

Tolley[®] Exam Training

CTA

AWARENESS PAPER

MODULE B – IHT, TRUSTS & ESTATES

PRE REVISION QUESTION BANK

FA 2024 & F(No. 2)A 2024

May and November 2025 Sitings

PQ827B

Tolley[®]

Tax intelligence
from LexisNexis[®]

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior written permission of the publisher.

This material contains general information only. Whilst every care has been taken to ensure the accuracy of the contents of this work, no responsibility for loss occasioned to any person acting or refraining from action as a result of any statement in it can be accepted by the author or the publishers.

Unless otherwise agreed to by LN in writing, use of the Online Services is permitted only via individual users engaged in an active user session and may not be collected via automated or robotic methods.

Regardless of the data delivery method, content may not be used in conjunction with a generative AI solution.

INTRODUCTION

This Pre Revision Question Bank for the Awareness paper contains two exam standard 12 question past paper tests with answers updated to Finance Act 2024 and Finance (No 2) Act 2024. This question bank forms an important part of your preparation for the examination - question practice is the key to passing exams.

As you answer the questions you may refer to either a hard copy or on-screen version of the **CTA Tax Tables 2025** and your own personalised version of the approved online legislation.

Using this question bank

In the real exam each of your three chosen Modules will have 12 questions and each question carries five marks. You must answer all 12 of the questions from the three Modules you are sitting.

You should use the tests in this question bank to consolidate your knowledge after you have worked through all of the study packs for your three chosen Modules. They will be a useful part of your preparation for the pre revision mock examination.

We recommend that you attempt each test in this bank as if you were in the real exam, ideally doing "Test 1" for this Module along with both the "Test 1" questions from the pre revision question banks for your other two Modules, allowing yourself three hours 15 minutes to answer all three Modules.

We suggest you **allocate five minutes per question** which allows for five minutes review time as you finish each of the three Modules.

Your final score out of 180 is turned into a percentage – the pass mark is 50% overall, but with a **minimum mark for each Module** set at 21 marks out of the 60 marks available ie 35%. Even if a pass mark in excess of 50% overall has been achieved, if the minimum mark of 35% has not been achieved in all three modules, then the entire Awareness paper would need to be re-sat.

You should try to avoid just reading the answers to questions - it is all too easy to nod as you read the model answer saying "yes I know those points" - the test is, would you have actually put those points in your answer? You won't find this out, unless you **type up the answers and we recommend you do this using the on-screen version of this QB**. Ensuring you type up "proper" answers also gives you a good idea of how long each Module will take you to work through.

Preparing your answers

Your answers should be **brief bullet points and/or summary computations** where appropriate. There are no presentation marks in this paper but bear in mind that the marker must be able to follow your answer and follow-through method marks cannot be awarded unless clear workings are shown.

You should make all calculations to the nearest month and pound unless stated otherwise.

Reviewing your answers

It is essential to read through your answers when you have finished typing them – **before** you look at the model answer.

You may be able to make some small corrections at the review stage – you may find you have missed out a vital word such as "not" or you may at this stage think of another point or two to add while reading through your answers. This approach could increase your marks much more effectively than carrying on with the point you were making before you stopped to do this final review.

CONTENTS

MODULE B – IHT, TRUSTS & ESTATES

Test 1

Test 2

Answers to Test 1

Answers to Test 2

INCOME TAX - RATES AND THRESHOLDS

	2024/25	2023/24
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	8.75	8.75
Dividend upper rate	33.75	33.75
Dividend additional rate and trust rate for dividends	39.35	39.35
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,700
Higher rate band	37,701 – 125,140	37,701 – 125,140
Dividend allowance	500	1,000
Savings allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	N/A	1,000
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	42
Advanced rate	45	N/A
Top rate	48	47
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,306	1 – 2,162
Scottish basic rate	2,307 – 13,991	2,163 – 13,118
Intermediate rate	13,992 – 31,092	13,119 – 31,092
Higher rate	31,093 – 62,430	31,093 – 125,140
Advanced rate	62,431 – 125,140	N/A
Top rate	125,140+	125,140+

INCOME TAX - RELIEFS

	2024/25	2023/24
	£	£
Personal allowance ⁽²⁾	12,570	12,570
Married couple's allowance ⁽³⁾	11,080	10,375
– Maximum income before abatement of relief - £1 for £2	37,000	34,600
– Minimum allowance	4,280	4,010
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,260	1,260
Blind person's allowance	3,070	2,870
Enterprise investment scheme relief limit ⁽⁵⁾	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	200,000	200,000
De minimis trusts amount	500	N/A

- Notes:** (1) Scottish taxpayers pay Scottish income tax on non-savings income.
- (2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
- (3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
- (4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
- (5) The limit is £2 million, where over £1 million is invested in knowledge intensive companies.

CTA EXAMINATIONS

2025

TAX TABLES



ISA limits	2024/25	2023/24
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions	Annual allowance ⁽¹⁾	Minimum pension age
	£	
2023/24	60,000	55
2024/25	60,000	55

Basic amount qualifying for tax relief £3,600

Lump sum allowance £268,275

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 for individuals with threshold income above £200,000. It cannot be reduced below £10,000.

Employer Supported Childcare	2024/25	2023/24
Exemption – basic rate taxpayer ⁽²⁾	£55 per week	£55 per week

Note: (2) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van ⁽³⁾	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2024/25

Emissions	Electric range (miles)	Car benefit % ⁽⁴⁾	
0g/km	N/A	2%	
1-50g/km	>130	2%	
1-50g/km	70-129	5%	
1-50g/km	40-69	8%	
1-50g/km	30-39	12%	
1-50g/km	<30	14%	
51-54g/km		15%	
55-59g/km		16%	
60-64g/km		17%	
65-69g/km		18%	
70-74g/km		19%	
75g/km or more		20%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	

Note: (4) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

Fuel benefit base figure	2024/25	2023/24
	£	£
	27,800	27,800

CTA EXAMINATIONS

2025

TAX TABLES



Van benefits	2024/25	2023/24
	£	£
No CO ₂ emissions	Nil	Nil
CO ₂ emissions > 0g/km	3,960	3,960
Fuel benefit for vans	757	757
Official rate of interest	2.25%	2.25%

INCOME TAX - CHARGES

Child benefit charge	Withdrawal rate
Adjusted net income >£60,000	1% of benefit per £200 of income between £60,000 and £80,000
Adjusted net income >£80,000	Full child benefit amount assessable in that tax year

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) ⁽¹⁾	100%
WDA on plant and machinery in main pool ⁽²⁾	18%
WDA on plant and machinery in special rate pool ⁽³⁾	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) ⁽⁴⁾	3%

- Notes:** (1) On first £1,000,000 of investment in plant & machinery (not cars).
 (2) The main pool rate applies to cars with CO₂ emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).
 (3) The special pool rate applies to cars with CO₂ emissions greater than 50g/km (prior to April 2021 greater than 110g/km).
 (4) A 10% rate applies in respect of special tax site expenditure.

