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	**97**	**390**	**480**
Section 2	**53**	**261**	**309**
Section 3	**82**	**385**	**462**
Section 4	**120**	**535**	**649**
Section 5	**125**	**611**	**710**
Section 6	**64**	**333**	**374**
Section 7	**95**	**406**	**496**
Section 8	**102**	**490**	**565**
Section 9	**177**	**760**	**894**
Section 10	**109**	**470**	**526**
Section 11	**152**	**688**	**814**
Section 12	**190**	**743**	**928**

Answer-to-Question-_1_

Ranvir Gift Relief

A Ltd

As the shares are unquoted and Ranvir is selling them for less than market value he will be able to claim gift relief for this.

B plc

As the shares are in a quoted company and he holds more than 5% shareholding (8,000/1.5m = 5.33%) he will be able to claim gift relief for this.

C Ltd

As the gift is immediately chargeable to inheritance tax he will be able to claim gift relief for this.

D Ltd

As he is selling them for market value the gain will be as normal.

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

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

Answer-to-Question-_2_

Market Value of Armstrong's Investments

Calculating the market value for quoted shares is done by using the average of the bid and offer prices therefore:

(241.90p+243.30p)/2 x = 242.60p x 7,500 = £18,195

Calculating the market value of unit trusts is done by using the bid price therefore:

168p x 6,800 = £11,424

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

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

Answer-to-Question-_3_

Unilateral Double Taxation Relief

The unilateral relief allows foreign tax to be given as a tax credit in the income tax computation. The tax credit is the lower of:

•Overseas tax suffered

•UK tax liability on that income

The foreign income will always be treated as the top slice of the tax liabilty and therefore as an additional rate taxpayer will be calculated at 45%

The foreign tax credit can only reduce the tax liability to nil, it cannot create a repayment.

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

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

Answer-to-Question-_4_

Michael Tax Relief for Loan INterest Paid

Michael cannot use the interest on the loan to buy a printer and other office equuipment to obtain tax relief as in order to do so the equipment would need to be used solely for business, but he also uses it for private purposes.

He can use the interest on the loan to buy shares in Stayble Ltd as he works for the company.

The interest provides relief as a deductible payment, the gross amount is taken off of the total income (or primarily non savings income) in arriving at Michael's net income in the tax computation.

The cap on the amount deductible is the greater of:

•£50,000

•25% of adjusted total income

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

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

Answer-to-Question-_5_

Income from Interest in Possession Trusts

Income from interest in posession trusts is taxed in the hands of the trustees at 20% for non-savings and savings income and 8.75% for dividend income.

Therefore, Anmar has received the interest net of 20% and the dividends net of 8.75%.

The tax credits can be deducted to find the total tax due

Anmar Gross Income & Tax Liability

		SI	DI
Interest	2,608x 100/80	3,260	
Dividends	1,232x 100/91.25		1,350
Tax liability	3,260 @ 20%	652	
	1,350 @ 8.75%	118	
Total tax liability		**770**	
Less tax paid at source			
Savings	(3,260-2,608)	(652)	
Dividends	(1,350-1,232)	(118)	
Totatal Tax Due		Nil	

This is assuming the savings rate nil band and dividend allowance has been used up by other savings and dividend income.

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

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

Answer-to-Question-_6_

Harry Tax on Termination Package 2023/24

		Exempt £	**Taxable £**
Contractual	Fully taxable		25,000
Pension scheme	Fully exempt	10,000	
Termination package	First 30,000 exempt reaminder taxable	30,000	45,000
Car	Fully taxable as no excess from £30,000 available		18,000
Total		40,000	88,000
Income Tax @ 45%	Taxed as highest part of income		**39,600**
NICs @ 2%	only apply to contractual payment	10,000 x 2%	**200**

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

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

Answer-to-Question-_7_

1) Original filing date of the tax return - 31 January 2023
2) Date Diana can voluntarily amend her tax return - 12 months of normal filing date - 31 January 2024
3) HMRC to amend arithmic error - 9 months of receiving tax return - 10 February 2024
4) HMRC formal enquiry notice - Filed late so quarter day following first anniversary of actual filing date - 31 July 2024
5) Diana to appeal against amendments - within 30 days - 16 November 2024
6) Rentention of records - innocent mistakes - 4 years

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

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

Answer-to-Question-_8_

Amrita Chargebale Gain on Sub-Lease 2023/24

		£	**£**
Proceeds	Full premium		75,000
Less Cost	W1		(19,612)
Less Property Income	W2		(46,500)
Chargeable Gain			8,888
Less AEA			(6,000)
Taxable Gain			2,888

