Tolley® Exam Training

CTA APPLICATION AND PROFESSIONAL SKILLS

INDIVIDUALS (IND)

PRE REVISION QUESTION BANK

FA 2024 & F(No. 2)A 2024

May and November 2025 Sittings

PQ829

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INTRODUCTION

This APS Pre Revision Question Bank contains 2 exam standard questions all with answers updated to Finance Act 2024 and Finance (No 2) Act 2024.

As you answer the questions you may refer to either a hard copy or on-screen version of the **CTA Tax Tables 2025** and your own personalised version of the approved online legislation.

Using this question bank

You should now use this question bank to practise your technique and timing. Practice is the key to passing the APS paper – if you do not approach these practice case studies in the same way as you will the 'real thing' you will be reducing your chances of obtaining a pass.

Remember that you can read the pre-seen information in advance of attempting each question - it is always the final Exhibit.

Make sure you have 3.5 hours of uninterrupted time – stopping and starting means you may well take more than the allotted time and will give you a false impression of what can be achieved. 3.5 hours may seem a long time to allocate to practise a case study – but remember developing your exam technique for this paper is just as important as learning the technical detail required.

Do not attempt these case studies by just planning your answer and then reading the suggested answers. It is vital to practice typing up a full answer.

We recommend you complete a "Reflection" sheet each time you have finished a case study as part of the self-review process where you compare your typed up answer to the suggested answer provided and so we have included a copy of this sheet at the end of each answer in this question bank.

Guidance on Approach to APS questions

Over the next few pages there is some general information on how to approach the APS paper in order to be successful in this part of your CTA examination.

There is also some information about the way this case study paper will be marked.

Revision Question Banks

A separate further Revision Question Bank containing six further case studies will be available nearer to the date of your real exam.

CONTENTS

REVISION GUIDANCE

PURPOSE OF THE APS PAPER

The purpose of the Application and Professional Skills paper (APS) is to test your ability **to produce a report or letter which a client would value**.

It does this by focussing on **three skills –** Structure, Identification and Application (I&A) and Relevant Advice and Substantiated Recommendations (RA&SR).

In order to secure a pass, you are required to demonstrate **competence in all three** skills. We shall look at the way these competencies will be assessed in more detail later in this guidance.

The Case Study Question

The question will be drafted in such a way that:

- You need to **apply** your technical knowledge rather than simply regurgitate it
- You need to **weigh up options** and **reach a conclusion** as to which is the best option
- Detailed computations will not need to be prepared in order to answer the question
- Detailed technical analysis of obscure points will not be required
- You need to **communicate** information which may be complex in a clear manner and so the requirement will **always be for a report or letter to a client**
- It tests a **range of material** including topics from the matching Advanced Technical (AT) paper(s) as well as the specified awareness level topics (per the syllabus grids)

The CIOT anticipate that a full answer would be between 3,000 to 3,500 words (3,500 is an absolute limit given to the examiners when they draft their model answers) but there is no need for you to focus on word count in your answer script, this info is just given for guidance.

It is likely that questions will require **planning for a future action** rather than simply commenting on historic events.

It is also likely that consideration will be required of **interaction** between **taxes. Aspects of the law, ethics and accounting** CBE syllabuses may also need to be considered where relevant and appropriate.

The first part of the question will always be the introduction. This will cover key introductory matters but will not contain detailed material. It will be around half a side long, giving an **outline of the scenario** and will provide you with a good idea as to the likely requirements.

The introduction will cover:

- Who you are – eg stating “You are a Tax Manager in a firm of Chartered Tax Advisers.”
- Who the client is
- Outline of the scenario
- Reference to exhibits, for example – “you have recently received a letter **(EXHIBIT A)** from Mr Jones regarding his future plans.”

Exhibits

Exhibits will be as similar as possible to **real documents** that may be presented to an adviser in practice.

Types of exhibits may include:

- Letters from clients and other advisers
- Emails from clients, colleagues and other advisers
- Accounts or extracts from accounts
- Extracts from reports from other advisers, eg solicitors, surveyors
- Extracts from legal documents (such as share option agreements or Wills)

The final exhibit will always be the pre-seen information.

Pre-seen Information

The pre-seen information will give **background details** relevant to the client in the question, but it will not guide you as to the actual examination question requirements. The intention behind the material is to **allow you to become familiar with the background of the client** to avoid confusion on the day.

It is intended that the pre-seen information will better equip you to deal with the case study in the examination environment and make the question more aligned to a client situation in which you may be involved.

The pre-seen information will not include information on the anticipated transaction or event that is the subject of the question. As is the case in practice, the pre-seen information may include material which is not required to answer the question.

It will be provided **two weeks in advance** of the examination. You will only receive the pre-seen information for the question you registered for when you sent in your exam entry.

You **may discuss** the pre-seen information with whoever you choose.

The pre-seen information will be provided again with the question, as the final exhibit.

The pre-seen information will comprise information which would typically be found in a client **permanent file**, such as:

- Name, date & place of birth.
- Name, date & place of birth of spouse (or statement that not married) plus date of marriage.
- Confirmation of residence and domicile status (unless to be determined by the question).
- Names & dates of birth of children.
- Will or statement that there is no Will.
- Details of income (eg, employment income, investment income).
- Details of assets (including costs and current values).
- Other financial information (eg, property business accounts).

APPROACHING THE APS PAPER

The Application and Professional Skills (APS) paper will test your ability to **apply** your tax knowledge to a practical case study.

In order to be successful in this paper you will need to have the ability to:

- Sift through information, distinguishing between the key elements and those which are less important;

- Communicate clearly in a manner appropriate to your client giving clear recommendations and coming to a conclusion;

- Apply knowledge to a problem which will involve an understanding of the interaction of several taxes and which may not have a single correct answer.

Whilst the case study may well require you to carry out computations, this will only be in the context of providing results for you to comment on in depth in the written part of your answer.

The case study will require you to prepare a **detailed report or letter for your client** and you should incorporate an **Executive Summary** in your answer.

As this paper is intended to be a practical case study, whilst there will be a clear requirement, the specific content required will not be set out in detail.

In particular, you will be expected to **identify and comment on relevant ethical, professional, legal, accounting, regulatory and commercial issues** although the question requirement may not explicitly mention these.

Similarly, you should **consider the possible application of other taxes** to the scenario, beyond the primary tax being examined. It is important to be able to differentiate between various taxes, whilst considering the impact of one on the other.

The case studies are **not intended to be time pressured**. The aim is to allow you to have time to submit a complete answer, thus demonstrating your ability to deal with practical situations.

Successful candidates should be able to demonstrate a good technical knowledge of the tax topics examined in the **related Advanced Technical syllabus** paper(s) and the **Awareness topics identified as within the syllabus for their chosen APS case study**.

Such students should also have an understanding of aspects of ethics, law and accountancy relevant to a tax practitioner from the CBE text books.

The examiner will be looking for:

- sufficient breadth of knowledge to appreciate all the tax implications of a particular problem

- Identification of the key issues

- Application of knowledge to arrive at sensible recommendations and coming to a conclusion

- Communication skills, using a well-structured pattern

  - use of headings

  - use of good English

  - use of summaries

Good examination technique is essential. It is the **quality** of the work produced that is important – **not** the **quantity.**

Due to the nature of the paper, there is unlikely to be a single correct answer. Credit will therefore be given for conclusions and recommendations which are different to the examiner's model answer but which are reasonable based on the information provided.

As you read the following notes which have been produced to help you deal effectively with the case studies, it is important to remember to **focus on demonstrating your professional skills** as well as application of your tax knowledge.

You need to take into account the **format** of the response, whether the style and tone is suitable for the client and whether the response is structured effectively.

Therefore, whilst it may be natural that your initial focus is likely to be on the technical detail required, it is just as important to plan how and to what extent that detail needs to be included in your answer.

This is not just a technical paper. It is a **test of your professional skills** as a tax adviser.

Approach to the Case Studies

You should aim to adopt the following approach when attempting a case study:

1. READ
2. ANALYSE
3. PLAN
4. WRITE
5. REVIEW

1. READ

The CTA APS exam is 3.5 hours.

Start by identifying the issues carefully. This is important to establish some key things:

- Who you are
- What you are required to do
- Who you are writing the report to

These are important facts you must register before you move on to the next stage.

In the real examination you will have already had the pre-seen information but remember this will provided to you again as the final exhibit.

The starting point is to **read the requirement**, which is in bold text usually on the first page of the case study. However, the requirement may be general in nature, for example 'Prepare a report addressing Jane's queries', so a review of all the information provided is necessary at this stage.

Now read the information contained in the body of the question and the exhibits, **highlighting key information** and jotting down notes on a piece of paper. Most of the detail will be in the exhibits so make sure you are comfortable with what is there.

In particular you should consider carefully the issues highlighted in the question and the information that is likely to be important, for example:

- Family relationships, ages etc (you may already be familiar with this from the pre-seen info).
- Business structures (possibly already known from the pre-seen information).
- Needs of client and any preferences expressed/courses of action ruled out.
- Actions already undertaken.
- Reliefs available.
- Timing issues.

Now **re-read the requirement.** It is very easy at this stage to formulate an answer to what you would LIKE the question to ask, rather than what it ACTUALLY asks. Make sure you do not fall into the trap of typing up an answer that is not relevant to the question asked.

During this initial reading time you should have time to look up things in the legislation that will help you answer certain parts of the case study. Leave the legislation open at the relevant pages.

2. ANALYSE

Once you are satisfied you understand the requirement, you can move on to the next stage. Do not rush this part, as it is crucial to the whole process.

In the light of the requirement, re-read the question, decide which facts are important/relevant/not relevant**. Determine the areas to be addressed** in the answer.

Remember that each sentence and exhibit is there for a reason – there should not be much irrelevant information. Information may be included to highlight an issue, to identify a key point or to eliminate a course of action the examiner does not want covered.

There will be certain pieces of information that you either do not understand or cannot see the relevance of. It is possible for example that you will not use all the information provided in the pre-seen information. You need to concentrate on what you know and what you can do. Think positively and do not dwell on the areas you cannot get credit for.

For each issue you have highlighted – unless stated otherwise – you should **consider the implications for all relevant taxes.**

Look up in the legislation any areas of uncertainty, conditions etc.

3. PLAN

Now is the time to **produce a plan of the answer you intend to produce**.

You can either **handwrite or type** your plan but note that it will not be marked by the CIOT so it does not need to be included as part of your answer – the marker will only assess the actual report/letter you are asked to produce. You may decide that you prefer to handwrite your plan for ease of reference. You may decide you prefer to type it so that you can expand it. You need to practice these different approaches to work out whether handwriting or typing your plan works best for you.

For each issue you have highlighted, you should note down the areas which need to be discussed, taking into account the order of importance and considering all the implications. The plan can be in bullet point format but should contain sufficient detail to act as a checklist for when you start writing the actual answer. By producing a useful plan, you should be able to ensure that all points are covered in your final answer in a logical order.

You may have to **perform calculations as part of the plan** so that you can then analyse/comment on the results. These calculations should be typed up straight away as part of your answer – not handwritten. You should include them as an Appendix to the report/letter you will go on to write.

By the time you have finished the plan the hard work is really over – not only do you know what the case study wants you to consider, but you have now also considered all aspects, decided what needs to be included in your answer and know what **recommendations** you will give your client in the report/letter and the conclusion you have come to with regard to any options discussed.

Remember to determine the format of your answer – this is usually specified in the requirement.

You should also consider how you are going to allocate your remaining time to writing your answer to each element of the case study.

Never overrun on time allocation, as this will have a detrimental effect on your overall answer. Come back to an incomplete section at the end of the exam if you have time.

These first three areas of the approach will take approximately 30 minutes to one hour leaving you between 2 and 2.5 hours of further exam time. The more calculations you have to do the more time you will need to allocate to your plan.

4. WRITE

Only start typing up the formal answer once the analysing and planning stages have been completed.

The format of the answer is very important. If the correct format is not used, there is significant risk that you will not be awarded a pass for the "Structure" competency. You will then fail the paper.

The following formats are recommended:

REPORT

TO:
FROM:
DATE:
SUBJECT:

The report should start with an "Introductory section" (normally no more than half a page) which should say:

- Who the report is intended for.
- What the report is based on (for example, "this report is based on your meeting with Amy Lim on 23 April 2024 and your subsequent letter to Amy dated 24 April …...").
- Who can rely on the report. We suggest you simply remember the following standard wording: "This report is intended solely for use by you. Chartered Tax Advisers LLP accepts no responsibility for any reliance placed on this report by other parties".
- The purpose of the report (summarised briefly).

A contents page is not required.

You can assume that the scope of the report is covered by the engagement letter. Unless it is specifically suggested otherwise in the question, there is no need to refer to the engagement letter in your answer.

If there are any limitations to our advice, these should be stated. Remember we are tax advisers, not lawyers or investment advisers. So any legal or investment advice should be referred to the client's solicitor or IFA.

The Introductory section should be followed by an Executive Summary.

Normal practice is to type this up last (but make sure it is inserted after the Introductory section).

The Executive Summary summarises the main advice and recommendations. There should be sufficient information in the Executive Summary that the reader can understand the recommendations without reading the detailed analysis. In effect, the Executive Summary is a snapshot of the key recommendations which can be read as a stand-alone document.

You should not introduce anything new in the Executive Summary. Everything in the Executive Summary should be available in the body of the report.

There is no need for a separate 'Conclusions' section at the end of the report as this is likely to be a repetition of the Executive Summary. [You will not lose marks for this, but you will have wasted time.]

Even though the client will have contacted your Tax Manager / Tax Partner for advice, the report is from your firm to the client. **The report should therefore use "We" throughout**. Alternatively, **you may prefer to use the third person**, eg. "[client name]" instead of "you" and "It is recommended that" instead of "we recommend". Whichever you choose, **you must be consistent** and not jump between the two. The use of "I" is not appropriate in a report.

The body of the report should be divided into sections (each dealing with a separate issue). A numbering system should be established. Keep this simple. Following the layout of the answers in this question bank is recommended.

The report should include appropriate advice, recommendations and conclusions. These are the key points which should be extracted for the Executive Summary.

Where advice is supported by computations, these should generally be in Appendices at the end of the report. Short "one or two line" calculations can be shown in the body of the report as you go along if you think that is beneficial to the reader.

It is important to **include and explain your workings.** This ensures that even where an error is made early on, credit can be given for the method applied to the later parts.

LETTER

Letters should be correctly addressed using the address information in the question. Letters should be headed, finished and signed off (do not use your own name – "Tax Adviser" will do).

