

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	253	1148	1308
Section 2	144	670	766
Section 3	446	1748	2184
Section 4	127	552	658
Section 5	290	1346	1551
Section 6	315	1587	1859
Total	1575	7051	8326

Answer-to-Question-__1__

1)

		NSI	SI	
Salary		54000		
company car	W1	701		
Company car fuel	W2	579		
Mileage	W3	4574		
Accomodation	W4	19588		
bank Interest			1320	
Occupational pension		(4320)		
net income		75092	1320	
Less PA		(12570)		
Taxable Income		62522	1320	
TAX	2306	19%	438	
	12935	20%	2587	
	17101	21%	3591	
	30180	42%	12676	
	500 (sacing allowance)	0%	0	
	820	40%	328	
Tax Liability			19620	

W1 - Hybrid car electric rage 85 = 5% car benefit

List price		38650	
Capital contributions	Limited to £5000	(5000)	
		33650	

car benefit for 5 out of 12 months = $33650 * 5\% * 5/12 = £701$

W2 - fuel benefit

$£27800 * 5\% * 5/12 = 579$

W3 - mileage

$$40\% 16940 = 6776$$

		£	
Amount recieved	16940 @45p	7623	
Allowable business mileage	6776 @ 45p	(3049)	
taxable benefit		4574	

W4

Annual value		8580	
Additional yearly rent	(W5) 489250*2.25%	11008	
taxable benefit		19588	

W5

as it was less than 6 years between the date the property was purchased and the date the employee moved in
so cost is the purchases price £460500 plus improvements (conservatory) £28750

W6 - increasing rate bands

$$1000 \text{ gift aid grossed up } (1000 * 100 / 800 = \text{£}1250)$$

$$\text{basic rate} = 13991 + 1250 = 15241$$

$$\text{intermediate} = 31092 + 1250 = 32342$$

$$\text{Higher rate} = 62430 + 1250 = 63680$$

W7 - occupational pension decutions

$$8\% \text{ of salary } (54000) = 4320$$

Occupational pension contributions by employer are exempt

2)

comapany car		701	
company fuel		549	
milage		4574	
Accomadation		19588	
Total taxable benefits		25412	
Class 1A	25412 * 13.8%	3507	

3)

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

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

Answer-to-Question- 2

1)

2)

		Gains eligible for BADR/IR	Other gains not eligible for BADR/IR	
Cash on takeover	W1		68000	
Qualifying Loan Stock	Exempt from CGT		0	
Less	AEA		(3000)	
Less	Capital loss b/f		(16000)	
	Taxable Gain		49000	
	20% on other gains above basic rate band		9800	
	Total CGT for 2024/2025		9800	

She is a HR Tax payer

Tax due by 31 January 2026

Capital gains must be reported on Self Assessment tax return by 31 January 2026

W1

		Shares	Cost
Purchase ABC Ltd shares		1500	20,000
			Base cost
Takeover of shares	Cash	85,000	17,000
	Loan Stock	15,000	3,000
		100,000	20,000

Cash on takeover	proceeds	85000	
	base cost	(17000)	
	Gain	68000	
Sale of loan stock		12000	
	50% Base cost	(1500)	
		10500	

Loan notes are Qualifying corporate bonds, the gain associated with the loan note will be deferred until the loan notes are encashed or otherwise disposed of.

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

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

Answer-to-Question- 3

1) There are 5 ties

Family - She Meets this test as she has a daughter who is resident in the uk and spends most of her weekends (free time from boarding school) with martha in marthas flat

Accommodation - Martha Meets this tie test as she took out a 2 year lease in june 2023 , meaning that she has a place to live in the uk available for at least 91 days

Work - She doesnt meet this as she doesnt have a job

UK Presence - Martha has ties to this test as she has been in the uk for 182 day last year which meets the more than 90 days in either previous 2 tax year test.

Country - She meets this test as she has been in the uk for 150 days which is more than any other single country (IE Ruritania and Utopia which has 215 days split equally).(this is relevent for her as she has been a resident in the uk for 1 of the previous 3 tax years)

She Qualifys for 4 out of the 5 ties.

As she has been in the uk for over 120 days she needs at least 1 UK tie, so she is a UK resident in the 2024/25 tax year.

2) if Marta was non resident in the 2024/25 tax year her forign income will not be taxable and only UK income arising in the year will be taxable in the UK. So only her income from Dividends from a shareholding in a uk resident company, rental property in the UK will be taxable to UK income tax and there will be capital gains tax due on the sale of the UK rental properly too. The Ruritania income and the Utopia income will not be subject to UK Income tax.

As Marta is resident and non domicilled all of her income tax from UK sources will be taxed on an arising basis (taxed in the year it is recieved)and there would be capital gains tax due on the sale of the UK rental property. However all of her foreign income is also now subject to UK income tax, meaning that the she will have to pay tax on the residential property in Ruitania and interest from bank account in Utopia. She will be able to claim double taxation relief on the forign income. This can be done in either one of two ways 1 she gets a tax credit that will be the lower of overseas tax suffered or the UK tax liability. or in some instances it may be advantageous to treat the foreign tax paid as a deduction from Income.

