

Tolley[®] Exam Training

CTA

AWARENESS PAPER

MODULE B – IHT, TRUSTS & ESTATES

PRE REVISION QUESTION BANK

FA 2020

May and November 2021 Sittings

**PQ927B
CTA**

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INTRODUCTION

This Pre-Revision Question Bank for Module B of the Awareness paper contains 2 full exam standard 12 question tests with answers updated to Finance Act 2020.

This question bank forms an important part of your preparation for the examination - question practice is the key to passing exams. We recommend that you use these tests 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.

In the real exam each Module will have 12 questions and each question carries 5 marks. You must answer all the questions from the three Modules you are sitting.

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.

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 the amount of time you will have in the real exam to answer all three Modules.

You should type up your answers in 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.

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

You may use a calculator and the CTA Tax Tables.

You should try to avoid just reading the answers to questions - it is all too easy to nod as you read our 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 the answers yourself.

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Test 1

Test 2

Answers to Test 1

Answers to Test 2

INCOME TAX - RATES AND THRESHOLDS

	2020/21	2019/20
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	7.5	7.5
Dividend upper rate	32.5	32.5
Dividend additional rate and trust rate for dividends	38.1	38.1
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,500	1 – 37,500
Higher rate band	37,501 – 150,000	37,501 – 150,000
Dividend allowance	2,000	2,000
Personal 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	1,000	1,000
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,085	1 – 2,049
Scottish basic rate	2,086 – 12,658	2,050 – 12,444
Intermediate rate	12,659 – 30,930	12,445 – 30,930
Higher rate	30,931 – 150,000	30,931 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2020/21	2019/20
	£	£
Personal allowance ⁽²⁾	12,500	12,500
Married couple's allowance ⁽³⁾	9,075	8,915
– Maximum income before abatement of relief - £1 for £2	30,200	29,600
– Minimum allowance	3,510	3,450
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,250	1,250
Blind person's allowance	2,500	2,450
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	100,000	100,000
Social investment relief	1,000,000	1,000,000

- 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.

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ISA limits	2020/21	2019/20
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	4,368

Pension contributions	Annual allowance ⁽¹⁾	Lifetime allowance	Minimum pension age
	£	£	
2019/20	40,000	1,055,000	55
2020/21	40,000	1,073,100	55

Basic amount qualifying for tax relief £3,600

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £240,000 (2019/20: £150,000) for individuals with threshold income above £200,000 (2019/20: £110,000). It cannot be reduced below £4,000 (2019/20: £10,000).

Employer Supported Childcare

Exemption – basic rate taxpayer⁽¹⁾ £55 per week £55 per week

Note: (1) 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 ⁽¹⁾	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (1) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2020/21

Emissions	Electric range (miles)	Car benefit % ⁽¹⁾		
		Pre 6 April 2020 registration	On/after 6 April 2020 registration	
0g/km	N/A	0%	0%	
1-50g/km	>130	2%	0%	
1-50g/km	70-129	5%	3%	
1-50g/km	40-69	8%	6%	
1-50g/km	30-39	12%	10%	
1-50g/km	<30	14%	12%	
51-54g/km		15%	13%	
55-59g/km		16%	14%	
60-64g/km		17%	15%	
65-69g/km		18%	16%	
70-74g/km		19%	17%	
75g/km or more		20%	18%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%		
170g/km or more			37%	

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Car benefits – 2019/20

Emissions	Car benefit % ⁽¹⁾
0 – 50 g/km	16%
51 – 75 g/km	19%
76 – 94 g/km	22%
95 g/km or more	23% + 1% for every additional whole 5g/km above threshold
165 g/km or more	37%

Note: (1) 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	2020/21	2019/20
	£	£
	24,500	24,100

Van benefits	2020/21	2019/20
	£	£
No CO ₂ emissions	2,792	2,058
CO ₂ emissions > 0g/km	3,490	3,430
Fuel benefit for vans	666	655

INCOME TAX - CHARGES

Child benefit charge	Withdrawal rate
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

Official rate of interest	2020/21	2019/20
	2.25%	2.5%

INCOME TAX - SIMPLIFICATION MEASURES

Allowances	2020/21	2019/20
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses	First 10,000 business miles	45p per mile
	Additional business miles	25p 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

Cash Basis for Unincorporated Businesses

	£
Turnover threshold to join scheme	150,000
Turnover threshold to leave scheme	300,000

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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) from 1 January 2019 to 31 December 2020 (£200,000 from 1 January 2021) (£200,000 before 1 January 2019).
 (2) The main pool rate applies to cars with CO₂ emissions of not more than 110 g/km (from April 2021 not more than 50g/km).
 (3) The special pool rate applies to cars with CO₂ emissions greater than 110 g/km (from April 2021 greater than 50g/km). The special pool rate was 8% before 6 April 2019 (1 April 2019 for companies).
 (4) The SBA rate was 2% prior to April 2020.

