ATT Paper 1 Personal Taxation

ATT Paper 1 Personal Taxation May 2026

0/98

Question 1 /11

Cover Page

THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 1 PERSONAL TAXATION

May 2026

TIME ALLOWED

3 HOURS 30 MINUTES

• All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.

Marks available per question:

Question 1: 11 marks

Question 2: 22 marks

Question 3: 18 marks

Question 4: 15 marks

Question 5: 18 marks

Question 6: 14 marks

A maximum of two marks will be awarded for the quality of presentation of the answers.

Total: 100 marks

Important Information – Please read carefully

• An Excel spreadsheet is provided with each question. You do not have to use this, but where the requirements include calculations and workings, you may find it a useful tool. However, please note that all Excel calculations and workings that you wish to include as part of your answer must be copied into the word processor answer box, otherwise they will not be marked.

When you have pasted calculations from Excel into the answer box, you might only see gridlines where there is an entry in the cell. You do not need to spend time adding extra gridlines manually. Please **do not** expand the width of tables in the answer box once pasted in from Excel. Column widths have been deliberately limited in the Excel spreadsheet to facilitate marking.

Question 1 0/11

Your client, Edouard, is UK tax resident but non-UK domiciled under general law. He became UK tax resident for the first time in 2022/23. Since arriving in the UK, he has claimed the remittance basis for all years up to and including 2024/25. Edouard has no trust interests.

You have just received an email from Edouard, including the following:

“I understand that there have been some changes to the rules relating to how I, as a UK resident but non-UK domiciled individual, am subject to tax in the UK on my overseas income and gains. Could you please explain what these rule changes are and how they impact my exposure to UK tax for the tax years 2025/26 and 2026/27?

I plan to buy a UK property in the next two or three years. To pay for the property, I will need to sell a holding of shares in a non-UK company that I inherited from my father in 2010. I am slightly concerned about whether a UK tax liability will arise on that disposal. In addition, I will need to bring some of my other overseas funds to the UK to help with the property purchase; these are funds that I have accumulated from unremitted income and gains since 2023, and I would appreciate your advice in relation to that."

Requirement:

Draft an email to Edouard dealing with the issues he has raised. Include an explanation of the basis under which he can benefit from any transitional rules. (11)

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Part 1

This is your Excel spreadsheet for Question 1. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Response

1-part1-ATTP1M26_Q1.xlsx

Part 2

This is your answer box for Question 1. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Answer-1

To: Edouard

From: Tax advisor

Date: xxx

Subject: Tax implications of UK residence of UK and overseas incomes and gains

Hi Edouard,

Thanks for your email. Please see my responses below for the concerns raised by you regarding your residency status and its implication on your worldwide incomes and gains.

For UK resident individuals who were remittance basis users before 6 April 2025, the Temporary Repatriation Facility (TRF) is a transitional arrangement. The aim of this is to incentivise previous remittance basis users to bring their

unremitted foreign income and gains to the UK. The taxpayers who used the old remittance basis will be taxed in the UK on their unremitted foreign income and gains as and when those income and gains are remitted to the UK.

Income remittances are taxed as non-savings income at the taxpayer’s marginal rate for the tax year in which the income is remitted.

However, for a transitional period of three tax years, individuals can side-step the normal rules for the taxation of remittances and instead choose to use the TRF.

The flat tax rates of the TRF are:

2025/26 - 12%

2026/27 - 12%

2027/28 - 15%

Hence, if you sell the shares in the next 3 years from now, you will be taxed at a lower rate as mentioned above compared to the 18% regular tax rate.

Elections to use the TRF must be made by the first anniversary of 31 January after the end of the tax year (ie, 31 January 2028 for TRF elections for 2025/26).

Further to this, there are Qualifying New Resident Conditions which say that when an individual becomes UK resident, they are a ‘qualifying new resident’ if they have not been resident in the UK in any of the ten tax years immediately prior to that tax year. An individual remains a qualifying new resident for the next three tax years

following the year of arrival. As you only arrived in 2022/23, you will remain a New Resident for 2025/26 but not for 2026/27.

