1. Edouard

To: Edouard

From: Candidate

Date: May 2026

Re: UK tax

Hi Edouard – thanks for your email.

You are right that there have been changes to the taxation of individuals like you who are UK resident but non-UK domiciled.

With effect from 6 April 2025 **(½)**, you are no longer able to claim the remittance basis in respect of your overseas income and gains **(½)**.

In place of the remittance basis, the new rules have introduced the Foreign Income and Gains ("FIG") regime **(½)** under which 'qualifying new residents' do not, subject to a claim **(½),** pay tax on non-UK income or gains **(½)** for the first four years of UK tax residence **(½)** irrespective of whether that income or gain is remitted to the UK **(½)**. This regime is available to anyone who arrives in the UK after at least ten consecutive tax years **(½)** of non-UK tax residence.

As the 2025/26 tax year is your fourth year of UK tax residence **(½)** after at least ten years of non-UK residence, you are able to benefit from the FIG regime for that year **(½)**.

You are, however, not able to benefit from the FIG regime for the 2026/27 tax year, and ensuing years, **(½)** and therefore will be subject to UK tax on your worldwide income and gains as they arise **(½)**.

However, in calculating the capital gains realised on the disposal of your inherited shares, you can rebase the shares to their 6 April 2017 value **(½)** as:

- You owned the shares on that date **(½)**,
- The shares were not UK situate in the period from 6 March 2024 to 5 April 2025 **(½)**,
- You were not UK domiciled in any year prior to 2025/26 **(½)**, and
- You have previously made a claim for the remittance basis **(½)**.

Bringing other offshore funds to the UK may cause you to remit to the UK income and/or gains that have previously avoided UK tax due to a remittance basis claim **(½)**. The Temporary Repatriation Facility ("TRF") **(½)** is a short-term opportunity to designate offshore funds that you wish to bring to the UK and pay tax on those funds at preferential rates **(½)**. The precise preferential rate depends on the tax year in which you make the designation. A designation during 2026/27 results in a 12% tax charge **(½)**, while a designation in 2027/28 results in a 15% tax charge **(½)**. The designated funds can then be brought to the UK without a further tax charge **(½)**. There is no need to bring the funds to the UK in the same tax year in which the designation is made **(½)**. Therefore, even though you may be uncertain exactly when you will need the funds **(½)** in the UK, it may be beneficial to make a 2026/27 designation in relation to those funds **(½)**, and pay 12% tax, rather than pay a higher rate by designating in 2027/28 or not using the TRF at all.

(Max 11 marks)

2. Christine

(1)

	Note	Non-savings £	Interest £	Dividends £
Employment income	**1**	86,208		
Property income	**2**	20,210		
UK bank interest			7,250 (½)	
Overseas bank interest			12,000 (½)	
UK dividends				6,500 (½)
Total income (£132,168)		106,418	19,250	6,500
Less: Personal allowance	(½)	-		
Taxable income		106,418	19,250	6,500

Income Tax:			
£			
37,700 @ 20%		7,540	(½)
68,718 @ 40%		27,487	(½)
106,418			
18,722 @ 40%		7,489	(½)
125,140			
528 @ 45%		238	(½)
500 @ 0%		-	(½)
6,000 @ 39.35%		2,361	(½)
		45,115	
Less: Double tax relief	**3**	(5,400)	(½)
Less: Tax reduction for interest: £16,000 x 20%		(3,200)	(½)
Income Tax liability		36,515	
Less: PAYE		(17,000)	(½)
Income Tax payable		19,515	

Note 1 – Employment income

		£	£	£
Salary				56,000 (½)
Loan benefit	£200,000 (½) x (3.75% - 1%) (½) x 7/12 (½)			3,208
Yacht				
• Use in the year	4/12 (½) x 20% (½) x £60,000 (½)			4,000
• Transfer Higher (½) of:		£		
○ MV at date of transfer			30,000 (½)	
○ MV when first made available to any employee		60,000 (½)		
Less: amounts charged for use (3 years @ £4,000 p.a.)		(12,000) (½)		
			48,000	
Therefore			48,000	
Less amount paid by Christine			(25,000) (½)	
				23,000
				86,208