100% First year allowances available to all businesses

- Capital expenditure incurred by a person on research and development.
- New zero-emission goods vehicles (until April 2025).
- New cars if the car either emits not more than 50 g/km of CO₂ (0 g/km of CO₂ from April 2021) or it is electrically propelled (until April 2025).
- Electric vehicle charging points (until April 2023).

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2020/21			2019/20		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,240	£520	£120	£6,136	£512	£118
Primary threshold (PT)	£9,500	£792	£183	£8,632	£719	£166
Secondary threshold (ST)	£8,788	£732	£169	£8,632	£719	£166
Upper earnings limit (UEL)/ Upper secondary threshold for under 21 (UST) ⁽¹⁾	£50,000	£4,167	£962	£50,000	£4,167	£962
Apprentice upper secondary threshold for under 25 (AUST) ⁽²⁾						

Class 1 primary contribution rates

Earnings between PT and UEL	12%	12%
Earnings above UEL	2%	2%

Class 1 secondary contribution rates

Earnings above ST ⁽¹⁾⁽²⁾	13.8%	13.8%
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- Notes:** (1) Rate of secondary NICs for employees < age 21 on earnings between ST&UST is 0%.
 (2) Rate of secondary NICs for apprentices < age 25 on earnings between ST&AUST is 0%.

	2020/21	2019/20
Employment allowance		
Per year, per employer	£4,000	£3,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Normal rate	£3.05 pw	£3.00 pw
Small profits threshold	£6,475 pa	£6,365 pa
Class 3 contributions	£15.30 pw	£15.00 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£9,500	£8,632
Annual upper profits limit (UPL)	£50,000	£50,000
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

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OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.20 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £151.20
Statutory sick pay	£95.85 per week
Student Loan	Plan 1: 9% of earnings exceeding £19,390 per year (£1,615.83 per month/ £372.88 per week) Plan 2: 9% of earnings exceeding £26,575 per year (£2,214.58 per month /£511.05 per week)
Postgraduate Loan	6% of earnings exceeding £21,000 per year (£1,750 per month/£403.88 per week)

National living/minimum wage (April 2020 onwards)

Category of Worker	Rate per hour £	Category of Worker	Rate per hour £
Workers aged 25 and over	8.72	18–20 year olds	6.45
21–24 year olds	8.20	16–17 year olds	4.55

Accommodation Offset	£8.20 per day		
		Apprentices	4.15

HMRC INTEREST RATES

Late payment interest	2.6%
Underpaid corporation tax instalments interest	1.1%
Repayment interest	0.5%
Credit interest	0.5%

CAPITAL GAINS TAX

	2020/21	2019/20
Annual exempt amount for individuals	£12,300	£12,000

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 28% if the gain is in respect of a residential property

Business Asset Disposal⁽¹⁾ relief	2020/21	2019/20
Relevant gains (lifetime maximum) ⁽²⁾	£1 million	£10 million

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

- Note:** (1) Formerly called entrepreneurs' relief
(2) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

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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

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		

CORPORATION TAX

Financial year	2020	2019	2018
Main rate	19%	19%	19%

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.

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
Limits	From 1.4.20	From 1.4.19
	£	£
Annual registration limit	85,000	85,000
De-registration limit	83,000	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 June 2020)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	10p	6p	1600cc or less	8p
1401cc to 2000cc	12p	8p	1601cc to 2000cc	9p
Over 2000cc	17p	11p	Over 2000cc	12p
Electricity rate	4p			

OTHER INDIRECT TAXES

	2020/21	2019/20
Insurance premium tax⁽¹⁾		
Standard rate	12%	12%
Higher rate	20%	20%
Tobacco products duty	From 11.3.20	From 29.10.18
Cigarettes	16.5% x retail price + £237.34 per thousand cigarettes (or £305.23 per thousand cigarettes ⁽²⁾)	16.5% x retail price + £228.29 per thousand cigarettes (or £293.95 per thousand cigarettes ⁽²⁾)
Cigars	£296.04 per kg	£284.76 per kg
Hand-rolling tobacco	£253.33 per kg	£234.65 per kg
Other smoking/chewing tobacco	£130.16 per kg	£125.20 per kg
Tobacco for heating	£243.95 per kg	£234.65 per kg ⁽³⁾

Notes: (1) Premium is tax inclusive (³/₂₈ for 12% rate and ¹/₆ for 20% rate).
(2) The £305.23/£293.95 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).
(3) From 1.7.19.

