THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 1 PERSONAL TAXATION

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

Important Information – Please read carefully

A 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, all computations and workings completed in the spreadsheet **MUST** be copied and pasted into the word processor answer box. Any calculations left in the spreadsheet and not copied to the answer box will not be marked.

You **MUST** use keyboard shortcuts to copy from and paste to the answer box. These are CTRL+C (Command+C on a Mac) to copy and CTRL+V (Command + V on a Mac) to paste. Other methods of copying/pasting will not work.

- Markers will NOT be able to view any formulae/workings behind calculations carried out in the spreadsheet. You must set out details of your workings in full.
- Tax tables and the Tolley Manuals / Memory Joggers can be accessed as PDFs via the "open book" icon in the top right of your screen.
- Hyperlinks to Croner and Tolley (Lexis Nexis) student legislation versions, and HMRC manuals, can also be accessed via the "open book" icon in the top right of your screen.

Technical support during the exam: how to access

- You will be able to access technical support during the exam. This is limited to troubleshooting issues with the exam software.
- You can open the support portal by navigating to the 'open book' icon in the top right of the screen. A link to candidate support is provided in the resources list.
- This will open in a separate tab in the secure browser. The 'chat' function is found in the bottom right of that screen. The chat will first attempt to resolve issues by directing you to troubleshooting guidance. If that is unsuccessful, you will be directed to a live agent.

1. Naomi and Benji are married and have one child, Caleb, aged four.

The couple have provided you with the following information for 2025/26:

Naomi

Income

Naomi is employed part time by Curtil Ltd on a gross annual salary of £10,500. Naomi had no other sources of income other than child benefit received of £1,355.

Benji

Employment income

Benji is employed by Velfro Ltd on a gross annual salary of £53,135 from which £20,860 income tax was deducted under PAYE.

Throughout the year, Velfro Ltd provided Benji with a petrol-powered car with a list price of £56,450 and CO_2 emissions of 153 g/km. Benji had contributed £4,450 towards the capital cost of the car when it was purchased new in December 2024.

Velfro Ltd paid for all the running costs of the car, including private fuel. Benji paid Velfro Ltd £60 per month towards the cost of the private fuel.

Benji contributed £6,000 into Velfro Ltd's occupational pension scheme and Velfro Ltd contributed 15% of his salary into the scheme.

Other income

Benji was the beneficiary of an interest in possession trust which paid him dividends of £2,263.

Naomi's request

Naomi has contacted you asking for a meeting to discuss her and Benji's tax positions and advise as to whether they could arrange their affairs better so that they pay less tax as a couple. Benji is too busy to attend the meeting, but Naomi says that Benji is happy for you to meet with her and that Benji is very interested to hear what you have to say to Naomi.

Requirements:

1) Calculate Benji's Income Tax payable or repayable for 2025/26. (13)

2) In relation to Naomi's unused personal allowance in 2025/26, explain:

a) Why none of it can be transferred to Benji.

b) How relief would have been given in Benji's computation if a transfer had been possible.

(2)

3) Explain, in line with Professional Rules and Practice Guidelines (PRPG), how you should deal with Naomi's request. (3)

Total (18)

2. Noah Jones is 46 years old and has worked for XY plc for the last seven years on an annual salary of £70,000.

Noah's only other source of taxable income is property income of £5,000 per annum.

Noah has not made any contributions into any pension scheme in the past, and he opted out of XY plc's occupational pension scheme when he joined the company.

He now thinks that he should make some provision for his retirement, so on 6 April 2026 he set up his own personal pension scheme and intends to make gross annual contributions of £20,000 into the scheme.

XY plc has agreed to pay an additional £25,000 per annum either directly into Noah's personal pension scheme, or directly to Noah as additional salary. If paid as a salary, Noah would then increase his gross annual pension contributions by £25,000.

Continued

Requirements:

1) Explain the Income Tax and National Insurance Contribution consequences for Noah, and the total amount of tax relief he will receive in 2026/27 if:

a. XY plc contributes £25,000 directly into Noah's personal pension scheme (PPS) and Noah personally makes gross contributions of £20,000 into his PPS; (8)

or

b. XY plc pays Noah an additional salary of £25,000 and Noah increases his gross contributions into his PPS by £25,000. (5)

2) Explain, with reasons, which of the two options Noah would be likely to prefer. (2)

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

Total (15)

3. Nick is a new client. You have received an email from him which includes the following information:

"I have never previously been required to file a tax return. However, in early 2024/25 I inherited a rental property portfolio from my aunt. It took me a while to get organised, but I advised HMRC of this new source of income in November 2025 and on 31 December 2025 I was issued with a notice to file a tax return. I filed that tax return electronically on 7 April 2026, showing £10,000 tax due for 2024/25 on the property income; no other tax was due. I paid the tax on 28 April 2026 together with a £5,000 payment in advance of tax for 2025/26.

I am worried that I may not have fully complied with my obligations and that HMRC may therefore impose some charges."

Requirement:

Draft an email response to Nick explaining his position in relation to the potential HMRC charges, calculating any potential charges where possible. You should assume that HMRC will seek to impose all available charges.

You are NOT required to consider Making Tax Digital for Income Tax. (13)

4. You have two unrelated clients, Mindy and Mark.

<u>Mindy</u>

Mindy was born in Ruritania and lived there for most of her life. For much of the 2025/26 tax year, she lived in her Ruritanian home and worked 30 hours per week for a Ruritanian employer.

