

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>367</b>	<b>1649</b>	<b>1912</b>
Section 2	<b>194</b>	<b>866</b>	<b>996</b>
Section 3	<b>571</b>	<b>2460</b>	<b>3021</b>
Section 4	<b>406</b>	<b>1864</b>	<b>2223</b>
Section 5	<b>552</b>	<b>2596</b>	<b>3039</b>
Section 6	<b>367</b>	<b>1741</b>	<b>2087</b>
Total	<b>2457</b>	<b>11176</b>	<b>13278</b>

Answer-to-Question-\_\_1\_\_

Part 1

			NS	S	D
Salary			54,000		
Interest				1320	
Excess mileage allowance	W2		3049		
Company car	W1		701		
Living accomadation	W3		12,221		
Less: Occupational pension scheme	8% x 54k	N1	(4320)		
Net income			65,651	1320	-
Less personal allowance			(12,570)		
Taxable income			53,081	1320	-
Income tax calc					
SR	2306 x 19%				438
BR	13991 x 20%	W5			2798
IR	17101 x 21%				3420
HR	19683 x 42%				8267
Savings HR	500 x 0%				0
	820 x 40%		Normal uk rate		328
Tax liability					15,251
No PAYE					-
Tax due					15,251

W1 Company car:

List price			38,650
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Less Capital contribution	restricted to 5k Max		(5000)
Revised list price			33,650

Car benefit %= electric range of 85 miles = 5%

$$33,650 \times 5\% = 1,683$$

$$\text{availability} = (5/12) \times 1,683 = 701$$

$$\text{Taxable benefit} = 701$$

No private fuel provided, Amberton Ltd only paid for business fuel only.

W2 Mileage allowance:

Business miles allowed, private miles not allowed

$$40\% \times 16,940 = 6776$$

$$6776 \times 45p = 3049$$

W3 Living accomadation:

Owned by company and provided within 6 years of owning the house, so cost is used rather than mv.

Annual value		8,580
Yearly rent	$(460,500 + 28,750 - 75,000) \times 2.25\%$	9,321
employee contributions		(5,680)
Taxable benefit		12,221

Yearly rent includes cost + improvements prior to giving amrita use of house.

W4: gross gift aid

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$$1000 \times 100/80 = 1250$$

W5: Extend scottish tax bands

$$\begin{aligned} \text{Original basic rate limit} &= 13,991 \\ \text{Add gross donation: } &1250 \\ &= 15,241 \end{aligned}$$

$$\begin{aligned} \text{Original intermediate limit} &= 31,092 \\ \text{Add gross donation: } &1250 \\ &= 32,342 \end{aligned}$$

$$\begin{aligned} \text{Original higher rate} &= 62,430 \\ \text{Add gross donation} &= 1250 \\ &= 63,680 \end{aligned}$$

$$\begin{aligned} \text{W6: UK basic rate limit extended} \\ 37,700 + 1250 &= 38,950 \end{aligned}$$

N1: Company contribution to pension scheme is tax exempt

Part 2

Claa 1a is paid on taxable benefits and termination payments exceeding 30k at 13.8%

$$(3049 + 701 + 12221) \times 13.8\% = 2204$$

due date is 22 July 2025 is paid electronically, otherwise 19 July 2025.

Part 3

Job related accomadation is a tax free benefit so the benefit would be nil. However, as Amrita pays for furnishings for the house, these would be repayable in full. Therefore Amrita would get a repayment of 10,100.

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-----ANSWER-1-ABOVE-----  
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 -----ANSWER-2-BELOW-----  
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Answer-to-Question- 2

Part 1

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Part 2

			Other gains	
Cash	w1		68,000	
QCB Gain	w2		6,000	
Less: AEA			(3,000)	
			71,000	
Less: capital loss b/f			(16,000)	
Taxable gain			55,000	
CGT calc				
55k x 20%				11,000

As her taxable income (45k) is > 37,700, she has no more basic rate band remaining for CGT purposes. so all gain is at 20%.

All shares are within the s. 104 pool

		No of shares	Cost
2019		1,500	20,000

Allocation of base cost for sale proceeds.

		Value of consideration	Allocation of base cost
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Cash		85,000	17,000
Loan stock XYZ	QCB	15,000	3,000
		100,000	20,000

The base cost of the cash and loan stock are a proportion of the original base cost of the shares in ABC Ltd.

The cash proceeds will be immediately subject to tax.

The gain on the QCB is calculated at takeover, but is frozen until the QCB is sold.

W1 Gain regarding cash:

Cash proceeds			85,000
Less Base cost			(17,000)
Chargeable gain			68,000

W2 Gain regarding QCB:

Sales proceeds			15,000
Less: base cost			(3000)
Frozen gain			12,000

50% of QCB crystallises as sold in september 2024.

Proceeds			12,000
Less	50% x 12k frozen gain		(6,0000)

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Gain			6,000
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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3

### Part 1

The sufficient ties test determines the residence status of individuals who do not comply with the automatic overseas or the automatic UK test. The sufficient ties test considers the number of days an individual spends in the UK as well as whether they have been a UK resident in any of the previous 3 tax years. From this, a varying number of ties will be needed for them to be considered resident. The ties relate to Family, Accommodation, Work, UK presence and Country.