100% First year allowances (FYA) available to all businesses

Capital expenditure incurred by a person on research and development.

New zero-emission goods vehicles (until 1 or 6 April 2025).

New cars that either emit 0g/km of CO₂ (50g/km prior to April 2021) or are electric (until 1 April 2025).

Electric vehicle charging points (until 1 or 6 April 2025).

First year allowances (FYA) available to companies only

	Main pool assets	Special rate pool assets
Expenditure on new plant and machinery (other than cars) from 1 April 2023 onwards ⁽⁵⁾	100%	50%
Expenditure on new plant and machinery (other than cars) in a special tax site	100%	100%

- Notes:** (5) 130% for main pool expenditure and 50% for special rate pool expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2024/25	2023/24
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses		
Cars or vans	First 10,000 business miles	45p per mile
	Additional business miles	25p per mile
Motorcycles		24p per mile
Business use of home	25 – 50 hours use	£10 per month
	51 – 100 hours use	£18 per month
	101+ hours use	£26 per month
Private use of business premises	No of persons living there:	
	1	£350 per month
	2	£500 per month
	3+	£650 per month

CTA EXAMINATIONS

2025

TAX TABLES



NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2024/25			2023/24		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£12,570	£1,048	£242
Secondary threshold (ST)	£9,100	£758	£175	£9,100	£758	£175
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,270	£4,189	£967
Upper secondary threshold for under 21 (UST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Apprentice upper secondary threshold for under 25 (AUST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Special tax sites upper secondary threshold	£25,000	£2,083	£481	£25,000	£2,083	£481

Class 1 primary contribution rates

Earnings between PT and UEL

8%

12%

Earnings above UEL

2%

2%

Class 1 secondary contribution rates

Earnings above ST ⁽¹⁾

13.8%

13.8%

Note: (1) Rate of secondary NICs between the ST and the UST, AUST & special tax sites upper secondary threshold is 0%.

	2024/25	2023/24
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Rate	£3.45 pw	£3.45 pw
Small profits threshold (SPL) ⁽²⁾	£6,725	£6,725
Lower profits limit (LPL)	N/A	£12,570

Note: (2) From 2024/25, self-employed individuals with profits below the small profits threshold can pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension.

Class 3 contributions	£17.45 pw	£17.45 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£12,570
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	6%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £184.03 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £184.03
Statutory sick pay	£116.75 per week

CTA EXAMINATIONS

2025

TAX TABLES



Student Loan	Plan 1:	9% of earnings exceeding £24,990 per year (£2,082.50 per month/ £480.57 per week)
	Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
	Plan 4:	9% of earnings exceeding £31,395 per year (£2,616.25 per month /£603.75 per week)
Postgraduate Loan		6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

National living/minimum wage (April 2024 onwards)

Category of Worker	Rate per hour £	Category of Worker	Rate per hour £
Workers aged 21 and over	11.44	16–17 year olds	6.40
18–20 year olds	8.60	Apprentices	6.40

Accommodation Offset £9.99 per day

HMRC INTEREST RATES (assumed)

Late payment interest	7.75%
Interest on underpaid corporation tax instalments	6.25%
Repayment interest	4.25%
Interest on overpaid corporation tax instalments	5.00%

CAPITAL GAINS TAX

	2024/25	2023/24
Annual exempt amount for individuals	£3,000	£6,000

CGT rates for individuals, trusts and estates

Gains qualifying for business asset disposal ⁽¹⁾ /investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band ⁽²⁾	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates ⁽³⁾	20%	20%

- Notes:** (1) Formerly called entrepreneurs' relief
 (2) The rate is 18% if the gain is in respect of a residential property
 (3) The rate is 24% (28% in 2023/24) if the gain is in respect of a residential property

Business Asset Disposal relief	2024/25	2023/24
Relevant gains (lifetime maximum) ⁽⁴⁾	£1 million	£1 million

Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

Note: (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

CTA EXAMINATIONS

2025

TAX TABLES



Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	—	—	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

CORPORATION TAX

Financial year	2024	2023
Main rate	25%	25%
Standard small profits rate	19%	19%
Augmented profit limit for standard small profits rate	£50,000	£50,000
Augmented profit limit for marginal relief	£250,000	£250,000
Standard marginal relief fraction	3/200	3/200
Marginal rate	26.5%	26.5%
Patent rate	10%	10%

EU definition of small and medium sized enterprises

	Small ⁽²⁾	Medium ⁽²⁾	Extended definition for R&D expenditure
Employees ⁽¹⁾	< 50	< 250	<500
Turnover ⁽¹⁾	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets ⁽¹⁾	≤ €10m	≤ €43m	≤ €86m

Notes: (1) Must meet employees criteria and either turnover or balance sheet assets criteria.

(2) Thresholds apply for transfer pricing and distributions received by small companies.

Research and development expenditure

Financial year	2023
Total relief for Small & medium enterprises (SMEs)	186%
R&D tax credit for SME losses	10%
Large companies – RDEC	20%
Financial year	2024
Enhanced R&D Intensive Support (ERIS) - total relief for loss making R&D intensive SMEs	186%
R&D tax credit for R&D intensive SME losses	14.5%
RDEC (merged scheme RDEC) ⁽¹⁾	20%

Note: (1) From 1 April 2024 the merged scheme RDEC is available to all companies.

