividend from Hexogen Ltd, and explain how Capital Gains Tax would apply in relation to any disposals he may make during his period of non-residence. You should ignore the double taxation agreement between Switzerland and the UK.** (6)

3) **Advise Michael on the UK corporate tax implications to Hexogen Ltd of entering into the BVI consultancy arrangements suggested by Sarah.** (7)

Total (25)

PART B

You are required to answer ONE question from this Part.

3. The tax partner to whom you report is attending a meeting with an overseas incorporated and tax resident company that is planning to extend its activities to the United Kingdom.

The company proposes sending two or three employees initially to the UK, to carry out market research and feasibility studies. This work is likely to be conducted in office space rented from a third party, although there is a possibility that another, UK-resident group company will allow them to use some space in their office in Manchester.

If the results of the initial feasibility and market research studies are promising, the employees will likely remain in the UK and begin negotiating contracts with UK-based customers. Alternatively, depending on the costs, they may seek to use a third party agency, or another group company, to carry out these activities.

The company expects to incur a number of expenses in the UK, including administrative, travel and rental costs, both during the initial research phase of the project and in the long term. In order to cover these expenses, the company plans to borrow from a third party bank and to set some of the interest on this loan against any profits arising in the UK.

The client's plans are still at an early stage, but they are concerned about the potential UK tax consequences.

You are required to prepare notes for the tax partner ahead of the meeting, including:

1) **Your view on whether the proposals are likely to result in a permanent establishment in the UK, under UK domestic law.** (13)

2) **If a UK permanent establishment does arise, an explanation of how its taxable profits and losses will be determined for UK tax purposes under UK domestic law.** (7)

For the purposes of both parts of this question you should focus on the position under the UK's own legislation alone, and assume that there is no double taxation agreement in force between the UK and the overseas territory in question. Total (20)

4. Lorenzo and Robyn are the only children of Giovanni and Sarah Rossi, individuals with domiciles of origin in the United Kingdom who ran a family fine arts business. Lorenzo was born in London in 1965. In 1970 the family migrated to the Netherlands, where they settled. Robyn was born in Amsterdam in the Netherlands in 1972. On the date of Robyn's birth it was accepted that Giovanni and Sarah had retained their UK domiciles. Lorenzo and Robyn are both Dutch-domiciled after acquiring a domicile of choice in the Netherlands.

Robyn chose a career in investment banking and moved to Switzerland in 2005, before relocating to London in September 2016 to head up the bank's hedging division. While Robyn spends the majority of her time working in the UK, she also spends about 20% of her time visiting the bank's other European offices and intends to retire in the Netherlands.

Lorenzo has built up a very valuable investment portfolio of foreign shares over the years. In 2012 he inherited the family business from his father. Lorenzo has plans to develop the business and open a branch in London, to exploit opportunities in the highly lucrative international arts market. He has so far acquired premises in Mayfair, London, and became tax resident in the UK from 6 April 2019 to oversee the project. Lorenzo envisages living in London for at least five years before returning to Amsterdam on his retirement.

In January 2019, while preparing to move to the UK, Lorenzo created a non-resident trust, the Lorenzo discretionary trust, in which he placed his investment portfolio, of which he is the primary beneficiary. He has a large pool of clean capital, on which he intends to live while resident in the UK.

When Sarah died in February 2019, Lorenzo and Robyn each inherited a 50% share of a substantial share portfolio which included both foreign and UK-quoted shares. In addition, their mother left Lorenzo a foreign commercial property portfolio, and Robyn a collection of valuable paintings.

Lorenzo and Robyn have approached you for UK tax advice.

You are required to:

1) Explain to Lorenzo how he will be taxed on any income or gains arising on his share and property portfolios. He has recently had a serious health scare and has asked you to outline the Inheritance Tax rules that would apply if he were to die while a UK resident.

Lorenzo has already received comprehensive UK tax advice regarding the establishment of his UK branch, and requires no further advice on this aspect at present. (10)

2) Explain to Robyn how the income and capital gains arising from her share and property portfolios will be subject to tax in the UK. She also asks you to consider her entitlement to overseas workday relief. Finally, Robyn asks you to briefly outline her exposure to UK Inheritance Tax if she dies while working in the UK. (10)

Total (20)

PART C

You are required to answer TWO questions from this Part.