Marta spent 150 days in the UK in 2024 and was a UK resident in 23/24 as she was present for more than 182 days. Therefore she will only need 1 sufficient tie from table A to be considered a resident.

Family: Marta is unmarried and does not have a current partner. However, she does have a minor child who is younger than 18 - Louisa aged 15. Louisa is a UK Resident. Therefore Marta has a family tie.

Accommodation: This requires a place to live in the UK for at least 91 consecutive days. Marta took out a two-year lease on a flat in Bristol. We can assume 91 consecutive days had been met as she stayed in the UK for 150 days in total in the tax year. Thus this suffices for the accommodation tie.

Work: Marta does not work but volunteers once a week on Wednesdays for 6 hours. This will not count as a sufficient tie.

UK presence: She is required to be in the UK for more than 90 days in either of the previous two tax years. She was/is a UK resident in both 23/24 and 24/25 for more than 90 days, thus this tie is sufficiently met.

Country: For this to apply, she needs to spend more time in the UK than any other country. She spends 150 days in the UK and the remaining days in the year equally in 2 other countries.  $365 - 150 = 215$ .  $215 / 2 = 112.5$  days in each of the other 2 countries. Thus, she spent more time in the UK than the other countries and so this tie is sufficiently met.

In total Marta met 4 of the 5 UK ties.

### Part 2

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All individuals pay income tax on their UK income regardless of residence status. Thus dividends from shareholding in a UK resident company would be subject to income tax regardless of whether she was a UK resident or not.

UK residents would pay income tax on their foreign income and UK income generally on an arising basis.

If Marta was a UK resident, the interest income from a bank account in Utopia would be subject to income tax on an arising basis as she is not taking advantage of the remittance basis.

The residential rental property in Ruritania will be subject to income tax on an arising basis if she was a UK resident. If she was not a UK resident, this would not be taxable.

The disposal of the UK commercial rental property would be subject to CGT as normal if she was a UK resident as generally on UK residents are subject to CGT.

However, non UK residents are subject to CGT in respect of UK land and buildings. For Commercial buildings (non residential), only gains arising post 5th April 2019 are chargeable via the default method.

If a loss was made, the retrospective method would have been applied.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- \_4\_

Part 1

Dear Amal,

I hope this email finds you well.

In this email show you your taxable property income for 24/25.

lease pemium relates to a short lease which will have a capital and property income element. the property income element is as follows:

$$65,000 - (65,000 \times 2\% \times (25-1)) = 33,800$$

However, Amal grants a sub lease out of this lease. This will mean the amount taxed on him will be reduced by a proportion of the premium she paid when granted the head lease.

w1 Lease working

premium			14,000
Less	2% x 14k x (5-1)		(1120)
			12,880
Less allowance for original premium paid	33,800 x 5/25		(14,083)
Plus Monthly rent	6 x 250		1500
property income			297

The property income is calculated using the cash basis where gross property income does not exceed £150,000 in the tax year.

Property incoem recieved:

Jan and Feb rents were missed,

$10 \times 1,800 = 18,000$ . Although the two missed payments were made later on, they will be added on to the following years property income recieved.

Rent recieved	$10 \times 1,800$		18,000
Property income from lease	w1		297
Less allowable expenses			
Replacement bath			(500)
New garage	Capital expenditure so exempt		-
Council tax bill	for next year but paid in this year		(2,000)
Taxable property income			15,797

Allowable expenses must be incurred wholly and exclusively for the purpose of the property business.

Replacement bath is an allowable expense as its similar to the old one.

The new garage is a capital expenditure so it is not allowed. it is also not required as its not wholly and exclusively for the property business.

The council tax is wholly and exclusively for the business and its paid in this tax year.

I hope the information contained in the email is usefual for you. Please feel free to reach out if you have any queries.

Kind regards,

A tax advisor

## Part 2

The advice needs to be given in writing so it is clear. You need to define the purpose of the advice so Amal knows what the advice is regarding. Any alternative courses of actions should be mentioned and explain any risks in regards to income and expenses

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which may be included in the taxable income. There should be written records of the transcripts of the call in case an advisor gets called into questioning for their advice. If it is not in writing, words can be misconstrued.

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-----ANSWER-4-ABOVE-----  
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 -----ANSWER-5-BELOW-----  
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Answer-to-Question- \_5\_

Alice CGT:

		Gains eligible for BADR	Other gains	
Gain from lease	w2		79,000	
Share gain	w3	987,000		
Less: loss on painting	w1		(14,300)	
Less: AEA			(3000)	
Taxable gains		987,000	61,700	
CGT Calc				
BADR gains	987,000 x 10%			98,700
Other gains	61,700 x 20%			12,340
CGT liability				111,040

W1: Painting Gain/loss

Sales proceeds	deemed proceeds		6,000
Less: 5% commision	5% x 6k		(300)
Less Cost			(20,000)
gain/(Loss)			(14,300)

As proceeds were less than 6k and cost is more than 6k, we deem proceeds to be 6k for CGT purposes

W2: Grant of long lease

This is a grant of a long lease as 65 years > 50 years.