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

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

Answer-to-Question- 4_

		£	
Grant of short lease premium	W1	12880	
Short least rental income	6 x 250	1500	
House rent	W2	15500	
Total taxable property income		29880	

W1

Grant of a short sub lease from a sub lease

Premium		14000	
Less 2% x 14000 x (5-1)		(1120)	
Taxable to property income		12880	

OR $14000 \times (50-4)/50 = 12880$

W2

Rental income	10 months @ 1800	18000	
Less	Council tax	(2000)	
	Replacement of bath (this is a repair rather than a capital item as it is a replacement of a similar asset)	(500)	

Taxable house income		15500	
-------------------------	--	-------	--

The property income is calculated on cash basis meaning that any income and expenses are ones that were recieved/ paid in the tax year, doenst matter if they relate to other tax years.

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

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

Answer-to-Question- _5_

Thomas

		Gains Eligible for BADR/IR	Other gains not eligible for BADR/IR	Residential property gain
Sale of Shares in Mooth Ltd	W3		781000	
Less	Annual Exempt amount		(3000)	
taxable gains			778000	
20% on other gains above basic rate band			1556000	
Total CGT Due for 2024/25 by 31 January 2026			1556000	

Alice

		Gains Eligible for BADR/IR	Other gains not eligible for BADR/IR	Residential property gain
Sale of Shares in Mooth Ltd	W2	987000		
less	Current Year Losses (W1)	(14175)		
Less	Annual exempt amount	(3000)		
Taxable gains		969825		
	10%	96983		

Total CGT Due for 2024/25 by 31 January 2026		96983		

w1

Sale of Painting	proceeds	6000	
Less	commission 5% £3500	(175)	
	Cost	(20000)	
Loss on sale		(14175)	

the loss is restricted by deeming painting proceeds as £6000

W2

Alice			£
Proceeds of Moonth Ltd sale	W4		1,008,000
Cost of shares	7000 * £3		(21,000)
gain			987,000

Alice had 5.6% of the company at the date it was sold, as it is greater than 5% and she has owned them for more than 2 years prior to disposal she is eligible to BADR.

Alice now has a lifetime limit of £13000 left (£1m - £987000)

W3

Thomas			£
Proceeds of Moonth Ltd sale	W4		792,000
Cost of shares	5500*£2		(11,000)
gain			781,000

At the date of sale Thomas owned 4.4% of shares in the company, even though he has owned these shares for more than 2 years he is not eligible for BADR.
 he is also not eligible for Investors relief as he is an employee of the business.

W4

	Number of shares		Proportion of sale £
Thomas	5500	5500/125000 * £18m	792,000
Alice	7000	7000/125000 * £18m	1,008,000
Charles	87500	87500/125000 * £18m	12,600,000
Kathy	25000	25000/125000 * £18m	3,600,000
Total Shares	125000		18,000,000

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

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

Answer-to-Question- _6_

Annual Allowance

- the annual allowance is £60000 for 2024/25 with a taper for High income individuals
- this allowance can ben increased by unused allowances from the previous 3 years
- Rowland is currently contributing £42000 per year into his personal pension scheme (3500 x 12)
- in the previous 3 tax years Rowlands income was £200,000 and adjusted net income of £255,000 (£200,000 plus employer contribution £55000) as his income doesnt exceed the threshold income of £200,000 or the Adjusted net income threshold £260,000, he gets the full Annual exempt amount
- in 2024/2025 rowland has income of £256,000 as this is above the threshold income of £200,000, Rowlands Ajusted net income is (256000+55000) £311000 (his income plus employers contributions)
- As his Ajusted net income is over the threshold his annual allowance will be reduced by £1 for £2 over £260,000
- $311000 - 260000 = 51000 / 2 = £25500$
- annual allowance for 2024/25 = £34500 (60000 - 25500)

	2021/22	2022/23	2023/24	2024/25
Annual Allowance	60000	60000	60000	34500
Annual allowance carried forwards				(7500)
Less pension contributions	(42000)	(42000)	(42000)	(42000)
Unused annual allowance	18000	18000	18000	0
used in 2024/25			(7500)	
Allowance c/f	18000	18000	10500	

- Unused allowance is used in a FIFO basis

Income Tax Liability

- The pension contributions made by the company are a tax free benefit, but it gets looked at when annual allowance has been exceeded

- the personal allowance of £12570 will be lost as his adjusted net income £203500 (salary 256000- pension contribution gross 52500) is over the £125140 limit

- The Personal pension amount will increase the basic rate and high rate bands by the grossed up contributio

£42000 grossed up = £52500 (42000*100/80)

BRB = £37700 + £52500 = £90200

HRB = £125140 + £52500 = £177640

ADB = anything over 177640

so he will have income tax of £90200 @20%

87740 @40%

78360 @ 45%