5. JogRight is a multinational group which designs and manufactures high-tech fitness trackers.

Until recently, all of the intangible assets relating to the fitness trackers were held by the group's United States parent company, JogRight Inc. However in 2015, the intellectual property relating to the software (but not the hardware) was transferred to JogRight IPCo, a company which is tax resident in Ruritania, a low-tax jurisdiction with which the UK does not a have a double tax agreement. The intellectual property relating to the hardware continues to be held by JogRight Inc.

JogRight IPCo and JogRight Inc. license their intellectual property to BuildCo, a group company resident in Poland, in return for royalty payments. BuildCo uses the intellectual property to manufacture the fitness trackers, which it then sells to third party retailers in the United Kingdom and other countries, which in turn sell the trackers online and in shops.

You are required to outline the background and scope of the Offshore Receipts in respect to Intangible Property (ORIP) rules introduced in April 2019, and provide a high level analysis of how they might apply to the JogRight group. (15)

6. Your client is a large multinational group that includes a number of overseas companies which each hold commercial and residential properties in the UK, rented out to third parties. None of the companies are tax resident in the UK.

The original acquisition of the UK properties by the overseas companies was funded by a combination of intra-group and third party borrowing. As a result, all of the companies have significant interest expenses each year. Some of the companies are currently making a loss as a result, while others have carried forward losses in respect of their UK property business following an economic downturn.

Your client has contacted you for advice as they are aware that, from April 2020, the overseas companies will be subject to UK Corporation Tax on the rental profits received from their UK properties, rather than Income Tax. Some of the companies are also planning to dispose of the properties in the future, and your client would like to know what the UK tax consequences of this might be.

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:

1) **Establish the main differences between Corporation Tax and Income Tax that are relevant to the overseas companies. Your answer should include any differences in how the companies' tax liabilities will be calculated from April 2020, including relevant provisions which may restrict the deductions available to them, as well as changes to filing and payment arrangements.** (10)

2) **Provide an overall summary of the UK tax implications if any of the companies dispose of their UK properties in the future.** (5)

Total (15)

7. Prof. Tolstoy, a Russian citizen, recently moved to London from France, where he had lived and worked for many years. His principal income derives from two French pensions, while he also receives income from a portfolio of shares, and rental income generated from letting out his Parisian apartment for a monthly rent of €5,000.

Now tax-resident in the United Kingdom, Prof. Tolstoy has asked you to explain how his French income will be assessed to UK tax. In your earlier meeting, he had made clear to you that he will need to bring all of his foreign income into the UK in order to fund his UK expenses. To this end he has arranged for all of his French income to be paid directly into his UK bank account.

Professor Tolstoy's French pensions consist of a civil service pension which arose from his employment with the French government and a private pension arising from a period of employment with a large French company.

Prof. Tolstoy is very concerned that he will be subject to double taxation, since French tax is currently being deducted from both pensions. In addition, he will be required to declare his rental income each year in France. Furthermore, French withholding tax is deducted from the French dividends he receives.

On the basis that Prof. Tolstoy will be assessed for UK tax on his worldwide income, you are required to:

1) Explain, in relation to each of his sources of income, how the France-UK double tax agreement (DTA) may ensure that Prof. Tolstoy is not subject to double taxation. You may assume that the DTA follows the OECD Model. (12)

2) Explain how unilateral relief would apply in the absence of relief under the DTA. (3)

Total (15)

8. Jane Dawson is a non-domiciled client who has been a United Kingdom resident for four years. She has recently sold her shareholding in her Australian family company, Dawson Conglomerate Ltd (DCL), of which she was the director and majority shareholder, for the Australian dollar equivalent of £100 million, having incorporated the company some 20 years ago for A$100.

Following the disposal Jane, who is currently renting a house, has identified a residential London property on sale at £20 million which she is keen to acquire. The property has recently undergone extensive refurbishment and would make an ideal home for Jane.