Premium			225,000
Less legail fees			(2000)
Net proceeds			223,000
Less: Allowable cost	160k x (225k/225k + 25k)		(144,000)
Chargeable gain			79,000

Probate value + new kitchen cost = 145k + 15k = 160k

As this is a commercial building, it will not be subject to residential cgt rates of 18% or 24% but rather at 10% or 20%.

W3: Gain on sale of shares

Moonth Ltd was sold for 18m. Its total ordinary share capital was 100,000 split between Thomas, Alice and Charles. However, a further 25,000 ordinary shares were subscribed by Kathy making the total ordinary shares of 125,000. This means each shares value on sale was  $18m/125k = £144$ .

Alices shareholding remains above the 5% limit post kathy joining as her shareholding goes from 7% to 5.6%. Therefore her whole share gain is eligible for BADR to a limit of £1 million

Sales proceeds	£144 x 7,000		1,008,000
Less: cost	7000 x £3		(21,000)
Gain			987,000

Thomas:

Thomas will also be eligible for BADR as he holds a 5% shareholding in personal trading company he has been an employee of for more than 2 years (10 years).

However, his shareholding decrease from 5.5% to 4.4% upon the new shareholder, Kathy joining.

Prior to Kathy joining, Thomas shareholding was equal to 5.5% being 5500/100,000 meaning the gain on the shares were eligible for Business asset disposal relief as all the

conditions were met. However, his shareholding diluting to below 5% (4.4% exactly) once Kathy joined. This means his gain no longer is eligible for BADR. However, a notional gain can be calculated by electing to essentially dispose of the shares and reacquire them just before Kathy joins. This notional gain is eligible for BADR, but the remaining gain will not be eligible for BADR.

The notional share gain will be eligible for BADR as Alice held a 5% holding in a personal trading company where she was an employee in for more than 2 years prior to disposal (10 years). BADR lifetime limit is 1m for her as its unused until now.

Notional gain:

Deemed proceeds	£100 x 5,500		550,000
Less: cost	£2 x 5,500		(11,000)
Notional gain		Eligible for BADR	539,000

Actual Gain:

Sales proceeds	£144 x 5,500		792,000
Less: Deemed cost			(550,000)
Gain		Not eligible for BADR	242,000

Thomas has previously already claimed BADR of 600,000. Therefore his remaining limit is 1m - 600k = 400k

			Gains eligible for BADR	Other gains
Shares eligible for BADR			400,000	
Shares not eligible for BADR	242k + (539k - 400k)			381,000

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Less: AEA				(3000)
Taxable gains			400,000	378,000
CGT Calc				
BADR gains	400,000 x 10%			40,000
Other gains	378,000 x 20%			75,600
CGT liability				115,600

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- 6

Part 1:

- Annual allowance for 2024/25 is £60,000
- The annual allowance for the current year is increased by any unused annual allowance from the previous three tax years. The current year annual allowance is used in priority.
- Unused annual allowance is used on a FIFO basis.
- The annual allowance is tapered for high income individuals.
- An individual is a high income individual where their threshold income exceeds £200,000 and adjusted income exceeds £260,000.
- The annual allowance is reduced by £1 for every £2 of adjusted income in excess of £260,000 but cannot be reduced to below £10,000.
  
- Threshold income is net income less the gross amount of personal pension contributions.
  
- Adjusted income is net income plus occupational pension contributions plus employer contributions.
  
- The annual allowance charge is calculated as the (total pension inputs for the year - annual allowance) x the individual's marginal rate of tax.

Threshold income:  $256,000 - (3500 \times 12 \times 100/80) = 203,500 > 200,000$

Adjusted income:  $256,000 + 55,000 = 311,000$

$311,000 - 260,000 = 51,000$

$51,000/2 = 25,500$

Tapered Annual allowance =  $60,000 - 25,500 = 34,500$

total pension inputs in the year:

Rowlands gross pension inputs:  $3500 \times 12 \times 100/80 = 52,500$

Employer contributions: 55,000

total =  $55,000 + 52,500 = 107,500$

As Rowland is a additional rate tax payer, his marginal tax rate is 45%

$$(107,500 - 34,500) \times 45\% = 32,850$$

Part 2:

Rowlands income tax computation will be his net income of 256,000 in the non savings column. His adjusted net income will be  $256,000 - 52,000 = 204,000$ . This is in excess of 125,140 and so no personal allowance will be available to him in 24/25. The employers contribution into the pension scheme is a tax exempt benefit. The basic rate band will be extended by the gross pension contribution by rowland and will now be  $37,700 + 52,000 = 89,700$ . The higher rate will also be extended by 52,000 as well. basic rate band is calculated at 20%, higher rate band at 40% and the excess at 45%. The annual allowance chargeis of 32,850 will also be added on to give a final tax liability.