Please let me know if you have any more questions.

Kind regards,

Tax advisor

Question 2 /22

Question 1 0/22

Christine is an employee of Flambert Ltd. In 2025/26 her salary was £56,000 from which PAYE of £17,000 was deducted.

On 6 July 2025, Flambert Ltd made a loan to Christine of £200,000 at an interest rate of 1% p.a. Christine paid all interest payments as they fell due. In early 2026 she received an inheritance from her aunt and was able to repay the loan in full on 5 February 2026.

Since 2023, Flambert Ltd has allowed Christine to have exclusive use of the company's yacht from 1 May to 31 August each year. The yacht had originally been bought by Flambert Ltd for £250,000 but by 2023 it had depreciated in value to £60,000. No other employee had been allowed to use it before Christine. In March 2026, when it was valued at £30,000, Flambert Ltd sold the yacht to Christine for £25,000.

During 2025/26, Christine also received:

a) £6,500 UK dividend income;

b) £7,250 UK bank interest; and

c) £6,600 foreign bank interest; this was received after deduction of £5,400 of overseas tax.

Christine has let out a furnished residential property for several years at a rent of £1,500 per month.

During 2025/26 her tenants paid the rent on time on the last day of each month, and they also paid a lump sum equal to three months' rent as they had fallen into arrears during the previous tax year. During the year, Christine made the following payments in relation to the property:

a) £750 for a tumble dryer – the property had not previously had one.

b) £1,540 buildings insurance for the 2026 calendar year; this was a 10% increase on the premium for the previous calendar year.

c) £350 to a plumber to fix a leak in the bathroom.

d) £800 to her accountant to prepare her 2024/25 UK tax return. Half of the cost related to calculating and reporting her property income.

e) £16,000 mortgage interest.

Christine has never made, and does not intend to make, any election in relation to her property income.

Requirements:

1) Calculate Christine's Income Tax payable for 2025/26. (19)

2) State which classes of National Insurance Contributions are payable in relation to each element of Christine's remuneration from Flambert Ltd, and by whom they are payable. Calculations are NOT required. (3)

Total (22)

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Part 1

This is your Excel spreadsheet for Question 2. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Response

1-part1-ATTP1M26_Q2.xlsx

Part 2

This is your answer box for Question 2. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Answer-2

Requirement 1: Calculation of Christine's Income Tax payable for 2025/26

	NSI	SI	DI
Employment Income (W1)	111,208		
Dividend Income			6,500
UK bank intererst		7,250	
Foreign bank interest (6600+5400)		12,000	
Property Income	19,810		
Total income	131,018	19,250	6,500
Less: Personal allowance (fully withdrawn)	-		
Taxable income	131,018	19,250	6,500

Tax payable	
NSI	
upto 37,700 @ 20%	7,540
37,700 - 125,140 @ 40%	34,976
above 125140 @45%	3,095
SI	
19250 @ 45%	8,663
DI	
500@0%	-
6000 @39.35%	2,361
Total tax liability	56,635
Less: Tax reducer	
Interest on mortgate	-3,200
Less: Foreign tax paid	-5,400
Less: PAYE	-17,000
Tax payable	31,035

<u>Workings</u>

W1 - Employment income

Salary		56,000	
Loan interest benefit			
(200,000 +200,000)/2 x Average ORI x 7/12	4,375		July - Jan, loan repain in Feb 2026
Less interest paid			
(200,000 x 1% x 7/12)	-1,167		July - Jan, loan repain in Feb 2026
		3,208	

Benefir from Yatch			
Use - 60,000 × 20% × 4/12	4,000		
Transfer	48,000		
		52,000	
Total income		111,208	

Loan to employee - When a company lends money to an employee, this is likely to give rise to a taxable benefit called a taxable cheap loan. Benefit under the average method is calculated as (Loan at 6 April + Loan at 5 April)/2 × Average ORI for tax year.

Where a loan is given after the start of the accounting period and repaid before the end of the accounting periods, we take the averages as on these dates and then apportioning the result above for the number of complete tax months that the loan was outstanding in the tax year.

