

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	162	732	891
Section 2	40	170	204
Section 3	159	745	904
Section 4	141	674	815
Section 5	94	471	557
Section 6	125	649	863
Section 7	24	110	128
Section 8	35	175	241
Section 9	126	577	702
Section 10	105	475	610
Section 11	48	202	243
Section 12	165	694	859

Answer-to-Question- _1_

Gift relief is available for the disposal of Ranvir's shares in A Ltd. The asset gifted is a business asset, and any number of shares in an unquoted trading company would qualify. Full gift relief will not be available since there is a sale at an undervalue, the capital gain would therefore be calculated assuming sale proceeds are the market value.

Gift relief is not available for Ranvir's disposal of shares in B plc, because the shares he holds are in a quoted company and he does not have at least 5% of the voting rights. Ranvir will therefore be subject to CGT as usual on this disposal.

Gift relief is not available on Ranvir's disposal of C plc as although Ranvir has 5.16% of the voting rights, C plc is not a trading company.

Gift relief is available for Ranvir's disposal of D Ltd, and it is an unquoted company, and therefore any number of shares are regarded as business assets.

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

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

Answer-to-Question- 2

X plc

Average of bid and offer prices: $(241.90 + 243.30)/2 = 242.6p$

Market value: $242.6p \times 7500 = \text{£}18,195$

HL Fund

Average of bid and offer prices: $(168 + 172.6)/2 = 170.3p$

Market value: $170.3p \times 6800 = \text{£}11,580$

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

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

Answer-to-Question- 3

Since Francesca is UK resident and UK domiciled, she is taxable on an arising basis, on her worldwide income. In respect of Francesca's proeprty income net of 25% withholding tax, the income would be grossed up by multiplying the net income by $100/75$ to account for the foreign tax paid. Similarly, for the interest income received net of 42% withholding tax, the income would be grossed up by multiplying the net income by $100/58$ to account for the foriegn tax paid.

Credit is then given for all of the foreign tax paid within the UK income tax computation. The foreign tax credit is given for credit for any UK tax paid, such as, UK PAYE on Francesca's employment income. The tax credit avaiable is the lower of the overseas tax suffered or the UK tax liability on that foreign income. The foreign income is treated as top slice, and any foreign tax credits applied cannot create a negative liability.

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

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

Answer-to-Question- 4

Michael can obtain tax relief on qualifying loans. The interest paid on any qualifying loans is a deductible payment. Michael's loan to purchase plant and machinery, in this case, the printer and office equipment, qualifies for tax relief, and any interest paid can be deducted in the tax computation. Tax relief will only be available on part of the interest paid on the loan, since Michael does not solely use the equipment for business purposes. Similarly, on the interest paid in the year of the loan, and the next three years would qualify for tax relief.

If Michael takes out a loan to purchase shares in the unquoted, employee-owned trading company, any interest paid in respect of the loan would also qualify for tax relief, as long as the company is resident in the UK or an European Economic Area state.

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

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

Answer-to-Question- 5

Interest in possession trust gross income

$$£2,608 \times 100/80 = £3,260$$

Discretionary trust gross income

$$£1,232 \times 100/55 = £2,240$$

Income received from a discretionary trust is always regarded as non-savings income, therefore the dividends of £1,232 will be taxed on Ammar as non-savings income.

Income received from an interest in possession trust retains its nature and therefore, the interest of £2,608 will be taxed on Ammar as savings income received net of basic rate tax.

Deductible tax credit

$$£3,260 \times 20\% = £652$$

$$£2,240 \times 45\% = £1,008$$

Total tax credit = £1,660

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

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

Answer-to-Question- _6_

Contractual restraint of trade payment £25,000 - fully taxable

£10,000 contribution to occupational pension scheme - tax free

Voluntary termination payment £75,000 - £30,000 tax free, remaining £45,000 taxable

Company car £18,000 - taxable

	£	Tax rate	Tax due
Contractual restraint of trade payment	25,000	45%	11,250
Pension contribution	10,000	tax-free	
Termination payment	45,000	45%	20,250
Income tax due			31,500

Class 1 primary NICs would be payable by Harry on the contractual restraint of trade payment of £25,000. The voluntary termination payment is an ex gratia payment and this is therefore not regarded as earnings, and no Class 1 NICs are due. Potter plc will be required to pay Class 1A NICs in respect of the termination payment in excess of the £30,000 limit.