Note 2 – Property income

			£	£
Rent received:				
Current year	12 x £1,500 (½)		18,000	
Arrears	3 x £1,500 (½)		4,500	
				22,500
Less:				
Tumble dryer		(½)	-	
Buildings Insurance		(½)	1,540	
Plumber		(½)	350	
Accountant		(½)	400	
				(2,290)
				20,210

Note 3 – Double tax relief

Lower of (½):

- Tax paid overseas - £5,400 (½)
- UK tax liability on overseas income - £6,357

Tax comp without overseas interest:

	Note	Non-savings £	Interest £	Dividends £
Employment income		86,208		
Property income		20,210		
UK bank interest			7,250	
Overseas bank interest (½)			-	
UK dividends				6,500
Total income (£120,168)		106,418	7,250	6,500
Less: Personal allowance (½)	4	(2,486)		
		103,932	7,250	6,500
IncomeTax:				
£				
37,700 @ 20%		7,540		
66,232 @ 40%		26,493		
103,932				
500 @ 0% (½)		-		
6,750 @ 40%		2,700		
500 @ 0%		-		
6,000 @ 33.75% (½)		2,025		
Tax liability excluding overseas interest		38,758		
Tax liability including overseas interest		(45,115)		
UK tax liability on overseas income		6,357 (½)		

Note 4 – Personal Allowance

£12,570 – ½ £(120,168 – 100,000) = £2,486 **(1)**

(Max 19 marks)

(2)

Salary – Class 1 Primary (½) payable by Christine (½) and Class 1 Secondary (½) payable by Flambert Ltd (½)

Loan & Yacht – Class 1A (½) payable by Flambert Ltd (½)

3. Jackson

1)

The annual allowance for 2025/26 is £60,000 **(1/2)**. However, this must be tapered **(1/2)** if Jackson is a 'high-income individual'. This is where his threshold income **(1/2)** exceeds £200,000 **(1/2)** and his adjusted income **(1/2)** exceeds £260,000 **(1/2)**.

The tapering required is £1 for every £2 by which adjusted income exceeds £260,000 **(1/2)**.

(W1) Threshold income	£
Employment income (N1) £(208,000 + 3,000)	211,000 **(1/2)**
Discretionary Trust income (N2)	10,000 **(1/2)**
Net income	221,000
Less: Gross personal pension contributions (N3)	(6,250) **(1/2)**
Threshold income	214,750

(W2) Adjusted income	£
Employment income	211,000 **(1/2)**
Discretionary Trust income	10,000 **(1/2)**
	221,000
Add: Employer pension contributions	52,000 **(1/2)**
Adjusted income	273,000

(W3) Tapered annual allowance for 2025/26	£
Adjusted income (W2)	273,000 **(1/2)**
Less:	(260,000) **(1/2)**
	13,000
Restriction (£13,000 / 2)	(6,500) **(1/2)**

Therefore, Jackson's annual allowance is:	£
Annual allowance for 2025/26	60,000 **(1/2)**
Less: Restriction	(6,500) **(1/2)**
Tapered annual allowance	53,500

As Jackson's total pension contributions in 2025/26 exceeds the tapered annual allowance, this results in an annual allowance charge **(1/2)**.

(W4) Total pension contributions	£
Jackson's gross pension contribution	6,250 **(1/2)**
Employer's pension contribution	52,000 **(1/2)**
	58,250
Less: Jackson's annual allowance for 2025/26 (W3)	(53,500) **(1/2)**
Excess pension contributions	4,750

As Jackson is an additional rate taxpayer, an annual allowance charge of 45% **(1/2)** x £4,750 = £2,137 will be added to Jackson's income tax liability **(1/2)** for 2025/26.

Notes

(N1)

'Net income' for threshold income purposes is Jackson's total income before the personal allowance so this includes the private medical Insurance **(1/2)** and the gross discretionary trust income **(1/2)**.

(N2)

The gross discretionary trust income is £5,500 x 100/55 **(1/2)** = £10,000.

