CIOT - ATT

Paper: **ATT Paper 1 Personal Taxation**

Part/Module: **Part 1**

Answer-to-Question-_1_

Carried Forward Annual Allowance from Previous 3 TY's:

£5,000 + £3,000 + £1,000 = £9,000

Annual Allowance for 2022-23 = £49,000

Total Pension Contributions during 2022-23 = £52,500

Excess above AA = £3,500

Annual Allowance Charge = £1,575

--------------ANSWER-1-ABOVE---------------

--------------ANSWER-2-BELOW---------------

Answer-to-Question-_2_

Providing Serina's intention at all times when the property was vacant remained to rent the property out again, her property income for 2022-23 is as follows:

W1: Premium on Lease

£86,500 x ((50-24)/50) = £44,980

W2: Annual Rent

11 x £1,200 = £13,200

	£			
Lease Premium Taxed as Property Income	44,980			
Annual Rent	13,200			
less:				
Maintenance	(1,380)			
Replacement of Domestic Items	(985)			
Property Income for 2022-23	55,815			

--------------ANSWER-2-ABOVE---------------

--------------ANSWER-3-BELOW---------------

Answer-to-Question-_3_

From	To	Occupied - Yes or No	Reason	No of months
1 Feb 2005	30 April 2007	Yes	Actual Occupancy	27 months
1 May 2007	30 April 2011	Yes	Deemed - working elsewhere in the UK	48 months
1 May 2011	30 April 2014	Yes	Deemed - 3yrs for any reason	36 months
1 May 2014	30 June 2015	No		14 months
1 July 2015	31 July 2022	Yes	Actual Occupancy	85 months
			Total	210 months

Occupied Months = 196 months

Capital Gain = £650,325

PRR (650,325 x (196/210)) = £606,970
Letting Relief (650,325 x (14/210)) = £43,355

--------------ANSWER-3-ABOVE---------------

--------------ANSWER-4-BELOW---------------

Answer-to-Question-_4_

Georgia would receive an income tax reducer of 30% of the lower of either the amount subscribed or the maximum investment eligible for relief (£1 million if no investment in knowledge intensive companies, £2 million if investing in knowledge intensive companies however no more than £1 million can be in non-knowledge intensive companies). This EIS tax reducer can only reduce her income tax liability to nil but can be carried back to the previous tax year.

Georgia could also defer the gain on the disposal of her asset for the lower of: gain on any asset, amount subscirbed for EIS shares, any other amount (to utlise AEA, losses). The EIS shares would need to be subscribed for in the period 12 months before and 3 years after the gain being deferred arises. Claims must be made by 5 years from 31 January after the end of the tax year of issue of the shares.

--------------ANSWER-4-ABOVE---------------

--------------ANSWER-5-BELOW--------------

Answer-to-Question-_5_

		NS	S	D		
		£	£	£		
Employment Income		25,000	-	-		
Remitted Income		25,600	-	-		
Net Income		50,600	-	-		
less: PA (not entitled as claiming remittance basis		-				
Taxable Income		50,600				
		£				
	NS - 37,700 at 20%	7,540				
	NS - 12,900 at 40%	5,160				
	IT Liability	12,700				
	RB Charge	30,000				

	Capital Gains Tax on Remitted Gain (50,000 at 20%)	10,000				
	Total Tax Liability	52,700				

--------------ANSWER-5-ABOVE---------------

--------------ANSWER-6-BELOW---------------

Answer-to-Question-_6_

Melinda Net Pay = £59,880 x (100-22)% = £46,706

Employee:

£46,706 - £11,908 = £34,798

£34,798 x 13.25% = **£4610.74**

Employer:

£46,706 - £9,100 = £37,606

£37,606 x 15.05% = **£5659.70**

(£13,860+£5,815) x 15.05% = **£2961.09**

Total NIC = £4610.74 + £5659.70 + £2961.09 = £13231.53

--------------ANSWER-6-ABOVE---------------

--------------ANSWER-7-BELOW---------------

Answer-to-Question-_7_

As Nigella holds more than 5% of ordinary share capital in Z Ltd, Z Ltd would be considered her personal trading company and this means that BADR (Business Asset Disposal Relief) will be available on the gift of her shares to Irina. Irina does not own 5% of ordinary share capital in Z Ltd and therefore would not qualify to claim BADR on her planned sale of shares.