[Firm's Name & Address per Q]

[Client Name & Address per Q]

Date

Dear [Client Name per Q] – eg, Dear Alex / Dear Mr Brown

SUBJECT OF LETTER

Introduction

Summary of Key Points (Executive Summary)

Body of letter (divided into sections)

Yours sincerely
Tax Adviser

If the client is referred to by their title throughout the question (for example, Mr Brown) or if the title is used in correspondence between adviser and the client (in the Exhibits), the title should be used in the salutation (for example Dear Mr Brown).

Normally however, the question will use forenames throughout and the salutation should therefore replicate this (for example, Dear Alex).

The first paragraph should briefly set out the background to the letter and the information on which it is based (for example a letter from the client). It should say who can rely on the letter.

Any limitations of advice should be stated here.

At APS IND, it is very likely that a letter question will require a letter from one individual to another (or to a joint client such as a couple), so **use of first person is acceptable**. For example, “I recommend”, “I advise” etc is normally appropriate. You would then sign off as “Tax Adviser”.

Instead, you might choose to write to the client in your position as a representative of your firm. In that case “we” is accepted. You would then sign off as “Chartered Tax Advisers LLP”.

It is important that the use of “I” or “we” is consistent. Never jump between the two.

After the Introduction, there should be an ‘Summary of key points’ to set out the key findings/conclusions of the letter. This serves the same purpose as an Executive Summary in a report and could also be called that.

The letter should be divided into sections. A numbering system for those sections is normally helpful.

Supporting computations should generally be in an Appendix.

The letter should include advice, recommendations and conclusions.

The letter should be signed off with “Yours sincerely”.

<u>Advice common to both reports and letters</u>

Always keep in mind that **you are asking a client to pay for the document you are producing**! The examiners are themselves tax advisers and will always have that in mind. Therefore put yourself in your client’s shoes and ask yourself whether you would pay money for the advice you are receiving.

First and foremost, your answer **must be written in a way the client can understand**. Clients do not want a series of options – they want **recommendations** as to which of the options should be adopted or discarded.

Above all else, clients want to know:

1) WHAT they should do; and

2) WHEN they should do it.

It is vital that you **come to a conclusion.** Don’t sit on the fence. You are unlikely to pass this paper unless you make sensible and positive recommendations which your client can understand.

Do not be afraid to state the obvious (credit is often allocated for this) but keep answers short and to the point. Remember “quantity” is not important. The examiner does not want to spend his time reading irrelevant and unnecessary paragraphs.

Try not to put more than one important point in each paragraph. Otherwise your points may get lost and you will not receive credit for them.

Leave a line between each paragraph. “White space” is important and helps the marker. It also helps the product look more professional.

Paragraphs should ideally **not run to more than three or four- lines**. Using short “snappy” paragraphs makes answers easier on the eye, and therefore more likely to attract credit.

A handy tip is to **say the sentence to yourself in your head before you type it**. If it doesn't make sense, don't type it!

Always use good grammar and spell words correctly. Do not use slang.

Try not to baffle the reader with technical jargon. Your client is not a tax expert. If they were, they wouldn't need you. So **keep your language clear and simple**.

Use full sentences, even when any lists or bullet points are being used.

Abbreviations are acceptable as long as they have been previously defined. For example, "The gain on the disposal of your shares will be eligible for Business Asset Disposal Relief (BADR). The effect of BADR is to reduce the rate of tax on the capital gain to 10%...."

The APS paper is testing your professional skills - you need to show the marker that you deserve to be awarded the CTA qualification because you can provide **clear, relevant and reasoned tax advice** to your client.

Whilst in theory it would be possible to score well on professional skills even though the technical standard of your answer was poor, this is a fairly unlikely scenario. To be assessed as competent with regard to your professional skills, it will almost certainly be necessary for you to have demonstrated reasonable technical skills.

Nevertheless, where a technical inaccuracy flows through the remainder of the answer with consequent differences in the conclusions drawn and advice offered, you could still be assessed as a competent with regard to your professional skills.

The CIOT guidance on letters and reports is included in Appendix B later in this section.

5. REVIEW

About 10 minutes before the end of the examination you should sit back and review your answer and fine tune it as needed.

Make sure you have produced an **Executive Summary / Summary of Key Points** and that you have included this at the **start** of the report/letter (just after the Introduction), even if you created it last.

HOW THE APS PAPER IS MARKED

The following information is a copy of the document available on the CIOT website.

Introduction

In order to secure a pass in this paper, candidates are required to demonstrate competence in each of three skills:

- Structure
- Identification and Application
- Relevant Advice and Substantiated Recommendations

Structure

Structure is assessed across the answer as a whole and a pass or fail grade will be awarded. As noted above, a fail in this skill (or in either of the other two skills) will result in an overall fail. In arriving at the result for this skill, each of the following factors will be graded as either No Fault, MINOR Fault or MAJOR Fault (with a single grade for each – i.e. a candidate cannot get multiple MINOR faults on grammar and spellings for example):

- Overall format
- Introduction and conclusion
- Clear layout with headings
- Flow of answer
- Appropriate style
- Grammar and spellings
- Appropriate calculations
- Lack of irrelevant material

A candidate will pass Structure if they have either:

1) No MAJOR faults; or
2) One MAJOR fault and no more than 3 MINOR faults.

A candidate will fail Structure if they have either:

1) Two or more MAJOR faults; or
2) One MAJOR fault and four or more MINOR faults

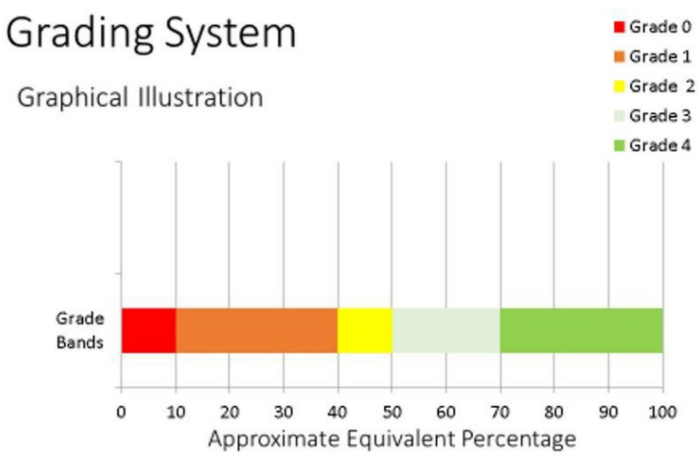
Further narrative on what is expected for each factor is set out in Appendix A. Note that a different, but appropriate style to that adopted by the examiner will not be a fault.

Identification and Application

Identification and Application is assessed for competence across a number of broad topics within the answer. There will typically be four to six topics and a grade will be awarded for performance in that topic of 0,1,2,3 or 4 as follows:

Grade	*Description*
0	Not attempted
1	Competence insufficiently demonstrated
2	Limited competence demonstrated
3	Competent
4	Highly competent

If a perfect answer represents 100%, the above grades may be considered as roughly equal to the following percentages of a perfect answer.



The grades awarded for each topic will be weighted and averaged to produce a weighted average grade for the skill across the whole answer. The weighting will reflect the importance and anticipated time required for each assessment area. The weighted average grade will be converted to a final grade of 0,1,2,3 or 4 as follows:

Weighted Average Grade	Final Grade
0.00 – 0.49	0
0.50 – 1.49	1
1.50 – 2.49	2
2.50 – 3.49	3
3.50 – 4.00	4

As noted above, a final grade of 3 is required to secure a pass, which means that candidates must achieve a weighted average grade of at least 2.5 across their answer.

For each topic the following factors will be considered:

1) Identification of issues (20% to 40%)
2) Application of technical knowledge (50% to 70%)
3) Use of information - Reference to material in question and Use of information (10% to 20%).

The relative weighting of these factors will vary from topic to topic, but typically will be in the ranges set out above.

Further narrative on what is expected for each factor is set out in Appendix A.

Relevant Advice and Substantiated Recommendations

The method of assessment of this skill is the same as for Identification and Application except that there will normally be fewer topics: typically between three and four topics.

For each topic the following factors will be considered:

- Questions posed by client answered AND
  Client advised what to do (20%-30%)
- Options weighed up AND
  Recommendations and conclusions supported AND
  Recommendations & conclusions weighted appropriately (30%-50%)
- Technically correct advice (10%)
- Commercial advice (20%-30%)
- Ethics and law (0%-10%)

Further narrative on what is expected for each factor is set out in Appendix A.

APPENDIX A - NARRATIVE ON ASSESSMENT FACTORS

Structure

Factor	Detail	MAJOR and MINOR faults
Overall format	The answer is set out in the format demanded. Thus, if it is a letter, it will be properly set out as a letter with addresses, date, “Dear X” and conclude “Yours sincerely” etc. If it is a report, it will give some indication as to what it is about and who it is for.	Failure to produce an answer in the required format (for example, producing a letter when a report is required, or vice versa, or producing what is essentially a memo rather than a report) will be a MAJOR fault. Having adopted the correct format, errors in the format (for example, using “Yours faithfully” when the letter starts “Dear Rashid”) will be a MINOR fault. Differences of style are not a fault.
Introduction and Conclusion/Executive Summary	The report or letter should contain an introduction setting out the terms of reference, information being relied on etc. It should also contain a summary of the key findings and recommendations in a Conclusion/ Executive Summary. (the actual content of the Conclusion/Executive Summary is marked under Relevant Advice and Substantiated Recommendations).	Omission of either the introduction or the Conclusion/Executive Summary will be a MAJOR fault. Omission of elements of the introduction will be a MINOR fault.
Clear layout with headings	The body of the letter or report should be laid out in a clear way with appropriate headings so that the reader can navigate around it easily and spot the key areas without reading the entire document to try to find a discussion of, for example, income tax on some employment related shares.	A failure to use appropriate headings will usually be a MINOR fault. If the layout is extremely poor with no headings this will be a MAJOR fault.
Flow of answer	The answer “flows” so that a logical chain of thought is presented to the reader rather than a series of random comments (which may nevertheless be technically correct).	Occasional elements of the answer not in a logical order will be a MINOR fault. An answer which is significantly jumbled will be a MAJOR fault.

Flow of answer (continued)	For example, this means that: 1) A tax rule should be explained first and then applied. 2) It may be ordered so that: all taxes on a particular topic are considered together; all topics for a tax are considered together; or perhaps all topics for a relief are considered together. What is appropriate may depend on the question. It may also be the case that different approaches to the same question could be taken.	
Appropriate Style	The style of writing should be appropriate to what is being produced. For example, a report to a client or lay person should not contain lots of legislative references. The letter/report should not be written in the form of notes.	Extensive use of brief bullet points will be a MAJOR fault. The appropriate use of lists and appropriately numbered and explained points in full sentences will not be a fault. Inclusion of some references will not always be a fault, particularly if there is a discussion (for example) about the application of a key case to the client's situation. Significant numbers of inappropriate references will be a MINOR fault.
Grammar & spellings	The letter or report should be grammatically correct and free of spelling mistakes.	In practice, an adviser is likely to use a spelling and grammar checker and accordingly occasional spelling and grammatical errors will not be a fault. A number of errors such that a client would clearly notice them will be a MINOR fault. Large numbers of errors throughout the answer such that it becomes a significant distraction for the client will be a MAJOR fault.
Appropriate calculations	The answer should contain an appropriate level of calculations. This may mean no calculations, illustrative calculations or specific calculations. Any calculations should be linked to the narrative.	Only the appropriateness of calculations is considered here. The accuracy of calculations is assessed as part of Application of Technical Knowledge Excessive calculations will be a MINOR fault.

Appropriate calculations (continued)		A failure to adequately link the odd calculation to the answer will be a MINOR fault. A failure to provide a minor calculation which might be expected but has not specifically been requested in the question will be a MINOR fault. An absence of calculations or illustrative calculations where required or a failure to link most calculations to the answer will be a MAJOR fault.
Irrelevant material	The answer should not contain large amounts of irrelevant or duplicated material.	Isolated and brief irrelevant material will not be a fault. An element of duplication is expected in that the Executive Summary (or equivalent) will summarise and refer to material elsewhere in the answer. Occasional irrelevant or duplicated material will be a MINOR fault Large quantities of irrelevant or duplicated material will be a MAJOR fault.

Identification and Application

Factor	Detail	Weighting of Factor for each Topic	Grading Guidance
Identification of issues	The issues which are specific to the client and the requirement of the question should be identified. This covers not only the requirements identified by the client but also issues which the candidate should identify from the information as important to the client.	20%-30%	1 = The issues specific to the client and the requirements of the question have not been identified or have only been identified to a very limited extent. 2 = The requirements of the question have been identified and some issues specific to the client have been identified to a very limited extent. 3 = The requirements of the question have been identified and most issues specific or important to the client have been identified including some of those which may not be spelt out in the question or referred to by the client. Explanations are of a satisfactory standard. 4 = All requirements of the question have been identified and all or virtually all issues specific or important to the client have been identified and clearly explained.

Application of technical knowledge	Technical information provided is correct and has been applied correctly to the specific circumstances of the question. As part of this, the accuracy of calculations will also be considered. However the focus is primarily on the method rather than the arithmetical accuracy. The application of knowledge includes its indirect application to other taxes which may be relevant to the scenario	50%-70%	1 = The technical information provided is largely incorrect and it has not been applied to the specific circumstances of the question 2 = The technical information is broadly correct, but it has not been provided for all issues identified or it hasn't been applied to the specific circumstances of the question. 3 = The technical information is correct except for minor points and has been provided for all issues identified and to the circumstances of the question. There may be some minor lack of clarity in explanations or in the quality of explanations. 4 = Technical information is correct except for very minor points, is applied appropriately and is clearly explained. Calculations are largely arithmetically correct as well as correct in their method.
Use of information Reference to question	Information provided to the candidate in the question has been used appropriately. Candidate has referred back to question where appropriate.	10%-20%	1 = Little reference back to material in question nor has information in the question been used appropriately. 2 = Some attempt to refer to information provided or use information appropriately. 3 = A reasonable attempt has been made to use information provided in an appropriate way. 4 = Very good attempt to use information provided in an appropriate way.