(N3)

Jackson has contributed a net £5,000 into his personal pension scheme, which must be grossed up at the basic rate of tax:

£5,000 x 100/80 **(1/2)** = £6,250

(14 marks)

2)

Any four from the following:

- A summary of services provided up to the date you cease to act
- A note of any further action to be taken by you with regard to Jackson's affairs
- A note of any matters that are outstanding that either Jackson or his new advisers will need to address
- Details of any impending deadlines and the action required
- Your willingness as to whether you are willing to assist the new advisers to resolve outstanding issues with HMRC or other bodies and provide copy papers to Jackson's new advisers
- Details of any outstanding fees
- A note on whether you, or Jackson's new accountants, will advise HMRC of the change of agent

1 mark each, maximum 4 marks

4. Bella

1) CGT for 2025/26

	£	
Diamond ring exempt *(Note)*	-	
Antique necklace	5,000 (W1)	**(1/2)**
Bracelet	4,375 (W2)	**(1/2)**
Total gains	9,375	
Less: Loss on the antique vase	(1,200) (W3)	**(1/2)**
Net gains	8,175	
Less: Annual exempt amount	(3,000)	**(1/2)**
Taxable gains	5,175	
CGT:		
£2,770 (W4) @ 18%	499	**(1/2)**
£(5,175 - 2,770) = £2,405 @ 24%	577	**(1/2)**
CGT payable	1,076	

Note

The diamond ring is a non-wasting chattel **(1/2)** but as it was bought for/probate value was less than £6,000 and sold for less than £6,000, **(1/2)** the gain or loss is exempt. **(1/2)**

Workings

(W1) Antique necklace	£	
Proceeds	9,000	
Less: auctioneer costs	(675)	**(1/2)**
	8,325	
Less: cost (probate value)	(2,500)	**(1/2)**
Chargeable gain	5,825	

As this is a sale of a non-wasting chattel where the proceeds are more than £6,000, but the cost is less than £6,000, **(1/2)** the 5/3 rule **(1/2)** applies:

5/3 x £(9,000 – 6,000) **(1/2)** = £5,000

The lower of the two gains **(1/2)** of £5,000 is chargeable to CGT.

(W2) Bracelet

As the bracelet is part of a set, the apportioned cost of the bracelet must be calculated in a part disposal working **(1/2)**.

£14,625 **(1/2)** x 12,500 **(1/2)** /(12,500 + 10,000) **(1/2)** = £8,125

As both the sale proceeds and apportioned cost of this non-wasting chattel are more than £6,000 **(1/2)**, the gain is taxable as normal. **(1/2)**

	£
Proceeds	12,500
Less: apportioned cost	(8,125) **(1/2)**
Chargeable gain	4,375

(W3) Antique vase

Where the disposal proceeds of a non-wasting chattel are less than £6,000, but cost is more than £6,000 **(1/2)**, the loss is restricted by deeming that the gross proceeds of sale are £6,000. **(1/2)**

	£
Proceeds (deemed)	6,000
Less: auctioneer costs	(400) **(1/2)**
	5,600
Less: cost (probate value)	(6,800) **(1/2)**
Allowable loss	(1,200)

(W4) Remaining basic rate band	£
Basic rate band	37,700
Add: gross personal pension contributions:	
£1,200 x 100/80 **(1/2)**	1,500 **(1/2)**
	39,200
Less: taxable income	
£(49,000 - 12,570)	(36,430) **(1/2)**
Remaining basic rate band	2,770

Maximum 13 marks

2) Reporting capital gains

The standard way for Bella to report her gains is via the Capital Gains pages on a self-assessment tax return **(1/2)** to be submitted by 31 January 2027 **(1/2)**.

However as she is not usually within the self-assessment system she may prefer to make a 'real-time transaction return' **(1/2)** without the need to register for self-assessment **(1/2)** at any time from the disposals until 31 December 2026 **(1/2)**.

Irrespective of the method of reporting the capital gains, the due date for payment is 31 January 2027. **(1/2)**

Maximum 2 marks

5. Kerry

1) Sale of the Skylarke Ltd shares

Gift relief is available because:

- The disposal is a sale at undervaluation (i.e. a sale for less than market value) **(½)**
- The shares are qualifying assets as Skylarke Ltd is an unquoted **(½)** trading company **(½)**

Business Asset Disposal Relief is not available because:

- Kerry did not work for Skylarke Ltd **(½)**
- Kerry owned less than a 5% interest in the company **(½)**

Tutorial Note:

1. *Gift relief is available on the outright gift or sale at undervaluation of qualifying assets.*
2. *For shares to qualifying for gift relief:*
   - *the shares must be in a trading company*
   - *if quoted shares, Kerry must own at least a 5% interest in the company*
   - *if unquoted shares, there is no minimum number of shares needed to be owned.*

   Kerry has a 2% interest (5,000/250,000) in the shares.