Jane has also spotted two potential UK investment opportunities:

1) The acquisition, from an unconnected third party, of 40% of the ordinary share capital in an innovative UK trading company, SG Enterprises Ltd (SGEL), for £10 million. SGEL develops artificial intelligence software which is incorporated into common domestic appliances.

2) The acquisition of a commercial office building currently on the market for £15 million. Jane has received preliminary advice that this could be acquired by first incorporating a Jersey company, which would purchase the property. It has been suggested that Jane could lend the funds to the Jersey company and that she should transfer the funds directly to the company's UK bank account, prior to the purchase of the property.

You are required to explain to Jane how the disposal of DCL will be taxed in the UK. Jane also seeks your advice on the tax implications if she remits funds to the UK and whether Business Investment Relief might apply to either or both of the investment opportunities she has identified. (15)

9. Raphael is resident but not domiciled in the UK, and acquired the entire share capital of Ace Properties Ltd (APL) for £6 million in April 2009. APL, which is incorporated in the British Virgin Islands, holds a large London residential property which serves as Raphael's UK home. APL had originally purchased the property in 2006 for £3.2 million.

Since December 2009, the property has been occupied on a rent-free basis by Raphael and his family.

Raphael has confirmed that APL Ltd has not generated any income or chargeable gains. He also explains that, while both he and the original owner of the company had been keen to achieve protection from Inheritance Tax, any Capital Gains Tax savings had never been considered.

Raphael has asked you to provide an analysis of the taxation implications of de-enveloping the property, as of 1 December 2019, in order for him to acquire direct ownership of the property.

The following valuations have been carried out on the property since 2006:

Date	Market Value
March 2006	£3.2 million
April 2009	£6 million
April 2015	£8 million
April 2019	£9.5 million
December 2019	£10 million

You are required to prepare a report, considering the Income Tax, Capital Gains Tax, Stamp Duty Land Tax (SDLT), Annual Tax on Enveloped Dwellings (ATED) and Inheritance Tax consequences of de-enveloping the property in December 2019. (15)

ADIT EXAMINATIONS

2020

TAX TABLES

INCOME TAX - RATES AND THRESHOLDS

	2019/20	2018/19
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	7.5	7.5
Dividend upper rate	32.5	32.5
Dividend additional rate and trust rate for dividends	38.1	38.1
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,500	1 – 34,500
Higher rate band	37,501 – 150,000	34,501– 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
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,049	1 – 2,000
Scottish basic rate	2,050 – 12,444	2,001 – 12,150
Intermediate rate	12,445 – 30,930	12,151 – 31,580
Higher rate	30,931 – 150,000	31,581 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2019/20	2018/19
	£	£
Personal allowance(2)	12,500	11,850
Married couple's allowance(3)	8,915	8,695
- Maximum income before abatement of relief - £1 for £2	29,600	28,900
- Minimum allowance	3,450	3,360
Transferable Tax allowance for married couples and civil partners(4)	1,250	1,190
Blind person's allowance	2,450	2,390
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	100,000	100,000
Social investment relief	1,000,000	1,000,000

Notes (1) Scottish taxpayers pay Scottish income tax on non-savings income.

(2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.

(3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.

(4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.

(5) From 6.4.18, the limit is £2 million, where over £1 million is invested in knowledge intensive companies.

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TAX TABLES

ISA limits	**2019/20**	**2018/19**
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	4,368	4,260

Pension contributions

	Annual allowance[(1)]	**Lifetime allowance**	**Minimum pension age**
	£	£	
2018/19	40,000	1,030,000	55
2019/20	40,000	1,055,000	55

Basic amount qualifying for tax relief £3,600

Notes (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £150,000 for individuals with threshold income above £110,000. It cannot be reduced below £10,000.