Working 1 - Cost
Cost x (s-x)/y

Lease percentages:
s - % years left on original head lease at date sub lease granted:
47 years = 98.902%
x - % years left on original head lease when sub lease expires:
27 years = 83.816%
y = % years left at date original head lease granted:
50+ = 100%

130,000 x (98.902-83.816)/100 = 19,612

Working 2 - Property income
P-(Px2%x(N-1))

75,000-(75,000x2%x(20-1)) = 46,500

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

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

Answer-to-Question-_9_

Furnished Holiday Lets (FHL) for Carlos

Conditions		**The Croft**	**Bramble Cottage**	**Orchard House**	**The Nook**
Furnished		Yes	Yes	Yes	Yes
UK Or EEA		Yes	Yes	Yes	Yes
Available 210 days		210 yes	260 yes	200 no	230 yes
Actually let 105 days		110 yes	90 no	115 yes	118 yes
Longer-term no more than 155 days		21 yes	21 yes	21 yes	21 yes

All the properties meet the first two conditions of being furnished and being in the UK or EEA.

The Croft and Orchard House will be classified as a FHLs as they meet the availability and letting condition days.

Bramble cottage was only let for 90 days and therefore will not be classified as a FHL.

Orchard House was only available to let for 200 days and therefore will not be classified as a FHL.

Carlos Taxable Rent Received 2023/24
Rent received is less than £7,500 he can therefore claim rent a room relief

		£	**£**
Rent received	800x9		7,200
Less rent a room relief		Cannot create a loss	(7,200)
Taxable rental income			Nil

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

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

Answer-to-Question-_10_

1) Gain Arising - David is Fiona's Son
Gift to David from Fiona

		£	**£**
Proceeds	MV @ gift		75,000
Less Cost			(40,000)
Gain before relief			35,000
Less gift relief			(35,000)
Gain			Nil

Gain On Sale of Land by David 2023/24

		£	**£**
Proceeds			120,000
Less Cost	W1		(40,000)
Gain			80,000

<u>David Base Cost</u>

MV @ gift			75,000
Less gift relief			(35,000)
Revised base cost			40,000

2) Gain arising - David is Fiona's Husband
Gift to David by Fiona

		£	**£**
Deemed Proceeds	Cost		40,000
Less Deemed cost	Cost		(40,000)

Gain			Nil

Gain on Sale of Land by David 2023/24

		£	**£**
Proceeds			120,000
Less cost			(40,000)
Gain			80,000

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

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

Answer-to-Question-_11_

1) Income Tax Relief given on VCT investment 2019/20
Income tax relief can be claimed at 30% of the amount subscibed up to £200,000.
Therefore Sally can claim:

£200,000x30% = £60,000 tax relief.

2) Income Tax due on VCT Dividends 2023/24
Dividends on the first £200,000 acquired are tax free, but the dividends from the remaining £50,000 will be charged to income tax.

		£	£
12,300/250,000 x200,000	Tax free	9,840	
		(12,300)	
	Taxable	2,460	
	DRNB	1,000 x 0%	0
		1,460 @ 39.35%	575
Total tax due on dividends			**575**

3)Clawback of Income Tax Relief on the Sale of VCT shares
As Sally has sold the shares within 5 years of acquiring them, and she has sold them at a loss, there will be a clawback on the lower of:
•Original income tax reducer = £60,000
•30% x sales proceeds = £63,000

Therefore the full income tax reducer of £60,000 will be clawed back.

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

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

Answer-to-Question-_12_

Raoul UK Resident 2023/24
The first Statutory Residency Test (SRT) is the Automatic Overseas Test:

Raoul will not meet any of the conditions of this test as he was a UK resident for at least one of the previous 3 tax years and has spent more than 16 days in the UK. He has also not worked abroad for an average of 35 hours per week over the tax year.

The second SRT is the Automatic UK Test:

Although Raoul was not present in the UK for more than 183 days and does not work in the UK full-time, he will meet the condition of having a UK home.

Although he was not in his UK home for a period of 91 consecutive days, hje was there for at least 30 days of the tax yearand even though he does have a home overseas he did not spend more than 30 days of the tax year there.

And as he returned to his UK home in May 2024 he does use it with a degree of permanence or stability.

Therefore Raoul will be treated as a UK resident for 2023/24.