Transfer of asset - If an asset which has been lent to an employee is subsequently given to an employee, the benefit will be the higher of:

- the market value of the asset at the date it was transferred to the employee (£30,000)
- the market value of the asset at the date it was originally lent to an employee reduced by any amounts which have been charged to tax in respect of an employee's use of the asset.

Benefit for use of yatch

2023/24 60,000 × 20% × 4/12 4,000

2024/25 60,000 × 20% × 4/12 4,000

2025/26 60,000 × 20% × 4/12 4,000

12,000

Original market value - benefits used = 60,000 - 12,000 = £48,000

W2 - Property income

As the property income is not expected to exceed £150,000 in the tax year, cash basis is the default basis.

Rental income		
1500 x 12	18,000	
Arrears (3 x 1500)	4,500	
Total	22,500	
Less: Expenses		
tumble dryer	-	capital
building insurance	-1,540	paid on calender year basis but accounted on cash basis and hence is deductible
plumber costs	-350	
accountant cost	-800	
Mortgage interest	-	available as a tax reducer
Total income	19,810	

W3 - Interest on mortgage

Where an individual pays loan interest in respect of a residential property, it is eligible for basic rate tax relief. The relief is given as a reduction in the tax liability. In a tax year, relief at basic rate is available on the lowest of:

- the interest eligible for relief; (£16,000)
- the property income for the year less losses brought forward; or (£19,810)
- adjusted total income (net income less savings and dividend income less the personal allowance) (£131k)

Hence the relief available is 20% of interest = 20% x 16,000 = £3,200

Requirement 2: Classes of National Insurance Contributions are payable in relation to each element of Christine's remuneration from Flambert Ltd, and by whom

1. Class 1 primary NIC - this is payable by Christine in her capacity as an employee. It is payable on the cash earning by her at the rate of 8% of earning upto £50,270 and 2% on earnings above that.
2. Class 1 secondary NIC - this is payable by Flambert Ltd (employer) at 15% on the excess above the secondary threshold (£50,270)
3. Class 1A NIC - this is payable by Flambert Ltd (employer) at 15% on on the cash equivalent of certain taxable benefits and on taxable termination payments in excess of the £30,000 exemption.
4. Class 1B NIC - this is payable by Flambert Ltd (employer) at 15% on benefits included in and tax settled under a PAYE Settlement Agreement (PSA).

Question 3 /18

Question 1 0/18

Your client, Jackson, has asked you for advice in relation to his pension contributions and has provided you with the following information regarding his financial affairs for 2025/26:

He received a gross salary of £208,000 from his employer. His only taxable benefit was private medical insurance which cost his employer £3,000 to provide.

Jackson’s employer contributed £52,000 into his personal pension scheme and Jackson contributed £5,000.

Jackson’s only other taxable income for 2025/26 was £5,500 received from a discretionary trust.

Jackson has been a member of a pension scheme for many years and has always ensured that the maximum amount has been contributed in order to avoid an annual allowance charge, but fears that this year the limit may have been exceeded.

Jackson is thinking of moving to another part of England and has mentioned to you that, if he does, he intends to find a new, local tax adviser. He is not dissatisfied with the service you provide, but he wants to be able to easily visit his accountant’s office to discuss his affairs.

Requirements:

1) Calculate, with supporting explanations, Jackson’s annual allowance charge for 2025/26. (14)

2) State four things that you should address in your final letter to Jackson when you cease to act for him. (4)

Total (18)

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Part 1

This is your Excel spreadsheet for Question 3. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

- ATTP1M26_Q1-Question 1 pdf copy
- ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual
- ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers
- ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual
- ATTP1M26_Q1-ATT Tax Tables

Response

1-part1-ATTP1M26_Q3.xlsx

Part 2

This is your answer box for Question 3. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Answer 3

Requirement 1: Calculation, with supporting explanations, Jackson's annual allowance charge for 2025/26

An annual allowance charge arises in a tax year when the aggregate pension contributions in that year exceed the allowance limit. The total 'pension input' in a tax year is compared to the 'annual allowance', in order to limit the amount of the tax advantage.

