

Institution **CIOT - ATT**  
Course **ATT Paper 1 Personal Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>277</b>	<b>1073</b>	<b>1317</b>
Section 2	<b>234</b>	<b>1068</b>	<b>1285</b>
Section 3	<b>359</b>	<b>1460</b>	<b>1809</b>
Section 4	<b>279</b>	<b>1154</b>	<b>1410</b>
Section 5	<b>287</b>	<b>1232</b>	<b>1466</b>
Section 6	<b>400</b>	<b>1767</b>	<b>2142</b>
Total	<b>1836</b>	<b>7754</b>	<b>9429</b>

Answer-to-Question- \_1\_

	<b>NSI</b>	<b>SI</b>	<b>DIV</b>
state pension	11,500		
private pension (1)	48,300		
interest in possession (2)	1,875		5,589
loan note (3)		500	
unit trust (4)		1800	
joint bank (5)		1300	
<b>Total</b>	<b>61675</b>	<b>3600</b>	<b>5589</b>
personal allowance	-12570		
	<b>49105</b>	<b>3600</b>	<b>5589</b>

$37700 + 2500 = 40200$  basic rate band with gift aid

taxable income 58294, more than 40200 less than 125140, higher rate tax payer

$40200 @ 20\% = 8040$

$8905 @ 40\% = 3562$

$500 @ 0\% = 0$

$3100 @ 40\% = 1240$

$500 @ 0\% = 0$

$5089 @ 33.75\% = 1718$

14560

1150 tax reducer

964 tax credits

13200 tax deducted at source

$$14560 - 1150 = 13410 \text{ tax}$$

$$13410 - 964 - 13200 = \text{£}754 \text{ tax repayable}$$

(1)

PAYE tax deducted at source = **-13200**

(2)

$$\text{gross dividend} - 5100 * 100/91.25 = 5589.04$$

$$\text{gross income} - 1500 * 100/80 = 1875$$

$$\text{tax credit} = 5589 + 1875 - 5100 - 1500 = \textbf{864}$$

(3)

$$400 * 10/8 = 500 \text{ gross interest}$$

$$500 - 400 = \textbf{100} \text{ tax credit}$$

(4)

received gross

$$(5) 2600/2 = 1300$$

lottery winnings not taxable

gift aid was not confirmed on second donation so it does provide tax relief

$$2000 * 10/8 = 2500 \text{ gross gift aid}$$

SEIS shares - Riya is a director with less than 30% shares owned. She is also not an employee as she is an unpaid director. She is able to claim income tax relief for subscribing to these shares

$$1000 * 0.5 = \textbf{500} \text{ tax reducer}$$

EIS shares - sold after it was held for more than 3 years

loss can be set against income of current year

$$750 - 100 = \textbf{650} \text{ tax reducer}$$

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question- \_2\_

1)  
house disposal

150,000 gains chargeable. He would have had to report the disposal and pay a payment on account of the CGT within 60 days of completion. Balance is payable/repayable by 31 January 2025.

ABC Ltd -

£40,000 of gain from house disposal deferred so now £110,000 gains taxable from house

XYZ Ltd shares -

50,000 gains realised

did not sell after 3 years holding so gain from shares taxable

QualVCT1 plc -

45000 - 25000 = 20000 gains, exempt from CGT regardless of how long the VCT shares were owned. clawback of income tax relief that was claimed.

150,000 gains - house

-40,000 gains deferred - ABC ltd

50,000 gains - XYZ ltd

= 110,000 gains from residential property, 50,000 gains from shares

£3,000 annual exemption

107,000 @ 24% = 25,680

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50,000 @ 20% = 10,000

£35,680 capital gains tax

2)

The gains deferred from the disposal of the house would be chargeable in the tax year of the sale - 2024/25. The gains brought back would be charged at the residential property rates. This would increase the capital gains tax liability of the previous year and they would also likely be due interest on the amount unpaid.

The gains realised from the sale of the shares would also be chargeable, but in the tax year it was sold - 2025/26.