Employer Supported Childcare

Exemption – basic rate taxpayer[(1)]	£55 per week	£55 per week

Notes (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[(1)]	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

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

INCOME TAX - CHARGES

Child benefit charge	**Withdrawal rate**
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

INCOME TAX - BENEFITS

Car benefits

Emissions	**2019/20[(1)]**	**2018/19[(1)]**
0 – 50 g/km	16%	13%
51 – 75 g/km	19%	16%
76 – 94 g/km	22%	19%
95 g/km or more	23% + 1% for every additional whole 5g/km above threshold	20% + 1% for every additional whole 5g/km above threshold
165 g/km or more	37%	
180g/km or more		37%

Fuel benefit base figure	**2019/20**	**2018/19**
	£24,100	£23,400

Notes (1) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard.

ADIT EXAMINATIONS

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TAX TABLES

Van benefits	**2019/20**	**2018/19**
	£	£
No CO_2 emissions	2,058	1,340
CO_2 emissions > 0g/km	3,430	3,350
Fuel benefit for vans	655	633

	2019/20	**2018/19**
Official rate of interest	2.5%	2.5%

INCOME TAX - SIMPLIFICATION MEASURES

Allowances

	2019/20	**2018/19**
	£	£
'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

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA)(1)	100%
WDA on plant and machinery in main pool(2)	18%
WDA on plant and machinery in special rate pool(3)(4)	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) (5)	2%

Notes (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2020 (£200,000 before 31 December 2018 & from 1 January 2021).

(2) The main pool rate applies to cars with CO_2 emissions of not more than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).

(3) The special pool rate applies to cars with CO_2 emissions greater than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).

(4) The special pool rate was 8% prior to 6 April 2019 (1 April 2019 for companies).

(5) The 2% rate applies to expenditure from 29 October 2018 on new qualifying non-residential structures and buildings on a straight-line basis.

100% First year allowances available to all businesses

1) New energy saving plant and machinery, and water efficient plant and machinery (until April 2020).
2) Capital expenditure incurred by a person on research and development.
3) New zero-emission goods vehicles (until April 2021).
4) New cars registered before 31 March 2021 if the car either emits not more than 50 g/km of CO_2 (75g/km before 1 April 2018) or it is electrically propelled.
5) Electric vehicle charging points expenditure incurred from 23 November 2016 until April 2023.

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TAX TABLES

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	**2019/20**			**2018/19**		
	Annual	**Monthly**	**Weekly**	**Annual**	**Monthly**	**Weekly**
	£	£	£	£	£	£
Lower earnings limit (LEL)	6,136	512	118	6,032	503	116
Primary threshold (PT)/ Secondary threshold (ST)	8,632	719	166	8,424	702	162
Upper earnings limit (UEL)/ Upper secondary threshold for under 21 (UST)(1)/ Apprentice upper secondary threshold for under 25 (AUST)(2)	50,000	4,167	962	46,350	3,863	892

	2019/20	2018/19
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 (1)(2)	13.8%	13.8%

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%.

	2019/20	**2018/19**
Employment allowance		
Per year, per employer	£3,000	£3,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Normal rate	£3.00 pw	£2.95 pw
Small profits threshold	£6,365 pa	£6,205 pa
Class 3 contributions	£15.00 pw	£14.65 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£8,632	£8,424
Annual upper profits limit (UPL)	£50,000	£46,350
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay First 6 weeks @ 90% of AWE
Next 33 weeks @ the lower of £148.68 and 90% of AWE

Statutory shared parental pay /paternity pay For each qualifying week, the lower of 90% of AWE and £148.68

Student Loan Plan 1: 9% of earnings exceeding £1,577 per month
Plan 2: 9% of earnings exceeding £2,143 per month

Postgraduate Loan 6% of earnings exceeding £1,750 per month

National living/minimum wage (April 2019 onwards)

Category of Worker	**Rate per hour**	**Category of Worker**	**Rate per hour**
Workers aged 25 and over	£8.21	18–20 year olds	£6.15
21–24 year olds	£7.70	16–17 year olds	£4.35
		Apprentices	£3.90

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TAX TABLES

CAPITAL GAINS TAX

	2019/20	**2018/19**
Annual exempt amount for individuals	£12,000	£11,700

CGT rates for individuals, trusts and estates

Gains qualifying for entrepreneurs' relief/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band(1)	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates(2)	20%	20%

Notes (1) The rate is 18% if the gain is in respect of a residential property
(2) The rate is 28% if the gain is in respect of a residential property

Entrepreneurs' relief and Investors' relief(1)	**2019/20**	**2018/19**
Relevant gains (lifetime maximum)	£10 million	£10 million

Notes (1) The first claims for investors' relief can be made in 2019/20.