   However, as Skylarke Ltd is an unquoted company, gift relief is available.

   Note also that there is also no minimum length of ownership of the shares required, and no requirement to work for the company.

   If the company had been a quoted company, Kerry would not qualify for gift relief as she does not own at least a 5% interest in the company.
3. *For shares to qualifying for BADR:*
   - *the shares must be in a trading company*
   - *Kerry must have owned the shares for at least two years*
   - *Kerry must own at least a 5% interest in the company, and*
   - *Kerry must be an employee of the company.*

   The first two conditions are satisfied, but not the latter two.

Max 2 marks

2) Net after tax sale proceeds received by Kerry

	£	
Total sale proceeds received	283,750	½
Less: Capital gains tax (W1)	(16,900)	½
Net after tax sale proceeds	266,850	
	========	

Workings

(W1) Capital gains tax – 2025/26

	£	
Commercial lease (W2)	56,374	W2
Gift of shares in Skylarke plc (W3)	13,100	W3
Ordinary shares in Robine plc (W4)	68,368	W4
Loan stock in Robine plc (W4)	8,993	W4
	146,835	
Less: SEIS reinvestment relief (W5)	(73,418)	½
Total chargeable gains	73,417	
Less: Annual exempt amount	(3,000)	½
Taxable gains	70,417	
As Kerry is an additional rate taxpayer, and none of the assets qualify for BADR *(Tutorial notes)*: Capital gains tax (£70,417 x 24%)	16,900	½

Tutorial Notes:

1. *BADR is not available on:*
   - *the commercial lease as it is an investment asset, not a business asset.*
   - *the sale of the Robine plc shares and loan stock as Kerry has never worked for the company, and*
   - *the sale of the Skylarke Ltd shares as explained in Part (1).*
2. *The residential property rules do not apply to the assignment of the lease as the property is commercial property, not residential.*

(W2) Gain on the assignment of a short lease

Lease disposed of on 1 June 2025 = 20 years

Accordingly, the lease acquired on 1 June 2012 must have been a 33-year lease. ½

	£	
Sale proceeds (for a 20-year lease)	126,500	½
Less: Deemed cost		
Cost × (% for life left at disposal / % for life left at acquisition)		
Cost × (% for 20 years / % for 33 years)		
£87,000 × (72.770 / 90.280)	(70,126)	1
Chargeable gain	56,374	

(W3) Sale at undervaluation of shares in Skylarke Ltd

	£	
Market value of shares (ignore actual sale proceeds)	66,000	½
Less: Cost	(24,500)	½
Chargeable gain before gift relief	41,500	
Less: Gift relief (balancing figure)	(28,400)	½
Chargeable gain after gift relief (see below)	13,100	

Chargeable gain after gift relief = Actual capital profit made on the sale

	£	
Actual sale proceeds	37,600	½
Less: Cost	(24,500)	½
Capital profit = chargeable at the time of the sale at undervaluation	13,100	

(W4) Takeover of Thrushe plc by Robine plc

Apportionment of cost of Thrushe plc shares on 1 February 2023

Consideration received:	Market value £	Apportioned cost £	
35,000 Ordinary shares in Robine plc	94,000		
(£94,000/£112,700) × £58,500		48,793	1
£18,000 8% Loan stock in Robine plc	18,700		
(£18,700/£112,700) × £58,500		9,707	1
	112,700	58,500	

Gain on sale of 20,000 shares in Robine plc

	£	
Sale proceeds	96,250	½
Less: Cost ((20,000/35,000) × £48,793) (above)	(27,882)	1
Chargeable gain	68,368	

Tutorial Note:

The Robine plc shares 'stand in the shoes' of the Thrushe plc shares.