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
Limits	2024/25	2023/24
	£	£
Annual registration limit	90,000	85,000
De-registration limit	88,000	83,000
Thresholds	Cash accounting	Annual accounting
	£	£
Turnover threshold to join scheme	1,350,000	1,350,000
Turnover threshold to leave scheme	1,600,000	1,600,000

ADVISORY FUEL RATES (as at 1 March 2024)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	11p	1600cc or less	12p
1401cc to 2000cc	15p	13p	1601cc to 2000cc	14p
Over 2000cc	24p	21p	Over 2000cc	19p

Electricity rate 9p

OTHER INDIRECT TAXES

	2024/25	2023/24
Insurance premium tax⁽²⁾		
Standard rate	12%	12%
Higher rate	20%	20%

Notes: (2) Premium is tax inclusive (³/₂₈ for 12% rate and ¹/₆ for 20% rate).

Landfill Tax (pro rated for part tonnes)

Standard rate	£103.70 per tonne	£102.10 per tonne
Lower rate	£3.30 per tonne	£3.25 per tonne

Landfill Communities Fund (LCF) ⁽³⁾	5.3% x landfill tax liability	5.3% x landfill tax liability
---	-------------------------------	-------------------------------

Notes: (3) Relief for 90% of qualifying contributions

Aggregates Levy (pro rated for part tonnes)	£2.03 per tonne	£2 per tonne
--	-----------------	--------------

Plastic Packaging Tax (PPT) (pro rated for part tonnes)	£217.85 per tonne	£210.82 per tonne
--	-------------------	-------------------

CTA EXAMINATIONS

2025

TAX TABLES



Climate Change Levy (CCL)⁽¹⁾

Electricity	0.775p per kwh	0.775p per kwh
Natural gas	0.775p per kwh	0.672p per kwh
Liquified petroleum gas (LPG)	2.175p per kg	2.175p per kg
Any other taxable commodity	6.064p per kg	5.258p per kg

Carbon Price Support (CPS) rates

Natural gas	0.331 per kwh	0.331 per kwh
LPG	5.28p per kg	5.28p per kg
Coal & other taxable solid fossil fuels	£1.5479 per GJ on GCV	£1.5479 per GJ on GCV

Tobacco products duty

	From 22.11.2023	From 15.03.2023
Cigarettes	16.5% x retail price + £316.70 per thousand cigarettes (or £422.80 per thousand cigarettes ⁽²⁾)	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes ⁽²⁾)
Cigars	£395.03 per kg	£367.61 per kg
Hand-rolling tobacco	£412.32 per kg	£351.03 per kg
Other smoking/chewing tobacco	£173.68 per kg	£161.62 per kg
Tobacco for heating	£325.53 per kg	£302.93 per kg

Alcohol Duty⁽³⁾

From 1 August 2023 to 1 February 2025

	Duty in £ for each litre of pure alcohol in the product		Duty in £ for each litre of pure alcohol in the product
Beer (ABV)		Spirits/Spirit based products (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	21.01	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Cider (not sparkling) (ABV)		Wine/sparkling wine (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	9.67	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Sparkling cider (ABV)		Other fermented products like fruit ciders (ABV)	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 5.5%	9.67	3.5% to 8.4%	24.77
5.6% to 8.4%	24.77	8.5% to 22%	28.50
8.5% to 22%	28.50	Stronger than 22%	31.64
Stronger than 22%	31.64		

- Notes:** (1) For holders of a Climate Change agreement (CCA), the rate charged is a percentage of the main rate given in the table. For 2024/25 (2023/24 in brackets) for electricity the rate is 8% (8%), for gas it is 11% (12%), for LPG it is 23% (23%) and 11% (12%) for any other taxable commodity
- (2) The £422.80/£393.45 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)
- (3) There are reduced rates for qualifying draught products

INHERITANCE TAX

Death rate	40% ⁽³⁾	Lifetime rate	20%
------------	--------------------	---------------	-----

Note: (3) 36% rate if 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2026	£325,000

Residence nil rate bands⁽⁴⁾

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2026	£175,000

Note: (4) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick Succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

Lifetime exemptions

Lifetime exemptions		
Annual exemption		£3,000
Small gifts		£250
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	From 1.4.24	From 1.4.23
>£0.5m – ≤ 1m	£4,400	£4,150
> £1m – ≤ 2m	£9,000	£8,450
> £2m – ≤ 5m	£30,550	£28,650
> £5m – ≤ 10m	£71,500	£67,050
> £10m – ≤ 20m	£143,550	£134,550
> £20m	£287,500	£269,450

STAMP DUTY/SDRT

Stamp duty⁽¹⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax (SDRT)⁽²⁾	- On agreements to transfer shares ⁽²⁾	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes: (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).

(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

STAMP DUTY LAND TAX (SDLT)

Qualifying purchases in a Freeport receive full SDLT relief

Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI

Basic Rate % ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Residential ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Rate %	Non-Residential
0	£0 - £250,000	0	£0 - £150,000
5	£250,001 - £925,000	2	£150,001 - £250,000
10	£925,001 - £1,500,000	5	£250,001 +
12	£1,500,001 +		

- Notes:** (3) The basic rates are increased by 3% (the 'higher rates') where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 4 below.
- (4) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).
- (5) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £425,000. For homes between £425,000 and £625,000, SDLT will be payable at 5% on the amount above the £425,000 threshold. Homes bought for more than £625,000 will incur the rates as per column 1 in above table.
- (6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property. This is in addition to the basic rate, the higher rate (where applicable, in Note 3), and the 15% rate (where applicable, in Note 4).

New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent	
	Residential	Non-residential
0	Up to £250,000	Up to £150,000
1	Excess over £250,000	£150,001-£5m
2	N/A	Over £5m

Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate % ⁽¹⁾⁽²⁾⁽³⁾	Residential	Rate % ⁽¹⁾	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

- Notes:** (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.
- (2) The 'Additional Dwelling Supplement' of 6% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & other trusts.
- (3) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

New leases – Land and Buildings Transaction Tax (LBTT) on lease rentals - Scotland

Rate (%)	Net present value of rent ⁽⁴⁾	
	Non-residential	
Zero	Up to £150,000	
1%	£150,001 to £2,000,000	
2%	£2,000,001 +	

- Note:** (4) Residential leases are generally exempt

MODULE B – TEST 1

1. On 18 May 2024, Peter died leaving an estate valued at £2.3 million. His will left a cash legacy of £400,000 to his daughter, Rebecca, and the residue of the estate, including his share in his family home, to his wife Julia.