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INHERITANCE TAX

Death rate	40% ⁽¹⁾	Lifetime rate	20%
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Note: (1) 36% rate applies where 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 2021	£325,000

Residence nil rate bands⁽²⁾

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 2021	£175,000

Note: (2) 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

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 1.4.20	From 1.4.19
>£0.5m - ≤ 1m	£3,700	£3,650
> £1m - ≤ 2m	£7,500	£7,400
> £2m – ≤ 5m	£25,200	£24,800
> £5m – ≤ 10m	£58,850	£57,900
> £10m – ≤ 20m	£118,050	£116,100
> £20m	£236,250	£232,350

STAMP DUTY/SDRT

Stamp duty⁽¹⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax⁽¹⁾	- 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**Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI**

Basic Rate % ⁽¹⁾⁽²⁾⁽³⁾	Higher Rate % ⁽¹⁾⁽²⁾	Residential ⁽¹⁾⁽²⁾⁽³⁾	Non-Residential
0	3	£0 - £125,000	£0 - £150,000
2	5	£125,001 - £250,000	£150,001 - £250,000
5	8	£250,001 - £925,000	£250,001 +
10	13	£925,001 - £1,500,000	N/A
12	15	£1,500,001 +	N/A

- Notes:** (1) The basic rates are increased by 3% where the purchase is of an additional residential property for individuals (see column 2 for the rates that apply). Companies and trusts pay the additional 3% on all purchases of residential properties, subject to note 2 below.
- (2) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000.
- (3) First-time buyers purchasing a single dwelling as their only or main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £300,000. For homes up to £500,000, SDLT will be payable on £200,000 at 5%. Homes bought for more than £500,000 will incur the rates as per column 1 of the table above.

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

Rate (%)	Net present value of rent	
	Residential	Non-residential
Zero	Up to £125,000	Up to £150,000
1%	Excess over £125,000	£150,001-£5m
2%		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) An additional amount of tax equal to 4% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals and trusts (over which the beneficiary has substantial rights) and to purchases of a dwelling by certain businesses, companies and 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 ⁽¹⁾
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

- Note:** (1) Residential leases are generally exempt

MODULE B – TEST 1

1. John won £2 million on the lottery and decided to make the following cash gifts, having made no previous lifetime transfers:

20 March 2021	£500,000 to his wife
30 March 2021	£200,000 to his daughter
30 June 2021	£10,000 to a national registered charity
30 August 2021	£500,000 to a discretionary trust for his grandchildren

John pays any lifetime Inheritance Tax that arises on these transfers. John and his wife and daughter are UK domiciled.

Calculate the Inheritance Tax payable on each gift, clearly showing your treatment of each gift.

2. The Tree Discretionary Trust received the following income during 2020/21:

	£
Building society interest	600
Property income	10,000
Dividends	4,500

The trustees incurred management expenses of £555.

Calculate the Income Tax liability for the trustees for 2020/21.

3. Julie died on 31 January 2021 leaving a death estate valued at £1,200,000 to her niece, Anne. Her only lifetime gift was on 10 April 2017 when she gave a seaside apartment in Northern Ireland to Anne. The apartment was valued at £380,000 in April 2017, but by January 2021 it had fallen in value to £320,000.

Calculate the Inheritance Tax payable due to Julie's death in January 2021.

4. The Bee Discretionary Trust made the following capital disposals during 2020/21:

	<u>Proceeds</u>	<u>Cost</u>
	£	£
Land	40,000	18,000
Painting	16,000	Note below

The painting was originally purchased as part of a collection of six at a cost of £88,000. The remaining five paintings had a market value at the date of this sale of £90,000.

The trust had unused capital losses brought forward at 6 April 2020 of £30,000.

Calculate the Capital Gains Tax payable by the Trust for 2020/21, stating the amount of any remaining unused capital losses available to carry forward.

5. Thiago died on 12 August 2021. Thiago came to the UK 10 years ago but retained his Spanish domicile status. His estate at 12 August 2021 consisted of the following assets:

	<u>Value at 12 August 2021</u>
	£
House in the UK	600,000
Buy-to-let property in North Devon, UK	390,000
Apartment in Spain	130,000

In 2015 Thiago had taken out a loan of £65,000 to acquire the apartment in Spain. The loan is secured on the UK house.

Thiago also had outstanding tax liabilities at the date of his death amounting to £4,000. All were paid by his Executors.

Thiago's Will states that the house will be left to his wife who is UK domiciled and the rest of the estate to his son. Thiago had made no previous lifetime transfers.

Calculate the Inheritance Tax payable on Thiago's death.

6. Pauline died on 31 December 2020. The following UK income was received in 2020/21:

	Date received	Amount received
		£
ISA account interest	31 December 2020	455
	31 March 2021	560
Bank interest	30 September 2020	250
	31 March 2021	450
Dividends	31 March 2021	4,667

The Executors incurred administration expenses of £250 in February 2021. They also borrowed funds to pay the Inheritance Tax due. The total interest paid on this loan during 2020/21 amounted to £500.

The administration of the estate was completed in June 2021.

Calculate the amount of taxable income for Pauline's Executors for 2020/21.