On 30 November 2025 she resigned from her Ruritanian employment and came to the UK for the first time on 5 December 2025. On arrival in the UK, Mindy rented a flat in London.

On 5 January 2026 she started a new job at Nanu Ltd, a UK company. In her new role she only had UK duties, and she worked seven hours a day for a four-day work week.

Mindy initially retained her Ruritanian home, staying there for five days over the Christmas period, before selling it on 2 March 2026. She did not reacquire a home in Ruritania and, aside from that Christmas visit to Ruritania, she did not leave the UK following her arrival.

<u>Mark</u>

Mark has always been UK resident. In 2015/16 he invested £100,000 in a UK single premium life insurance bond. In 2018/19 he withdrew £15,000 from the bond and, in 2025/26, he encashed the whole bond and received a chargeable event certificate from his insurer stating that he had made a gain of £40,000.

Continued

Continuation

Mark has also invested into two fixed income stocks as follows:

Stock	Amount invested	Date invested	Date sold	Disposal proceeds	Notes
	£			£	
£50,000 of 5% UK Government Gilts	48,000	30 Sept 2025	31 March 2026	52,000	1, 2, 3.
€200,000 of 6% loan stock in Orkan plc	165,000	5 January 2025	5 October 2025	180,000	A, B.

Notes

- £50,000 of 5% UK Government Gilts

    1. Pays interest half-yearly on 30 April and 31 October,
    2. Mark acquired the stock too late to receive the interest payments on 31 October 2025.
    3. The stock was sold ex-div.

- €200,000 of 6% loan stock in Orkan plc

    A. Pays interest half-yearly on 5 May and 5 November.
    B. Mark did receive the 5 May interest but sold the stock cum-div.

Mark gifted £250,000 to his son Robin some years ago. Robin had used £200,000 of this gift to buy a painting to hang in his new house. However, on 5 July 2025 the painting was moved to Mark's house when it was worth £300,000. Mark pays Robin £200 a month for this arrangement, which is not caught by the gifts with reservation rules for Inheritance Tax (IHT).

Requirements:

1) Explain, with reference only to the automatic tests of the Statutory Residence Test, whether Mindy will be UK resident for 2025/26. (8)

2) Calculate Mark's net income and chargeable gains for 2025/26 in relation to the above, and calculate any tax credits that may be available on those amounts. Assume that a Euro is worth £0.85. (11)

Total (19)

5. Ginny is a client of your firm. On your file, you have the following record of her purchases in BigCo plc:

Date	Number of shares	Cost
		£
1 July 2008	2,000	4,000
11 September 2011	3,000	8,000
25 October 2020	5,000	22,000
15 December 2025	1,000	5,000

During 2025/26 Ginny made several disposals of shares in BigCo plc and has provided you with the following information:

a. 1 December 2025 – she sold 2,000 shares for £21,200.

b. 15 February 2026 – she gifted 500 shares to her husband when their market value was £5,950.

c. 31 March 2026 – she sold 3,000 shares for £28,000.

BigCo plc is a quoted investment company that has 10 million shares in issue.

Ginny has capital losses brought forward from 2024/25 of £2,750. Her only income in 2025/26 is employment income of £30,000 and she made a gift aid payment of £1,000.

Continued

Continuation

Requirement:

Calculate, with supporting explanations, Ginny's Capital Gains Tax liability for 2025/26. (14)

6. In 2025/26, your client, Bella, lets out three residential furnished UK properties, the rent for which was due on the 6th of each month.

Details are as follows:

a. Property A – rent was £800 per month. The mortgage loan interest was £700 per month.

b. Property B – rent was £1,200 per month. The mortgage loan interest was £950 per month.

c. Property C – rent was £550 per month (from 6 August 2025). There is no loan on Property C, as she had purchased the property outright.

In 2025/26, all rents were paid on time, with the exception of Property B, where the rent due on 6 March 2026 was not paid until 15 April 2026.

Both Property A and B have been let out for a number of years. In May 2025, Bella replaced the sofa in Property A at a cost of £750. It was of a similar standard to the previous sofa, which was sold for £50.

On 6 April 2025 Bella paid the annual buildings insurance premium of £600 for Property A.

On 1 August 2025 she paid the annual buildings insurance premium of £550 for Property B, which was an increase of 10% of the premium paid on 1 August 2024.

Property B is owned on a lease of 999 years. Under the terms of the lease, Bella pays ground rent of £150 per annum.

The windows in Property B were single glazed up until September 2025, when they were replaced with double glazed windows at a cost of £6,000.

Bella purchased Property C on 6 May 2025 when it was in a state of disrepair. Over the next couple of months she spent £8,000 on repairs on the property to make it habitable. During February 2026, Bella added a garage to Property C at a cost of £11,000.

Bella paid the annual buildings insurance premium of £400 for Property C on 6 May 2025.

Bella has unrelieved finance costs of £4,200 brought forward from 2024/25.

Bella's only other source of income in 2025/26 is employment income of £40,000.

At the beginning of 2026/27, Bella purchased a commercial property for £150,000. On 15 May 2026 she granted a 20 year lease to an unconnected party for a premium of £40,000, incurring legal fees of £1,000. The market value of the reversionary interest at 15 May 2026 was £200,000.

Requirements:

1) Calculate, with supporting explanations, Bella's property income for 2025/26. You should clearly show your treatment of each item and explain your treatment of the mortgage interest. (16)

2) Calculate the chargeable gain on the grant of the commercial property lease on 15 May 2026. (3)

Total (19)