On 17 March 2025, Julia died leaving a chargeable estate valued at £1.8 million to her daughter, Rebecca. This included the family home which was valued at £400,000.

Neither Peter nor Julia had made any lifetime transfers.

Calculate the Inheritance Tax payable on Julia's death, assuming all beneficial elections are made.

2. On 22 December 2024, Alice (who had made no previous transfers) made the following lifetime gifts:

- 1) £600,000 to the XYZ Discretionary Trust for the benefit of her godchildren. The Trustees agreed to pay the Inheritance Tax on this transfer.
- 2) £900,000 to the ABC Discretionary Trust for the benefit of her nephews and nieces. Alice agreed to pay the Inheritance Tax on this transfer.

Calculate, with brief explanations, the Inheritance Tax payable on the transfer to the ABC Discretionary Trust and state the due date for payment.

3. On 20 July 2021, Charles gave his son, William, a house valued at £350,000 on the occasion of William's marriage. Charles's only previous lifetime transfer was in January 2017 when he transferred quoted shares valued at £230,000 to a discretionary trust.

Charles died on 22 March 2025.

Calculate the Inheritance Tax payable by William on Charles's death.

4. On 10 June 2007, Sarah bought a matching set of two sculptures for £100,000. In June 2023, she gave one of the sculptures to her husband, Robert. On 6 April 2024, she gave the remaining sculpture to her daughter, Sophia. On that day, the market value of a single sculpture was £90,000 and the market value of the set was £240,000.

On 17 October 2024, she gave 10,000 shares in Reine plc to her son, Lewis. On that day, the shares were quoted at 225p – 231p ex dividend with marked bargains of 224p, 227p and 232p. On 25 October 2024 the company paid a dividend of 5p per share.

Calculate the value for Inheritance Tax purposes of the transfers made by Sarah in 2024/25.

5. Richard died on 1 February 2025. At the date of his death, he owned the following assets:

- 1) A residential property which was jointly owned in equal proportions with his cousin, Sam. The value of the entire property was £480,000.
- 2) Shares and loan stock in an unquoted trading company which Richard and Sam had each purchased in 2014. The shares and loan stock were valued and held at the date of Richard's death as follows:

	<u>Total</u>	<u>Richard</u>	<u>Sam</u>
	£	£	£
Shares	1,200,000	400,000	800,000
Loan stock	300,000	180,000	120,000

Richard had made no lifetime gifts and he left his entire estate to Sam.

Calculate the Inheritance Tax payable on Richard's death.

6. Ulrich, who was domiciled in Germany, died on 2 November 2024. He left his estate, which comprised the following assets, to his brother:

- 1) A house in Surrey, valued at £2.8 million.
- 2) An apartment in Berlin, valued at £440,000. The apartment had been purchased for £300,000.
- 3) A farm in Yorkshire, which had been purchased for £400,000 and had always been farmed by tenants. On 2 November 2024, the farm was valued at £1.2 million and the agricultural value was £950,000.

Ulrich had purchased both the apartment in Berlin and the farm in Yorkshire in 2007. The funds required were provided by a loan of £700,000 from a UK bank which was secured on the house in Surrey. The full amount of the loan was outstanding at the date of Ulrich's death.

Briefly explain, with supporting calculations, the values of the assets to be included in Ulrich's death estate computation for UK Inheritance Tax purposes.

7. Joseph died on 20 July 2024. He was UK domiciled. His only lifetime gift was £400,000 to a discretionary trust in September 2018.

Joseph's assets on death were as follows:

	£
Cash, personal chattels and investments	365,000
Apartment in Italy	185,000

The costs of administration relating to the apartment were £4,600. Had the apartment been located in the UK, the administration costs would have been £2,200.

Joseph's will left the apartment free of tax to his brother, Kenneth, and the residue of the estate to his niece, Olive.

Calculate the amount that Olive will receive as a result of Joseph's death.

8. The Breen Discretionary Trust had the following income and expenses in 2024/25:

	£
Property income	40,000
Interest income	22,000
Letting agent's fees	(1,375)
Trustees' expenses met from income	(900)

The settlor, Gary Breen, had created one other trust which is still in existence.

Calculate the trustees' Income Tax liability for 2024/25.

9. On 1 May 2024, Karen created the Wakeford Discretionary Trust. She transferred into the trust an investment property worth £675,000 which she had purchased in 2021 for £550,000.

From 1 May 2024 to 5 April 2025, the property produced income (net of expenses) of £12,000.

On 31 March 2025, the trustees distributed £2,200 of income to each beneficiary. The beneficiaries of the trust were Karen's husband, Simon, and their two children, Mia (age 11) and Luke (age 7).

Briefly explain:

- 1) **The Capital Gains Tax implications for Karen of the transfer of the property to the trust, with supporting calculations**
 - 2) **The way in which the distributed trust income will be taxed in 2024/25.**
10. Henry died on 22 June 2024, leaving the whole of his estate to his son, Austin. The personal representatives received the following income during the administration of the estate, which was completed on 5 January 2025:

	£
Dividend income	3,480
Interest income (of this amount, £225 was interest on an ISA)	3,300

The personal representatives' expenses during the administration period were £375.

Calculate the Income Tax payable by the personal representatives in respect of 2024/25 and state the due date for payment.

11. Carl died on 18 March 2025. He divorced in 2003 and never remarried. His assets at death were his main residence, valued at £1.2 million, and listed stocks and shares valued at £1 million.

Carl left his estate to his granddaughter, Enid. He had not made any lifetime transfers.

You are required to:

- 1) **Calculate the Inheritance Tax payable on Carl's death.**
- 2) **Calculate the Inheritance Tax that can be paid by instalments and state the amount of the first instalment.**

12. On 25 December 2024, Louise gave £250,000 to each of her daughters, Florence (age 27) and Pearl (age 25).

On 1 March 2025 Florence used the money towards the £400,000 purchase price of a house for her and her husband to live in.

On 1 April 2025, Pearl used the money towards the £300,000 purchase price of a painting by Louise's favourite artist. Pearl hung the painting on the wall in Louise's dining room.