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

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 13	**385**	**1864**	**2120**
Section 14	**533**	**2338**	**2853**
Section 15	**286**	**1199**	**1438**
Section 16	**343**	**1539**	**1838**

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

Answer-to-Question-_13_

1) Holden Tax Computation 2023/24

			NSI £	SI £	DI £
Employment income			80,000		
Loan benefit	W1		327		
Debt to previous employer	Simple debt - exempt		Nil		
Car benefit	W2		10,058		
Fuel benefit			Nil		
Medical insurance	Cost to employer		1,450		
Less pension contribution	80,000x5%		(4,000)		
Employer pension contributions	Exempt		Nil		
Total employment income			87,835		
Bank interest	30 April 2023			2,000	
Bank interest	30 April 2024	2024/25 tax year		Nil	
Total income		89,835	87,835	2,000	
Les deductable payments	Quoted shares to charity = relevant value		(7,800)		
Net income		82,035	80,035	2,000	
Less personal allowance			(12,570)		

		69,465	67,465	2,000	
Tax liability £		£			
37,700	@ 20%	7,540			
29,765	@ 40%	11,906			
67,465					
500	@ 0%	0			
1,500	@ 40%	600			
Total tax liability		20,046			
Less tax deducted at source	PAYE	(19,000)			
Total tax payable		**1,046**			

<u>Working 1 - Loan Benefit</u>
The loan exceeds £10,000 and will therefore be a taxable benefit

(Loan @ 6 April 23 + Loan @ 5 April 24)/2 x 2.25%

		£	£
Loan benefit	(30,000+25,000)/2 x 2.25%		619
Less contributions	30,000x1% x10/12	(250)	
	25,000x1%x2/12	(42)	
			(292)
Total benefit			327

<u>Working 2 - Car and Fuel Benefit</u>

		£	£
List price		36,000	
Plus Accessories		1,750	
Less contribution		(500)	

			37,250
CO2 emissions	(114-75)/5 = 7% + 20%		x27%
Car benefit			10,058

No fuel benefit as only business journey petrol reimbursed - no private fuel reimbursed.

2) Class 1A NICs due for 2023/24
Class 1A NICs are paid by employers on the cash equivalent of taxable benefits.

		£	£
Loan benefit		327	
Car benefit		10,058	
Medical insurance		1,450	
Fuel benefit		Nil	
Total benefits		11,835	
NICs payable		@ 13.8%	**1,633**

This will be due for payment 22 July following the tax year, and so 22 July 2024, unless making payment by cheque then 19 July 2024.

3) Unfair Dismissal
Holden's contract termination is likely to be treated as unfair because individuals do not get a choice when called for jury service. Holden did not just decide to do jury service, it was called upon him. And so the termination of his contract was not fair especially as he has worked for the company for the last 5 years (more than 2 years).

The awards available for a successful unfair dismissal claim are:
•Compensation
•Re-engagement in another suitable job with the same employer
•Reinstatement in the same position

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

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

Answer-to-Question-_14_

1) Tomas Domicile and Deemed Domicile Status

<u>Domicile</u>
There are three types of domicile:

1) Domicile of origin - this is taken from the father at birth unless the parents are not married, then it is taken from the mother, as Tomas does not know whether his parents were married it would follow that of his mother and so his domicile of origin would be the Utopia.

2) Domicile of dependence - children under the age of 16 follow that of their father, and so as Tomas's father acquired a domicile of choice in Ruritania when Tomas was 3, he will follow the same.

3) Domicile of choice - After the age of 16 Tomas is able to establish a new domicile by severing all ties with the old country and permanently settling in a new country, and so it would seem his domicile of choice would be the same as his domicile of dependence - Ruritania.

<u>Deemed Domicile</u>
Whilst in the UK on his 2 year contract Tomas would not been seen as deemed domicile as he does not meet the requirements:

He was not formerly domiciled (although he was born here and will be resident in the UK for the tax year he does not have a UK domicile of origin).

He also will not be a long-term resident - UK resident for at least 15 of the previous 20 tax years.

<u>UK Tax on non-UK Income & gains</u>
All individuals pay income tax and CGT on their UK income and gains regardless of their residency status.

Tomas will have to pay income tax on his UK income and foreign income on an arising basis, however as a non-domiciled individual he can claim the remittance basis for his non-UK income.

The remittance basis means Tomas will only be taxed on non-UK income and gains he actually remits (brought into) to the UK, or where property brought to the UK derives from foreign income, and has to be claimed on a year on year basis via a self-assessment tax return.

He will also forfeit any personal allowance an ennual exempt amount for the tax year the remittance basis is claimed.

There is a remittance basis charge to take into account, which is £30,000, however this is charged when an individual is a resident in the UK for 7 out of the previous tax years, and £60,000 when a Uk resident for 12 of the previous 14 tax years.

If Tomas's unremitted foreign income is less than £2,000 the remittance basis is automatically applied without the need to make a claim and personal allowance and annual exempt amounts can be claimed.

2)Jerome's Use of Freedonian Bank Account
The use of Jerome's bank account in Freedonian does not represent the remittance of funds to the UK because he is not actually bringing that money into the UK.

3) Buying UK Gilts
As he is bringing forign money into the UK to buy the UK Gilts will be classed as remitted and therefore taxed as Non Savings Income.

