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)

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Part 1

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

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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

Subject: Tax Advice

Dear Edouard,

I hope you are well.

I have summarise below the rule changes applicable to you.

Prior to April 2025, UK resident 'non-doms' could claim to pay UK tax on the remittance basis. This meant that foreign income and gains were only taxed if they were brought to the UK. However, the remittance basis has since been abolished. Despite this, unremitted foreign income and gains accruing up to 5 April 2025 will still be taxed in the UK if these are brought to the UK on or after 6 April 2025. Any remittance income will always be taxed as non-savings income.

Consequently, the UK introduced Temporary Repatriation Facility (TRF), a transitional arrangement to incentivise previous remittance basis users to bring their unremitted foreign income and gain to the UK. As you are a previous remittance basis user and UK resident, you qualify for this. The TRF works by taxing designated amounts of unremitted income and gains at a lower flat rate. For tax year 25/26 the flat rate is 12% and for tax year 26/27 the flat rate is also 12%. You must designate unremitted foreign income and gains on the tax return for each year accordingly and elections for this are due on 31 January 2028 and 31 January 2029 accordingly.

As you highlighted above, to reduce your tax liability you should designate you accumulated unremitted foreign income and gains in line with the deadlines for either tax year 25/26 or 26/27, where you will only suffer a 12% flat rate of tax as opposed to the income being liable to income tax at 20, 40 or 45%. The unremitted income is qualifying overseas capital and as such can be brought to the UK without further charge.

You should note that the designated amounts of unremitted income are not treated as income and rather are included in the tax computation alongside the high income benefit charge and annual allowance charge. Also note that qualifying overseas income does not qualify for any foreign tax credit relief and that this income will take priority to all other income and gains held over seas.

In tax year 27/28, the flat rate for qualifying overseas capital is increasing to 15%. It is advisable to bring over any unremitted income before then to make the most efficient tax savings.

If you have any further questions, please let me know.

Kind regards,

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)

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Part 1

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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

1)

Workings:

W4 - Gross property income < £150k in tax year so cash basis

No relief for new tumble dryer as not a replacement

Insurance is allowable - cash basis so only account for amounts when paid

Plumber cost allowable as repair

Accountancy fees allowable except the tax related work - only allow half of the cost

Mortgage interest not allowable - instead an income tax credit is given at 20%

Column widths are fixed and cannot be amended. Use Wrap Text when typing in cells.						
Christine	Non-savings	Savings	Dividends		W1	
					Loan Value at 6 April	200,000
Salary	56,000				Loan Value at 5 Feb	200,000
Loan W1	6,250				Average Method	
Yacht Usage W2	5,000				(loan at start + loan at end)/2 * ORI	7,500
Yacht Transfer W3	48,000				Loan outstanding for 10 Months	
Dividend Income			6,500		Benefit = 7500x10/12	
UK Bank Interest		7,250				6,250
Foregin Interest Gross (6600+5400)		12,000			W2	
Property Income W4	20,210				Yacht MV at first use	60,000
					20%	12,000
Total	135,460	19,250	6,500		Time Apportion	
					4 Months	4,000
Clearly entire PA is lost as total earnings > £125,400						
					W3	
Income Tax @ 20%	7,540				Yacht MV	30,000
Income Tax @ 40%	34,976				When Given	
Income Tax @ 45%	4,644					

No savings allowance as additional rate taxpayer					MV Originally	60,000
Savings income @ 45%		8,663			Less amount already charged	-12,000
Dividneds Allowance (£500)			-			48,000
Dividends @ 39.35%			2,361		Benfit is higher amount	
Total Tax Liability	58,184				W4	
Less Mortgage Interst Tax Credit W5	-3,200				Rental Income 12*1500	18,000
Less Double Tax Relief W6	-5,400				Lump Sum 3*1500	4,500
					Insurance	-1,540
Tax Liability	**49,584**				Plumber	-350
					Accountacy	-400
					Total	20,210
					W5	
					Mortgage Interest	16,000
					20% Credit	3,200
					W6	
					Foreign Tax	5,400
					UK Tax 12000*45%	5,400
					Deduct lower of	

2) Employees (Christine) pay class 1 primary NICs on their earnings in the tax year - Christine will pay this on her salary. Her employer (Flambert Ltd) will pay class 1 secondary NICs at 15% on the excess above the secondary threshold. Flambert will also pay class 1A NICs on the cash equivalent of Yacht usage and transfer benefit in excess of the £30k exemption - this is also payable at 15%.

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)

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Part 1

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

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Response

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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

1) On the basis that past contributions have maximised to avoid the annual allowance charge, the assumption is that Jackson will have no unused annual allowance to bring forward. The current annual allowance is £60k.

W1 - annual allowance is reduced by £1 for every £2 of adjusted income in excess of £260k. Adj income is net income + occupational pension contributions + employer contributions. Note there will be no occupational pension contributions as Jackson has a personal pension plan.

W2 - Threshold income is calculated as net income less gross personal pension contributions by Jackson.