You are required to briefly explain:

- 1) Whether the pre-owned asset rules apply as a result of these transactions and if so, how the charge would be calculated.**
- 2) Any elections that may be available to Louise.**

MODULE B – TEST 2

1. The Brypo Discretionary Trust, the only trust created by the settlor, had the following income and expenses during the year ended 5 April 2025:

<u>Income</u>	£
Property income	10,000
Dividends received	800
Building society interest received	4,100
<u>Expenses</u>	
Agent's fees on property letting	960
Trustees' expenses met from income	511

Calculate the trustees' Income Tax liability for 2024/25.

2. Bob owns two farms: Bobbins Farm, which he farms himself, and Firkins Farm, which he rents to his son.

Bob is considering gifting both farms to a Discretionary Trust for the benefit of his children and grandchildren. The assets of each farm have been summarised as follows:

	<u>Bobbins Farm</u>	<u>Firkins Farm</u>
	£	£
Farmland – agricultural value	900,000	880,000
– market value	1,250,000	1,100,000
Farmhouse and barns	400,000	200,000
Farm equipment	300,000	380,000

Briefly explain any Inheritance Tax relief(s) that may be available on the potential gifts and any conditions which must be met at that time.

3. Pete made his first lifetime gifts during 2024/25 as follows:

May 2024	A holiday home worth £200,000 to his wife, Jenny.
July 2024	10,000 Ordinary shares in an investment company worth £40,000 to his son, Nate.
September 2024	Land worth £500,000 to a discretionary trust created for the benefit of his grandchildren.
October 2024	£10,000 cash to a UK registered charity.

Calculate the Inheritance Tax payable by Pete on these gifts, clearly showing your treatment of each item.

4. Before her death in September 2025, Joanne made three transfers to a trust (but no other lifetime gifts) as follows:

	<u>Gross Chargeable Transfer</u>	<u>Inheritance Tax paid</u>
	£	£
January 2016	200,000	Nil
March 2021	100,000	Nil
June 2024	318,750	18,750

Calculate the Inheritance Tax payable on the lifetime transfers as a result of Joanne's death.

5. Kenzi died in October 2025. Kenzi owned the following assets at the date of his death:

A 40% shareholding in Sympo Ltd, an unquoted investment company. Kenzi's civil partner, Leo, owns 20% of the company. The shares were valued at:

	£
60% shareholding	8.90 per share
40% shareholding	5.50 per share
20% shareholding	4.80 per share

A property in France valued at £120,000. The executors of Kenzi's estate paid £8,200 to obtain probate in France.

Briefly explain, with supporting calculations, how these assets should be valued for Inheritance Tax purposes.

6. Martin, who had never married, made transfers on 6 April each year to use his annual exemption but also made additional transfers during his lifetime as follows:

November 2015	A gift of cash to his nephew.
January 2020	A gift to a qualifying political party.
July 2021	A gift of cash to his friend, Sue.
May 2022	A transfer to a trust for the benefit of his surviving family on which Martin agreed to pay any tax due.

Martin died in August 2025.

Briefly explain how the available nil rate band for use in relation to Martin's death estate would be calculated.

7. Alan, who had never married, died on 31 March 2025. His assets and liabilities at the date of his death were as follows:

	£
Main residence	530,000
Life assurance policy (own life) – proceeds received July 2025	95,000
Chattels	50,000
Cash (of which £10,000 held in an ISA)	80,000
Personal loans payable	(5,000)
Outstanding income tax payable	(1,800)

Alan had made no lifetime gifts. His estate was shared equally between his two daughters.

Calculate the Inheritance Tax payable on Alan's death.

8. Jamie entered into the following capital transactions during 2024/25:

May 2024	Gave a painting valued at £23,000 by a modern artist to a UK national heritage art museum.
August 2024	Sold an antique table to a friend, Keith, for £10,500. A local valuer had suggested Jamie might be able to sell the table at auction for between £10,000 and £12,000.
December 2024	Gave £200 to each of his six nieces and nephews.
February 2025	Sold a house to his brother, Simon, for £150,000. A local estate agent had valued the house at £185,000 but Simon could only afford to pay Jamie £150,000.

Briefly explain the immediate Inheritance Tax treatment of each transaction.

9. Nigel died in August 2006 leaving an estate valued at £400,000, which included his share of the family home. He left £199,500 to his daughter and the rest of his estate to his wife, Julia. Nigel had made no lifetime gifts.

Julia died in March 2025 leaving an estate valued at £900,000, which included the family home valued at £500,000, to her daughter. She had made no lifetime gifts.

Briefly explain, with supporting calculations, how much of Julia's estate was subject to Inheritance Tax at 40%.

10. The Jade Discretionary Trust was created by Martin in 2017 for the benefit of his grandchildren. Martin had created another discretionary trust in 1994 for the benefit of his children.

During 2024/25 the trustees of the Jade Discretionary Trust sold:

- 1) A racehorse for £28,000 which had been purchased in 2022 for £14,000.
- 2) A residential property, resulting in a capital gain of £65,000.
- 3) Quoted shares, resulting in a capital gain of £80,000.

The trust had a brought forward capital loss of £10,000 at 6 April 2024.

Calculate the Capital Gains Tax payable by the trustees as a result of these disposals.

11. Joanne owned a cottage by the sea for many years, which was used regularly by her and her family for holidays and short breaks.

She gave the cottage to her son in July 2024 when it was valued at £320,000, but it was agreed that Joanne could continue to use the property exclusively throughout the months of May and October each year.

Joanne died in October 2025, by which time the cottage had increased in value to £360,000.

Briefly explain how the gift of the cottage would be treated for Inheritance Tax purposes.

12. Mark died on 14 June 2025, leaving his estate to his grandchildren. The Inheritance Tax liability on his death estate has been calculated at £150,000.

In addition to this, further Inheritance Tax of £10,000 was payable on a lifetime transfer made in September 2020 to Mark's niece, Rosie.

State who is responsible for paying the Inheritance Tax as a result of Mark's death and the due date(s) for payment.

ANSWERS TO MODULE B – TEST 1

Examiner's report:

[Being reproduced with the permission of The Chartered Institute of Taxation]

General Comments

Overall, performance on this module was satisfactory but not exceptional. Candidates performed better on the computational questions than on the written ones.