The annual allowance is currently £60,000. Hence, the contributions made to the pension scheme upto £60,000 do not breach this threshold. Furthermore, an individual's annual allowance for a tax year is increased by any unused annual allowance of the previous three tax years, using relief from earlier years first. In other words, unused annual allowance is utilised on a 'first in, first out' (FIFO) basis.

Hence, based on the fact pattern, the total contributions made to the pension scheme are as follows:

Employer contribution (52,000 x 100/80)	65,000
Employee (5000 x 100/80)	6,250
Total contribution	£71,250

<u>On the basis that the employer contributions are net of tax</u>

As maximum amount has been contributed each year in the pension scheme in the prior years, there is no unused annual allowance brought forward to be used. Hence, the annual allowance is calculated as:

(Total pension inputs in the tax year – Annual allowance) @ The individual's marginal rate of tax

=(71,250 - 60,000) @ 20% = £2,250.

<u>On the basis that the employer contributions are gross of tax</u>

Employer contribution	52,000
Employee (5000 x 100/80)	6,250
Total contribution	£58,250

Hence, there will not be any annual allowance chare for 2025/26. Even if he reaches the allowance limit of £60,000, there might the allowances from the previous years that are available.

However, this allowance limited my be tapered for high income individuals - individuals with adjusted income over £260,000, which is not the case for Jackson.

Requirement 2: Things to address in your final letter to Jackson when we cease to act for him

1. The current year outstanding obligations - we should mention the filing and payment obligations that are upcoming in relation to the tax year 2025/26.
2. Obligations for upcoming years - we should mention the payment on accounts obligations that will arise in relation to the tax year 2026/27
3. Clearly stating the reason of shift - our letter would outline the reason of shift requested by Jackson validation the Character certificate of our practice.
4. Clearance of any outstanding invoices - we should clarify that before the change of tax advisors takes place, all invoices in relation to past work and upcoming work until the date of change are or will be settled.
5. Notification of ceasing to act to HMRC - we need to inform HMRC that we will cease to act on behalf of Jackson.
6. Sharing all previous returns - enclosed with the letter, we should be sharing the previous returns with Jackson.

Question 4 /15

Question 1 0/15

Bella inherited several assets from her grandmother who died in 2022. Bella disposed of some of these assets at an auction in July 2025 and has provided you with the details below:

Asset	Probate Value	Proceeds of sale	Auctioneer costs
	£	£	£
An antique vase	6,800	3,500	400
A diamond ring	5,250	5,000	200
An antique necklace	2,500	9,000	675

The only other disposal that Bella made in 2025/26 was of a gold and emerald bracelet which she sold to her friend in December 2025 for its market value of £12,500. The bracelet was part of a set which included matching earrings. The probate value of the set was £14,625 and the earrings were valued at £10,000 in December 2025.

Bella's only source of income in 2025/26 was employment income of £49,000, and she paid £1,200 into her personal pension. She usually pays all of her tax through the PAYE system.

Requirements:

1) Calculate, with supporting explanations, Bella's Capital Gains Tax payable for 2025/26. (13)

2) Explain the two options available to Bella to report her chargeable gains to HMRC, and state the due date for payment of the Capital Gains Tax. (2)

Total (15)

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Part 1

This is your Excel spreadsheet for Question 4. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Response

1-part1-ATTP1M26_Q4.xlsx

Part 2

This is your answer box for Question 4. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Answer 4:

Requirement 1: Calculation, with supporting explanations, Bella's Capital Gains Tax payable for 2025/26.

All of the assets disposed by Bella are considered non-wasting chattels as they have a useful life of more than 50 years. For non-wasting chattels, the following rules apply:

- Proceeds and Cost ≤ £6,000 Exempt
- Proceeds < £6,000, Cost > £6,000 Loss restricted by deeming gross proceeds to be £6,000
- Proceeds > £6,000, Cost < £6,000 Gain restricted to 5/3 × (Gross proceeds – £6,000)

As all of the assets were acquired by inheritance, the cost for each of these assets is the probate value.