Relevant Advice and Substantiated Recommendations

Factor	Detail	Weighting of Factor for each Topic	Grading Guidance
Questions posed by client answered Client advised what to do	Any questions posed by the client must be answered and advice provided. A client comes to a Chartered Tax Adviser to be advised as to what to do. This means that they should not simply be presented with a series of factually correct observations and then left to interpret what they should do, but instead should receive considered and appropriate advice recommending what they should do.	20%-30%	**Key Question - "What should I do?"** The key element of this factor is that the client is advised what to do. Merely answering specific factual questions posed by the client (for example, "Is transaction X taxable?" carries little weight in the assessment as this should be a given in any answer. Open questions like "should I do x or y?" require the client to be told what to do. Questions may also be implied rather than explicitly set out in the question. 1 = Some attempt has been made to answer any specific factual questions posed by the client but no attempt has been made to tell the client what they should do. Implied questions are not answered. 2 = All Specific factual questions posed by the client have been answered and a limited attempt has been made to tell the client what they should do. Some implied questions may have been identified. 3 = All specific factual questions posed by the client have been answered. A reasonable attempt has been made to advise the client what to do. Implied questions have been identified but the advice may not be fully developed. 4 = All questions have been answered and good advice has been provided to the client on what to do.

Options weighed up Recommendations and conclusions supported Recommendations & conclusions weighted appropriately	The various options available to the client should be weighed up for the client so that the client is better able to make an informed decision. This should include the pros and cons. It should also include a consideration of any knock-on effects of the advice on other taxes. Recommendations and conclusions should be supported by the main body of the answer. Recommendations and conclusions should be weighted appropriately for importance. Importance is likely to be financial, but it may be wider than this, for example risk.	30%-50%	**Key Question - "Why should I do it?"** The key element of this factor is demonstration by the candidate of the ability to weigh up options, taking account of the pros and cons. In scoring this, the examiner will ask the question "Do I understand the issues and the rationale for the conclusions given?" 1 = Little attempt to set out the pros and cons of the alternatives nor to weigh them up. 2 = The pros and cons of each alternative have been set out but they have not been weighed up for importance and impact for the client. Recommendations and conclusions are not fully supported by the main body of the answer and knock-on effects of the advice have not been considered except in passing. 3 = Pros and cons have been set out and they have been weighed up for importance and impact for the client. They will be supported by the main body of the report. Some attempt has been made to consider the knock on effect on other taxes, where relevant. The relative weighting of recommendations may not be entirely appropriate. 4 = Pros and cons are set out and weighted appropriately for importance and impact. Good consideration has been given to knock-on effects on other taxes. The relative weighting of recommendations is appropriate and all recommendations are supported by the body of the answer.
Technically correct advice and recommendations	Advice and recommendations provided to the client should be technically correct. That this is a grading of the advice and recommendations provided: the application of technical skills (for	10%	**Key Question - "Is the advice correct?"** 1 = There are material failings in the technical advice provided. 2 = Whilst the advice may largely be technically correct, on key areas there are areas of

Technically correct advice and recommendations (continued)	example to discuss either something which is purely factual or as analysis before advice is covered in Identification and Application. The score will therefore mainly (but not exclusively) relate to the Executive Summary (or equivalent).		contradiction where the candidate seems unclear on the correct position. Alternatively, there may be incorrect technical advice on relatively minor areas which would fundamentally change the recommendations. 3 = In relation to all key areas, the advice provided is technically correct. In some minor and unimportant areas which would not affect the overall recommendations, the advice may not be complete or technically correct. There are no significant contradictions in technical advice. 4 = The advice provided is technically correct.
Commercial and wider advice	Advice provided should not simply provide an answer which produces the best tax outcome, but should also consider the wider position to ensure that the advice is appropriate. It <u>may</u> include a consideration of: i. Commercial/financial outcomes ii. How HMRC may view the advice/transactions. iii. Practical/operational factors iv. Social/environmental/technical /funding issues The above list is not exhaustive as the issues identified should be appropriate to the scenario. Candidates are not expected to go into depth on the above areas but should be evidencing an appreciation that their advice should not be seen in isolation. It is important to recognise that better answers will add value to the client.	20% - 30%	**Key Question – "Has the candidate demonstrated a wider thought process?"** 1 = The advice provided is in isolation and there has been no significant attempt to consider the wider implications. 2 = There has been a limited attempt to consider the wider implications of the advice but this is incomplete or impractical. 3 = There has been a reasonable attempt to consider wider implications, including for example how HMRC may consider the transaction or what further advice from other professionals may be required. There may be minor elements of the advice that are not entirely commercial, or practical 4 = There has been a good attempt to consider the commercial implications of the advice including wider issues. Advice given is commercial. The client is likely to feel that the answer has added value.

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Ethics and law	Where the topic contains matters on which candidates are expected to comment on legal or ethical matters, credit will be available. On some topics there may be no expectation of comment and hence no credit available	0%-10%	1 = Some ethical and legal issues identified but with little explanation of the implications nor recommendations. 2 = Ethical and legal issues identified with explanation of implications but little in the way of recommendations. 3 = Ethical and legal issued identified and implications explained with recommendations made. The weighting within the answer may not be appropriate. 4 = All elements covered appropriately.

Although there may or may not be specific information that is expected on ethics and law for which positive credit may be available, it needs to be recognised that unethical or illegal advice is a serious issue and that simply scoring 0 on a maximum of 10% of the score for a topic is not an appropriate penalty. As a result, where a candidate advises a client to undertake an illegal act or to take actions which are clearly not ethical they will be penalised by way of a downward adjustment to the score they would otherwise have achieved for this skill. Depending on the circumstances this may result in a fail irrespective of the quality of the rest of the answer. It is expected that it will be rare that this adjustment is applied.

APPENDIX B - THE FORMAT OF LETTERS AND REPORTS

Introduction

Structure is one of the three skills assessed in the Application and Professional Skills paper. The purpose of this note is to provide some further guidance on letters and reports.

Letters and Reports

The APS questions always either require the candidate to produce a letter or require the candidate to produce a report. Reports and letters are not the same thing and it is therefore vital that candidates produce the correct document.

Whilst it is recognised that candidates will be trained to produce letters and reports in the house style for their firm and therefore there is not a single prescribed format required for the exam, it is also clear that significant numbers of candidates would appreciate guidance from us as to how they may be formatted. A different but appropriate presentation is not penalised. For clarity, we have flagged below comments relating to style which are not penalised using STYLE

General Points for both Letters and Reports

1. Abbreviations may be used in the answer. They should be defined on their first use, for example Business Property Relief ("BPR"). There is no need to produce a separate list of abbreviations (although this will not lose credit, it will not gain credit).

2. Full sentences should be used throughout, including when any lists or bullet points are used.

3. Unless the question provides information to the contrary, candidates may assume that the letter/report is covered by the engagement letter and accordingly there is no need to refer to the engagement letter in their answer.

Letters

1. The requirement to produce a letter will only be used in questions where the candidate is advising their client and not for situations where the candidate is, for example, the in-house tax manager.

2. The letter should include the address of the sender, the name and address of the client and the date. Where the address is given in the question, this should be used in the answer. Where the address is not given, "Your address" and "My address" may be used or an address may be invented. Whilst the address of the client should always be at the top of the letter, candidates may if they wish have the details of their firm elsewhere (e.g. the bottom of the first page) as would be the case for headed notepaper – STYLE. In terms of formatting within the constraints of the exam it is likely to be easier to adopt a normal business format of the firm's address in the top right with the client's address on the left.

3. Candidates may if they wish include a filing reference, however there is no requirement to do so - STYLE.

4. If the client is referred to by their title throughout the question (for example Mr Brown) or if the title is used in correspondence between adviser and the client (in the Exhibits), the title should be used in the salutation (for example Dear Mr Brown). Normally however, the question will use forenames throughout and the salutation should therefore do this (for example, Dear Alex).

5. After the salutation, there should be a heading appropriate for the content/purpose of the letter.

6. There should then be an introduction briefly setting out the background to the letter and the information on which it is based (for example a letter from the client) and any limitations.

7. Where the letter to and about individuals it should use “you” throughout unless there are two clients (for example husband and wife) in which case for clarity it may be necessary to use their names (for example, David should do X while Mary should do Y). Where the client is a company, the letter should say “the Company should” or “G Ltd should” - STYLE. It should not jump between “I” and “we”.

8. As the letter will be from one person to another, it should be written in the first person, thus, “I/we recommend” not “it is recommended”. STYLE

9. If there are calculations, (for example comparing option A with option B) it may be appropriate for these to be in an enclosure to the letter rather than in the main body of the letter.

10. In the body of the letter, conclusions and recommendations should be drawn out at appropriate points. For example, if a section of the letter considers whether a company should be sold, at the end of that section there should be a conclusion on this point.

11. The letter should include a section summarising the key advice and recommendations. This may either follow the introduction or be at the end of the letter. As the letter is a more personal document than a report, “Conclusions” is likely to be a more appropriate term than “Executive Summary” - STYLE. There should be sufficient information that the recipient can understand the recommendations without reading the detailed analysis. It should not provide new analysis on a particular topic, but may combine or draw together conclusions from the body of the letter. For example, the body of the letter may include sections on two separate points each of which has a conclusion which potentially conflict. The Conclusion may refer to those conclusions and weigh them up in making a final recommendation.

12. There should not be two separate Conclusions sections at the beginning and end of the letter as they are likely to be largely the same and will waste time (although it will not lose credit).

13. The letter should conclude with “Yours sincerely”.

<u>Reports</u>

1. A report will always be required in questions where the candidate is not an adviser in practice (for example, where the candidate is an in-house tax manager). In questions where the candidate is an adviser in practice, a report will often be required.

2. It should start with a heading setting out who the report is to and what is the subject of the report.

3. There is no need to produce a contents page. Although this will not lose credit, it will not gain credit.

4. The introduction should confirm who the report is for and say who may rely on it. It should briefly set out the information on which it is based (for example a letter from the client) and any limitations. The adviser’s name and date of the report may follow this or be at the end of the report. The address may be included.

5. In the body of the report, conclusions and recommendations should be drawn out at appropriate points. For example, if a section of the report considers whether a company should be sold, at the end of that section there should be a conclusion on this point.

6. The Executive Summary summarises the main advice and recommendations. There should be sufficient information so that the recipient can understand the recommendations without reading the detailed analysis. It should not provide new analysis on a particular topic, but may combine or draw together conclusions from the body of the report. For example, the body of the report may include sections on two separate points each of which has a conclusion which potentially conflict. The Executive Summary may refer to those conclusions and weigh them up in making a final recommendation.

7. There should not be a separate Conclusions section at the end of the report as well as the Executive Summary as this is likely to be largely the same and will waste time (although it will not lose credit).

8. Rather than using “you should” the report will normally use the client’s name (for example “Peter should” or “the company should”), particularly where the report is addressed to a group of people (for example the Board of directors) - STYLE.

9. The report may be written in the third person, thus “it is recommended”. Where the report is from a firm of advisers, if the first person is used, “we recommend” will be more appropriate than “I recommend” - STYLE. Whichever form is chosen, it should be used throughout the report.

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INCOME TAX - RATES AND THRESHOLDS

	2024/25	2023/24
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	8.75	8.75
Dividend upper rate	33.75	33.75
Dividend additional rate and trust rate for dividends	39.35	39.35
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,700
Higher rate band	37,701 – 125,140	37,701– 125,140
Dividend allowance	500	1,000
Savings allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	N/A	1,000
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	42
Advanced rate	45	N/A
Top rate	48	47
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,306	1 – 2,162
Scottish basic rate	2,307 – 13,991	2,163 – 13,118
Intermediate rate	13,992 – 31,092	13,119 – 31,092
Higher rate	31,093 – 62,430	31,093 – 125,140
Advanced rate	62,431 – 125,140	N/A
Top rate	125,140+	125,140+

INCOME TAX - RELIEFS

	2024/25	2023/24
	£	£
Personal allowance(2)	12,570	12,570
Married couple's allowance(3)	11,080	10,375
– Maximum income before abatement of relief - £1 for £2	37,000	34,600
– Minimum allowance	4,280	4,010
Transferable Tax allowance for married couples and civil partners(4)	1,260	1,260
Blind person's allowance	3,070	2,870
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	200,000	200,000
De minimis trusts amount	500	N/A

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

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

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

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

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

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ISA limits	**2024/25**	**2023/24**
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions

	Annual allowance[1]	**Minimum pension age**
	£	
2023/24	60,000	55
2024/25	60,000	55

Basic amount qualifying for tax relief £3,600

Lump sum allowance £268,275

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 for individuals with threshold income above £200,000. It cannot be reduced below £10,000.

Employer Supported Childcare	**2024/25**	**2023/24**
Exemption – basic rate taxpayer[2]	£55 per week	£55 per week

Note: (2) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van[3]	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2024/25

Emissions	**Electric range (miles)**	**Car benefit %**[4]	
0g/km	N/A	2%	
1-50g/km	>130	2%	
1-50g/km	70-129	5%	
1-50g/km	40-69	8%	
1-50g/km	30-39	12%	
1-50g/km	<30	14%	
51-54g/km		15%	
55-59g/km		16%	
60-64g/km		17%	
65-69g/km		18%	
70-74g/km		19%	
75g/km or more		20%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	

Note: (4) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

Fuel benefit base figure	**2024/25**	**2023/24**
	£	£
	27,800	27,800

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Van benefits	**2024/25**	**2023/24**
	£	£
No CO_2 emissions	Nil	Nil
CO_2 emissions > 0g/km	3,960	3,960
Fuel benefit for vans	757	757
Official rate of interest	2.25%	2.25%

INCOME TAX - CHARGES

Child benefit charge	**Withdrawal rate**
Adjusted net income >£60,000	1% of benefit per £200 of income between £60,000 and £80,000
Adjusted net income >£80,000	Full child benefit amount assessable in that tax year

CAPITAL ALLOWANCES

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

Notes: (1) On first £1,000,000 of investment in plant & machinery (not cars).
(2) The main pool rate applies to cars with CO_2 emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).
(3) The special pool rate applies to cars with CO_2 emissions greater than 50g/km (prior to April 2021 greater than 110g/km).
(4) A 10% rate applies in respect of special tax site expenditure.

100% First year allowances (FYA) available to all businesses
Capital expenditure incurred by a person on research and development.
New zero-emission goods vehicles (until 1 or 6 April 2025).
New cars that either emit 0g/km of CO_2 (50g/km prior to April 2021) or are electric (until 1 April 2025).
Electric vehicle charging points (until 1 or 6 April 2025).

