

THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 1 PERSONAL TAXATION

November 2025

TIME ALLOWED

3 HOURS 30 MINUTES

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- A maximum of two marks will be awarded for the quality of presentation of the answers.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

1. Amrita, who lives and works in Edinburgh, is a Scottish taxpayer, and a longstanding client of your firm. She has been employed by Amburton Ltd for many years.

Amrita has supplied you with the following information relating to 2024/25:

- a) Her gross annual salary was £54,000.
- b) She was provided with a company car until 31 August 2024.

The hybrid powered car had CO₂ emissions of 47 g/km, a list price of £38,650 and an electric range of 85 miles.

Amrita had made a capital contribution of £8,650 towards the purchase price of the car.

Amburton Ltd paid running costs of £4,220 relating to the car. This amount includes £2,950 for providing petrol and electricity for business journeys only.

- c) From 1 September 2024 Amburton Ltd paid Amrita a mileage allowance for the use of her own car. From 1 September 2024 to 5 April 2025 Amrita drove a total of 16,940 miles, 40% of which related to private mileage. She received 45p per mile for both business and private mileage.
- d) Amburton Ltd has provided Amrita with an unfurnished house since 1 January 2020 when it was valued at £580,000.

The annual value of the house is £8,580.

The company purchased the house on 1 May 2018 for £460,500.

In February 2019, a conservatory was added to the house at a cost of £28,750.

Amrita provided all the furnishings for the house at a cost of £10,100 and during 2024/25 she paid £5,680 for her utility bills and council tax.

- e) Amrita paid 8% of her gross salary into Amburton Ltd's occupational pension scheme and the company paid in a further 12% on her behalf.

Amburton Ltd has not registered with HMRC to include benefits in the payroll.

During 2024/25 Amrita received building society account interest of £1,320 and paid £1,000 to a registered charity under the Gift Aid scheme.

Requirements:

- 1) Calculate Amrita's Income Tax liability for 2024/25, showing your treatment of each item. (14)
- 2) Calculate the Class 1A National Insurance Contributions payable by Amburton Ltd in respect of Amrita's employment in 2024/25 and state the due date of payment. (3)
- 3) Explain, with reasons, the amount Amrita would be assessed on for the company house provided by Amburton Ltd if it is classified as job related accommodation. (1)

Total (18)

2. Your client, Mrs Hubert, has provided you with the following information for 2024/25.

On 10 April 2017 Mrs Hubert gave cash of £95,000 to her niece in order to reduce her estate for Inheritance Tax purposes. Her niece immediately spent the £95,000 to buy a painting.

The painting was hung on the wall at Mrs Hubert's home, but the arrangement was such that it was not caught by the 'gift with reservation' rules for Inheritance Tax purposes.

The painting was revalued on 6 April 2022 at £145,000 and was worth £175,000 on 6 April 2024.

In 2019, Mrs Hubert purchased 1,500 shares in ABC Ltd, an investment company, for £20,000. In May 2024, ABC Ltd was taken over by XYZ plc and in exchange for her shares in ABC Ltd, Mrs Hubert received cash of £85,000 and £15,000 of loan stock in XYZ plc. The loan stock is a qualifying corporate bond and was valued at £18,000 in May 2024.

In September 2024, she sold half the loan stock for £12,000.

Mrs Hubert has capital losses of £16,000 brought forward from 2023/24. Her only taxable income in 2024/25 was pension income of £45,000.

Continued

Requirements:

- 1) Explain, with supporting calculations, the Income Tax treatment in 2024/25 of the gift of the painting. The calculation of Mrs Hubert’s total Income Tax liability is NOT required. (4)
- 2) Calculate, with supporting explanations, Mrs Hubert’s Capital Gains Tax liability for 2024/25. (12)

Total (16)

3. Marta, aged 35, had lived in Ruritania all her life until she came to the UK for the first time in June 2023. At that time, she took out a two-year lease on a flat in Bristol. She was UK resident in 2023/24 as she was present in the UK for more than 182 days.

Marta is unmarried and has a 15-year-old daughter, Louisa, from a previous relationship. Louisa is UK resident and attends a weekly boarding school in the UK, spending most term-time weekends with Marta in Bristol during 2024/25. Outside of term-time, Louisa lives with her father in France. During the 2024 summer holidays Louisa spent a month working at a holiday camp in Cornwall.

Marta is not employed, although she does volunteer from 9am to 3pm every Wednesday at a local charity shop when she is in the UK.

Marta spent 150 days in the UK during 2024/25 and split the other days equally between Ruritania and Utopia. She does not meet any of the automatic tests of UK, or non-UK, tax residence for 2024/25.