7. Sheila and David met and married in the UK three years ago. David was born and raised in Nigeria to Nigerian parents. David moved to the UK six years ago and has not made any attempt to change his domicile. Sheila is domiciled within the UK.

The couple is considering transferring half shares in the following assets to one another so that their estates consist mainly of jointly owned property:

- 1) House in Nigeria – currently owned by David.
- 2) 35% shareholding in a UK unquoted investment company – currently owned by Sheila.

Each of these assets is worth in excess of £400,000.

Explain the Inheritance Tax implications of:

- 1) **David’s transfer of a half share in the Nigerian house to Sheila; and**
- 2) **Sheila’s transfer of a half share in the shareholding to David.**

You are NOT required to consider any possible election under IHTA 1984, s.267ZA.

8. Michael died in December 2020 with an estate valued at £1 million.

Michael had never made any lifetime transfers but had received a number of inheritances before his death:

June 2013

On the death of his uncle, Michael inherited £100,000 of cash. Inheritance Tax of £35,000 was paid by his uncle’s executors on this legacy.

August 2017

On the death of his mother, Michael received a number of specific legacies:

	<u>Gross Value</u> <u>August 2017</u>	<u>Value December 2020</u>
	£	£
Shares in Blue Ltd - Qualifying for 100% BPR	430,000	500,000
House in Edinburgh	350,000	Sold December 2017
Cash	100,000	100,000

His mother’s estate was valued at £1.2 million in total (after the claim for BPR on the shares in Blue Ltd), on which an Inheritance Tax liability of £400,000 arose.

Calculate, with brief explanations, the amount of Quick Succession Relief available to set against the Inheritance Tax liability on Michael’s death estate.

9. Jack is due to retire next month from the family business that he has run for 40 years. He is considering giving it to his daughter Mary.

Mary works in the business but is not sure whether she wants to run the business alone. She has told her father that she may instead sell the business on if she finds she cannot cope.

State the Inheritance Tax implications of:

- 1) Jack gifting the business to Mary; and
- 2) Mary subsequently selling the business.

10. Stuart is a beneficiary of a trust set up by his father many years ago. The trustees are negotiating the sale of some shares owned by the trust since its creation.

State the conditions which must be met for the trustees to qualify for Business Asset Disposal Relief on this sale of shares.

11. Ruth is aged 80 and concerned about how her family will afford to pay fees for a care home when she needs to move into one. She has been advised by her friend Geoff that she could transfer the legal title of her home to her son and daughter-in-law but retain the right to live in the house in the meantime.

Explain the potential Inheritance Tax implications of transferring the legal title of the property.

12. Bert is a 75 year old widower. He is concerned that his son (as the only beneficiary of his will) may suffer a large Inheritance Tax liability on his death, as his estate is currently valued at £1,250,000.

The estate includes Bert's main residence valued at £400,000.

Bert's wife Bettina died in March 2009. She left £156,000 to her son and the balance of her estate worth £200,000 to Bert, having made no lifetime gifts.

Briefly explain the nil rate bands available to Bert on his death, assuming that he makes no lifetime transfers.

MODULE B – TEST 2

1. Family Ltd, an investment company, has 10,000 £1 ordinary shares in issue. 6,000 shares had been held by Julian and 4,000 by his wife since incorporation in 2000.

On 5 July 2020, Julian gave 5,000 of his 6,000 shares to a discretionary trust. The market values of the shares in Family Ltd on 5 July 2020 were:

<u>Size of holding</u>	<u>£ per share</u>
Less than 50%	90
50% and over, but less than 75%	140
75% or greater	160

The trustees agreed to pay any Inheritance Tax due as a result of the gift. Julian had fully used his nil rate band on a gift he made in 2018/19 and uses his annual exemption on 6 April each year.

Calculate the Inheritance Tax due on the gift on 5 July 2020.

2. Harry made the following gifts to his daughter during 2020/21:

1 June 2020	£10,000 cash on his daughter's 21st birthday
31 December 2020	A rental property (which he had never lived in) worth £270,000 on the occasion of his daughter's wedding. The property had been inherited by Harry on the death of his mother in January 2008, when it had a probate value of £190,000.

Harry had not made any previous lifetime gifts. He made no other chargeable disposals for Capital Gains Tax in 2020/21.

Explain, with calculations, the Capital Gains Tax and Inheritance Tax consequences of the gifts, clearly stating the values of the gifts and the availability of any exemptions.

3. Carmel gave £340,000 to a discretionary trust in May 2012, paying any Inheritance Tax due. She made a further gift to the same trust of £200,000 on 10 October 2018. The trustees paid any Inheritance Tax due on this gift. Carmel died on 2 February 2021.

Calculate the Inheritance Tax due on these lifetime gifts as a result of Carmel's death. You should ignore the annual exemption.