First year allowances (FYA) available to companies only

	Main pool assets	Special rate pool assets
Expenditure on new plant and machinery (other than cars) from 1 April 2023 onwards (5)	100%	50%
Expenditure on new plant and machinery (other than cars) in a special tax site	100%	100%

Notes: (5) 130% for main pool expenditure and 50% for special rate pool expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2024/25	**2023/24**
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses			
Cars or vans	First 10,000 business miles		45p per mile
	Additional business miles		25p per mile
Motorcycles			24p per mile
Business use of home	25 – 50 hours use		£10 per month
	51 – 100 hours use		£18 per month
	101+ hours use		£26 per month
Private use of business premises	No of persons living there:	1	£350 per month
		2	£500 per month
		3+	£650 per month

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NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits		**2024/25**			**2023/24**	
	Annual	**Monthly**	**Weekly**	**Annual**	**Monthly**	**Weekly**
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£12,570	£1,048	£242
Secondary threshold (ST)	£9,100	£758	£175	£9,100	£758	£175
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,270	£4,189	£967
Upper secondary threshold for under 21 (UST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Apprentice upper secondary threshold for under 25 (AUST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Special tax sites upper secondary threshold	£25,000	£2,083	£481	£25,000	£2,083	£481

Class 1 primary contribution rates		
Earnings between PT and UEL	8%	12%
Earnings above UEL	2%	2%
Class 1 secondary contribution rates		
Earnings above ST (1)	13.8%	13.8%

Note: (1) Rate of secondary NICs between the ST and the UST, AUST & special tax sites upper secondary threshold is 0%.

	2024/25	**2023/24**
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Rate	£3.45 pw	£3.45 pw
Small profits threshold (SPL) (2)	£6,725	£6,725
Lower profits limit (LPL)	N/A	£12,570

Note: (2) From 2024/25, self-employed individuals with profits below the small profits threshold can pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension.

Class 3 contributions	£17.45 pw	£17.45 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£12,570
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	6%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £184.03 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £184.03
Statutory sick pay	£116.75 per week

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Student Loan	Plan 1:	9% of earnings exceeding £24,990 per year (£2,082.50 per month/ £480.57 per week)
	Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
	Plan 4:	9% of earnings exceeding £31,395 per year (£2,616.25 per month /£603.75 per week)
Postgraduate Loan		6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

National living/minimum wage (April 2024 onwards)

Category of Worker	**Rate per hour**	**Category of Worker**	**Rate per hour**
	£		£
Workers aged 21 and over	11.44	16–17 year olds	6.40
18–20 year olds	8.60	Apprentices	6.40

Accommodation Offset £9.99 per day

HMRC INTEREST RATES (assumed)

Late payment interest	7.75%
Interest on underpaid corporation tax instalments	6.25%
Repayment interest	4.25%
Interest on overpaid corporation tax instalments	5.00%

CAPITAL GAINS TAX

	2024/25	**2023/24**
Annual exempt amount for individuals	£3,000	£6,000
CGT rates for individuals, trusts and estates		
Gains qualifying for business asset disposal[(1)]/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band[(2)]	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates[(3)]	20%	20%

Notes: (1) Formerly called entrepreneurs' relief

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

(3) The rate is 24% (28% in 2023/24) if the gain is in respect of a residential property

Business Asset Disposal relief	**2024/25**	**2023/24**
Relevant gains (lifetime maximum) [(4)]	£1 million	£1 million
Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

Note: (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

Lease percentage table

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

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

CORPORATION TAX

Financial year	**2024**	**2023**
Main rate	25%	25%
Standard small profits rate	19%	19%
Augmented profit limit for standard small profits rate	£50,000	£50,000
Augmented profit limit for marginal relief	£250,000	£250,000
Standard marginal relief fraction	3/200	3/200
Marginal rate	26.5%	26.5%
Patent rate	10%	10%

EU definition of small and medium sized enterprises

	Small [2]	Medium [2]	Extended definition for R&D expenditure
Employees[1]	< 50	< 250	<500
Turnover[1]	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets[1]	≤ €10m	≤ €43m	≤ €86m

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

CTA EXAMINATIONS

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TAX TABLES

Research and development expenditure

Financial year	**2023**
Total relief for Small & medium enterprises (SMEs)	186%
R&D tax credit for SME losses	10%
Large companies – RDEC	20%

Financial year	**2024**
Enhanced R&D Intensive Support (ERIS) - total relief for loss making R&D intensive SMEs	186%
R&D tax credit for R&D intensive SME losses	14.5%
RDEC (merged scheme RDEC) (1)	20%

Note: (1) From 1 April 2024 the merged scheme RDEC is available to all companies.

VALUE ADDED TAX

	Standard rate	**VAT fraction**
Rate	20%	1/6

Limits	**2024/25**	**2023/24**
	£	£
Annual registration limit	90,000	85,000
De-registration limit	88,000	83,000

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

ADVISORY FUEL RATES (as at 1 March 2024)

Engine size	**Petrol**	**LPG**	**Engine size**	**Diesel**
1400cc or less	13p	11p	1600cc or less	12p
1401cc to 2000cc	15p	13p	1601cc to 2000cc	14p
Over 2000cc	24p	21p	Over 2000cc	19p

Electricity rate 9p

OTHER INDIRECT TAXES

	2024/25	**2023/24**
Insurance premium tax(2)		
Standard rate	12%	12%
Higher rate	20%	20%

Notes: (2) Premium is tax inclusive ($^3/_{28}$ for 12% rate and $^1/_6$ for 20% rate).

Landfill Tax (pro rated for part tonnes)		
Standard rate	£103.70 per tonne	£102.10 per tonne
Lower rate	£3.30 per tonne	£3.25 per tonne
Landfill Communities Fund (LCF) (3)	5.3% x landfill tax liability	5.3% x landfill tax liability

Notes: (3) Relief for 90% of qualifying contributions

Aggregates Levy (pro rated for part tonnes)	£2.03 per tonne	£2 per tonne
Plastic Packaging Tax (PPT) (pro rated for part tonnes)	£217.85 per tonne	£210.82 per tonne

CTA EXAMINATIONS
2025
TAX TABLES

Climate Change Levy (CCL)[1]		
Electricity	0.775p per kwh	0.775p per kwh
Natural gas	0.775p per kwh	0.672p per kwh
Liquified petroleum gas (LPG)	2.175p per kg	2.175p per kg
Any other taxable commodity	6.064p per kg	5.258p per kg

Carbon Price Support (CPS) rates		
Natural gas	0.331 per kwh	0.331 per kwh
LPG	5.28p per kg	5.28p per kg
Coal & other taxable solid fossil fuels	£1.5479 per GJ on GCV	£1.5479 per GJ on GCV

Tobacco products duty	**From 22.11.2023**	**From 15.03.2023**
Cigarettes	16.5% x retail price + £316.70 per thousand cigarettes (or £422.80 per thousand cigarettes [2])	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes [2])
Cigars	£395.03 per kg	£367.61 per kg
Hand-rolling tobacco	£412.32 per kg	£351.03 per kg
Other smoking/chewing tobacco	£173.68 per kg	£161.62 per kg
Tobacco for heating	£325.53 per kg	£302.93 per kg

Alcohol Duty[3] **From 1 August 2023 to 1 February 2025**

	Duty in £ for each litre of pure alcohol in the product		Duty in £ for each litre of pure alcohol in the product
Beer (ABV)		**Spirits/Spirit based products (ABV)**	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	21.01	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Cider (not sparkling) (ABV)		**Wine/sparkling wine (ABV)**	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	9.67	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Sparkling cider (ABV)		**Other fermented products like fruit ciders (ABV)**	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 5.5%	9.67	3.5% to 8.4%	24.77
5.6% to 8.4%	24.77	8.5% to 22%	28.50
8.5% to 22%	28.50	Stronger than 22%	31.64
Stronger than 22%	31.64		

Notes: (1) For holders of a Climate Change agreement (CCA), the rate charged is a percentage of the main rate given in the table. For 2024/25 (2023/24 in brackets) for electricity the rate is 8% (8%), for gas it is 11% (12%), for LPG it is 23% (23%) and 11% (12%) for any other taxable commodity

(2) The £422.80/£393.45 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

(3) There are reduced rates for qualifying draught products

CTA EXAMINATIONS

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TAX TABLES

INHERITANCE TAX

Death rate	40%[3]	**Lifetime rate**	20%

Note: (3) 36% rate if 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2026	£325,000

Residence nil rate bands[4]

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2026	£175,000

Note: (4) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick Succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

Lifetime exemptions

Annual exemption		£3,000
Small gifts		£250
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	From 1.4.24	From 1.4.23
>£0.5m - ≤ 1m	£4,400	£4,150
> £1m - ≤ 2m	£9,000	£8,450
> £2m – ≤ 5m	£30,550	£28,650
> £5m – ≤ 10m	£71,500	£67,050
> £10m – ≤ 20m	£143,550	£134,550
> £20m	£287,500	£269,450

STAMP DUTY/SDRT

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

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

CTA EXAMINATIONS

2025

TAX TABLES

STAMP DUTY LAND TAX (SDLT)

Qualifying purchases in a Freeport receive full SDLT relief

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

Basic Rate %(3)(4)(5)(6)	Residential(3)(4)(5)(6)	Rate %	Non-Residential
0	£0 - £250,000	0	£0 - £150,000
5	£250,001 - £925,000	2	£150,001 - £250,000
10	£925,001 - £1,500,000	5	£250,001 +
12	£1,500,001+		

Notes: (3) The basic rates are increased by 3% (the ‘higher rates’) where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 4 below.

(4) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).

(5) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £425,000. For homes between £425,000 and £625,000, SDLT will be payable at 5% on the amount above the £425,000 threshold. Homes bought for more than £625,000 will incur the rates as per column 1 in above table.

(6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property. This is in addition to the basic rate, the higher rate (where applicable, in Note 3), and the 15% rate (where applicable, in Note 4).

New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent	
	Residential	**Non-residential**
0	Up to £250,000	Up to £150,000
1	Excess over £250,000	£150,001-£5m
2	N/A	Over £5m

Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate %(1)(2)(3)	Residential	Rate %(1)	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

Notes: (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.

(2) The ‘Additional Dwelling Supplement’ of 6% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & other trusts.

(3) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

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

Rate (%)	Net present value of rent(4)
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

Note: (4) Residential leases are generally exempt

CASE STUDIES

1. You are a Tax Senior in a firm of Chartered Tax Advisers. Julia Anderson has been a client of your firm for many years.

   Julia has emailed your Tax Manager, Chikondi Phiri, requesting tax advice in relation to her future plans (**EXHIBIT A**).

   Julia has included further information in an attachment to her email (**EXHIBIT B**).

   The following exhibits are provided to assist you:

   EXHIBIT A: Email from Julia Anderson

   EXHIBIT B: Attachment to email from Julia Anderson

   EXHIBIT C: Pre-seen information

   Requirement:

   Prepare a draft report advising Julia Anderson on the issues raised in her email and recommending the best way to structure her tax affairs going forward.

   Assume you are writing in May 2025.

EXHIBIT A

Email from Julia Anderson

From:	Chikondi Phiri
To:	Julia Anderson
Date:	30 April 2025
Subject:	Tax Advice

Dear Chikondi,

I would like to let you know of some changes which I believe may impact my tax position. I will be having major work carried out at 2 Orchard Road, Bournemouth, and also buying a new property at 7 High Street, Coventry. Details are as follows:

2 Orchard Road, Bournemouth

The long-term tenants moved out of this property on 31 March 2025 and it has been empty since, as I have been unable to find suitable new tenants.

Therefore, I have decided to let the house short-term to holidaymakers instead. Before the letting starts, I am going to have some building work carried out. The work will involve a complete re-design of the interior structure and an extension to add an additional bedroom. This will cost £200,000 and should make the house both more attractive to the holiday rental market and easier to sell in due course as the house will be significantly improved by the work done.

I have recently had both 2 Orchard Road and my residence at 15 Round Road valued. It is anticipated that once complete, the work at 2 Orchard Road will add £200,000 to the value of the property, so it should pay for itself. I have attached a copy of the property valuation report covering 2 Orchard Road and 15 Round Road along with a breakdown of the projected income and expenses from the letting of 2 Orchard Road (**EXHIBIT B**).

Letting the house to holidaymakers will bring in around £7,000 profit each year. Furniture in the property will be hired rather than bought, in order to ensure it is always in good condition for tenants, and to reduce my financial exposure to the risk of damage.

7 High Street, Coventry

As part of my employment, I spend one week every month working in Coventry. Currently, my employer covers all costs of accommodation and travel relating to this, because my workplace in Coventry is 100 miles away from my normal workplace in Bristol.

From 1 September 2025 my son Steven will be attending University in Coventry.

As a result of both of the above, I have decided to buy a house in Coventry: 7 High Street. I made an offer of £250,000 for this property, which has been accepted by the seller. I expect house prices in Coventry to rise substantially over the next few years, due to planned infrastructure improvements in the area, so I believe buying the house will turn out to be a good financial decision.

7 High Street has four bedrooms. Steven will use one room and, depending on your advice, I will also use one bedroom myself if I stay at the house while working in Coventry. I will let the spare bedrooms to students at a rent of £500 per month for each room. Steven is not very good with money and therefore I am considering charging him the same rent as the other students. If I do so, I will put aside all the money he pays me to give back to him after he graduates.

Therefore, if I stay at the house there will be two rooms to let; if I don't stay, there will be three rooms to let.

If I stay at 7 High Street while working in Coventry, my employer will pay me a round sum allowance of £500 per month instead of paying for my hotel accommodation as they have done previously. Otherwise, they will continue to pay for my hotel accommodation. My travel costs to drive to Coventry and back will still be covered by my employer at 45 pence per mile regardless of where I stay while there.

I anticipate that my allowable expenses relating to the rental will be £3,000 per year (not including mortgage interest). This amount will not change significantly regardless of whether I stay at 7 High Street, because the tenants will each be responsible for paying their own portion of council tax and utility bills.

I would like your advice on whether I would be better off with the £6,000 round sum allowance from my employer, or the £6,000 I would get from renting the extra room at 7 High Street, once income tax and National Insurance contributions are taken into account.

Funding

The purchase of 7 High Street and the refurbishment of 2 Orchard Road will cost £450,000 in total. I will use the funds in my ISA account to pay £250,000 towards this and will raise a further £200,000 through a mortgage. I will pay any additional acquisition costs from my savings.

The interest rate on my mortgage will be fixed at 5% for the next five years. I anticipate that I will repay the mortgage within the five-year fixed rate period by selling 2 Orchard Road.

My mortgage adviser has advised me that the mortgage can be secured against either 7 High Street or 2 Orchard Road.