Marta had several income sources during 2024/25, namely:

- a) A commercial rental property in the UK, although she sold this property for a significant gain in November 2024.
- b) A residential rental property in Ruritania.
- c) Interest income from a bank account in Utopia.
- d) Dividends from a shareholding in a UK resident company.

Requirements:

- 1) By reference to the sufficient ties of the statutory residence test, explain which UK ties Marta has in 2024/25. (12)
- 2) Explain how Marta’s exposure to UK tax on her income and gains in 2024/25 would be impacted by her being UK resident or non-UK resident for that year. Assume that there are no Double Tax Treaties between the UK, Ruritania and Utopia and that Marta would not take advantage of the remittance basis of taxation. (6)

Total (18)

4. Amal has provided you with the following information to calculate his property income for 2024/25.

On 6 October 2020, Amal paid a premium of £65,000 on the grant of a 25 year lease on a commercial property.

On 6 October 2024, Amal granted a five year sub-lease to Lara, who paid Amal a premium of £14,000 on that date. Lara is also required to pay Amal monthly rent of £250, payable in advance on the 6th of the month, starting on the date of the grant. Lara paid the amounts due for 2024/25 on time.

Throughout 2024/25 Amal also let out a house, charging rent of £1,800 per month payable on the 1st of the month. The tenant missed the payments in January 2025 and February 2025, although they did pay the rent on time for all other months. Amal received the two missed payments in September 2025.

In May 2024, Amal replaced the bath in the house at a cost of £500. The new bath is similar to the original one. In September 2024, Amal paid for a new garage to be built next to the house at a cost of £15,000. In March 2025, Amal paid the Council Tax bill for 2025/26 of £2,000.

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Amal telephoned you to ask how much his property income is for 2024/25. At the end of the phone call he said that he was happy with the advice given during the conversation and that he did not need further confirmation of what had been discussed. However you feel uncomfortable to just give him advice over the phone.

Requirements:

- 1) Calculate, with supporting explanations, Amal’s taxable property income for 2024/25.

(13)
- 2) Explain, in line with Professional Rules and Practice Guidelines (PRPG), what you should consider doing, and why, in relation to the advice given to Amal during the telephone conversation.

(3)

Total (16)

5. Thomas and Alice have approached you for advice in relation to their Capital Gains Tax positions.

They have explained that at the start of the 2023/24 tax year, the 100,000 £1 Ordinary shares in Moonth Ltd, a trading company, were held as follows:

<u>Shareholder</u>	<u>Holding of £1 Ordinary shares</u> <u>No.</u>
Thomas	5,500
Alice	7,000
Charles	<u>87,500</u>
	<u>100,000</u>

Thomas and Alice have both worked for Moonth Ltd for more than 10 years and continue to do so. Both paid full unrestricted market value for their shares when they started working for the company; Thomas paid £2 per share and Alice paid £3 per share.

In May 2023, Kathy subscribed in cash for 25,000 new £1 Ordinary shares in the company at £100 per share.

Following Kathy’s investment, Moonth Ltd has been very successful and was sold for £18m in September 2024.

Alice has advised you that she inherited an empty commercial property from her aunt a few years ago. The probate value of the property was £145,000 and, following her aunt’s death, Alice spent £15,000 installing a commercial kitchen. In May 2024, Alice granted a 65-year lease to a local business for £225,000, incurring £2,000 of legal fees. The reversionary interest in the lease is £25,000.

In June 2024, Alice sold a painting at auction for £3,500, before deduction of 5% commission. She had bought the painting many years ago for £20,000.

Thomas has previously claimed entrepreneurs’ relief in relation to capital gains of £600,000.

Both Thomas and Alice are higher rate taxpayers and always make any beneficial elections to minimise their tax liabilities.

Requirement:

Calculate, with supporting explanations, the Capital Gains Tax liabilities for Thomas and Alice for 2024/25.

Total (15)

6. You are a tax assistant with your firm, and you have been given the task of presenting to audit colleagues, at the next tax training course.

Your brief is to explain the issues arising from the following Case Study details:

In 2024/25, Rowland (aged 35) worked for ABC plc on a gross salary of £256,000 but had no other sources of taxable income.

In previous tax years Rowland’s employment income was £200,000.

Rowland does not belong to ABC plc’s occupational pension scheme but for several years has instead contributed £3,500 per month into a personal pension scheme.

ABC plc pays contributions of £55,000 directly into the scheme.

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Requirements:

Prepare bullet point notes for your presentation to your colleagues which:

- 1) explain, with supporting calculations, the amount of the annual allowance charge arising in 2024/25; and (8)**
- 2) explain how Rowland’s Income Tax liability is calculated including reference to the impact of the pension contributions. (7)**

You should outline the step-by-step approach required to calculate the annual allowance charge and complete the Income Tax liability computation. You should cover the issues to be considered at each stage, but you should NOT produce an Income Tax computation.

Total (15)