--------------ANSWER-7-ABOVE---------------

--------------ANSWER-8-BELOW---------------

Answer-to-Question-_8_

		NS	S	D		
		£	£	£		
Employment		60,000				
Interest from IIP Trust			2,250			
Dividends from IIP Trust				2,740		
Net Income		60,000	2,250	2,740		
less PA		(12,570)				
Taxable Income		47,430	2,250	2,740		
		£				
	NS - 37,700 at 20%	7,540				
	NS - 9,730 at 40%	3,892				
	S - 500 at 0%	-				
	S - 1750 at 40%	700				
	D -	-				

	2000 at 0%					
	D - 740 at 33.75%	236				

Net Amount Received by Joshua after tax = (£1,800 + £2,500) - (£700 + £236) = £3,364

--------------ANSWER-8-ABOVE---------------

--------------ANSWER-9-BELOW---------------

Answer-to-Question-_9_

Sale Proceeds (MV)	£70,980		
Less Cost	(£34,125)		
Gain before relief	£36,855		
less: Gift Rleief	(£36,855)		
Gain	Nil		
Base Cost for Donee			
MV	£70,980		
less gift relief	(£36,855)		
Base Cost =£34,125			

--------------ANSWER-9-ABOVE---------------

--------------ANSWER-10-BELOW--------------

Answer-to-Question-_10_

--------------ANSWER-10-ABOVE--------------

--------------ANSWER-11-BELOW--------------

Answer-to-Question-_11_

--------------ANSWER-11-ABOVE--------------

CIOT - ATT

Paper: **ATT Paper 1 Personal Taxation**

Part/Module: **Part 2**

--------------ANSWER-12-BELOW--------------

Answer-to-Question-_12_

1)

	NS	S	D			
	£	£	£			
Employment Income	190,000					
Accomodation Benefit (W1)	26,800					
Car Benefit (W2)	5,711					
Treasury Stock Interest		3,000				
VCT Dividends (W3)			-			
Dividends (W4)			3,925			
Net Income	222,511	3,000	3,925			
Less: Gift	13,000	-	-			

of Invests and Property to Charity (no Personal Allowance as this has been fully abated)						
Taxable Income	209,511	3,000	3,925			
			£			
Income Tax Liability	NS - 37,700	@ 20%	7,540			
	NS - 112,300	@ 40%	44,920			
	NS - 59,511	@ 45%	26,780 (rounded up to nearest whole number)			
	S - 3,000	@ 45%	1,350			
	D - 2,000	@ 0%	-			
	D - 1,925	@ 39.35%	757 (rounded down to nearest whole			

			number)			
	Tax Liability		81,347			
	less:					
	PAYE		82,000			
	Tax Repayable		(653)			

W1: Accomodation Benefit

Higher of:

Annual Value = £28,000 - £1,200 = £26,800

or

Rent paid by Employer = (£2,000-£100) x 12 = £22,800

W2: Company Car Benefit

		£				
List Price		48,000				
Less: Capital Contribution		(3,500)				
Revised List Price		44,500				
Car Benefit: (£44,500 x 14%)		6,230				
less: Non-Availability (£6,230 x 1/12)		(519)				
Car Benefit		5,711				

Note: The car has an electric mile range of 28 miles and based on the information provided in the tax tables - this means that the relevant % is 14%.

W3: Dividends from VCT Shares

These are tax-free providing they are within the first £200,000.

W4: Dividends

£4,500 - £575 = £3,925

W5: Beguine Limited

Shares sold more than 3 years after purchase meaning there is no clawback of relief received.

W6: Transfer of Shares to UK Registered Charity

Receives Full Income Tax Relief of £12,750 + £250 = £13,000 for this

2) working hours and annual salary

--------------ANSWER-12-ABOVE--------------

--------------ANSWER-13-BELOW-------------

Answer-to-Question-_13_

Date	Event	No. of Shares	Cost	Proceeds		
15 February 1998	Bought	10,000	12,000			
1 March 2006	Sold	1,000		600		
Net		9,000	10,800			
12 May 2022	Bought	15,000	18,000			
Net		24,000	28,800			
	£					
Proceeds	33,000					
less:						
Cost (15,000) + ((5,000/ 24,000) x 28,800)	21,000					
Gain	12,000					
less: AEA	12,000					
Chargeable Gain	Nil					
	No of	Cost				

	Shares					
End Position	10,000	22,800				

Note: Matching Rules mean that the shares purchased on 15 June 2022, which is within 30 days of the disposal on the 1 June 2022, will be used in priority to the rest of the pool when calcualting the gain.

