

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	286	1359	1757
Section 2	158	811	1133
Section 3	146	574	705
Section 4	129	630	739
Section 5	206	1162	1388
Section 6	89	502	591
Total	1014	5038	6313

Answer-to-Question-__1__

1.1

				Non Savings £	Savings £	Dividend s £
Employment Income	a)			54000		
Expenses	b)			1270		
Milage	c)			3082		
House	d)			17901		
Less Pension	e)			(4320)		
					1320	
Total				71933	1320	
Less PA				(12570)		
				59363	1320	

Basic Rate 38950 @ 20%
 Higher Rate (59363-38950) 15050 @ 40%
 Savings Allowance 500 @ NIL
 820 @ 40%

38950	20%	7790	
15050	40%	6020	
500	NIL	0	
820	40%	328	
Total			£14138

b)

Expenses for Business purposes 2950 - 4220 paid disallowable expense 1270

List Price £38650
 Less Capital contribution (Max 5K) (5000)

Revised List Price £33650

Emmissions 1-50 g/km and electric range 70-129 5%

Not available for (365-31-31-30-31-25) 217 days

List Price 33650 * 5% = £1683

Less Unavailable (1000)

Cash Equivilent £683

c)

Total Milage 16940 Private 40% 6776 Business 10164

Total Paid 16940 * 45p £7623

Allowable 10000 @ 45p £4500

164 @ 25p £41

Total Allowable £4541

Total Paid £7623 less allowable £4541 - disallowed £3082

d) As the house is owned it is the annual value that is used

Plus Yearly Rent

Cost (460500+28750) £489250

(Costs less 75000)*ORI

(489250-75000)*2.25%

£9321

Total 9321+8580 £17901

e) £54000 *8%

1.2

List Price £38650
Less Capital contribution (Max 5K) (5000)

Revised List Price £33650

Emmissions 1-50 g/km and electric range 70-129 5%

Not available for (365-31-31-30-31-25) 217 days

List Price 33650 * 5% = £1683
Less Unavailable (1000)
Cash Equivilent £683

683 @ 13.8% = £94

1.3

If the accommodation was classed as job related then it would be a tax free benefit

It would be classed as job related if

It is necessary for the job

It is provided to allow for better performace of the job

It is provided because there is a threat to the employees security

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

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

Answer-to-Question- 2
2.1

A niece is not a connected person for capital gain tax purposes

The niece owns the painting and will be liable to any gains / losses on disposal

The Takeover of ABC Ltd

allowable cost $(a / (a+b)) * \text{Original Cost}$

a - cash recieved on takeover

b- Market value of new shares recieved

$(85000 / (85000 + 18000)) * 20000$

Proceeds	£85000	
Less Costs		
$(85000 / (85000 + 18000)) * 20000$	(£16505)	
No Indexation as after 12/2017		

Chargable Gain	£68495
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The QCB gain is frozen until it is sold

Proceeds	£18000	
Less Costs		
$20000 * (18000 / (85000 + 18000))$	(£3495)	
Gain	£14505	

Frozen Gain £14505
50% Crystallises £7253

QCB is an exempt asset for CGT purposes instead the profit (12000-7253) 4747 will be treated as a taxable credit on a loan relationship

The CGT Liability is as follows

Gain	£68495
Less allowable	(£3000)
Taxable Gain	£65495
Less losses B/f	(£16000)
Total	49495
5270 @ 10%	£527
44225 @ 20%	£8845
Total CGT payable	£9372

Sale Proceeds	£12000
Costs (18000/2)	(£9,000)
Chargable Gain	£3000

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

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

Answer-to-Question- 3

3.1

Under the sufficient ties test there are five ties

Family
Accommodation
Work
UK Presence
Country

As Martha spent 150 days in the UK she only needs at least 1 tie to make her a UK Resident

She has a tie in Family as her daughter attends boarding school in the UK and is a UK resident

Work is not a tie

UK presence is a tie as she has spent more than 90 days in the UK in the previous 2 tax years

Country is a tie as she spends more days in the tax year than any other country

Accommodation is also a tie as the lease on the flat is available to her for at least 91 continuous days in the tax year

She passes the sufficient ties test

3.2

All individuals pay tax on their UK income regardless of their residence status

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

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

Answer-to-Question- _4_

Premium			14000
less	a)		(1120)
			12880
less	b)		(13000)
Monthly Rental	c)		2000
Monthly Rental House	d)		18000
Less	e)		(17500)
Property Income			2380

Sub Lease

a) Premium £14000
 $2\% * 14000 * (5-1)$
£1120

b) Allowance for original premium paid

$65000 * (5/25)$

c) Monthly rental 8 months at £250

d) House only 10 payments received $10 * 1800$

e) Bath Allowable, Garage Not - Capital in Nature but allowed under Cash Basis, Council Tax allowed as paid in 24/25

4.2

Although Amai did not require any further correspondance I would follow up this conversation with an email or a letter covering all the points discussed.

This will ensure that Professionaly I am covered and Ethicaly Amai has the advice to refer back to if needed.

It also leaves no doubt as to what has been discussed.

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

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

Answer-to-Question- 5

Person	No Shares	Sale Proceeds	Cost	Gain		
Thomas	5500	792,000	11,000	781,000		
Alice	7000	1,008,000	21,000	987,000		
Charles	87500	12,600,000				
Kathy	25000	3,600,000	2,500,000	1,100,000		

Sales proceeds 18,000,000 / 125000 = £144 per share

Alice

The sale of the painting

Loss is restricted by deeming gross sale proceed at £6000

Proceed £6000
 Less commission(3500*5%) (£175)
 Less cost (£20,000)
 loss is restricted to £14175

The grant of the lease

Cost
 145000 - probate value
 15000- addition

allowable cost = the gross amount of premium paid / (gross amount of premium paid / reversionary interest)* aquisition cost

$$225000 / (225000 + 25000) * (145000 + 15000)$$

$$160000 * (225000 / 250000)$$

allowable costs = 144000

Gross Premium			225000
Less fees			(2000)
			223000
Less Costs			(144000)
Gain			79000

Alices Gains

Shares			987,000
Painting			(14,175)
Lease			79,000
TOTAL			1,052,175

Total Gain £1,052,175
Less Allowance (£3,000)

Taxable Gain £1,049,175

BADR @ 10% full £1mil available

£1,000,000 @ 10% £100,000
£49,175 @20% £9,835

Total CGT Liability £109,835

Thomas's previous claim of £600k of BDAR "entrepreneurs relief" is subject to a £1mil lifetime limit so he only has £400 remaining

Thomas

Chargable Gain £781,000
£400,000 would be available for BDAR at 10% £40,000
The remaining after his annual exemp amount would at 20%

$£381000 - 3000 = £378,000 @ 20\% £75,600$

Total Capital Gains Tax Liability £115,600

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

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

Answer-to-Question- 6
6.1

Annual allowance charge

(Total pension inputs in the tax year Annual Allowance) @ individuals marginal tax rate

2024/25

Gross Salary £256000

Previous tax year £200000

Employee Contributions into personal pension scheme (3500*12) 42000 per year

ABC contribution into scheme £55000

Can not carry any unused allowance forward more than 3 years

Annual allowance reduces by £1 every £2 earnt over £260k capped at £360k

Annual Allowance 24/25 £60k

Net Income £256000

Contributions Employer £55000

Adjusted Income £311000

Annual Allowance reduced by (51000/2) £25500

New annual allowance £34500