Jackson is clearly a high income individual and such his annual allowance will be reduced for the year.

W1		
Net Income:		
Salary:	208,000	
Discretionary Trust Income Gross - 5500 x 100/55	10,000	
Taxable Benfits (Medical Insurance)	3,000	
Occupational Pension Contributions	-	
Employer Contributions	52,000	
Total	273,000	
Amount > £260k	13,000	
AA Reduction	-6,500	
Annual Allowance	60,000	
Less Reduction	-6,500	
Adj Annual Allowance	53,500	
W2		
Net Income:		
Salary:	208,000	
Discretionary Trust Income Gross - 5500 x 100/55	10,000	
Taxable Benfits (Medical Insurance)	3,000	
Less Gross Personal Pension Contributions - 5000*100/80	-6,250	
Total	214,750	
Clearly > £200k		
Annual Allowance Charge		
Total Pension Inputs:		
Jackson	6,250	

Employer Contributions	52,000	
	58,250	
Less Annual Allowance	-53,500	
Amount subject to charge	4,750	
Jackson marginal tax rate	45%	
Annual Allowance Charge 45% x 4750	**2,138**	

2) Four things to be included in my final letter to Jackson:

- A breakdown of all work completed to date and fees charged to date.
- Details of any outstanding fees and basis for the fees with payment instructions.
- A description of any outstanding work to be completed.
- An explanation of the reason for cessation.

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)

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Part 1

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

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Response

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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

Explanations:

W1 - an antique vase is a non-wasting chattel and as such is chargeable to CGT. The probate value is the deemed cost to Bella. As the cost is > £6k and the proceeds are < £6k, the loss is restricted by deeming gross proceeds to be £6k.

W2 - Diamond Ring is another non-wasting chattel and chargeable to CGT - as both the costs and proceeds are less than £6k any gain is exempt from CGT.

W3 - an antique necklace is again a non-wasting chattel and chargeable to CGT - as the cost is less than £6k and the proceeds are more than £6k the gain is restricted to 5/3 x (Gross proceeds - £6k). The gain is the lower of the two.

W4 - the bracelet is a non-wasting chattel and both proceeds and cost are over £6k so there is no restrictions.

W5 - gross up the personal pension contributions by 100/80 x 1200 - increase the BRB by 1500

W1						
Antique Vase						
Deemed Proceeds	6,000					
Less Auction Costs	-400					
Less Deemed Cost	-6,800					
Allowable Loss	-1,200					
W2						
Exempt						
W3						
Gross Proceeds	9,000					
Less Sale Costs	-675					
Net Proceeds	8,325					
Less Cost (Probate Value)	-2,500					
Gain	5,825					
Restricted Gain	**5,000**					
Take the lower as the gain						
W4 - Part Disposal		Proportion				
Bracelet MV Dec 25	12,500	0.56				
Earings MV Dec 25 (B)	10,000	0.44				
Probate Value Set	14,625					
Bracelet Probate Value - 14,625 * 56%	8,125					
Bracelet Proceeds (A)	12,500					
Less Probate Value	-8,125					
Gain	4,375					
Total Gains	9,375					

Less Allowable Losses	-1,200					
Chargeable Gains	8,175					
Less AEA	-3,000					
	5,175					
Bella Salary	49,000		W5			
Less PA	-12,570		Personal Pension Contributions Gross Up 100/80			
Taxable Income	36,430		1,500			
			Adj BRB	39,200		
BRB	39,200					
Less Taxable Income	-36,430					
BRB Remaining	2,770					
CGT @ 18% (2,770)	499					
CGT @ 24% (5175-2770)	577					

2) For disposal of assets other than UK property, Bella will report her capital gains via her self-assessment tax return which is due 31 January 2027. Or she can file a real time return which would be due no later than 31 December 2026.

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)

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Part 1

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Response

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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

1) Gift relief is available as the shares are in an unquoted trading company. BADR is no available as Skylarke Ltd has not ceased to trade - BADR is only available on shares when a company ceases to trade.

2) The sale of the shares in Skylarke Ltd qualify for investors relief as they were held for over 3 years, issued after March 2016, in an unquoted trading company and Kerry is not an employee and they are new ordinary shares.

If a QCB (loan stock) is received as part of a takeover, gain calculated in normal way as if it were cash (part disposal here) - gain is then frozen until QCB is sold. For the part disposal A is the 'cash received' and B is the MV of the new shares received.

The Robine Shares qualify for investors relief as all the conditions apply as above - it does not matter that Robine is listed as the original shares were in an unlisted trading company - Kerry has not been an employee at either.