1.

	£	£	
Unused RNRB on Peter's death	175,000		
Less: Taper $\frac{1}{2} \times (2,300,000 - 2,000,000)$	<u>(150,000)</u>		
		25,000	[1]
Add: Julia's RNRB		<u>175,000</u>	[1]
		<u>200,000</u>	
Lower of:			
Available RNRB	200,000		
Value of residential property	400,000		[1]
		<u>200,000</u>	
IHT payable:			
Estate		1,800,000	
Less: RNRB		(200,000)	
Less: NRB (no TNRB on Peter's death))		<u>(325,000)</u>	[1]
Taxable		<u>1,275,000</u>	
IHT @ 40%		<u>510,000</u>	[1]

Examiner's comments:

Performance on this question on the transfer was mixed. While most candidates recognised that the husband had not used his RNRB, only a few tapered it. The most common error was to apply quick succession relief on the wife's death, despite the fact that the amount inherited from her husband was covered by the spouse exemption.

2. Both transfers were made on the same day, so the annual exemptions (AEs) are apportioned between them. [1]

The transfer on which Alice pays the tax is deemed to be made first. [1]

	£	
Gift to ABC Trust	900,000	
AEs (2024/25 and 2023/24) = £6,000		
$\text{£6,000} \times \text{£900,000} / (\text{£900,000} + \text{£600,000})$	<u>(3,600)</u>	[1]
Net CLT	896,400	
Less: NRB	<u>(325,000)</u>	
Taxable	<u>571,400</u>	[1]
IHT @ 20/80	<u>142,850</u>	
Payable by Alice by 30 June 2025.		[1]

Examiner's comments:

Whilst the question stated that the transfers were made on the same day, some candidates assumed that the transfer to the XYZ Trust was made before the transfer to the ABC Trust and calculated the IHT on that basis. It was disappointing to note that the due date for payment was very often stated incorrectly.

3.

	£	£	
Transfer to William		350,000	
Less: Marriage exemption		(5,000)	[1]
Less: AE 2021/22 & 2020/21		(6,000)	[1]
PET (chargeable as Charles dies < 7 years)		339,000	
NRB	325,000		
Less: CLT January 2017 (£230,000 - £6,000 (AEs of 2016/17 and 2015/16))	(224,000)		[1]
		(101,000)	
		<u>238,000</u>	
IHT @ 40%		95,200	[1]
Less: Taper relief (3 - 4 years = 20%)		(19,040)	[1]
		<u>76,160</u>	

4.

		£	
Transfer to daughter:			
Related property rules: £90,000/(£90,000 + £90,000) x £240,000		<u>120,000</u>	[2]
Transfer to son:			
Lower of:			
225p + ¼ (231p – 225p) = 226.5p	10,000 x 226.5p	<u>22,650</u>	[2]
(224p + 232p)/2 = 228p			[1]

Examiner's comments:

Performance on this question was mixed. Some candidates confused the related property rules with the part disposal rules for CGT, and most candidates included the dividend in the valuation of the shares (which you would only do on death).

5.

	£	£	
Residential property (£480,000/2)	240,000		[1]
Less: Tenanted deduction (say 10%)	(24,000)		[1]*
		216,000	
Shares in unquoted trading company	400,000		
Less: BPR at 100%	(400,000)		
		Nil	[1]
Loan stock in unquoted trading company	180,000		
(No BPR as Richard does not control the company)	-		
		<u>180,000</u>	[1]
		<u>396,000</u>	
IHT: 40% x (£396,000 – £325,000)		<u>28,400</u>	[1]

[* Mark given for any discount of between 5% & 15%].

Examiner's comments:

This question was generally well done, although several candidates thought that 100% BPR was available on the loan stock.

6. Ulrich is not UK domiciled, therefore, only his UK assets are subject to UK IHT (so the apartment in Berlin is excluded). [1]

The £300,000 loan on the apartment in Berlin cannot be deducted in calculating the chargeable UK estate as the funds were used to purchase excluded property (and this is so even though the loan was taken out before 6 April 2013). [1]

As the loan on the farm in Yorkshire was taken out before 6 April 2013, the restriction on relief for loans to acquire relievable property does not apply. [1] Therefore, the £400,000 loan can be deducted from the value of the asset on which the loan is secured, ie the house in Surrey. [1]

In Ulrich's death estate:

	£	£	
House in Surrey	2,800,000		
Less: Loan thereon	<u>(400,000)</u>		
		<u>2,400,000</u>	
Farm in Yorkshire	1,200,000		
Less: APR at 100% x agricultural value	<u>(950,000)</u>		
		<u>250,000</u>	[1]

Examiner's comments:

This question asked for explanations with supporting calculations, but most candidates simply concentrated on the calculation element. There were a number of errors with APR.

7.

	£	£	
Cash, personal chattels and investments		365,000	
Apartment in Italy	185,000		
Less: Additional administration costs			
Lower of:			
£4,600 - £2,200 = £2,400	<u>(2,400)</u>		[1]
5% x £185,000 = £9,250			[1]
		<u>182,600</u>	
		<u>547,600</u>	
IHT: 40% x £547,600 (no NRB available)		<u>219,040</u>	[1]
Amount received by Olive:			
Cash, personal chattels and investments		365,000	
Less: Administration costs re apartment in Italy		<u>(4,600)</u>	[1]
Less: IHT (all borne by residuary legatee)		<u>(219,040)</u>	[1]
		<u>141,360</u>	

Examiner's comments:

Performance on the question was particularly disappointing. Most candidates recognised that the deduction in relation to the overseas administrative expenses was limited to 5% of the market value of the overseas property, but very few correctly calculated the allowable deduction as being the additional costs incurred.

Some candidates only calculated the IHT due on the overseas asset rather than on the death estate as a whole. The calculation of the amount that the residuary legatee would receive was rarely done correctly.

8.

	Non Savings £	Interest £	
Property income (40,000 – 1,375)	38,625		[1]
Interest income		22,000	
Less: Expenses (£900 x 100/80)		(1,125)	[1]
	<u>38,625</u>	<u>20,875</u>	
Tax:			
£38,625 x 45%		17,381	[1]
£20,875 x 45%		9,394	[1]
£1,125 x 20%		<u>225</u>	[1]
		<u>27,000</u>	

Examiner's comments:

This question was generally very well done. The most common error was to gross up the trustee's expenses at the dividend rate, despite there being no dividend income.