Kind regards

Julia

EXHIBIT B

Attachment to email from Julia Anderson

Extract from Valuation Reports

	15 Round Road, Bristol	2 Orchard Road, Bournemouth
Type of property:	Detached house	Detached house
Current use:	Residential	Vacant
Current market value:	£350,000	£350,000
Projected market value after completion of proposed work:		£550,000
Date of report:	1 May 2025	1 May 2025

2 Orchard Road, Bournemouth

Forecast annual income and expenses if let to holidaymakers.

	£
Rent receivable	20,000
Less expenses:	
Management and marketing costs	3,000
Rental of furniture and furnishings	4,000
Repairs and maintenance (including cleaning and laundry)	3,000
Insurance	2,000
Accountancy fees	1,000
Profit	7,000

EXHIBIT C

Pre-seen information

Julia Anderson – Background Information

Client name:	Julia Anderson
Date of birth:	5 April 1967
Marital status:	Single, not living with a partner
Country of birth:	England
Domicile:	England & Wales
Tax residence:	England
Employer:	WeLoveWork.com
Salary:	£40,000 per annum
Benefits:	Medical insurance (£1,300 per annum)
Other income:	Child Benefit (£25.60 per week for first child and £16.95 per week for subsequent children)
Children:	Steven, age 18 Anna, age 13 Jessica, age 13
Will:	No Will

Julia Anderson – Asset Schedule at 31 March 2025

Asset	Base cost £	Notes
15 Round Road, Bristol	250,000	Purchased May 2008. Main residence for entire period of ownership. Owned outright with no mortgage.
2 Orchard Road, Bournemouth	100,000	Inherited in May 2008 at probate value of £100,000. Let to long-term tenants since May 2008. Owned outright with no mortgage.
Stocks and shares ISA	N/A	Current market value £250,000.

Julia Anderson – 2024/25 Tax Calculation

	£
Pay from all employments	50,000
Plus benefits and expenses received	1,300
Total from all employments	51,300
Profit from UK land and property	7,200
Total income received	58,500
Minus Personal Allowance	(12,570)
Total income on which tax is due	45,930
Income tax charged:	
37,700 x 20%	7,540
8,230 x 40%	3,292
45,930	10,832

2. You are a Tax Manager in a firm of Chartered Tax Advisers. Your Tax Partner, Sally Jones, recently met with new clients Jack Clarke and Steffi Meyer (see **EXHIBIT A**). Jack and Steffi are engaged and have set a wedding date for 2 September 2026.

Jack has a child, Oscar, from his previous relationship with Morela Laska. Currently, Jack, Steffi and Oscar live in the property which Jack bought with Morela. Steffi lets out her former home.

Jack and Steffi are keen to buy a new home together and they wish to structure their tax affairs in the most efficient way both before and after their marriage.

The following exhibits are provided to assist you:

EXHIBIT A: Notes of a meeting with Jack and Steffi

EXHIBIT B: Extract from Jack Clarke and Morela Laska's separation contract

EXHIBIT C: Email from Jack

EXHIBIT D: Pre-seen information

Requirement:

Prepare a draft report for review by your Sally Jones advising Jack and Steffi on their proposed property transactions and general tax planning given their forthcoming marriage.

Assume you are writing in November 2025.

EXHIBIT A

Notes of a meeting with Jack and Steffi

Present: Sally Jones, Jack Clarke, Steffi Meyer
Date: 30 October 2025

Jack and Steffi are new clients. They have been in a relationship for six years. They currently live together in Jack's home, The Old Rectory, with Jack's son, Oscar.

Jack originally bought The Old Rectory in March 2009 with his ex-partner, Morela. Jack and Morela were not married, but they lived together in The Old Rectory as their main residence from the date of purchase. They separated five years later, in March 2014, at which point Morela moved out of The Old Rectory and into nearby rented accommodation. However, because Jack did not have the financial means to buy Morela's share of the property, a contract was made such that, out of the two of them, only Jack could remain living in the house. The contract did not create a trust. A copy of the contract was provided in the meeting (**EXHIBIT B**).

Steffi moved in with Jack in December 2022. Steffi's former home, 22 Westland Road, was empty for a while but has been let at £1,250 per month since December 2023. However, this arrangement has caused tension with Morela, so Jack and Steffi would like to buy a new home together as soon as possible and downsize from The Old Rectory. In addition, they would like to move closer to where Oscar wants to study for his A Levels.

Jack and Steffi have obtained valuations of their properties as follows:

Property	Market value
	£
The Old Rectory	900,000
22 Westland Road	440,000

There is no expectation of a material change in these values over the next year or so.

Jack and Steffi consider that they have two options to fund the purchase of their new property, for which they have a budget of up to £450,000:

1) Sell The Old Rectory and use Jack's share of the proceeds to purchase the new property. Steffi would continue to let 22 Westland Road.

2) Sell 22 Westland Road and put the proceeds towards buying their new home (they would then top-up with savings if needed). The Old Rectory would then be sold. £400,000 of Jack's share of the proceeds from the sale of The Old Rectory would be invested in a further buy-to-let property. The remaining £50,000 would be invested in a savings account.

They would like advice as to which option is cheapest from a tax perspective and whether it will make a difference if the transactions take place before or after their marriage.

They would also like advice on mitigating their overall exposure to Income Tax and Inheritance Tax.

Jack and Steffi are happy to pool their income and assets, but they have made arrangements to protect their own interests as well as those of any beneficiaries, including Oscar, in the event of their separation or the death of either of them. No advice is required on this point.

EXHIBIT B

Extract from Jack Clarke and Morela Laska's separation contract

Dated this Ninth day of March 2014.

The Old Rectory:

(a) Mr Clarke shall be entitled to occupy the property registered at HM Land Registry under title number CE7535487 ('The Old Rectory') rent free to the exclusion of Ms Laska until the determining event (as hereafter defined);

(b) Subject to paragraph (c), the property shall not be sold until the first to happen of the following events ("the determining event"), namely:

  (i) The surviving child of the parties attaining the age of eighteen years; or
  (ii) The death of either party; or
  (iii) The remarriage of either party.

(c) Paragraph (b) above can be set aside with prior written consent of both parties.

(d) Mr Clarke undertakes to indemnify Ms Laska as to 50% of her liability for Capital Gains Tax consequent upon sale of The Old Rectory.

EXHIBIT C

Email from Jack

To: Sally Jones
From: Jack Clarke
Date: 2 November 2025
Subject: Morela's income

Dear Sally

Thanks for your time the other day.

You asked me to provide information on Morela's financial circumstances in case it is relevant to the report you will be drafting.

She has informed me that her current salary is £32,000 per annum and that she has a small amount of annual building society interest (about £200).

Her salary for 2026/27 will be higher (around £55,000) as her boss is retiring in March 2026 so she will be promoted.

She does not own any other assets apart from her share of The Old Rectory and some cash savings.

Kind regards

Jack

EXHIBIT D

Pre-seen information

Jack Clarke and Steffi Meyer - Background Information

Jack Clarke

Date of birth:	3 January 1985
Place of birth:	Scarborough, UK
Address:	The Old Rectory, Pucklechurch, South Gloucestershire, UK
UK resident:	Yes
UK domiciled:	Yes
Marital status:	Single (co-habiting with Steffi)
Occupation:	Software engineer with Zorbut Games Ltd
Children:	Oscar (age 15). Resides with Jack.

Income

Salary:	£35,000 per annum
Child benefit:	£25.60 a week

Assets

50% of The Old Rectory, Pucklechurch, South Gloucestershire, UK.

Purchase date:	March 2009
Cost:	£500,000

Jointly-owned with Morela Laska. No mortgage.

Steffi Meyer

Date of birth:	21 June 1989
Place of birth:	Bristol, UK
Address:	The Old Rectory, Pucklechurch, South Gloucestershire, UK
UK resident:	Yes
UK domiciled:	Yes
Marital status:	Single (co-habiting with Jack)
Occupation:	Self-employed graphic designer
Children	None

Income

Trading profits:	£55,000 per annum
Rental profits:	£10,000 per annum
Bank interest:	£1,000 per annum

Assets

22 Westland Road, Thornbury, Bristol, UK. Currently let. No mortgage.

Purchase date:	March 2018
Cost:	£280,000

Pension provision

Jack is auto-enrolled into his company pension scheme and pays 2.5% of his salary into his pension. Steffi does not have a pension.

ANSWERS TO CASE STUDIES

1. JULIA ANDERSON (MAY 2021)

REPORT

From: Chartered Tax Advisers LLP
To: Julia Anderson
Date: 6 May 2025
Subject: Property Taxation Issues

A. INTRODUCTION

This Report is prepared for Julia Anderson ('you').

The Report is intended solely for use by you. No liability is accepted for any reliance on this Report by other parties.

The Report is based on information provided by you in your email to Chikondi Phiri on 30 April 2025 and information held in our files.

The Report is based on legislation in force on today's date.

The Report considers the taxation implications relating to:

1) 2 Orchard Road, Bournemouth ('Orchard Road'), including its use as a holiday let, the tax treatment of mortgage interest and tax on the eventual sale of the property;

2) 7 High Street, Coventry ('High Street'), including an assessment of whether you should live there while working in Coventry.

B. EXECUTIVE SUMMARY

2 Orchard Road, Bournemouth

- Letting this property as a Furnished Holiday Let (FHL) will bring tax advantages provided specific qualifying conditions are met.

- Mortgage interest is tax deductible if you borrow for the purpose of the FHL business. Due to the expected level of profit, you will only receive tax relief for interest on a loan up to around £140,000. By borrowing this amount to refurbish Orchard Road, you will save approximately £1,500 each year compared to if the funds are borrowed to purchase High Street. This saving could be increased by a further £600 if the mortgage was split between the two properties.

- If Orchard Road is run as a FHL for two years, it may qualify for Business Asset Disposal Relief (BADR) when sold. This will reduce the tax rate on the gain from 24% to 10% and save Capital Gains Tax (CGT) on disposal of approximately £34,500, based on a projected gain on sale of £250,000.

- We recommended that Orchard Road is let as a FHL for at least two years, and that £140,000 of the £200,000 borrowed should be put towards the refurbishment of Orchard Road and secured against the property before it is used as a FHL.

7 High Street, Coventry

- Interest on a loan to purchase this property will qualify for a 20% tax credit. It is recommended that £60,000 out of the £200,000 loan is put towards the purchase of High Street.

- The annual receipt of either a £6,000 allowance from your employer, or an additional £6,000 of rental income, will both be taxable at the same rate. However, an additional £136 per annum in National Insurance Contributions (NIC) is payable if the £6,000 is received from your employer and paid monthly. This will be reduced to £121 if the amount is paid in one annual lump sum.

- Staying at High Street would enable you to elect for this property to be treated as your main residence. This exempts part of any gain from CGT on a future sale.

- A main residence election can be delayed for up to two years following a change in your combination of residences. We recommend that you stay at High Street and accept the additional NIC expense, because this will give you the option to make a main residence election when you have more information about changes in value. This should be reviewed in around 18 months' time to ensure that an election is made within the two-year time limit.

C. 2 ORCHARD ROAD, BOURNEMOUTH

(C1) Furnished Holiday Lets

If you let Orchard Road short-term to holidaymakers, it can potentially qualify as a FHL.

The conditions to meet for Orchard Road to qualify as a FHL are as follows:

- The property is furnished.

- The property is available for commercial letting to the public for at least 210 days in the relevant 12-month period (usually the tax year).

- Out of those 210 days the property is actually let out for 105 days or more.

- Any longer periods of occupation over 31 days do not count towards either the 210 or the 105 day thresholds.

- Such longer periods must not constitute more than 155 days in the relevant 12-month period.

Tax advantages available for FHLs which are not given to normal lettings include:

- Mortgage interest costs deducted from rental income; and

- CGT reliefs.

Given that you intend to let the property furnished for short periods to holidaymakers, provided you let Orchard Road for the required number of days, the FHL qualifying conditions should be met.

(C2) Tax relief on mortgage interest

You will borrow £200,000 to fund either the purchase of High Street or the refurbishment of Orchard Road. The mortgage could be secured against either property. You will pay interest at 5% which is £10,000 per year on a mortgage of £200,000.

The letting of a FHL is treated as a separate business to any other lets. The tax treatment of mortgage interest payments depends on the type of rental it relates to.

Mortgage interest is generally not allowable as a deduction when calculating rental profits. Instead, you are given a tax credit of 20% of the mortgage interest. If you borrow against High Street, your tax reduction will be a maximum of £2,000.

Mortgage interest restrictions do not apply to FHLs. If Orchard Road qualifies as a FHL, loan interest can be deducted when calculating rental profits, provided the interest relates to a loan taken out for the purpose of providing this property for rental. A loan to pay for the refurbishment of Orchard Road would meet this criterion.

Reducing the taxable FHL profit also reduces your income for the purpose of calculating the High Income Child Benefit Charge (HICBC).

You are subject to the HICBC on income between £60,000 to £80,000. Child benefit is withdrawn progressively at 1% for every £200 of income over £60,000. The full amount of the child benefit received is withdrawn when income reaches £80,000.

You receive child benefit of £2,213 annually. The impact of the HICBC means that you will suffer an effective tax rate of 51% on income between £60,000 and £80,000.

Interest payable on Orchard Road is deducted from income before the HICBC is applied. Therefore the HICBC can be reduced if you borrow to refurbish Orchard Road, but not if you borrow to purchase High Street.

The expected profit on Orchard Road (£7,000) is less than the interest you will pay (£10,000). Accordingly, after interest is taken into account, Orchard Road will produce a loss.

This loss can only be set against other FHL income. As you intend to sell Orchard Road, the losses may never be used. Therefore, you will only obtain tax relief on £7,000 of the interest paid. Tax relief on £7,000 at 40% is £2,800, which is still higher than the £2,000 maximum relief available if the mortgage is set against High Street.

When the HICBC is taken into account, you will save £1,574 per year by borrowing against Orchard Road rather than High Street (see Appendix 1).

If you are able to split the mortgage, with 70% (£140,000) borrowed to fund the work on Orchard Road and 30% (£60,000) borrowed to fund the purchase of High Street, the tax saving above would be increased by £600 being the tax credit available for the interest payments in respect of High Street.

You should check with your lender whether the mortgage can be split without incurring additional charges. If this is not possible, you should fund the purchase of High Street from savings and pay for the refurbishment of Orchard Road using the £200,000 mortgage.

You should ensure that the letting of Orchard Road meets the conditions to qualify as a FHL.

(C3) Tax on sale of 2 Orchard Road

The costs of repairs to a rental property are usually deductible against rents. The cost of improvements or alterations is treated as part of the acquisition of the property and is instead deductible against capital gains on sale.