<u>Gains/loss on antique vase</u>

Proceeds (<6,000)	6,000	although sales proceeds is 3,500, is is assumed to be 6,000 to restrict loss
Less: Auctioneer cost	(400)	
Net sale proceeds	5,600	
Less: Cost (>6,000)	(6,800)	gains restricted
Loss	(1,200)	

<u>Gain/loss on diamond ring</u>

Proceeds = £5,000 and cost = £5,250

Hence no capital losses arise and if there were to be gains, they would be exempt

<u>Gain/loss on antique necklace</u>

Proceeds (>6,000)	9,000	
Less: Auctioneer cost	(675)	
Net sale proceeds	8,325	
Less: Cost (<6,000)	(2,500)	
Gains	5,825	gains need top be retricted
restricted gain (5/3 x (9000-6000))	5,000	5/3 x (gross proceeds-6000)

<u>Gain/loss on bracelette</u>

Proceeds	12,500	
Less: cost (14,625 x 4,625/14,625)	(6,425)	apportioned as only a part is disposed
Gain	6,075	

Total chargeable gains = 6,075 + 5,000 - 1,200 = £9,875

taxable charegable gains = 9,875 - 3,000 (AEA) = £6,875

Bella's taxable income

Employment income	49,000
Pension (1,200 x 100/80)	1,500
Total income	50,500
less: personal allowance	(12,570)
Taxable income	37,930

As Bella is a higher rate tax payer, the chargeable gains will be taxed at higher rate of 24%. The capital gains payable are

= 24% x 9,875 = £1,650

Requirement 2: Options available to Bella to report her chargeable gains to HMRC, and state the due date for payment of the Capital Gains Tax.

<u>When to report</u>

1. Using the ‘real-time’ capital gains tax online service; or
2. reporting annually in a self-assessment tax return

<u>When to pay</u>

1. payments on account within 60 days of the disposal; or
2. 31 January following the tax year of disposal - 31 January 2027

Question 5 /18

Question 1 0/18

Kerry, an additional rate taxpayer, has always been resident in the UK.

During 2025/26 she made the following capital disposals:

Date	Disposal	Sale proceeds	Notes
		£	
1 June 2025	Assigned a 20-year lease on a commercial property.	126,500	(1)
1 July 2025	Sold 5,000 ordinary shares in Skylarke Ltd to her son. The shares had a market value of £66,000.	37,600	(2)
1 October 2025	Sold 20,000 ordinary shares in Robine plc and £18,000 8% loan stock in Robine plc	96,250 23,400	(3)
		283,750	

Notes

(1) The commercial property lease was previously assigned to Kerry on 1 June 2012 for £87,000 and was acquired for its investment potential.

(2) The 5,000 ordinary shares in Skylarke Ltd were acquired by Kerry in November 2018 for £24,500. Skylarke Ltd is an unquoted trading company with an issued share capital of 250,000 £1 ordinary shares.

(3) The ordinary shares and loan stock in Robine plc were acquired on the takeover of Thrushe plc by Robine plc.

Kerry purchased 12,000 shares in Thrushe plc for £58,500 on 1 October 2020.

On 1 February 2023, Robine plc acquired all the ordinary share capital of Thrushe plc.

In exchange for her shares in Thrushe plc Kerry received the following:

	Market value at 1 February 2023 £
35,000 £1 ordinary shares in Robine plc	94,000
£18,000 8% Robine plc non-convertible loan stock	18,700
	112,700

HMRC has agreed that the takeover was for bona fide commercial reasons and was not for the avoidance of tax, and that the Robine plc loan stock is a qualifying corporate bond.

On 1 March 2026 Kerry subscribed for £210,000 worth of shares in Starlinge Ltd, a qualifying Seed Enterprise Investment Scheme (SEIS) company.

Kerry has never worked for Thrushe plc, Skylarke Ltd, Robine plc or Starlinge Ltd.

Requirements:

1) Explain why gift relief is available on the sale of the shares in Skylarke Ltd, but Business Asset Disposal Relief is not available. (2)

2) Calculate the net after tax sale proceeds received by Kerry from her capital disposals in 2025/26, assuming gift relief and the maximum amount of SEIS reinvestment relief is claimed.