Transfer of assets between spouses are at no gain, no loss.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3

$98000 - 25000 = 73000$  tax due

$98000 - 30000 = 68000$  income tax liability

$68000 * 0.8 = 54400$ , less than 80% income tax liability collected at source so payment on accounts for 2024/25 due

$68,000 / 2 = 34,000$  due on 31 January 2025 and 31 July 2025

6 month late filing penalty -  
 $73000 * 0.05 = 3650$

Adam was due to submit his 2023/24 tax return on 31 January 2025. He is due £73,000 for the tax year and that amount was also due on 31 January 2025. He has been charged an initial late filing penalty of £100 for missing the deadline. Once the revenue are aware of how much tax he owes for the tax year, they will also calculate and charge late payment interest on the amount he has been late to pay, until the amount has been settled. The rate of late payment interest is 7.75%.

As he has been late to pay for over 30 days, the revenue will also apply a 5% charge for late payment once they are aware of the amount of tax he is due. This would be £3,650. If he does not approve his return and have it filed before May, he will have missed the filing deadline by 3 months and would incur daily penalties of £10 for every day he does not file his return. The maximum penalty this can add up to is £900 from 90 days.

If he were to only file his return after he has returned from his holiday, he would have missed the filing deadline by 6 months. He would be charged an extra £300 for this on 31 July 2025.

As his tax due from 2023/24 was greater than £1,000 and less than 80% of his income tax liability was collected at source, he is also due to pay payments on account for his 2024/25 tax year. £34,000 due on 31 January 2025 and a further £34,000 due 31 July 2025. Late payment penalties are not applied to late payments on accounts but late payment interest is. The late pay interest would also be calculated at 7.75%.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- 4

1)

Cain plc Loan Stock

Loan stock is convertible into US\$. It is therefore not a qualifying corporate bond and is treated like shares.

$$100,000 - 98,750 = \mathbf{1,250 \text{ gains}}$$

Diamond ring

$$7000 * 0.12 = 840$$

$$7000 - 840 - 4000 = \mathbf{2,160 \text{ gains}}$$

Watch

$$32,000 - 18,000 = \mathbf{14,000 \text{ gains}}$$

Painting 1

$2,000 - 15,000 = -13,000$  losses of gifts can only be deductible against disposals from the same person

Painting 2

$$9,000 / 1.286 = 6,998 \text{ value at acquisition}$$

$$10,500 / 1.555 = 6,752 \text{ sold for}$$

$$6,752 - 6,998 = \mathbf{-246 \text{ loss}}$$

Land

$$\text{Total value of land when sold} = 75,000 + (12,000 * [120-6]) = 1,443,000$$

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portion of land sold =  $75,000 / 1,443,000$

cost of land sold =  $600,000 * (75,000/1,443,000) = 31,185$

$75,000 - 2,500 - 25,000 - 31,185 = \mathbf{16,315 \text{ gains}}$

$1250 + 2160 + 14000 - 246 + 16315 = \mathbf{33,479 \text{ net capital gains}}$

2)

She could gift the shares directly to her son and claim gift relief. It would have to be claimed jointly by both her and her son within four years of the end of the tax year of gift.

She would not be liable to capital gains tax as the gift relief claimed would reduce her gains to nil. Should her son sell those shares, the base cost of the shares would be difference between the market value of the shares when gifted and the amount of gift relief that was claimed.

If she were to gift the shares to a discretionary trust, she would be chargeable to capital gains tax on the gains of the disposal where the proceeds are the market value of the shares.