Gift Offshore to Son
Although they have been gifted to his son they have still been remitted into the UK and so UK tax will be due.

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

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

Answer-to-Question-_15_

1) Hamza Capital Gains on Takeover 2023/24
Capital Gains Tax (CGT) Computation

		£	**£**	**£**
Cash	Note 1			
Proceeds	W1	50,000		
Cost	W1	(15,625)		
Gain			34,375	
Big plc Shares	Note 2		Nil	
Total gains			34,375	
Less AEA			(6,000)	
			28,375	
		CGT @ 20%	**5,675**	

<u>Working 1 - Small Ltd Takeover by Big plc</u>

	MV £	Cost £	
Cash	50,000	15,625	25k/80k x 50k
Shares	30,000	9,375	25k/80k x 30k
Total	80,000	25,000	

Notes
1) The cash received on takeover is chargeable immediatley
2) The shares received by Big plc are seen as paper for paper and therefore no CGT consequences until Hamza sells the new shares, where the base cost will be that of the old shares above.

As Hamza is self-employed he will already be filling out a self-assessment tax return, he will need to report his gain on the Capital Gains pages.

The tax due will be due for payment by the 31 January following the tax year, and so 31 January 2025.

2) a) 800 Shares in Big plc
If Hamza had received only shares in the takeover there would be no CGT consequences until the sale of the new shaes in Big plc where the base cost will be the cost of the old shares (£25,000).

b) Been eligible for BADR on Small Ltd shares but not Big plc shares
The cash gain Hamza received would have had a CGT charge of 10% rather than 20%

It is also possible to make an election to disapply the share for share rules on takeover, then BADR can be used to reduce any gain arising, the new shares in Big plc will then have a CGT base cost equal to their value at takeover (£30,000)

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

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

Answer-to-Question-_16_

Jamie's Chargeable Gain 2023/24
Lettings Relief is available where part of the residence has been let as residential accommodation while part of the property is still occupied as the main residence. Jamie will not be able to claim Lettings Relief as she did not still occupy the property at the same time as the tenants. She can, however, claim Private Residence Relief (PRR).

		£	**£**
Gain on disposal		700,000	
Less PRR	W1		
	700,000x 141/156	(632,692)	
Charegable Gain		**67,308**	

Working 1 - PRR

Date		**Occupied**	**Not Occupied**
1.9.10 - 31.8.11	Note 1	12	
1.9.11 - 31.8.15	Actual occupation	48	
1.9.15 - 31.8.16	Note 2	12	
1.9.16 - 31.8.21	Actual occupation	60	
1.9.21 - 30.11.22			15
1.12.22 - 31.8.23	Note 3	9	
Total	156	141	15

PRR is calculated by Gain x period of occupation/period of ownership

Notes
1) Jamie would be able to have the first 12 months he was unable to occupy the residence due to renovation as delayed occupation, and so this period of absence is treated as occupied.

2) Under the condeemed occupation absences you can have up to 3 years for any reason unoccupation as deemed occupation as long as Jamie lived in the house at some point before, and some point after the period of absence, which she does.
3) As she did not return to the house after the purchase of the flat on 1 September 2021 she cannot use the remainder of the rule above, however the last 9 months of ownership is always classed as occupied.

2) Gain Reported and Tax Paid to HMRC
Jamie must report taxable gains on disposals of UK properties by means of an online property return within 60 days of completion, and so by the 31st October 2023.

Jamie will need to make a best estimate of the CGT due on the disposal and also make a payment on account within 60 days of completion, and so by 31st October 2023.

The payment on account is deducted from CGT due for the year and any balance payable by 31st January 2025.

1.12.22 - 31.8.23	Note 3	9	
Total	156	141	15

PRR is calculated by Gain x period of occupation/period of ownership

<u>Notes</u>
1) Jamie would be able to have the first 12 months he was unable to occupy the residence due to renovation as delayed occupation, and so this period of absence is treated as occupied.
2) Under the condeemed occupation absences you can have up to 3 years for any reason unoccupation as deemed occupation as long as Jamie lived in the house at some point before, and some point after the period of absence, which she does.
3) As she did not return to the house after the purchase of the flat on 1 September 2021 she cannot use the remainder of the rule above, however the last 9 months of ownership is always classed as occupied.

2) Gain Reported and Tax Paid to HMRC
Jamie must report taxable gains on disposals of UK properties by means of an online property return within 60 days of completion, and so by the 31st October 2023.

Jamie will need to make a best estimate of the CGT due on the disposal and also make a payment on account within 60 days of completion, and so by 31st October 2023.

The payment on account is deducted from CGT due for the year and any balance payable by 31st January 2025.