You are proposing to re-design the interior structure and add an extension. These costs would be capital in nature as they will be reflected in the value of the property on sale. Therefore we have assumed that the entire £200,000 refurbishment expense is capital and will form part of the allowable cost on disposal of the property.

Based on the expected market value of £550,000 and cost of £300,000 (100,000 + 200,000), Orchard Road will be standing at a gain of £250,000. CGT is charged on residential property disposals at 18% on gains which fall within the basic rate tax band, and 24% on gains above the basic rate.

Based on current rates, CGT will be a maximum of £59,280 (£250,000 - £3,000 = £247,000 x 24%). This will be lower if you have no rental income in the year of sale.

FHLs can qualify for Business Asset Disposal Relief (BADR). This relief reduces the tax rate on eligible gains to 10% (up to a lifetime limit of £1 million). If the sale of Orchard Road were to qualify for BADR, tax on the gain would be £24,700 (£250,000 – £3,000 x 10%), giving a saving of up to £34,580.

BADR will be available if the property qualifies as a FHL for at least two years prior to the sale, and is sold within three years of the FHL business ceasing.

We therefore recommend that Orchard Road is let as a FHL for at least two years prior to sale, and that the mortgage to buy High Street should be secured against Orchard Road before the property starts to be used as a FHL.

D. 7 HIGH STREET, COVENTRY

(D1) Employment Expenses

You work for one week each month in Coventry, but your normal workplace is in Bristol.

Because you spend less than 40% of your working time in Coventry, it is classed as a temporary workplace, so you are not taxed on the travel and accommodation costs paid or reimbursed by your employer.

If you stay at High Street, the additional allowance your employer pays will form part of your salary and will be subject to tax and NIC (this payment is not reimbursing any specific allowable expenses).

Employment expenses are allowable if they are incurred wholly, exclusively and necessarily in the performance of your employment duties. You can claim a deduction from earnings for any qualifying expenses met from your own pocket, or any travel and accommodation costs that are not reimbursed by your employer.

The allowable costs of travel include accommodation and meals while away on business. If you stay at High Street, you should keep records of the amounts you spend on meals and any additional household expenses (including a portion of utility bills) incurred while staying at the property for employment reasons.

However any mortgage interest relating to High Street is not deductible as a work expense because the amount payable is not directly affected by your employment.

The mileage allowance paid by your employer for business travel is not taxable providing the mileage does not exceed 10,000 miles per year. If you travel more than 10,000 miles, any amounts reimbursed over 25p per mile are taxable.

If you do not live at High Street, you will instead be able to let an additional room, for which you will receive £500 per month (£6,000 per year).

Although this is the same amount as your employer will pay you if you stay at High Street (and is taxed at the same rates), there is an advantage to having £6,000 of rental income for letting the room rather than receiving additional employment income because employment income is subject to NIC and rental income is not.

Your salary is currently £4,167 per month. As the allowance would be paid to you monthly, £22 would be subject to NI at 8% and the remaining £478 at 2%. This amounts to an additional £136 each year and is deducted via payroll.

Any employment expenses you meet personally for which tax relief is claimed will not reduce your earnings for NIC purposes. If your employer is willing to pay you the £6,000 as one annual amount, NIC will be reduced to £121 (being £22 x 8% plus £5,978 x 2%) as any earnings above the upper limit for that pay period will be subject to NIC at the reduced rate of 2%. This is a very minor saving of £15 per year.

Expenses such as hiring furniture will not be deductible from employment income, but will be deductible when calculating the rental profit.

You expect these expenses to amount to £3,000 each year, regardless of whether you are living at the property or not. If you live in the property, expenses such as repairs or insurance may need to be apportioned because any portion which relates to your own occupation of the property (or your son's if he is not charged rent) cannot be deducted from rental profit.

You may instead be able to claim a deduction against employment income. For the purpose of forecasting your taxable income, it has been assumed that the entire £3,000 of expenses will be deductible, either against rental or against employment income.

(D2) Rent paid by your son

Any rent your son pays will be taxable on you as rental income. Your effective tax rate on this income could be as high as 51% when the HICBC is taken into account.

As you intend to give the money back to your son, to avoid this tax charge you should not charge your son rent, but instead look at other ways to encourage him to save. All calculations in this report assume that you will not receive rents from your son.

Any expenses relating to your son will not be tax deductible if he does not pay any rent.

(D3) High Income Child Benefit Charge

The allowance from your employer and the additional rental income will increase your income above £60,000 so that your child benefit is withdrawn. This results in a high effective tax rate on that income.

Pension contributions are deducted when determining income for the purpose of the HICBC. Therefore you may wish to consider making additional contributions in order to reduce the HICBC clawback.

(D4) Rent-a-room Relief

Even though you would be living at High Street for one week each month, you would not be able to claim rent-a-room relief, because this only applies to the letting of rooms in your only or main home. Your main home remains your residence in Bristol, as that is where you spend most of your time and is where your other children will be living.

(D5) Main Residence Election

For CGT purposes, you can nominate any property in which you actually reside to be your main residence. Whichever property is your main residence benefits from Private Residence Relief (PRR). This exempts gains accruing during the time that the property is your main residence.

The property nominated does not have to be the residence you spend the most time in, or the residence you use as your main address for everyday purposes.

It must however be a property you use as a home with some level of permanence. If you were to live at High Street for one week each month, you would meet these conditions and could nominate this property as your main residence for PRR purposes.

This may be advantageous because you expect High Street to increase in value substantially. Without a main residence election, when you sell the property, the increase in value will be subject to CGT at the residential property rates of either 24% or 18%. Based on your current circumstances, you would pay CGT at 24%.

Currently, Round Road is your main residence and has been since you purchased it. Without an election, your main residence is determined based on a combination of factors including where you spend the most time, where your children stay, and which address is used for registrations such as car and doctor.

You can only have one main residence at a time, so while Round Road is your main residence, any gains accruing on High Street will be subject to CGT when the property is sold.

The flip side is that if High Street becomes your main residence, Round Road will not be.

When you sell Round Road, any capital gain will be time apportioned between time that the property was your main residence, and time it was not. Gains made during the time it was your main residence will remain exempt. The last nine months of ownership will qualify for PRR.

A PRR election can be made at any time within two years of a change in your residences.

After an election has been made, it can be varied at a later time by giving fresh notice to HMRC. Currently, Round Road is standing at a gain of £100,000, which is all exempt due to PRR. If you nominate High Street as your main residence, you can then vary the election so that Round Road is reinstated as your main residence at a later point.

PRR is not given for any parts of the house which are let out and which your tenants have exclusive access to. This would apply to each of your tenants' bedrooms at High Street.

Even if High Street is your main residence for only a short period of time, this will be advantageous because it will exempt gains during the last nine months of ownership, in addition to gains during the period it is nominated. Any gain arising on Round Road during this period is likely to be below the annual exempt amount, so no tax will be payable provided there are no other gains made in the same tax year.

Any saving through making a PRR election would only be realised when you sell High Street. The amount of the saving would depend on the increase in the value of the property and whether you are a higher rate taxpayer at the time of the sale (if so, the CGT saving will be at 24%).

The two-year time limit for making a PRR election starts from the date you first use the property as a residence (rather than when you purchase it).

Therefore, on the basis that you expect the property to increase in value substantially, we recommend that you live at 7 High Street while working in Coventry. This will give you the option to make the election for it to be your main residence.

The election can be delayed by two years from the date you move in, by which time you will have more information about the respective values of High Street and Round Road. The potential large CGT saving will outweigh the modest annual NIC costs.

We appreciate that you and your son may also wish to factor in any commercial considerations such as the advantages and disadvantages of living together before making a final decision.

(D6) Stamp Duty Land Tax (SDLT)

You will be liable to the 3% SDLT surcharge on the purchase of High Street because you already own other property.

It would make no difference if you sold Orchard Road before buying High Street, because you also have your home in Bristol. Therefore, there is no way to avoid the SDLT surcharge.

SDLT due on the purchase will be £7,500 (£250,000 x 3%) payable within 14 days of completion. SDLT is a deductible cost when calculating any capital gain.

(D7) Inheritance Tax (IHT)

None of these transactions would directly affect your potential IHT liability. The value of your properties will be included in your estate for IHT purposes, regardless of how they are used. Equally, any loans will reduce the value of your estate.

When you die, your estate will be liable to IHT at 40% on the net value of assets over £500,000 (assuming you qualify for the Residential Nil Rate Band and leave your home to direct descendants).

If the value of your assets at that time is £950,000 (Round Road £350,000 + Orchard Road £550,000 + 7 High Street £250,000 minus mortgage £200,000), IHT payable will be £180,000.

You may wish to seek further advice in relation to your IHT position, including ensuring that you have a will in place.

Chartered Tax Advisers
6 May 2025

APPENDIX 1

Comparison of tax due if £200,000 mortgage is borrowed against 2 Orchard Road or 7 High Street (based on a full year's rental income)

Income source	Mortgage on 7 High Street	Mortgage on 2 Orchard Road
	£	£
Employment income	50,000	50,000
Benefits	1,300	1,300
2 Orchard Road profit	7,000	-
7 High Street profit £(12,000 – 3,000)	9,000	9,000
Round sum allowance or additional rent	6,000	6,000
Total income	73,300	66,300
Less: Personal Allowance	(12,570)	(12,570)
Taxable income	60,730	53,730
£37,700 x 20%	7,540	7,540
£23,030 x 40%	9,212	
£16,030 x 40%		6,412
Tax due	16,752	13,952
Less: Relief for finance costs	(2,000)	-
Add: HICBC (66% of CB / 31% of CB)	1,460	686
Tax payable	16,212	14,638
Difference (note below)		1,574

Saving increased by £600 if mortgage split 70% / 30% between Orchard Road and High Street.

ASSESSMENT NARRATIVE FOR JULIA ANDERSON (MAY 2021)

Structure

A simple pass or fail will be awarded.

Identification and Application

The following are the relevant topics for assessment with their weightings:

1	25%	Issues relating to finance costs
2	25%	Rental vs. employment income and deductible expenses
3	10%	Main residence issues
4	20%	FHL issues and Business Asset Disposal Relief
5	20%	Other issues including High Income Child Benefit Charge, receipt of income from connected parties, IHT and SDLT

A grade of 0, 1, 2, 3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. This is then converted to a final absolute grade by rounding up or down to the nearest grade. In order to secure a pass, a final grade of 3 or 4 is required.

Relevant Advice and Substantiated Recommendations

The following are the relevant topics for assessment with their weightings:

1	30%	Whether the purchase of 7 High Street or the refurbishment of 2 Orchard Road should be funded by mortgage
2	30%	Whether Julia Anderson should stay at 7 High Street
3	10%	Recommendations relating to 2 Orchard Road
4	10%	Whether a main residence election should be made
5	20%	Advice relating to child benefit, letting a room to Julia's son and other issues

The final grade will be determined for this skill in the same way as for Identification and Application.

CANDIDATE SCRIPT FROM MAY 2021

A real candidate script for this case study that scored a clear pass can be found on the CIOT website here:

https://www.tax.org.uk/may-2021-past-exam-papers-scripts-suggested-answers

Don't forget that the paper was set in May 2021 when the syllabus included tax law up to and including FA 2020 and so the candidate script answer will not be based on up to date tax law.

Examiner's report:
[Being reproduced with the permission of The Chartered Institute of Taxation]

General Comments

The scenario focused mainly on the various income tax and capital gains tax issues relating to property.

The change of use of 2 Orchard Road from long-term to short-term letting required consideration of the tax advantages available for properties qualifying as Furnished Holiday Lets, including the wider impact of mortgage interest rate relief on overall tax liabilities, while the purchase of 7 High Street brought up issues around main residence reliefs, and the differences between the treatment of rental income and employment income.

Overall, the question was answered reasonably well. Candidates showed the ability to work through the scenario to identify the relevant issues, although in some areas knowledge of the tax implications of those issues wasn't strong. Advice and recommendations were given based on the issues identified.

Structure

Reports were generally split into sections and sub-sections, for both the issues identified and for the two different properties. The stronger reports took the whole scenario into account, whereas weaker reports focused on each section in isolation, for example saying that an advantage of letting 2 Orchard Road as a FHL would be that the income would count as earnings for pension contributions, without considering that Julia already had employment income in any case.

Identification and Application

Issues relating to finance costs:

All candidates knew about the restriction of relief for finance costs, and that the restriction does not apply to a FHL. Almost all candidates realised that there was therefore an advantage in borrowing for the FHL, as tax would be saved at 40% rather than 20%. Generally, candidates did not go on to consider the impact of the restriction on the clawback of child benefit.

There was also valid discussion to be had around whether interest allowable would be restricted due to the rules about capital at commencement of the business, but those candidates who attempted to discuss this often did not do so well. Converting 2 Orchard Road to a FHL would represent a separate business, with the capital used (£550,000) based on the date of commencement of the FHL rather than the previous rental.

Rental vs employment income and deductible expenses:

Almost all candidates recognised that employment income is subject to NI, whereas rental income is not. Most candidates discussed the temporary workplace rules, but discussion was fairly muddled and few had detailed knowledge of which expenses may be allowable. Some candidates believed that if Julia stayed at 7 High Street her travel expenses would no longer be allowable, and almost no candidates considered additional expenses such as subsistence.

Main residence issues:

The possibility of making a main residence election for 7 High Street was missed by most candidates.

FHL issues and BADR:

The conditions for Orchard Road to qualify as a FHL and the advantages were covered well, though only the better candidates related the discussion specifically to the scenario, rather than simply listing out the rules. The availability of BADR was missed by a surprisingly large number of candidates. Even where BADR had been listed as one of the advantages of FHLs, candidates often did not go on and consider BADR on the future sale of the property.

Other issues:

The clawback of child benefit and that Julia would be taxed on rent paid by her son was dealt with well. There were valid points about the tax savings available if the property was gifted to Steven, although making a large gift to a teenager did not seem a practical idea, which lead to the valid discussions about using a trust.

Relevant Advice and Substantiated Recommendations

Which property should be funded by the mortgage?

Most concluded that the mortgage should fund Orchard Road, due to interest restrictions against High Street. Better answers considered the impact of the mortgage on child benefit.

Whether Julia Anderson should stay at 7 High Street:

Most recommended that Julia should not stay at High Street, based on the additional NI due on employment income. The possibility of making a main residence election, which may have changed the recommendation, was not often considered. Marks were given in any case for reasonably argued recommendations based on the issues identified by candidates.

Recommendations relating to 2 Orchard Road:

There were fairly straightforward recommendations which could be made to ensure that Orchard Road met the conditions to be a FHL, and to ensure the conditions were met for two years prior to sale to claim BADR. The first of these recommendations was made by most candidates, the second was often missed.