Accordingly, the Robine plc shares take over a proportion of the cost of the Thrushe plc shares, determined by the market value of the Robine plc shares at the point of takeover as a proportion of the total consideration received (see above).

There is no chargeable gain arising at the time of the takeover. However, a gain arises when the Robine plc shares are sold in 2025/26.

Gain on sale of loan stock in 2025/26

The loan stock is a qualifying corporate bond and is therefore exempt.
½

All of Kerry's loan stock is sold. Therefore, the full gain arising at the time of the takeover becomes chargeable on the sale of the loan stock as follows:

	£	
Deemed sale proceeds		
(Market value of loan stock on 1 February 2023) (above)	18,700	½
Less: Deemed cost (above)	(9,707)	½
Chargeable gain	8,993	

Tutorial Notes:

1. *The receipt of loan stock at the time of the takeover in 2022/23 is treated as if cash is received and a gain is calculated. The market value of the loan stock received is used at the proceeds and the apportioned cost to the loan stock is the deemed cost.*

   This gain is frozen and deferred until the loan stock is sold in 2025/26.

As all the loan stock is sold, all the gain becomes chargeable. If only some of the loan stock had been sold, the appropriate proportion of the gain would become chargeable.

The loan stock increased in value from £18,700 in February 2023 to £23,400 in October 2025, but this gain is exempt as the loan stock is a qualifying corporate bond.

(W5) Maximum SEIS relief on investment in Starlinge Ltd

Maximum SEIS exemption for CGT
= 50% x Lower of:

		£	
(i)	Chargeable gains	146,835	½
(ii)	Amount invested in SEIS shares	210,000	½
(iii)	Maximum £200,000	200,000	½

Maximum SEIS exemption for CGT = (£146,835 x 50%) = £73,418 ½

Tutorial Note:

The maximum SEIS investment for CGT purposes which can qualify is the maximum SEIS investment for income tax relief, which is £200,000.

In addition to claiming the CGT exemption above, Kerry can also deduct a tax credit of £100,000 (50% × £200,000 max) from her income tax liability for 2025/26.

14 marks

3) Tax implications of the sale of the Starlinge Ltd shares at a profit in the future

Sale:	**Capital gains tax (CGT)**	**Income tax (IT)**
Within three years of purchase (any date up to 1 March 2029)	• Any gain arising on the SEIS shares will be chargeable to CGT in the normal way. **(½)** • Any CGT reinvestment relief given will be withdrawn. **(½)**	• All the IT relief claimed will be withdrawn. **(½)**
More than three years after purchase (after 1 March 2029)	• Any gain arising on the SEIS shares will be exempt. **(½)** • No CGT reinvestment relief withdrawal. **(½)**	• No income tax implications. **(½)**

Max 2 marks

Total: 18 marks

6. Lauren

1) Alignment of the proposed Dobosz plc SAYE scheme with HMRC's tax-advantaged schemes

HMRC requirements	Dobosz plc's scheme	Satisfied	
Investment period: – SAYE schemes can run for fixed three or five year period	– A fixed five-year scheme	Yes	½
Investment amount: – Minimum monthly investment requirement of £5 – Maximum monthly investment of £500	– Minimum monthly investment of £10 – Maximum monthly investment of £600	Yes *(Note)* No	½ ½
Eligible employees: – Must be open to all employees – Is acceptable to exclude employees based on length of working for the company if the qualifying period is less than five years	– Minimum age limit of 25 years – Excludes part time employees – Excludes employees who have worked for the company for less than four years	No No Yes	½ ½ ½
Offer price: – Exercise price must be at least 80% of the market value of the shares at the date the options are granted (i.e. maximum discount of 20% on the market value of the shares at the date of grant) – Accordingly, the exercise price must be at least £3.32p per share (80% x £4.15) if the anticipated market value on 1 July 2026 is accurate	– Exercise price will be £3.44p per share	Yes	½ ½,½

Conclusion:

Dobosz plc's SAYE scheme is not tax-advantaged. ½

Tutorial Note:

4. *The scheme has a minimum monthly investment requirement of £10. The statutory minimum required by HMRC is £5, but the fact that there is a specified minimum in excess of £5 will not mean the scheme is not tax-advantaged.*
5. *An alternative method of checking the offer price condition is satisfied:*

   The exercise price of £3.44p is acceptable provided the market value at the date of grant does not exceed £4.30p per share (£3.44 ÷ 80%).