Retail Prices Index

	Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
1982	–	–	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

ADIT EXAMINATIONS

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TAX TABLES

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

CORPORATION TAX

Financial year	**2019**	**2018**	**2017**
Main rate	19%	19%	19%

EU definition of small and medium sized enterprises	Small [(2)]	Medium [(2)]	Extended definition for R&D expenditure
Employees[(1)]	< 50	< 250	<500
Turnover[(1)]	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets[(1)]	≤ €10m	≤ €43m	≤ €86m

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

VALUE ADDED TAX

	Standard rate	**VAT fraction**
From 4.1.11	20%	1/6

Limits	**From 1.4.19**	**From 1.4.18**
Annual registration limit	£85,000	£85,000
De-registration limit	£83,000	£83,000

Thresholds	**Cash accounting**	**Annual accounting**
Turnover threshold to join scheme	£1,350,000	£1,350,000
Turnover threshold to leave scheme	£1,600,000	£1,600,000

OTHER INDIRECT TAXES

	2019/20	**2018/19**
Insurance premium tax[(1)]		
Standard rate	12%	12%
Higher rate	20%	20%

Tobacco products duty	**From 29.10.18**	**Until 28.10.18**
Cigarettes	16.5% x retail price + £228.29 (or £293.95 [(2)]) per thousand cigarettes	16.5% x retail price + £217.23 (or £280.15 [(2)]) per thousand cigarettes
Cigars	£284.76 per kg	£270.96 per kg
Hand-rolling tobacco	£234.65 per kg	£221.18 per kg
Other smoking/chewing tobacco	£125.20 per kg	£119.13 per kg
Tobacco for heating from 1 July 2019	£234.65 per kg	N/A

Notes (1) Premium is tax inclusive (3/28 for 12% rate and 1/6 for 20% rate).
(2) The £293.95/£280.15 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).

ADIT EXAMINATIONS

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TAX TABLES

INHERITANCE TAX

Death rate	40%[1]	**Lifetime rate**	20%

Notes (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[2]

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

Notes (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 1.4.19**	**From 1.4.18**
>£0.5m - ≤ 1m	£3,650	£3,600
> £1m - ≤ 2m	£7,400	£7,250
> £2m – ≤ 5m	£24,800	£24,250
> £5m – ≤ 10m	£57,900	£56,550
> £10m – ≤ 20m	£116,100	£113,400
> £20m	£232,350	£226,950

STAMP DUTY/SDRT

Stamp duty[1]	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax[1]	- On agreements to transfer shares[2]	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).
(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

ADIT EXAMINATIONS

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TAX TABLES

STAMP DUTY LAND TAX

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

Basic Rate %(1)(2)(3)	Higher Rate %(1)(2)	Residential(1)(2)(3)	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 pay 15% on purchases of residential property valued > £500,000.

(3) First-time buyers purchasing a single dwelling as their only or main residence on or after 22.11.17 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

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 %(1)(2)(3)	Residential	Rate %(1)(4)	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 equal to 4% (for effective dates on or after 25 January 2019) 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. Where the effective date is on or after 25 January 2019 but the contract was entered into prior to 12 December 2018, the 3% (prior) rate will apply.

(3) For contracts entered into after 8 February 2018, where the effective date of the transaction is on or after 30 June 2018, there is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

(4) These rates apply where the effective date is on or after 25 January 2019. Prior to this date the 0% band was the same, £150,001-£350,000 was 3%, £350,001+ was 4.5%.

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

Rate (%)	Net present value of rent(1)
	Non-residential
Zero	Up to £150,000
1%	£150,001+

Note (1) Residential leases are generally exempt