4. Oscar, who was divorced, died on 7 June 2021 having never made any lifetime gifts. His estate was valued at £940,000, which included his main residence valued at £600,000. Oscar had the following outstanding liabilities at the date of his death:

	£
Income Tax and Capital Gains Tax liabilities	14,600
Funeral expenses	4,100

Oscar left his estate to his daughter. His executors discharged all outstanding debts.

Calculate the Inheritance Tax due on Oscar's death estate and state the due date for payment.

5. David wants to set up a trust for his 10 year old son. David is terminally ill and is not expected to live beyond 2022.

Outline the key features of a trust for a bereaved minor, including the treatment of assets going into and coming out of the trust.

6. Sajid is not domiciled in the UK under general law.

Explain the situations in which he would be deemed to be UK domiciled for Inheritance Tax purposes.

7. Tom owns two farms.

Tom purchased a farm in the Channel Islands in May 2016. This is farmed by a tenant farmer on a lease that commenced in May 2016. The agricultural value of the farm is £450,000.

Tom owns a farm in Devon which he purchased in October 2013 and which he farms himself as a farming business. He has recently obtained planning permission to build on part of the farmland and so it is valued at £780,000. The agricultural value of the farm is £360,000.

Briefly explain if the farms owned by Tom are eligible for agricultural property relief and the amount, if any, of any reliefs available.

8. Frederick created a discretionary trust on 1 September 2010 and transferred £150,000 to it. Frederick paid any tax that was due. He had made a chargeable transfer of £200,000 in January 2009. The trustees made a capital distribution of £10,000 to a beneficiary in March 2019. The beneficiary paid the tax due on the distribution. On 31 August 2020 the trust was worth £240,000.

Calculate the Inheritance Tax principal charge.

9. Ranjit bought a residential property for £127,000 in April 2016. In November 2017 when the property had a market value of £135,000 he put it into trust, claiming gift relief. The trustees decided to sell the property in January 2021 for £165,000, incurring costs of sale of £2,600. This is the only trust ever set up by Ranjit.

You are required to:

- 1) **State the amount of gift relief claimed by Ranjit in November 2017; and**
- 2) **Calculate the Capital Gains Tax payable by the trustees on the disposal of the land in 2020/21.**

10. In February 2021, Amanda gave shares in JJ Ltd, an unquoted trading company, to her nephew. The shares were worth £79,000. The net assets of JJ Ltd were valued at £950,000 in February 2021. This included surplus cash balances of £240,000. Amanda had inherited the shares from her husband on his death in January 2020. Her husband had purchased the shares in April 2009.

Amanda gave her 30,000 shares in XY plc to her niece on 6 March 2021. XY plc has 50,000 shares in issue. XY plc buys and sells land and buildings. The shares were quoted at 820p – 826p at the date of gift. Amanda had purchased the shares in July 2016.

Amanda makes gifts at the start of each tax year which utilise her annual exemption.

Calculate, with brief explanations, the value of the gifts for Inheritance Tax, after taking into account the amount of any available reliefs.

11. The Alpha Discretionary Trust had the following receipts and payments during 2020/21:

	£
<u>Receipts</u>	
UK rental income receivable (net of allowable expenses)	10,600
Dividends received	630
Interest received	1,200
 <u>Expenses</u>	
Trustees' administration expenses	416

The balance brought forward on the tax pool at 6 April 2020 was £1,856. A net income payment of £2,000 was made to a beneficiary on 20 December 2020.

No other trusts have been set up by the same settlor.

Calculate the value of the tax pool carried forward at 5 April 2021.

12. Yasmin died on 1 October 2019, leaving two rental properties, Ivy Cottage worth £160,000 and Rose Barn worth £290,000. Her executors sold Ivy Cottage for net proceeds of £105,000, having incurred costs of sale of £12,000, on 4 June 2020. Rose Barn was sold for gross proceeds of £300,000 on 23 December 2020. They bought another house for £170,000 on 1 April 2021.

Calculate the value of the buildings in the death estate after taking account of the losses on disposal, assuming a claim for relief is made.

ANSWERS TO MODULE B – TEST 1

1. 20 March 2021: Covered by spouse exemption – no tax to pay [1]

30 March 2021:

	£	
Gift	200,000	
Less: AE 2020/21	(3,000)	
Less: AE 2019/20	<u>(3,000)</u>	
PET	<u>194,000</u>	

No IHT payable in lifetime

[1]*

[* Note for marking – this can be given even if no numbers are shown provided a valid explanation is given as to why nothing is payable, ie PET]

30 June 2020: Exempt transfer to charity

[1]

30 August 2020:

	£	
CLT	500,000	
Less: AE 2021/22 only	<u>(3,000)</u>	[1]
	497,000	
Less: Nil band	<u>(325,000)</u>	
Taxable	<u>172,000</u>	

IHT @ 20/80

43,000 [1]

- 2.