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question- 7

- 1)31 January 2023
- 2)31 January 2024
- 3)10 February 2024
- 4)31 July 2024
- 5)30 days from the date of the closure notice
- 6)31 January 2024

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question- _8_

$$\text{Cost} \times (s-x)/y$$
$$75,000 \times (98.902 - 83.816)/100 = \text{£}11,315$$

$$\text{Capital element: } 2\% \times 75,000 \times (20-1) = \text{£}28,500$$

	£	
Proceeds	75,000	
Less: Cost	(11,315)	
Gain	63,685	
Less: charged to income	(46,500)	
Chargeable gain	17,185	

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

To qualify as a Furnished Holding Letting (FHL), the proeprty must be furnished, situated in the UK, be available for at least 210 days in the relevant 12 month period, and be let out for 105 days or more.

Therefore, only The Croft, and The Nook would qualify as FHLs, since they satisfy the above conditions. Carlos could elect to average periods of occupation. If an election is made, Bramble Cottage would also be classified as a FHL.

Carlos charged rent of £800 per month for 9 months, receiving total rent of £7,200. Since Carlos let out a room to a tenant in his home, Carlos qualifies for rent-a-room relief. The gross rent is less than £7,500 and therefore the rental income is exepmt from tax.

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- _10_

1) Fiona's son would be a connected person, and so the transaction would have taken place at market value for CGT purposes.

CGT at date of gift

	£	
Deemed proceeds (market value)	75,000	
Less: cost	(40,000)	
Gain	35,000	

CGT on sale of land

	£	
Proceeds	120,000	
Less: market value at date of gift	(75,000)	
Gain	45,000	

2) The land would have been transferred between spouses and so the disposal is deemed to take place at a 'no gain, no loss'.

CGT at date of gift

	£	
Deemed proceeds	40,000	
Less: Cost	(40,000)	
Gain	Nil	

CGT on sale of land

	£	
Proceeds	120,000	
Less: Cost	(40,000)	
Gain	80,000	

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question- _11_

1) $200,000 \times 30\% = \text{£}60,000$ income tax relief

2) $200,000/250,000 \times 100 = 80\%$

$12,300 \times 80\% = \text{£}9,840$ exempt from tax

$12,300 - 9,840 = 2,460$ taxable dividends

$\text{£}2,460 \times 39.35\% = \text{£}968$ income tax due

3) Clawback of income tax relief:

$210,000 \times 30\% = \text{£}63,000$

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question- 12

Raoul does not meet any of the automatic overseas tests. We therefore must look at the Automatic UK tests. Raoul does not meet the second automatic UK test: having a home in the UK, as although he has a home in the UK, and spent at least 30 days there in the tax year, he also has a home overseas, and was present in this home for more than 30 days during the tax year. He therefore does not meet any of the Automatic UK tests. His residence will therefore be determined by the sufficient ties test. Raoul holds at least 2 ties to the UK, being the accommodation tie and the 90-day tie. Since Raoul spent 61 days in the UK, he needs at least 3 ties to be deemed UK resident. Raoul would therefore not be resident in the UK for the 2023/24 tax year. Since Raoul returned to the UK the following tax year, the period would be deemed as temporary non-residence.

-----ANSWER-12-ABOVE-----

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Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 13	300	1465	1697
Section 14	234	1017	1251
Section 15	26	110	136
Section 16	259	1238	1474

 -----ANSWER-13-BELOW-----

Answer-to-Question- _13_

1)

	£	£	£
	Non-savings	Interest	Dividends
Salary	81,350		
Benefits	12,133		
Interest		2,000	
	93,493	2,000	0
Less: charity donation of shares	(7,800)		
Net income	85,683	2,000	0
Less: personal allowance	(12,570)		
Taxable income	73,113	2,000	0
Tax			
42,700 @ 20%	8,540		
30,413 @ 40%	12,165		
500 @ 0% (savings allowance)	0		
1,500 @ 40%	300		
Tax liability	21,005		
Less: PAYE	(19,000)		
Inomnce tax payable	£2,005		