Your answer should clearly quantify the amount of gift relief and SEIS reinvestment relief claimed. (14)

3) State the Income Tax and Capital Gains Tax implications of Kerry selling all her shares in Starlinge Ltd at a profit in an arm's length transaction in the next two to four years. (2)

Total (18)

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Part 1

This is your Excel spreadsheet for Question 5. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Response

1-part1-ATTP1M26_Q5.xlsx

Part 2

This is your answer box for Question 5. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Ans 5

Requirement 1: Gift relief

Gift relief applies because the shares sold are in an unquoted trading company and are sold to a connected person - a relative (Mother to son).

BADR is not available because Kerry is not an employee of Skylarke Ltd and the shares held by her are less that 5% of the total share capital, even though its held for more than 2 years.

Requirement 2: net after tax sales proceeds for capital disposals

Shares in Skylarke Ltd

Proceeds (Market value)	66,000
Less: Cost	(24,500)
Gain before relief	41,500
gift relief	(41,500
Gain	-

Question 6 /14

Question 1 0/14

Lauren has always been resident in the UK.

She has worked for Dobosz plc, a trading company, for the last six years.

Dobosz plc has invited Lauren to join its newly proposed Save-As-You-Earn (SAYE) share option scheme.

The terms of the scheme are as follows:

a) The scheme will be open to all employees and directors provided they have worked full time for the company for at least four years and are at least 25 years old.

b) The scheme will permit employees to invest a monthly amount of between £10 and £600 for a fixed period of five years.

c) At the end of the five-year period, Dobosz plc will add a bonus into the scheme of 5% of the amount each employee has invested.

d) Employees will be able to buy the shares for £3.44 each at the end of the five-year period.

Lauren plans to take up the offer and predicts that:

a) The share options will be granted to her on 1 July 2026.

b) She will invest £325 per month into the scheme for the full five-year period.

c) She will use the amount she has invested, and the bonus put into the scheme by Dobosz plc, to exercise the share options on 30 June 2031.

d) Each share will be worth £4.15 on 1 July 2026 and £5.41 on 30 June 2031.

e) She will also sell the shares immediately on 30 June 2031.

Lauren's shareholding in Dobosz plc will represent an interest of less than 2%.

Requirements:

1) Explain whether each of HMRC's conditions to be a 'tax-advantaged' share option scheme align with the proposed rules for Dobosz plc's SAYE scheme and conclude whether the scheme is tax-advantaged. (4)

2) Calculate the number of shares that Lauren will be able to buy at the end of the five-year period. (2)

3) Explain, with supporting calculations, the Income Tax and National Insurance Contribution (NIC) consequences for Lauren when she exercises her options, and the Capital Gains Tax consequences when she sells the shares assuming the scheme is:

a) not tax-advantaged, or

b) tax-advantaged.

State how Lauren's tax liabilities and NICs are collected. (8)

Assume that the 2025/26 rules, tax rates and allowances apply throughout.

Total (14)

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Part 1

This is your Excel spreadsheet for Question 6. It is only for your workings: the spreadsheet itself **will not be marked**.

When you have completed your calculations and workings, you **must** copy and paste them into the answer box to be marked.

ATTP1M26_Q1-Question 1 pdf copy

ATTP1M26_Q1-Tolley ATT Paper 1 Income Tax Manual

ATTP1M26_Q1-Tolley ATT Paper 1 Memory Joggers

ATTP1M26_Q1-Tolley ATT Paper 1 CGT Manual

ATTP1M26_Q1-ATT Tax Tables

Response

1-part1-ATTP1M26_Q6.xlsx

Part 2

This is your answer box for Question 6. If you use the Excel spreadsheet, you **must** copy and paste any calculations and workings that accompany your answer into this box

Response

Requirement 1: conditions for 'tax-advantaged' share option

1. employer company must register the scheme with HMRC and certify that it satisfies the conditions before operating a SAYE scheme
2. The shares must be ordinary shares in the employer company
3.