Whether a main residence election should be made:

This issue was generally missed with the result that no recommendation was made.

Other recommendations:

Good recommendations were made about reducing the child benefit clawback through pension contribution, and not charging Steven rent. Recommendations to gift High Street to Steven did not seem realistic. Recommendations to put High Street into trust were sometimes well argued (with credit given), but often not (in which case credit was not given).

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APS REFLECTION SHEET

	Yes/No	Comments: What should I do differently next time?
GENERAL:		
Did you finish in time?		
Did you do a plan?		
Did you use your plan when you wrote up the report (or letter)?		
STRUCTURE:		
Did you use the correct report (or letter) format?		
Did you include an introduction?		
Does your executive summary contain key issues only?		
Does your executive summary read as a stand-alone document?		
Did you use headings and subheadings to help navigation?		
Does your answer flow in a logical order?		
Did you use style/language appropriate for the reader?		
Are there only a few spelling/grammatical mistakes?		
Did you include appropriate calculations in an Appendix?		
Are your calculations linked to the narrative?		
Did you avoid including irrelevant material?		
I&A:		
Did you identify all the issues? If not, go back to the Question and see where that issue was and try to work how you missed it?		
Is the technical information you provided correct? Has it been applied correctly to the scenario? Is it easy for a lay person to understand?		
Did you use the information provided in the question in appropriate way?		
RA&SR:		
Have you told the client what to do?		
Have you explained to the client why they should do what you have recommended? Did you set out the pros and cons and weigh them up? Is your advice in relation to key areas technically correct?		
Did you consider the wider implications of your advice (such as commercial considerations and legal/ethical issues)?		
Having reviewed your answer, do you think that if you were the client, you would be happy paying for this advice?		

2. JACK AND STEFFI (NOV 2021)

REPORT

To: Jack Clarke and Steffi Meyer
From: Chartered Tax Advisers LLP
Date: 5 November 2025
Subject: Property Transactions

A. INTRODUCTION

This Report is prepared for Jack Clarke ('Jack') and Steffi Meyer ('Steffi') collectively referred to as 'you'.

This Report is intended solely for use by you. No liability is accepted for any reliance on this Report by other parties.

This Report is based on your meeting with Sally Jones on 30 October 2025 and on Jack's email to Sally dated 2 November 2025. It is prepared in accordance with the law in force on 5 November 2025.

You wish to buy a new home together for around £450,000 to be funded by one of two options:

1) Option 1: The Old Rectory is sold and a new main residence acquired. 22 Westland Road is retained and continues to be let; or

2) Option 2: 22 Westland Road is sold. The Old Rectory is then sold with £400,000 of Jack's share of the proceeds used to buy a further buy-to-let property. The remaining £50,000 is invested in savings.

This Report compares the UK taxation implication of both options.

B. EXECUTIVE SUMMARY

- Option 1 is cheaper in terms of Capital Gains Tax (CGT) as it involves the sale of one property instead of two. As Steffi has not lived at Westland Road since 2022, her gain will not be fully eligible for private residence relief (PRR) so CGT would be due on a sale.

- Option 1 is also cheaper in terms of Stamp Duty Land Tax (SDLT) as it involves the acquisition of one property instead of two.

- If Option 1 is pursued, we would recommend that:

  a) Morela is asked to consent to a sale of The Old Rectory in March 2026. The CGT on Morela's share of the proceeds will then be £14,981 for both Jack and Morela. (Each would pay an extra £773 in CGT if the sale is deferred until September 2026.)

  b) The acquisition of the new property should be made in Jack's sole name, preferably on the same day that the sale of The Old Rectory is completed. The SDLT on the new property will be £10,000 and will avoid the 3% SDLT surcharge for additional properties.

- The new property can then be put into joint names after your wedding as the transfer would then be free from both CGT and Inheritance Tax (IHT).

- As things stand, Steffi will be subject to a High Income Child Benefit Charge (HICBC) in 2025/26 as she is a higher rate taxpayer. We recommend that Steffi puts £4,800 into a personal pension on or before 5 April 2026 as this would obtain higher rate tax relief, avoid the HICBC and reduce the rate of tax on her savings income. This will mean that more than half of the pension input would be funded by HMRC.

- We recommend that Westland Road is put into joint names after your marriage. Rental profits would then be split 50:50 between you. This will avoid higher rate tax and will also avoid the HICBC.

- Excess savings should be transferred to an ISA to avoid paying tax on the interest.

C. OPTION 1

Jack sells his 50% share of The Old Rectory and use the proceeds to fund the purchase of the new property.

Steffi continues to let Westland Road.

The Old Rectory can only be sold prior to Jack and Steffi's marriage with Morela's consent. Jack and Steffi intend to marry in September 2026.

(C1) Capital Gains Tax

Assuming a sale of The Old Rectory in September 2026, Jack's CGT liability will be £15,754 (see Appendix 1).

Jack's gain on the disposal of his 50% share will qualify for full PRR because the property has been his main residence throughout his ownership.

However, Morela will only accrue PRR on her share of the gain for the period she lived in the house with Jack and for the final nine months of ownership.

Based on the Morela's estimate of her income in 2026/27, her CGT liability is £31,508. Jack has agreed to indemnify Morela for 50% of this liability, so Jack will have an exposure of £15,754.

If The Old Rectory is sold before your marriage (say in March 2026), the proportion of the gain eligible for PRR will increase.

As Morela is a basic rate taxpayer in 2025/26, some of the gain will be taxed at 18%. Jack's and Morela's CGT exposure will accordingly reduce to £14,981 each (a saving of £773 each).

Morela would need to consent to an early sale, but as she will benefit from the CGT reduction (and will have use of the proceeds at an earlier time), this may be something she would agree to.

A payment on account of CGT is due within 60 days of the completion of the sale (together with an online return notifying the disposal).

Jack will not need to file a return or make a payment as his gain will be covered by PRR.

Morela should however be reminded that she will need to file a return and pay the CGT (50% of which Jack will then reimburse).

(C2) Stamp Duty Land Tax

On the acquisition of a residential property for £450,000, the SDLT is £10,000 as shown below:

	£
£250,000 @ 0%	Nil
£200,000 @ 5%	10,000
£450,000	10,000

However, SDLT rates are increased by a 3% surcharge where, at the end of the day of purchase, the purchaser (or a joint purchaser) has an interest in two or more dwellings.

This means that if either:

1) The new property is acquired before Jack sells The Old Rectory; or

2) The new property is acquired by Steffi (who already owns Westland Road),

then the SDLT payable on the acquisition of the new house will increase to £23,500:

	£
£250,000 @ 3%	7,500
£200,000 @ 8%	16,000
£450,000	23,500

If the new house is bought in joint names (even after The Old Rectory has been sold), the SDLT will still be £23,500 because Steffi owns Westland Road.

Relief is available if a main residence is sold and replaced with a new one.

Where the previous main residence has not been sold by the end of the day on which the purchase of the new residence is completed, the 3% surcharge will be payable (as two properties are owned simultaneously). However, the purchaser can then apply for the excess SDLT to be refunded if the previous main home is sold within 36 months.

This does mean that the higher SDLT has to be paid upfront and later reclaimed. This has cash-flow consequences and should be avoided if possible.

Note that if a joint purchaser (ie Steffi) is replacing a main residence, she can qualify for the standard SDLT rates even if the main residence which was sold was, in fact, owned by their spouse.

This means if the new property is purchased in joint names after the date of marriage, Steffi will be treated as replacing a main residence because of Jack's disposal of The Old Rectory (that being her home as well). The 3% surcharge would not then apply and the SDLT exposure will be £10,000.

Alternatively, the new property could be purchased by Jack before the marriage and 50% of that property could then be gifted to Steffi after marriage. This transfer would take place at no-gain-no-loss for CGT and would be exempt from IHT.

There would be no SDLT on the transfer of property between you as no consideration would pass.

For simplicity we recommend that The Old Rectory is sold on the same day that the purchase of the new property is completed and that the new property is bought by Jack.

D. OPTION 2

Under Option 2, Westland Road will be sold. The proceeds would be used to buy a new property for Jack and Steffi to live in.

The Old Rectory will then be sold. Jack's share of the proceeds (£450,000 before CGT) will be used to buy a further buy-to-let property for £400,000. The money remaining would be invested in savings.

(D1) Capital Gains Tax

Because 22 Westland Road has not been Steffi's main residence throughout her period of ownership, there is a CGT exposure on sale.

Assuming Westland Road is sold in March 2026, the CGT liability will be £11,280 (see Appendix 2).

Based on her current income, Steffi does not have any basic rate band available. The CGT liability would therefore be at 24%.

If the sale of Westland Road is delayed until after your marriage in September 2026, the PRR will decrease and the CGT liability will increase by £1,553 to £12,833.

However, it will then be possible to take advantage of the inter-spouse transfer provisions to reduce the additional CGT. This could allow access to Jack's unused annual exempt amount (AEA) and his unused basic rate band.

As Jack's gain on the sale of The Old Rectory is likely to be eligible for full PRR, Jack will have a full AEA available to offset any gain.

The potential CGT saving on an inter-spouse transfer of Westland Road is up to £3,000 @ 24% being £720. This would reduce the additional CGT to £833.

This does not eradicate the additional CGT entirely. You will also need to consider whether this saving is outweighed by the legal and professional costs of a property transfer.

(D2) Further Private Residence Relief considerations

It is possible to reduce the CGT exposure on the sale of Westland Road by moving back into the property at some point or choosing to move into it instead of buying a new property.

This is because Steffi will qualify for a period of 'deemed occupation' of up to three years if the period of absence is preceded and followed by actual occupation.

You wish to move closer to where Oscar wants to study for his A Levels, and we do not know whether a return to Westland Road would fit with these plans. But we mention this for completeness as this is a way of mitigating the CGT charge on Westland Road (either now or at some point in the future).

(D3) Stamp Duty Land Tax

Westland Road will be sold with the proceeds put towards buying a new home.

The Old Rectory will then be sold. A further buy-to-let property would then be acquired.

Again this will leave you with more than one property (being a new home and a buy-to-let property), so the SDLT liability will need to be carefully managed to avoid the 3% surcharge.

If Steffi sells Westland Road before the new home is acquired, SDLT will be charged on the new home at standard rates. The SDLT would then be £10,000.

This assumes that the new home is acquired in Steffi's sole name (as Jack will own The Old Rectory) and that the purchase takes place before your marriage.

Married couples are regarded as a single entity, so it is not possible to avoid the 3% surcharge by dividing ownership of different properties between spouses.

As Jack will hold a share of The Old Rectory, this interest will trigger the surcharge (albeit that a refund claim could then be made as you would be replacing a property previously used as your main residence).

If the new home is bought in Steffi's name before the sale of Westland Road is completed, Steffi will have interests in more than one property and the 3% SDLT surcharge could apply. This is not therefore recommended.

Steffi will not be able to claim relief under the 'replacement of a main residence' rule because Westland Road stopped being her main residence in December 2022 which (by the time of purchase) will be more than 36 months ago.

Assuming Steffi buys your new home, the purchase of a buy-to-let property for £400,000 will not attract the higher rates of SDLT if it occurs before the date of marriage and in Jack's sole name while he does not own another property.

In this event, the SDLT payable at the standard rates would be £7,500 as below;

	£
£250,000 @ 0%	Nil
£150,000 @ 5%	7,500
£400,000	7,500

This is the cheapest SDLT option. Morela would need to agree to an early sale for this to be possible.

If the purchase occurs after your marriage, then the ownership of either Westland Road or the new home would trigger the higher rates of SDLT.

In this event, the total SDLT payable on this purchase would be £19,500;

	£
£250,000 @ 3%	7,500
£150,000 @ 8%	12,000
£400,000	19,500

E. COMPARISONS AND RECOMMENDATIONS

(E1) Option 1

	Pre-marriage (March 2026) £	Post-marriage (September 2026) £
CGT on The Old Rectory (Jack's exposure)	14,981	15,754
CGT on 22 Westland Road	N/A	N/A
SDLT on new main residence	10,000	10,000

(E2) Option 2

	Pre-marriage (March 2026) £	Post-marriage (September 2026) £
CGT on The Old Rectory (Jack's exposure)	14,981	15,754
CGT (Steffi on 22 Westland Road)	11,280	12,833
SDLT on new main residence	10,000	10,000
SDLT on new buy-to-let	7,500	19,500

(E3) Recommendation

Option 1 is cheaper in terms of the CGT exposure as it does not involve a sale of Westland Road.

Option 2 involves the purchase of two properties rather than one, and the SDLT exposure in that scenario will clearly be higher.

Option 1 is therefore recommended.

We suggest that Morela's agreement is sought for an early sale of The Old Rectory as the CGT exposure for both Morela and Jack is reduced.

We recommend that The Old Rectory is sold on the same day that the purchase of the new property is completed and that the new property is bought by Jack. The SDLT payable will then be £10,000.

If you wish for the new property to be held in joint names, Jack could gift a 50% share to Steffi after marriage.

F. OTHER ISSUES

(F1) High-Income Child Benefit Charge (HICBC)

Jack claims child benefit in respect of Oscar of £1,331 per year (£25.60 per week).

Child benefit is tax-free, but a clawback charge applies if either the claimant or their partner has 'adjusted net income' in excess of £60,000 for a tax year. Adjusted net income means total income from all sources less gross pension contributions and/or Gift Aid payments.

The HICBC is 1% of the child benefit received for each £200 of adjusted net income over £60,000.

The charge applies to the partner with the higher income (which may not be the claimant). A 'partner' includes another individual with whom the claimant is living with as a spouse or civil partner. Therefore, Steffi is treated as Jack's partner for HICBC purposes (and has been since December 2022).

Steffi has the higher total annual income being £66,000. Note that even though £500 of Steffi's interest income will fall within her savings allowance, it is all taken into consideration for the HICBC.

As things stand, for 2025/26 there will be a HICBC for Steffi of £399 as below:

		£
Total income	£(55,000 + 10,000 + 1,000)	66,000
Less: HICBC threshold		(60,000)
Excess		6,000
Clawback %	1% x 6,000 / 200	30%
HICBC	£1,331 x 30%	£399

The HICBC could be avoided by Steffi reducing her adjusted net income to £60,000, either by making charitable donations or pension contributions.

For example, if Steffi made a pension contribution of £4,800, HMRC would add a further 25% meaning that £4,800 x 100/80 = £6,000 would go into her pension fund.

The net cost to Steffi of making that contribution would be only £3,201 (see below).