9.

- 1) The Wakeford Discretionary Trust is a 'settlor interested' trust [1] as Karen has created a trust from which her spouse can benefit. [1]

Under s.169B TCGA 1992, transfers into a settlor interested trust are not eligible for gift relief. [1] Therefore, a chargeable gain will arise on Karen in 2024/25 as follows:

	£	
Proceeds (MV @ 1 May 2024)	675,000	
Less: Cost	(550,000)	
Chargeable gain	<u>125,000</u>	[1]

- 2) As a settlor interested trust, under s.624 ITTOIA 2005 the whole of the trust income of £12,000 is taxed on Karen, the settlor. [1]

Examiner's comments:

The majority of candidates failed to recognise that this question was on a settlor interested trust and therefore applied gift relief to the gain. Some candidates even calculated indexation on the gain, and others did a calculation of an exit charge on the distribution from the trust.

10.

	Interest £	Dividends £	
Interest income (£3,300 – £225)	3,075		[1]
Dividend income		<u>3,480</u>	[1]
Taxable income	<u>3,075</u>	<u>3,480</u>	
Tax at basic rate (£3,075 @ 20%)		615	[1]
Tax at dividend rate (£3,480 @ 8.75%)		<u>305</u>	[1]
Income tax payable		<u>920</u>	
Due 31 January 2026			[1]

Examiner's comments:

The most common error in this question was to confuse the dividends and the interest, and to apply the dividend and savings allowances in the calculation of the tax.

11.

Part 1

	£	£	
Main residence		1,200,000	
Investments		<u>1,000,000</u>	
		2,200,000	
RNRB	175,000		
Less: $\frac{1}{2} \times (£2,200,000 - £2,000,000)$	<u>(100,000)</u>		
		(75,000)	[1]
Less: Nil rate band		<u>(325,000)</u>	[1]
Taxable		<u>1,800,000</u>	
IHT @ 40%		<u>720,000</u>	[1]

Part 2

The IHT on land and buildings (ie the main residence) can be paid by instalments.

The amount payable by instalments is $£1,200,000/£2,200,000 \times £720,000 = £392,727$.
[1]

This is payable in ten equal instalments; the first instalment is $£392,727/10 = £39,273$.
[1]

Examiner's comments:

The first part of this question was generally well done. The second part on instalments was frequently omitted. However, where it was attempted, it was generally done well.

12.

Part 1

The pre-owned asset (POAT) rules would not apply to the gift to Florence, as Louise does not benefit from the house. [1]

The POAT rules would apply to the gift to Pearl as Louise has the benefit of a chattel, the purchase price of which was partially met using money provided by her. [1]

The charge is calculated by multiplying the value of the painting by the official rate of interest, [1] but this would be apportioned by $£250,000/£300,000$ as Louise only provided part of the purchase price. [1]

Part 2

To avoid this charge, Louise could elect for the 'gift with reservation' rules to apply. [1]

Examiner's comments:

Performance on this question was probably the best on the paper, with several candidates scoring full marks.

ANSWERS TO MODULE B – TEST 2

Examiner's report:

[Being reproduced with the permission of The Chartered Institute of Taxation]

General Comments

Generally, the paper was answered well by most candidates.

1.

	Rents £	Interest £	Dividends £	
Property income – received	10,000			
Agent's fees	(960)			
	9,040			[1]
Building society interest		4,100		
Dividends			800	
Trustees' expenses £511 x 100 / 91.25			(560)	[1]
	<u>9,040</u>	<u>4,100</u>	<u>240</u>	
Income tax liability				
(9,040 + 4,100) x 45%	5,913			[1]
£240 x 39.35%	94			[1]
£560 x 8.75%	49			[1]
	<u>6,056</u>			

Examiner's comments:

As expected, some candidates clearly knew there should be some difference in the treatment of the two types of expenses but were unsure as to what that was. Other candidates totally misunderstood the relevant income tax rates.

2. For Agricultural Property Relief (APR) to apply, the conditions which need to be met are:

A farm (ie agricultural property) must be owned and occupied for agricultural purposes for at least two years if owner occupied (Bobbins Farm) [1] or seven years if tenanted (Firkins Farm) [1] and be situated in the UK [1].

APR will apply only to the agricultural value, not the market value, of the farmland and farm buildings on both farms. It will not apply to the equipment owned by the farms. [1]

For Business Property Relief (BPR) to apply, the farm must be operated by the owner as a business and be owned for at least two years. BPR cannot, in relation to Bob, apply to Firkins Farm however as he has let the property (and so is held by him as an investment). [1]

BPR would apply to the market value of farm equipment and the market value premium of the farmland of Bobbins farm. [1]

Max 5

Examiner's comments:

Answers were generally good. However, a number of candidates clearly wrote down any knowledge they had about APR, some of which was irrelevant to the scenario and therefore wasted time.

3.

		£	
May 2024	Gift to spouse – exempt		[1]
July 2024	PET – uses AE for 2024/25 and 2023/24 but no lifetime tax due (as treated as exempt)		[1*]
Sept 2024	CLT – no AE left (used by PET)	500,000	
	Nil rate band available in full	<u>(325,000)</u>	[1]
		175,000	
	IHT at 25% (Pete pays, per the requirement)	43,750	[1]
Oct 2024	Gift to charity – exempt		[1]

[*Use of AE does not need to be stated – mark can be given for showing none available to use on CLT]

4. January 2016 transfer more than seven years before death so not chargeable

March 2021 GCT £100,000 covered by available nil rate band [1]*

		£	£	
June 2024	GCT		318,750	
	NRB	325,000		[1]
	GCT < 7years	<u>(100,000)</u>		[1]
			<u>(225,000)</u>	
			93,750	
	IHT 40%		37,500	[1]
	Taper relief (none – gift within 3 years of death)			
	Lifetime tax paid	<u>(18,750)</u>		[1]
	IHT payable		<u>18,750</u>	

[*This does not need to be stated but awarded if correct treatment apparent from June 2024 calculation]

Examiner's comments:

The most common mistake for most was the failure to notice that the June 2024 transfer value was referred to as a gross transfer and therefore did not need to be grossed up.