	Non-savings £	Savings £	Dividends £	
Interest		600		
Property	10,000			
Dividends			<u>4,500</u>	
Total Trust income	<u>10,000</u>	<u>600</u>	4,500	[1]
Less: Expenses (555 x 100/92.5)			<u>(600)</u>	[1]
Income after expenses	<u>10,000</u>	<u>600</u>	<u>3,900</u>	
Tax:				
£1,000 x 20%			200	
£9,000 x 45%			4,050	[3 for rates]
£600 x 45%			270	
£3,900 x 38.1%			1,486	
£600 x 7.5%			<u>45</u>	
Income tax liability			<u>6,051</u>	

3. Apartment to Niece – 10 April 2017

Julie died on 31 January 2021 within 7 years of making the gift, so the PET is chargeable

	£	
Value of PET (W)	374,000	
Less: Fall in value relief (380,000 - 320,000)	<u>(60,000)</u>	[1]
	<u>314,000</u>	

No tax payable as < nil band for 2020/21 [1]

Death estate – 31 January 2021

Value of death estate	1,200,000	
Less: Remaining nil band (325,000 - 374,000)	<u>(Nil)</u>	[1]
Chargeable estate	<u>1,200,000</u>	

IHT @ 40% 480,000 [1]

(W): Transfer in 2017 was a PET, so no tax payable at that time.

Value at gift	380,000	
Less: AEs (2017/18 & 2016/17)	<u>(6,000)</u>	[1]
PET	<u>374,000</u>	

4.

Sale of land:	£	£	
Proceeds	40,000		
Less: Cost	<u>(18,000)</u>		
Gain		22,000	[1]

Sale of painting - Part disposal:

Proceeds	16,000		
Less Cost: $88,000 \times 16,000 / (16,000 + 90,000)$	<u>(13,283)</u>		
Gain		<u>2,717</u>	[2]
Total gains		24,717	
Less: Trust AEA		<u>(6,150)</u>	
		18,567	
Less: Capital loss b/fwd		<u>(18,567)</u>	[1]
Taxable gain		<u>Nil</u>	

CGT payable Nil

Capital loss memo

Loss b/fwd	30,000	
Less: Offset in 2020/21	<u>(18,567)</u>	
Remaining loss c/fwd	<u>11,483</u>	[1]

5. Thiago is non-domiciled, so only his UK assets will be charged to UK IHT

Death estate:	£	
House	600,000	[1]
Cottage	390,000	
Apartment in Spain	Excluded	*[1]
Liabilities	<u>(4,000)</u>	[1]
	986,000	
Less: Spouse exemption (house)	<u>(600,000)</u>	[1]
Chargeable Estate	386,000	
Less: Nil band	<u>(325,000)</u>	
Taxable	<u>61,000</u>	
IHT @ 40%	<u>24,400</u>	[1]

[*This mark is given for leaving out the apartment in Spain]

Tutorial Note:

The loan secured on the UK property was used to purchase excluded property and cannot be deducted when arriving at the chargeable estate (IHTA 1984, s.162A).

6.

Pauline's estate:		Amounts received from 1 January 2021 onwards	
		£	
ISA interest	Still exempt after death	Nil	[1]
Bank interest		450	[1]
Dividends		<u>4,667</u>	[1]
		5,117	
Allowable deduction	Loan interest only	<u>(500)</u>	[1] + [1]*
Taxable income		<u>4,617</u>	

[* This mark is for excluding administration expenses]

7. Transfer of a 50% share in the house in Nigeria from David to Sheila

David is non-UK domiciled, so his house in Nigeria is excluded property and is not within the charge to UK IHT. [1]

The transfer to Sheila is therefore outside the scope of IHT. [1]

Sheila is UK domiciled and chargeable to UK IHT on worldwide assets. A transfer of a half-share of David's house to Sheila will result in the half-share coming within the scope of UK IHT (which would not be the case if it remained in David's ownership). [1]

This would utilise some of Sheila's nil band on death, increasing any IHT payable. [1]

Transfer of a 50% share in the UK shareholding from Sheila to David

The transfer from Sheila to David (i.e. where the transferee spouse is not UK domiciled) is exempt up to £325,000 only. [1]

The remaining part of the transfer from Sheila to David is treated as a PET becoming chargeable on Sheila's death within 7 years [1]

Max 5

8. The death of Michael's uncle is more than 5 years before Michael's death so no QSR is available. [1]

Michael's mother died within 5 years of Michael and so QSR is available.

Shares in Blue Ltd:

Qualifying for 100% BPR so no impact on the QSR calculation. [1]

House in Edinburgh:

Sold by Michael before his death but this does not affect the availability of QSR. [1]

QSR = $400,000/1,200,000 \times (350,000 + 100,000) \times 40\% = \underline{\pounds 60,000}$ [2]*

[These marks will be given for reasonable attempts based on student's own previous points re dates, BPR etc]*

9. 1) The intended transfer from Jack to Mary is a PET. [1]

No IHT is payable at the point of transfer, but it may be charged if Jack dies within seven years. [1]

It is expected that 100% BPR will be available on Jack's death within 7 years. [1]

- 2) If Mary sells the business before Jack's death, BPR is not available. Therefore if Jack dies within 7 years of making the gift, the PET will become chargeable. [1]

If BPR is not available, the revised chargeable amount will be reduced by the annual exemptions, if available, for the current and previous tax year and will make use of any available nil band. [1]

[Credit would also be given for referring to the position if replacement assets were acquired and the potential availability of taper relief.]