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-----ANSWER-4-ABOVE-----  
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 -----ANSWER-5-BELOW-----  
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Answer-to-Question- 5

1)

	<b>NSI</b>	<b>SI</b>	<b>DIV</b>	<b>top slice termination pay</b>
Intone Ltd income	43,000			33,500
Delream salary and joining bonus	40,500			
car and fuel benefit	3,484			
private medical	980			
UK company dividends			2,400	
	<b>87,964</b>		<b>2,400</b>	<b>33,500</b>
Personal allowance				-5,388
<b><u>taxable pay</u></b>	<b><u>87,964</u></b>	<b><u>0</u></b>	<b><u>2,400</u></b>	<b><u>28,112</u></b>

taxable pay = **123,864**

pension contribution  $7600 * 10/8 = 9500$

net adjusted income =  $123,864 - 9,500 = 114,364$

personal allowance =  $12570 - ([114,364 - 100,000] / 2) = 5,388$

$37700 + 9500 = 47200$  basic rate band

$125140 - 47200 = 77,940$  higher rate band

Intone Ltd

April salary - **5,500**

3 months notice - 16,500

bonus - **12,000**- normal taxable as it is a reward for work done

contractual restraint of trade payment - **9,000**- normal taxable as it is for restrictive covenant

voluntary payment - 80,000 - **16,500**normal taxable as 3 months notice in contract, 30,000 exempt from tax and remaining **33,500**taxed at top slice after dividends under s.

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401 ITEPA 2003

personal pension payment - 5,000 - non taxable as it is into a pension scheme

$$5,500 + 12,000 + 9,900 + 16,500 = 43,000$$

Delream Ltd

**3,000** joining bonus

$$75,000/12 = 6,250 \text{ monthly salary}$$

$$6 \text{ months pay in tax year} - 6,250 * 6 = \mathbf{37,500}$$

company car benefit

electric range 66 miles - 8%

$$\text{revised list price} = 36,000 - 4,500 = 31,500$$

used 6 months until April

$$(31,500 * 0.08) * 6/12 = 1,260$$

$$27800 * 0.08 = 2,224$$

$$\text{taxable benfit} = 1,260 + 2,224 = \mathbf{3,484}$$

2)

$$47,200 @ 20\% = 9,440$$

$$40764 @ 40\% = 16,306$$

$$500 @ 0\% = 0$$

$$1900 @ 33.75\% = 641$$

$$28112 @ 40\% = \mathbf{11,245}$$

$$43000 @ 20\% = \mathbf{8,600}$$

$$\text{tax payable on termination pay} = \mathbf{\pounds 19,845}$$

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_

1)

$13,500 * £1.90 = £25,650$  option value

$13,500 * 4.25 = 57,375$  predicted value on exercise on 31 Aug 2028

$57,375 - 25,650 = 31,725$  amount chargeable to income tax in 2028/29 tax year

$31,725 @ 40\% = £12,690$  income tax payable in 2028/29

as the shares are readily convertible assets (shares from a quoted trading company), the amount chargeable to income tax would also be chargeable to NIC

if sold on 31 January 2029 when valued at £5.50 each

$13500 * 5.5 = 74,250$

$74250 - 25,650 - 31,725 = 16,875$  gains

$16,875 - 3,000 = 13,875$  chargeable gains

$13,875 @ 20\% = £2,775$  capital gains tax payable in 2028/29

2)

The market value of shares on exercise would be higher. The net gain on the sale of shares would therefore be lower as the gain calculated is effectively the sale proceeds minus the market value on exercise.

3)

$13,500 * £1.90 = £25,650$  option value at the date of grant

- The option price is not discounted - it is the market value at the date of grant.
- The value of the of shares at the date of grant does not exceed £60,000 (value of options granted £25,650).

The scheme could satisfy the above conditions of a qualifying company share option plan (CSOP).

4)

There would be still be income tax or NIC implications on the exercise of the shares in the same way as above if she exercised her options before 1 February 2028.

If she exercised her options on or after 1 February 2028, she would have exercised her options after 3 years and before 10 years from the date of the grant. There would therefore no longer be any income tax or NIC implications on the exercise of the share options.

If she sold the shares on 31 January 2029, the net gains from the sale of shares would be the difference between the proceeds and the cost of the shares.

5)

A conflict of interest would arise as Dominika and Weyho plc would be two separate clients that are financially involved with each other.

This could affect my ability to remain objective and provide the two parties with independent advice.

The clients should be aware of a possibility that a conflict of interest may arise and be informed where appropriate.

I may have to decline to do the seminar for Weyho plc.