		£
Gross pension contribution	£4,800 x 100/80	6,000
Higher rate tax relief obtained	£6,000 x 20%	1,200
Add: HICBC avoided		399
Tax saving		1,599
Net cost to Steffi	£(4,800 – 1,599)	3,201

The effective rate of tax relief obtained on such a payment will be around 47% (ie, of the £6,000 going into the pension fund, HMRC would effectively pay £2,799).

We therefore recommend that Steffi uses some of her savings to start a pension and to make a payment to the scheme of £4,800 on or before 5 April 2026.

If Steffi was a higher rate taxpayer in 2023/24 and 2024/25, a HICBC charge will have arisen for that year which cannot now be avoided.

Steffi is self-employed and is taxed on her business profits regardless of whether those profits are taken from the business. Incorporating her business into a limited company would enable her to control the extraction of profits (via salary and dividends) to avoid future HICBC charges. It would also enable Steffi (and possibly Jack) to use annual dividend allowances.

This is a discussion for a later stage as any decision to incorporate a business will involve detailed considerations of tax costs and legal issues.

(F2) Property income

Rental profits from Westland Road are currently taxed on Steffi. However, the property may be transferred CGT-free to Jack after your marriage such that the rental profits will then be taxed on Jack. Income tax would then be paid at the basic rate rather than at the higher rate, and exposure to the HICBC could be avoided.

Alternatively, Westland Road could be put into joint names. Again this should be done after the marriage to avoid CGT on the transfer. Rental profits would then be taxed 50:50 unless an election were made for profits to be taxed in accordance with your beneficial interests in the property (if this were different).

This will again have the effect of taking some of the rental profits away from a 40% income tax charge in Steffi's hands and into a 20% charge in Jack's.

Any transfer of property will be free from SDLT as long as no consideration passes between the parties. This is the case regardless of marital status.

(F3) Cash savings

Thought should be given to investing excess cash savings into an ISA, as any interest is then tax-free. There is an annual subscription limit of £20,000. It is not possible to have a joint ISA, but each of you may hold an ISA account so that a total of £40,000 can be invested in one tax year.

(F4) Inheritance Tax (IHT)

For IHT purposes, either Option will result in you owning a main residence and a buy-to-let property with a combined value of approximately £900,000.

IHT is payable at 40% on the value of the estate above the nil-rate band (NRB), currently £325,000. An additional Residence Nil Rate Band (RNRB) of £175,000 is available where you leave your home to your children or grandchildren and your estate is worth less than £2 million.

No IHT is payable on transfers to spouses on death and the surviving spouse can inherit any unused NRB or RNRB. A couple could therefore pass on up to £1 million tax free if their affairs are structured appropriately.

A detailed consideration of IHT is outside of scope of this Report and we recommend you seek further advice if required.

Chartered Tax Advisers LLP
5 November 2025

APPENDIX 1

CGT payable on the sale of The Old Rectory

a) Sale after marriage (assumed September 2026)

Gain on Morela:		£
Proceeds	50% share of £900,000	450,000
Less: Cost	50% share of £500,000	(250,000)
Gain		200,000
Less: PRR (Note 1)	69/210 x 200,000	(65,714)
Chargeable gain		134,286
Less: AEA		(3,000)
Taxable gain		131,286
CGT @ 24% (Note 2)		31,508
50% payable by Jack		15,754

Note 1:

March 2009 – March 2014	Actual occupation	60
April 2014 – December 2025	Absence	141
January 2026 – September 2026	Deemed occupation	9
		210

Note 2:

Higher-rate threshold		37,700
Taxable income 2026/27 (Morela)	£(55,000 + 200 – 12,570)	(42,630)
Basic rate band available		Nil

b) Sale before marriage (assumed March 2026)

Gain on Morela:		200,000
Less: PRR	69/204 x 200,000	(67,647)
Chargeable gain		132,353
Less: AEA		(3,000)
Taxable gain		129,353
CGT:		
£18,070 @ 18% (Note 3)		3,253
£111,283 @ 24%		26,708
CGT liability		29,961
50% payable by Jack		14,981

Note 3:

Higher-rate threshold		37,700
Taxable income 2025/26 (Morela)	£(32,000 + 200 – 12,570)	(19,630)
Basic rate band available		18,070

APPENDIX 2

CGT payable by Steffi on the sale of 22 Westland Road

a) Sale before marriage (assumed March 2026)

		£
Proceeds		440,000
Less: Cost		(280,000)
Gain		160,000
Less: PRR (Note)	66/96 x 160,000	(110,000)
Chargeable gain		50,000
Less: Annual Exempt Amount		(3,000)
Taxable gain		47,000
CGT @ 24%		11,280

Note:

March 2018 – December 2022	Actual occupation	57
January 2023 – June 2025	Absence	30
July 2025 – March 2026	Deemed occupation	9
		96

b) Sale after marriage (assumed September 2026)

		£
Proceeds		440,000
Less: Cost		(280,000)
Gain		160,000
Less: PRR (Note)	66/102 x 160,000	(103,529)
Chargeable gain		56,471
Less: Annual Exempt Amount		(3,000)
Taxable gain		53,471
CGT @ 24%		12,833

Note:

March 2018 – December 2022	Actual occupation	57
January 2023 – December 2025	Absence	36
January 2026 – September 2026	Deemed occupation	9
		102

ASSESSMENT NARRATIVE FOR JACK AND STEFFI (NOV 2021)

Structure

A simple pass or fail will be awarded.

Identification and Application

The following are the relevant topics for assessment with their weightings:

1	40%	Identification of the correct CGT considerations on the potential property disposals and applying these in order to reach a conclusion of the potential CGT payable by the relevant individuals.
2	25%	Identification of the exposure to the higher rates of SDLT and where these will or will not apply in relation to the proposed transactions, including calculation of the relevant amounts.
3	30%	Identification of the relevant issues relating to the IT, namely the HICBC and taxation of the property/savings income, application to the scenario and calculation of the exposure to the HICBC.
4	5%	Identification of the relevant issues relating to IHT, including the application of the residence nil-rate band and possible exposure to IHT where the estate is not passed to a lineal descendant.

A grade of 0, 1, 2, 3, or 4 is awarded to each topic. The weighting is applied to that grade to produce a weighted average grade. This is then converted to a final absolute grade by rounding up or down to the nearest grade. In order to secure a pass, a final grade of 3 or 4 is required.

Relevant Advice and Substantiated Recommendations

The following are the relevant topics for assessment with their weightings:

1	40%	Advice and recommendations relating to CGT and private residence relief, for example use of 'no gain no loss' transfers and main residence elections to mitigate potential liabilities.
2	25%	Advice and recommendations relating to SDLT, including advice on how to minimise exposure to this by structuring the transactions tax-efficiently.
3	35%	Advice and recommendations relating to Income Tax, including how to mitigate exposure to the higher rate of tax and the HICBC and suggestions on how to minimise the tax on the rental income through 'no gain no loss' transfers or other arrangements and advice on how to minimise tax on the savings income.

The final grade will be determined for this skill in the same way as for Identification and Application.

CANDIDATE SCRIPT FROM NOVEMBER 2021

A real candidate script for this case study that scored a clear pass can be found on the CIOT website here:

https://www.tax.org.uk/november-2021-past-exam-papers-scripts-suggested-answers

Don't forget that the paper was set in November 2021 when the syllabus included tax law up to and including FA 2020 and so the candidate script answer will not be based on up to date tax law.

Examiner's report:
[Being reproduced with the permission of The Chartered Institute of Taxation]

CHIEF EXAMINER'S COMMENTS

Application and Professional Skills

It is important for candidates to be aware that the requirement will not always be for a report from the external tax adviser to their client. This session the OMB question required a letter and the TOLC question required an internal report. It was noticeable this session that a number of candidates did not read the requirement. Thus:

- On the OMB question some produced reports rather than letters as required.
- On the TOLC question, candidates included a disclaimer, which would clearly not be appropriate for an internal report.
- On the VAT question some candidates produced letters rather than reports as required.

Whilst these mistakes will not automatically result in a candidate failing on structure (as we assess the answer as a whole), it will make it significantly harder to pass. This is a simple point and candidates must be alert to the required form of output and the target audience.

Beyond the basic point as to whether a letter or report is required, candidates need to ensure that the style of what they produce is appropriate. Therefore, if an internal report is required, as for the TOLC question, it is not appropriate to include disclaimers of liability.

Turning to a couple of presentational points:

- If abbreviations are used, we expect them to be defined when the term being abbreviated is first used, for example "…. Business Asset Disposal Relief (BADR). On the Individuals question, some candidates were using non-standard definitions which were not defined: this would not be suitable for a client.
- We have been asked about whether a table of contents is required; it isn't required.

Finally, it is important that candidates appreciate that this paper isn't simply about providing technically correct advice. It is also about providing advice that is commercially sound (don't let the tax tail wag the commercial dog!) and meets any wider objectives that may be set out in the question. It requires candidates to step back and look at the entire scenario to assess whether their advice really is appropriate.

SPECIFIC COMMENTS ON APS INDIVIDUALS PAPER

General Comments

This question asked candidates to consider two options for the funding of a marital home for Jack and Steffi. The scenario had Jack and Steffi currently living in a property (The Old Rectory) which Jack had bought with his ex-partner, Morela. Jack and Morela had a contract under which Jack would be liable for 50% of Morela's capital gains tax liability upon sale of the property. Steffi's former home is let. The first option was to fund the new marital home from the sale of The Old Rectory. The second option was to fund it from the sale of Steffi's property and replace the rental income stream by buying a new buy-to-let.

Candidates had to consider how each option might be implemented tax-efficiently, taking into account CGT and Stamp Duty Land Tax (SDLT), and the timing of the transactions (pre/post marriage). Candidates also had to consider how Jack and Steffi's income tax position might be optimised by reducing exposure to the high-income child benefit charge (HICBC) and higher rate of tax, as well as provide relevant comment on Inheritance Tax (IHT).

The candidates who passed this paper provided a clear recommendation of which option reduced the clients' overall exposure to tax, explaining how that option should be implemented. The SDLT considerations were critical to the overall assessment and some candidates missed this. Other candidates failed because, although the two options were competently discussed, there was no clear recommendation on which option the clients should choose. These two points account for the relatively low pass rate.

Structure

All candidates achieved a pass on this skill. However, non-standard abbreviations made some scripts difficult to follow. If abbreviations are used, before their first use, the full term should be given. If an experienced tax practitioner struggles with the abbreviations used, a client would certainly struggle.

Identification and Application

Capital Gains Tax:

Most candidates performed strongly in this area. Despite some arithmetic errors in counting months, candidates correctly explained and analysed the CGT position for each of the three parties on the sale of each of the two properties. Candidates understood private residence relief (PRR) well and handled the indemnity between Jack and Morela without issue.

Some candidates appeared to be confused about the rule whereby spouses/civil partners may have only one main residence between them for PRR purposes – thinking that, once married, Steffi would no longer be eligible for any PRR on Westland Road. Others thought that Steffi might be able to nominate Westland Road as her main residence even though it was let out and not used by her as a residence.

Stamp Duty Land Tax:

There was a wide range of competence demonstrated in this area. Some did not comment on it at all. While most appreciated that higher rates of SDLT were sometimes applicable, very few were able to accurately describe when they would apply. Many thought that higher rates of SDLT would apply on the purchase of the buy-to-let property simply because it was not a main residence. Others applied a simplified rule under which higher rates would apply if you are buying a property in addition to one you already own – but without appreciating the exception if you are replacing a main residence.

However, many did correctly appreciate the significance of marriage on SDLT, and the fact that the higher rates would apply to the whole transaction if it applies to one joint purchaser.

A disappointing number of candidates did not spot the fairly obvious point that Option 2 involved the purchase of two properties rather than one, and therefore the SDLT exposure in that scenario was bound to be higher.

Income Tax:

Candidates appeared comfortable discussing the Income Tax issues, with most spotting that Steffi would be liable to the HICBC as she was co-habiting with Jack, and that the rental income pushed her into the higher rate of tax.

Inheritance Tax:

Inheritance Tax only accounted for a small proportion of the credit available, given that Jack and Steffi's combined estate was within their combined available nil-rate bands (though not many actually pointed this out). Much of the advice given on PETs and available exemptions was somewhat moot.

Relevant Advice and Substantiated Recommendations

Capital Gains Tax:

Most candidates were able to give sensible recommendations from a CGT perspective. However, some gave advice based on an incomplete sequence of events (e.g. advising to sell Westland Road simply because it generated a lower CGT liability than The Old Rectory), unfunded suggestions (e.g. advising that Morela should transfer her share of The Old Rectory to Jack), or on maximising the immediate net cash position rather than minimising the overall tax exposure.

Stamp Duty Land Tax:

The strength of the advice on SDLT generally followed candidate's understanding of the rules around where the higher rate of SDLT applies. Nevertheless, if candidates were able to correctly advise how higher rates might be avoided on the marital home, credit was given. Very few candidates spotted how the higher rates might be avoided on the buy-to-let purchase under Option 2.

Income Tax:

Most candidates gave sensible advice on how exposure to the HICBC and the higher rate of tax might be avoided, for example, by making pension contributions, Gift Aid donations, or a no-gain-no-loss transfer of part of Westland Road to Jack after marriage.

APS REFLECTION SHEET

	Yes/No	Comments: What should I do differently next time?
GENERAL:		
Did you finish in time?		
Did you do a plan?		
Did you use your plan when you wrote up the report (or letter)?		
STRUCTURE:		
Did you use the correct report (or letter) format?		
Did you include an introduction?		
Does your executive summary contain key issues only?		
Does your executive summary read as a stand-alone document?		
Did you use headings and subheadings to help navigation?		
Does your answer flow in a logical order?		
Did you use style/language appropriate for the reader?		
Are there only a few spelling/grammatical mistakes?		
Did you include appropriate calculations in an Appendix?		
Are your calculations linked to the narrative?		
Did you avoid including irrelevant material?		
I&A:		
Did you identify all the issues? If not, go back to the Question and see where that issue was and try to work how you missed it?		
Is the technical information you provided correct? Has it been applied correctly to the scenario? Is it easy for a lay person to understand?		
Did you use the information provided in the question in appropriate way?		
RA&SR:		
Have you told the client what to do?		
Have you explained to the client why they should do what you have recommended? Did you set out the pros and cons and weigh them up? Is your advice in relation to key areas technically correct?		
Did you consider the wider implications of your advice (such as commercial considerations and legal/ethical issues)?		
Having reviewed your answer, do you think that if you were the client, you would be happy paying for this advice?		