10. BADR is only available to trustees where a qualifying beneficiary exists – ie, an individual who has an IIP in the whole of the trust assets or the part containing the shares. [1]

For at least two years ending within the three years up to the date of disposal: [1]

- the company must be the personal company of the beneficiary with the IIP (he must personally own at least 5% of the shares of the company) [1]
- the company must be a trading company or the holding company of a trading group [1]
- that beneficiary must have been an officer or employee of the company. [1]

11. The gift would be a PET. No lifetime tax would be payable but PET will become chargeable to IHT if Ruth were to die within 7 years. [1]

Any transfer where the use of the asset is retained by the donor is subject to the gift with reservation (GWR) legislation. Ruth is deemed still to own the asset which would be included in her estate when she dies. [1]

If she dies within 7 years of making the gift, to avoid a double charge, two calculations would be carried out and HMRC would choose the calculation which yields the higher amount of tax. [1]

First, the tax arising on the failed PET would be calculated and the house would be excluded from Ruth's estate. [1]

Alternatively, the PET would be ignored, and the house would be included in the estate at its value at the time of Ruth's death. [1]

12. A full nil band for the tax year of death will apply, as he has made no lifetime transfers. [1]

Bettina died in March 2009, when the nil band available to her was £312,000. However, she left chargeable legacies of £156,000. Therefore 50% ($156,000/312,000$) of her nil rate band was unused. [1]

On Bert's death, a further 50% of the nil rate band applying at the date of his death is available. [1]

As Bert is leaving his main residence to his son and his estate does not exceed £2,000,000, he will be entitled to 100% of the residence nil rate band (£175,000). [1]

In addition, Bettina did not use her RNRB. As her estate did not exceed £2,000,000, a brought forward allowance of 100% of the RNRB is also available to Bert thereby increasing the RNRB to £350,000. [1]

ANSWERS TO MODULE B – TEST 2

1.

	Stand-alone value	Related property value	Higher value	
Value before gift				
6,000 x 140	840,000			[1]
6,000/10,000 x (10,000 x 160)		960,000	960,000	[1]
Value after gift				
1,000 x 90	90,000			[1]
1,000/5,000 x (5,000 x 140)		140,000	<u>140,000</u>	[1]
			<u>820,000</u>	
IHT @ 20%			<u>164,000</u>	[1]

2.

Gift of cash	<u>CGT</u> No CGT as cash is not a chargeable asset.	<u>IHT</u> No immediate charge to IHT. PET with value of £4,000 as it can be reduced by the annual exemptions for 2020/21 and 2019/20.	[2]
Gift of property	Gain of (£270,000 - £190,000) = £80,000. The AEA of £12,300 will be set against this gain.	PET with value of (£270,000 - £5,000 marriage exemption) = £265,000. No annual exemption as used against the earlier gift in the year.	[3]

3.

Death in February 2021.

May 2012:	No additional tax as gift more than 7 years before death		[1]
		£	
	CLT	340,000	
	Less: NRB 2012/13	<u>(325,000)</u>	
		<u>15,000</u>	[1]
	IHT @ 20/80	<u>3,750</u>	
	Gross transfer	<u>343,750</u>	[1]
October 2017:	CLT	200,000	
	NRB at death	325,000	
	Less: Transfer May 2012	<u>(343,750)</u>	[1]
		<u>0</u>	
		<u>200,000</u>	
	IHT @ 40% on death (No taper as < 3 years)	80,000	
	Less: Lifetime tax (20% x £200,000 as no NRB left)	<u>(40,000)</u>	
	IHT due on death	<u>40,000</u>	[1]

4.

	£	
Value of estate	940,000	
Less: Income Tax and CGT	(14,600)	
Less: Funeral expenses	<u>(4,100)</u>	
Chargeable estate	921,300	[1]
Less: Residence nil rate band	(175,000)	[1]
Less: Nil rate band	<u>(325,000)</u>	[1]
Taxable estate	<u>421,300</u>	
IHT @ 40%	<u>168,520</u>	[1]
Due on the earlier of:		
• 6 months from end of month of death (31 December 2021)		[1]
• On delivery of IHT return		

5. The trust should be set up under David's will, or can arise under the intestacy rules. [1]

The assets will be subject to IHT on David's death. [1]

There will be no further IHT consequences whilst the assets are in the trust up until his son reaches 18. [1]