   As the market value at the date of grant is £4.15, the condition is satisfied.
6. *The fact that Lauren only intends to invest £325 per month, which is less than £500, is not relevant. If it is possible for any employee within the scheme rules to invest more than £500, the scheme is not tax-advantaged.*

   It is not possible for the scheme to be designated 'tax-advantaged' for one employee but not another based on how much they decide to contribute.

Max 4 marks

2) Number of shares purchased

	£	
Amount saved in the scheme (£325 x 12 months x 5 years)	19,500	1
Add: Bonus received (5%)	975	½
Available to buy shares	20,475	

Exercise price = £3.44

Number of shares bought: (£20,475 ÷ £3.44)	5,952 shares	½

2 marks

3) Income tax and National Insurance implications

Exercise of share options: Expected exercise date 30 June 2031

<table>
<tr><th>(i) Not tax-advantaged</th><th>(ii) Tax-advantaged</th></tr>
<tr><td>
Lauren will be treated as having received additional employment income (½) which will be taxed to income tax and NICs as follows:

Taxable employment income:
<table>
<tr><td></td><td>£</td><td></td></tr>
<tr><td>MV at exercise (5,952 x £5.41)</td><td>32,200</td><td>(½)</td></tr>
<tr><td>Cost (5,952 x £3.44)</td><td>(20,475)</td><td>(½)</td></tr>
<tr><td>Employment income</td><td>11,725</td><td></td></tr>
</table>
– Will be subject to income tax at 20%/40%/45% (½) depending on the level of Lauren's income in 2031/32 (½)
– As Dobosz plc's shares are quoted shares and are readily marketable, Lauren will have to pay Class 1 primary NICs (½) at 0%/8%/2% depending on the level of her income in 2031/32 (½)
– Dobosz plc will collect the income tax and NICs under PAYE from her salary (½) in the month she exercises the shares options (½)
</td><td>No tax or NIC liabilities arise (½)</td></tr>
</table>

Tutorial Notes:

1. *Stamp duty is also payable by Lauren on the purchase of the shares at 0.5% within 30 days of the purchase.*
2. *Dobosz plc will have Class 1 secondary NICs to pay on the exercise of the options at 15%. However, the requirement is to just consider Lauren's personal tax and NIC liabilities, not the employers.*

Sale of the shares: Expected sale date 30 June 2031

(i) Not tax-advantaged	**(ii) Tax-advantaged**
Lauren sells the same day as she exercised the options and acquired the shares: No capital gains tax liability arises as there is no capital increase in value. **(½)** *(See Tutorial note)*	Sale of shares = a chargeable disposal *Chargeable gain arises:* £ Sale proceeds (5,952 x £5.41) 32,200 **(½)** Cost (5,952 x £3.44) (20,475) **(½)** Chargeable gain 11,725 ======= – Will be subject to capital gains tax in 2031/32 **(½)** – If no other capital disposals in 2031/32, the gain will be partly covered by the annual exempt amount **(½)** – Rate of CGT applying to rest of gain depends on the level of Lauren's taxable income in 2031/32 **(½)** – May be at 18% if basic rate band remaining, otherwise taxable at 24% **(½)** – Business asset disposal relief (BADR) is not available as Lauren will own less than a 5% interest in Dobosz plc **(½)** – CGT payable under self-assessment by 31 January 2033 **(½)**

Tutorial note:

1. *If the scheme is not tax-advantaged, no CGT liability arises on the disposal as there is no capital increase in value.*
   This can be shown as:

	£
Sale proceeds (5,952 x £5.41)	*32,200*
Less: Deemed cost = MV at exercise	*(32,200)*
Chargeable gain	*Nil*
	=======

   However, there is no need to show this and just stating that there is no increase in value would be sufficient to gain credit.

2. *In practice, we could advise Lauren that if the scheme is tax-advantaged, there is a tax planning opportunity to sell the Dobosz shares piecemeal and therefore the chargeable gain could be realised in different tax years and possibly avoid CGT with careful planning.*

Max 8 marks

Total: 14 marks