5. As Kenzi and Leo are civil partners, the related property rules apply to the valuation of the shares. [1]

The higher of the standalone value (£5.50 per share) and related value will be used. [1]

The calculation would be to take the value of their joint holding of 60%. [1]

Therefore, Kenzi's shares would be valued at £8.90 per share [1]

The £120,000 value for the property in France will be reduced by the costs of obtaining probate overseas, but this is restricted to 5% of the property value (£6,000) leaving £114,000 to be included in the death estate. [1]

Examiner's comments:

A number of the answers to this question started well but then demonstrated some confusion. Almost all candidates identified the relevance of the related property rules but were not always able to correctly apply them to calculate the value of the shares.

6. The maximum nil rate band (NRB) would be based on the amount in force at the time of Martin's date of death in 2025/26 (ie £325,000). [1]

This would first be used by any chargeable transfers taking place in the seven years prior to death, ie since August 2018. Therefore, the PET to his nephew in November 2015 would be ignored as it will have become an exempt transfer by the time Martin dies. [1]

The transfer to the qualifying political party in January 2020 falls within the seven-year period but is an exempt transfer so would not affect the available nil rate band. [1]

The July 2021 PET to his friend becomes chargeable as it falls within the seven-year period and will therefore reduce the nil rate band for use in relation to Martin's death estate. [1]

The CLT to the trust also reduces the nil rate band (to nil if relevant). The reduction is by reference to the gross chargeable value of the CLT (which would include the lifetime Inheritance Tax paid by Martin). [1]

Examiner's comments:

Although well answered on the whole, a surprising number of students failed to refer to how the NRB would initially be determined, being based on the tax year in which death occurs.

7.

	£	
Main residence	530,000	
Life assurance policy (own life) - proceeds (even though received after death)	95,000	[1]
Chattels	50,000	
Cash (including ISA)	<u>80,000</u>	
	755,000	[1]
Personal loans payable	(5,000)	
Outstanding income tax payable	<u>(1,800)</u>	[1]
Net estate	748,200	
	[Main residence left to daughters]	
Residence nil rate band	(175,000)	[1]
Nil rate band	<u>(325,000)</u>	
	248,200	
Inheritance tax 40%	<u>99,280</u>	[1]*

[*For using full NRB and applying 40% to own figure]

8. May 2024

Gifts to national heritage bodies are exempt. [1]

August 2024

This is not a transfer for Inheritance Tax purposes as there is no gift (it being reasonable to say that Jamie did not intend to confer a benefit on Keith) – the amount paid by Keith is reasonably within the valuation range given for the table. [1]

December 2024

These gifts would be covered by the small gifts exemption as each is below the £250 per tax year per recipient limit. [1]

February 2025

The price paid by Simon is clearly below the market value for the house (and so it can reasonably be said that Jamie intended to confer a benefit on Simon). Therefore, this is a PET by Jamie of £35,000 before available annual exemptions, being the loss to Jamie's estate taking into account the £150,000 paid by Simon. [2]

9. As Julia's estate includes her main residence which is being left to her daughter (a direct descendent), a residence nil rate band of £175,000 can be set against her death estate. [1]

As Nigel died before the residence nil rate band was introduced on 6 April 2017, his residence nil rate band is deemed to be 100% unused. Julia's executors can therefore claim 100% of Nigel's unused residence nil rate band, so that £350,000 in total can be claimed (this is lower than the value of the property included in her estate). [1]

In addition to Julia's nil rate band at the date of her death, her executors could claim to make use of any unused nil rate band from Nigel's death. [1]

Nigel died in 2006/07 when nil rate band was £285,000. £199,500 of this was used by the legacy to his daughter. This leaves 30% unused (£85,500 / £285,000). The unused NRB to be claimed by the executors against Julia's estate is therefore £97,500 (30% x £325,000). [1]

The amount of Julia's estate which will be subject to Inheritance Tax at 40% is £127,500. [1]

	£
Estate	900,000
RNRB – own and b/f unused	(350,000)
NRB – own	(325,000)
– b/f unused	<u>(97,500)</u>
	<u>127,500</u>

Examiner's comments:

There were a number of candidates who did not score full marks on this question. This was mainly due to either not appreciating that an unused RNRB could be transferred from the spouse as well as the unused NRB, or incorrectly calculating the value of the unused NRB to transfer, by calculating the unused percentage incorrectly or simply taking the unused amount across.

10.

	Residential £	Other gains £	
Racehorse – exempt (wasting asset)	Nil	Nil	[1]
Residential property	65,000		
Quoted shares		80,000	
AEA (£1,500 / 2)	(750)		[1]
Note: Two trusts created by settlor			
Capital loss brought forward	<u>(10,000)</u>		[1]
Taxable gains	<u>54,250</u>	<u>80,000</u>	
CGT 24%	<u>13,020</u>		[1]
CGT 20%		<u>16,000</u>	[1]

Examiner's comments:

This was generally very well answered but some candidates lost marks by failing to clearly show the loss brought forward and AEA offset against the residential property gains in preference to other gains.

11. The gift of the property in July 2024 is a PET and therefore not subject to Inheritance Tax at the date it is made. The PET would be valued using available annual exemptions and become chargeable if the donor dies within seven years. [1]

However, as Joanne has retained the right to use the cottage for at least two months each year, this is also a gift with reservation of benefit (meaning it forms part of her estate when she dies). [1]

This means that at the date of Joanne's death in October 2025, the following two calculations are required with the one that results in the higher overall IHT selected by HMRC: [1]

- i) Calculate a death tax charge on the July 2024 PET and omit the cottage from her estate; or [1]
 - ii) Ignore the PET and include the cottage in the death estate at the value at the date of death, to be taxed as part of the overall estate. [1]
12. Inheritance Tax on lifetime transfers as a result of death is payable by the donee, so the £10,000 payable on the September 2020 PET will be payable by Mark's niece. [1]

The tax is payable six months after the end of the month of death, ie 31 December 2025. [1]

Inheritance Tax on the death estate is payable by the executors of the estate. [1]

This tax is payable on the earlier of:

Six months after the end of the month of death ie 31 December 2025. [1]

On the delivery of the Inheritance Tax return if earlier. [1]