Trust income is accumulated and may be paid to or applied solely for the benefit of David's son, for example for school fees. [1]

Capital can be applied for the beneficiary while still a minor without an IHT charge. [1]

David's son must become absolutely entitled to the trust assets together with accumulated income, on or before age 18. There is no IHT as a result of this. [1]

Max 5

6. Sajid would be deemed domiciled in the UK for IHT purposes if he had been domiciled in the UK under general law at any point in the previous 3 years. [1]

He would also be deemed domiciled if he:

- Was born in the UK with a UK domicile of origin, and [1]
- Is resident in the UK in the tax year and was resident in the UK in at least one of the two immediately preceding tax years. [1]

He would also be deemed domiciled if he:

- Has been resident in the UK in 15 of the previous 20 tax years, and [1]
- Was resident in the UK for at least one of the 4 tax years ending with the current year. [1]

7. Channel Islands farm

Agricultural property situated in the Channel Islands is eligible for APR. [1]

As the farm is tenanted it must have been owned for seven years prior to the transfer in order to be eligible for APR. [1]

Therefore currently no APR on the transfer of the Channel Islands farm. [1]

Devon farm

The farm in Devon (which is agricultural property) has been owned and occupied by Tom for agricultural purposes for the requisite two years and therefore it is eligible for APR. [1]

APR at 100% would be given on the agricultural value of the land, i.e. £360,000. [1]

As Tom farms the land as a business, BPR would be available in respect of the excess of the value over the agricultural value, i.e. £420,000. [1] (bonus)

Max 5

8. Principal charge 31 August 2020:

	£	£	
Current value of relevant property		240,000	[1]
NRB at 31 August 2020	325,000		
Less:			
Settlor's CTs in 7 years before setting up trust	(200,000)		
Exits in last 10 years	<u>(10,000)</u>		
NRB remaining		<u>(115,000)</u>	[2]
Taxable		<u>125,000</u>	
Tax @ 20%		<u>25,000</u>	
Effective rate: 25,000/240,000 x 100		<u>10.417%</u>	[1]
Actual rate: 10.417% x 30%		<u>3.125%</u>	
Principal charge: 3.125% x £240,000		<u>7,500</u>	[1]

9.

1)			£	
	Proceeds		135,000	
	Cost		<u>(127,000)</u>	
	Gain		<u>8,000</u>	
	Gift relief claimed		<u>8,000</u>	[1]

2)		£	£	
	Proceeds		165,000	
	Less: Costs of sale		<u>(2,600)</u>	
	Net proceeds		162,400	[1]
	Cost			
	MV at gift	135,000		
	Less: Held over gain (above)	<u>(8,000)</u>		
			<u>(127,000)</u>	[1]
	Gain		35,400	
	Less: AEA		<u>(6,150)</u>	[1]
	Taxable gain		<u>29,250</u>	
	CGT @ 28%		<u>8,190</u>	[1]

10.

JJ Ltd

			£	
	Transfer of value		79,000	
	Less BPR: 100% x (950,000 - 240,000)/950,000 x £79,000		<u>(59,042)</u>	[1]
			<u>19,958</u>	

BPR is available despite Amanda not having owned the shares in JJ Ltd for two years. As she inherited them from her spouse, she is treated as having acquired the shares in April 2009 when her husband originally acquired them. Hence she will have owned the shares for more than 2 years before the gift in February 2021. [2]

XY plc

	Transfer of value			
	$£8.20 + \frac{1}{4} (8.26 - 8.20) = £8.215 \times 30,000$		<u>246,450</u>	[1]

BPR is not available despite Amanda having owned the shares for two years and having a controlling holding in XY plc. This is because the company deals in land and buildings. [1]

11.

	£	
Tax pool b/f at 6 April 2020	1,856	[1]
Tax for 2020/21 (W)	<u>5,129</u>	
Tax available for providing credits	6,985	
Less: Tax credit on payment (2,000 x 45/55)	<u>(1,636)</u>	[1]
C/f at 5 April 2021	<u>5,349</u>	

Working

Tax paid 2020/21:		
1,000 @ 20%	200	[1]
(10,600 - 1,000 + 1,200) @ 45%	4,860	[1]
Tax on dividend income not used for expenses:		
630 - (416 x 100/92.5) = 180 @ 38.1%	<u>69</u>	[1]
	<u>5,129</u>	

12.

	Probate Value £	Gross Sale Proceeds £	Gain / (Loss) £	
Ivy Cottage	160,000	117,000	(43,000)	[1]
Rose Barn	<u>290,000</u>	<u>300,000</u>	10,000	[1]
	<u>450,000</u>	<u>417,000</u>	(33,000)	
Reinvestment < 4 months of last sale				[1]
(33,000) x 170,000 / 417,000			<u>13,453</u>	[1]
			<u>(19,547)</u>	
Value in death estate:				
(450,000 - 19,547)			<u>430,453</u>	[1]