Loan from employer

$$(30,000 + 25,000)/2 \times 2.25\% = \text{£}619$$

Interest paid:

$$30,000 \times 1\% \times 10/12 = \text{£}250$$

$$25,000 \times 1\% \times 2/12 = \text{£}42$$

Total paid: £292

$$\text{Benefit: } 619 - 292 = \text{£}327$$

Debt paid

Treated as earnings

Company Car

	£	
List price	36,000	
Add: sunroof	1,750	
Less: capital contribution	(500)	
Revised list price	37,250	
Car benefit (37,250 x 27.8%)	10,356	

$$\text{CO}_2 \text{ emissions: } (114-75)/5 + 20\% = 27.8\%$$

Total benefits = £12,133

Loan £327

Car £10,356

Private medical £1,450

Pension contributions

$$5\% \times 80,000 = \text{£}4,000$$

$$4,000 \times 100/80 = \text{£}5,000$$

Basic rate increased to £42,700

Higher rate increased to £92,440

2) Loan - £30,000

Debt - not subject to class 1A

Car - £10,356

Medical insurance - £1,450

Pension contributions - exempt

Total = £41,806

Class 1A due: $41,806 \times 13.8\% = \text{£}5,769$, payable by 22 July 2024 if paid electronically, or 19 July 2024 if paid via post.

3) Under the Employment Rights Act 1996, automatically unfair reasons for dismissal include jury service. Holden may receive a compensation award that could comprise of three elements: basic award, which is calculated in the same way as redundancy pay; a compensatory award, which is based on the employee's losses; and a punitive additional award which is given where the employer has not complied with an order for reinstatement or re-engagement. Any compensation received is taxed as a residual termination payment, and not as earnings.

-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question- 14

1)Tomas was born in the UK, and therefore has a UK domicile of origin. Until the age of 16, Tomas will follow the domicile of his father, and would therefore have acquired a domicile in Ruritania. When Tomas returns to the UK, he is deemed as a formerly domiciled resident under Condition A, and therefore will be deemed domiciled in the UK. When Tomas returns to Ruritania, he can acquire a domicile of choice there, and will need to prove he intends to leave the UK and settle permanently in Ruritania. While Tomas is UK resident and deemed domicile in the UK, he is taxed on an arising basis, and therefore will be taxed on his worldwide income. If Tomas is a UK resident, but is non-domiciled, he can make a claim to be taxed on the remittance basis. He would therefore only be taxed on the foreign income that he brings to the UK.

2)The gift to Jerome's son, that is then brought to the UK is not deemed to be a remittance, as it has not been brought to the UK by a relevant person, since Jerome's son is over the age of 18. The UK gilts would be deemed to be a remittance since the funds used to purchase the gilts derived from foreign income or gains.

3)Untaxed foreign income is treated as being remitted in priority to untaxed foreign gains.

-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question- 15

The gain would be reported to HMRC via self-assessment, on Hamza's tax return. and any tax due will need to be paid by 31 January 2025.

-----ANSWER-15-ABOVE-----

-----ANSWER-16-BELOW-----

Answer-to-Question- 16_

1)

Private Residence Relief is available:

Period of occupation	Months	Notes
Actual occupation	108	
Deemed occupation	12	renovation works
	12	period of absence (up to 36 months)
	9	Final exemption
	141	

Period of ownership: 156 months

PRR available: $700,000 \times 141/156 = \text{£}632,692$

The period of absence while renovation works were being carried out, will be regarded as deemed occupation, up to 24 months. A final period exemption of 9 months is also available. A period of absence up to a maximum of 3 years also qualifies as a period of deemed occupation, if it is preceded and followed by actual occupation. Therefore, the period in which Jamie moved out to live with their partner, and again when Jamie moved out of the house, can be regarded as periods of deemed occupation in full.

	£
gain	700,000
Less: PRR	(632,692)
Chargeable gain	67,308

Lettings relief would only be available where there is shared occupation of a property between the owner and a tenant. Since Jamie did not share the property with a tenant, lettings relief would not be available.

2) The gain would need to be reported within 60 days of the date of completion via an online property return. A payment on account is paid alongside filing the online property

return. The disposal would also need to be recorded on Jamie's self assessment tax return for 2023/24. The payment on account is then deducted from the capital gains tax due for the tax year. Any additional capital gains tax would be due for payment by 31 January 2025.

no chargeable gain,

n,