For the reinvestment SEIS relief Kerry can exempt £100k of chargeable gains - 50% of the qualifying expenditure (£200k)

2)		
Disposal:	Proceeds	
20-year lease commercial property	126,500	
Short Lease		
S = % at sale 20yrs	72.770%	
P = % at purchase 33yrs	90.280 %	
MV	87,000	
Cost = MV x S/P	70,126	
Proceeds	126,500	
Less Cost	-70,126	
Gain	56,374	
Share Sale Skylarke:		
Sale Proceeds (MV)	66,000	
Less Cost	-24,500	
Gain Before Relief	41,500	
Gift Relief	**-28,400**	
Gain (actual proceeds less original cost)	13,100	
Investors Relief		
Thrushe Plc	# Shares	Cost
	12,000	58,500
£18k of Robine Plc Loan Stock (A)	18,700	
35k £1 Ordinary Shares (B)	94,000	
Cost	58,500	
Proceeds (MV)	18,700	
Less Cost x A/(A+B)	-9,707	
Gain - this is exempt from CGT	**8,993**	

Base Cost of Robine Plc Share		
Original Cost	58,500	
MV of Robine Shares	94,000	
MV of Robine Loan Stock	18,700	
Base Cost - £58.5k * £94k / £112.7k	**48,793**	
20k Share Proceeds	96,250	
20k Share Cost - Base Cost x 20k/35k	-27,882	
Gain	68,368	
Investors Relief		
Starlinge Ltd		
£200k of Shares eligible for relief	100,000	exempt from CGT
£10k worth no relief		
Total Gains		
Investors Relief:		
Skylarke	13,100	
Robine Plc	68,368	
CGT @ 14%	-	
Remaining Gains:		
20 - Year Lease	56,374	
We can fully exempt this gain using SEIS relief	-100,000	
Remainder to exempt from investors relief qualifying gains	-43,626	
Investors Relief:		
Skylarke	13,100	
Robine Plc	68,368	
Less SEIS Relief	-43,626	
	37,842	
CGT @ 14%	5,298	
Sale Proceeds		
Lease	126,500	
Skylarke Shares	37,600	
Robine Plc Share	96,250	
Loan Stock	23,400	
	283,750	
Less CGT Paid	-5,298	
Net After Tax Sales Proceeds	**278,452**	

3) Where SEIS shares are sold at a gain, that capital gain is sometimes exempt from CGT.

The gain is exempt from CGT if two conditions are satisfied.

1. The shares must be sold outside the ‘relevant period’, which is three years after the issue of the shares.

2. The investor must have obtained income tax relief on the subscription. To obtain income tax relief on the subscription, the investor must not have been ‘connected’ with the company. Therefore if the investor is connected with the company – eg they are an employee or own more than 30% of the shares – they cannot obtain income tax relief on the subscription, so the gains on the shares will not be exempt from CGT.

If Kerry sells after 2 years of holding the shares than the gain arising will be fully chargeable to CGT.

If Kerry sells after 3 years of holding, than the £200,000 of shares qualifying for SEIS income relief will be exempt from CGT. The remaining £10k worth of shares which did not qualify for SEIS relief will be chargeable to CGT, however investors relief may be applicable if Kerry meets the relevant conditions.

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

1) The employer company must be quoted - clearly Dobosz Plc is quoted as it is a publicly listed company.

All employees (full-time and part-time) must be able to participate - those with less than 5 years service can be excluded however. The terms state the scheme is available to all employees who have worked there for at least 4 years, however states they must be 25 years old - there is scope here to exclude some employees who have been in service for 5 years.

The SAYE account must be 3-5 years in length and the length of the contract and monthly savings are fixed at the start - clearly states the amounts are fixed and the length is 5 years.

The max contribution is £500pm and min is £5pm - Dobosz allows contributions of £600 per months which is too high.

The options granted can be at a discount of up to 20% of the value of the shares at the date of the grant.

On the basis that some employees who have given service for 5 years could be excluded and the monthly investments can exceed the maximum, the scheme is not tax advantaged.

2) Lauren invests £325 for full 5 year period - £325 x 12 x 5 = £19,500

5% bonus from Dobosz is worth £19.5k x 5% = £975

Total = £20,475

Share Price = £3.44

Lauren will be able to buy 5,952 shares.

3)

a) There is always an income tax charge on exercise for a non tax-advantaged scheme. This is calculated at the MV of the shares at exercise less the amount paid for the shares:

MV at exercise - 5,952 x £4.15 = £24,700.90

Less Amount Paid - (20,475)

Amount charged to income tax - £4,223

As these shares are in a listed company, there will be class 1 NICs due on the amount charged to income tax at either 8% or 2% depending on Lauren's earnings.

A capital gain will arise is the shares are sold for proceeds in excess of the MV of the shares at exercise:

Sale Proceeds - 5,952 x £5.41 = £32,200.32

Less Amount Paid for Shares - (£20,475)

Less amount charged to income tax - (£4,223)

Gain - £7,502

b) Tax-advantaged

There are no income tax or NICs implications for either the grant or exercise of the share options.

There will be a capital gain however equal to the difference between cost and sale proceeds.

Sale Proceeds - 5,952 x £5.41 = £32,200.32

Less Amount Paid for Shares - (£20,475)

Gain- £11,725

For both a) and b) Lauren's tax liabilities and NICs are collected via the self-assessment tax return which in tax year 31/32 will have a deadline for submission of 31 January 2033.