--------------ANSWER-13-ABOVE--------------

--------------ANSWER-14-BELOW--------------

Answer-to-Question-_14_

1) Poppy can choose to be taxed under either the cash or accurals basis. By opting for the cash basis, income and expenses are accounted for when money is received or paid. Under the accruals basis, rents receivable and expenses payable for a tax year determine the property income profit. Under the accruals basis, capital allowances may be claimed in respect of plant and machinery used in the property business. Under the cash basis, relief is given by deducting the cost of the asset when it is acquired.

2)

To minimise William's tax liability for the 2022-23 tax year, he should be taxed on the cash basis.

	£			
Rental Income (£2,150 x 8)	17,200			
Less:				
Shower	Not allowed to deduct as addition and not repair			
Council Tax	(1,800)			
Buildings Insurance	(3,700)			
Window Repairs	(1,750)			
Taxable	9,950			

Property Income				

William's taxable property income will be £9,950 and he will be entitled to a 20% tax reducer on the £4,800 of mortgage interest which he has paid when completing his tax return.

3)

William will be required to file a tax return for the 2022-23 tax year to include his property income. This will need to be filed by the 31 October 2023 if filing by paper or by the 31 January 2024 if filing online. If the return is not filed on time (the deadline for this as previously mentioned will depend on whether it is filed by paper or online), this means an automatic £100 penalty will be applied. If the return is more than 3 months late, then a further £10 per day penalty will be applied for a maximum of 90 days. If the return is more than 6 months late, an additional penalty of 5% liability to tax or £300 if greater will be applied. If the return is more than 12 months late, an additional 5% of liability to tax or £300 if greater will be applied. Increased penalties apply if the witholding of information after more than 12 months is deliberate or deliberate and concealed.

--------------ANSWER-14-ABOVE--------------

--------------ANSWER-15-BELOW--------------

Answer-to-Question-_15_

1)

First, you should obtain permission of the client to contact their previous adviser. Providing the client provides their permission, you should contact the previous adviser asking whether they are aware of any professional reason why you should or should not accept the appointment. Should the client not provide permission to contact their previous adviser, you should consider carefully whether the appointment should be accepted.

2)

	Residential Property Gains	Non-Residential Property Gains		
	£	£		
UK Residential Property (900,000-600,000)Please see note 1 below	300,000	-		
Painting (please see note 2)	-	Nil		
Ruritanian Residential Property (please	-	-		

see note 3)				
Net Gains	300,000	15,000		
less:				
AEA - not entitled as non-resident and not a UK national	-	-		
Chargeable Gains	300,000	15,000		

Note 1: Colin, as a non-resident, can use a re-based cost with a valuation at April 2015 when calcualting his capital gains meaning that for this purpose his cost is £600,000 not £500,000. Should the purchase price been used as the cost, Colin would have had a larger capital gain of £400,000 on his UK residential property.

Note 2: Asset acquired when non-resident therefore not chargeable to UK Capital Gains Tax.

Note 3: As a non-resident, non-domiciled individual, this asset will not be chargeable to capital gains tax in the UK.

3)

Jacqui - No UK Capital Gains Tax Implications as she was not a UK resident for 4/7 tax years (only UK resident during the 2016-17, 2017-18 and 2018-19 tax years) prior to departure so no disposals during the non-resident period are chargeable to UK CGT.

Colin - the temporary non-residence rules would mean Colin would be taxable on the gain made on his Ruritanian residential property upon his return to the UK in the 2023-24 tax year. Colin would not be taxable on the gain made on the painting however as this was an asset which was acquired during the period of temporary non-residence. Additionally, upon his return to the UK in 2023-24, this would mean he would not be entitled to rebasing the cost of his UK residential property disposed of during the 2022-23 tax year meaning he would be taxable on a gain of £400,000 not the previous calculation which showed the gain as £300,000 using a rebased cost.

	Residential Property Gains	Non-Residential Property Gains		
	£	£		
UK	400,000	-		
Ruritanian	392,045	-		
Painting	-	-		
Net Gain	792,045	-		
less: AEA	12,300	-		
Chargeable Gain	779,745	-		