

Tolley[®] Exam Training

CTA

AWARENESS PAPER

MODULE D – INDIVIDUALS

PRE REVISION QUESTION BANK

FA 2020

May and November 2021 Sittings

PQ927D

Tolley[®]

Tax intelligence
from LexisNexis[®]

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INTRODUCTION

This Pre Revision Question Bank for Module D 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 D – TEST 1

1. During 2020/21 Lynn was provided with various benefits by her employer:
- 1) A petrol-engined car with CO₂ emissions of 132g/km registered on 1st July 2018. The car was purchased for £18,000 but had a price when new of £22,000. Lynn made a £2,000 capital contribution to the car when it was first purchased.
 - 2) Membership of a local sports club. The company pays for all employees to be a member of the club at a cost of £780 per employee.
 - 3) Flowers and chocolates on her 10th wedding anniversary at a cost of £40.
 - 4) Use of the company's workplace nursery, which is available for use by all employees of the company. The equivalent cost of the childcare had Lynn paid for it would have been £2,400.

Calculate the benefit charge arising on the provision of each of the above for 2020/21.

2. Andrew, Bertie and Caroline worked for Dandy plc, a UK quoted company. On 1 November 2018, each received free shares in Dandy plc with a market value of £3,600 under the company's tax-advantaged Share Incentive Plan.

On 1 January 2021 the shares were worth £5,000 and on 1 January 2022 the shares were worth £7,000.

On 1 January 2021, Andrew suffered a serious injury at work which forced him to leave Dandy plc.

On 1 January 2021, Bertie left Dandy plc to take up a better paid job elsewhere.

On 1 January 2022, Caroline left Dandy plc for the same reason as Bertie.

The shares held by the plan's trust were transferred to each employee at the date of leaving.

State, with reasons:

- 1) **The amounts (if any) on which (a) Andrew, (b) Bertie and (c) Caroline should be charged to Income Tax and National Insurance Contributions.**
 - 2) **The manner in which any amounts due should be collected.**
3. Harvey received the following income in 2020/21:

	£
Gross rents from students lodging in his spare rooms (allowable expenses £350)	8,450
Gross rent from letting out his beach hut (expenses £100)	800
Salary	50,500
UK Interest on bank account:	1,500

Calculate Harvey's Income Tax liability for 2020/21.

4. **List 5 conditions to be satisfied by an organisation to be an eligible organisation for the purposes of Social Investment Tax Relief.**

5. Franklin is UK resident for tax purposes, but is Swiss domiciled. When he moved to the UK six years ago he rented out his apartment in Zurich for £1,200 per month.

Franklin has claimed for the remittance basis of tax to apply to the rental income since coming to the UK and he has not brought any of the income into the UK.

Explain the consequences for Franklin of claiming the remittance basis.

6. Xena, a higher rate taxpayer, made the following disposals in 2020/21:

- 1) Shares in XY Ltd which realised a chargeable gain of £25,000.
- 2) A holiday cottage in South Wales, which realised a chargeable gain of £105,000. The cottage qualified as a furnished holiday let for tax purposes.
- 3) A flat in Birmingham which Xena had let to a tenant who had been there for the last three years. She had never lived in the flat. This realised a chargeable gain of £70,000.

Calculate Xena's Capital Gains Tax liability for 2020/21 assuming these are her first ever capital disposals.

7. Josh is a single parent with two children aged 9 and 2. He received a salary of £52,000 in 2020/21 along with taxable benefits of £3,000 and ISA interest of £500. During the year to 5 April 2021 he received child benefit of £1,820. He pays £80 per month into his personal pension.

Calculate Josh's income tax liability for 2020/21.

8. Yasmin has the following UK income for 2020/21:

	£
Salary	31,500
Rental income	15,000

Yasmin started a personal pension plan on 6 April 2020.

Calculate the maximum personal pension contribution which Yasmin was able to make in 2020/21 and explain how tax relief will be given for these contributions.

9. Demarius, aged 19, earns a salary of £2,000 per month. In December 2020 he was paid a bonus of £3,000.

Calculate the total employer and employee Class 1 National Insurance contributions payable in respect of Demarius for 2020/21.

10. Saria purchased 4,000 25p Ordinary shares in Pack plc on 1 July 2012 for £5,800. On 1 August 2015, the company made a 1 for 2 rights issue at £4 per share. Saria took up her rights in full.

On 30 June 2020 1,500 shares were sold for £16,500.

On 20 July 2020 Saria purchased a further 500 shares for £5,000.

Calculate Saria's chargeable gain arising on the sale of shares on 30 June 2020.

11. Javier has employment income of £168,000 in 2020/21. He has no other income but made a gift aid donation of £3,200 during 2020/21.

Calculate Javier's Income Tax liability for 2020/21.

12. In January 2018, Wills was granted a non-tax advantaged option to buy 10,000 shares in his employer's company at any time up to 31 December 2028. The exercise price was £1.00 per share. At the time of the grant, the shares had a market value of £1.20 per share.

On 10 June 2020 he exercised his option at a time when the market value was £2.80 per share. The shares are not subject to restrictions. Wills is resident and domiciled within the UK.

Calculate the taxable income arising in 2020/21 and explain how the tax due will be collected.

MODULE D – TEST 2

1. Helen's income for the tax year 2020/21 was as follows:

	£
Statutory sick pay	800
Salary	38,000
Dividend received	2,460

Her husband made a marriage allowance election for 2020/21.

Calculate Helen's Income Tax liability for 2020/21.

2. Yasmin joined Xabia Ltd as a sales representative on 6 April 2020. In addition to her salary and commission of £40,000 Xabia Ltd provided the following benefits during 2020/21:

- 1) Yasmin was provided with a Ford Galaxy car with CO₂ emissions of 141g/km. The car had a list price of £26,855 and was first registered in August 2019. Yasmin paid for all of her private fuel. Yasmin had chosen to take this car instead of the cash car allowance of £9,000 offered to her by Xabia Ltd.
- 2) Xabia Ltd paid for private medical insurance for Yasmin costing the company £785, although the same cover would have cost Yasmin £1,150.
- 3) The company has an occupational pension scheme and paid a total of £2,000 into the scheme for Yasmin during 2020/21. Yasmin herself also contributed £1,500.

Calculate Yasmin's net employment income for 2020/21.

3. Wekesa is not currently UK domiciled under general law.

Explain how Wekesa could be deemed domiciled for UK income tax and capital gains tax purposes, and briefly state the consequences of this.

4. Vikram is UK resident and domiciled. He had the following gross income in 2020/21:

	£
Employment income	37,850
Overseas property income	13,000

The overseas tax suffered on the property income was £3,500.

There is no double taxation agreement between the UK and the country where the property is located.

Calculate the double tax relief available to Vikram in calculating his UK Income Tax liability for 2020/21.

5. On 1 May 2020, Ursula purchased a cottage which qualifies as a furnished holiday let. This was her only source of rental income. The property was let to holiday tenants resulting in rental income of £7,400 during 2020/21. The expenses incurred in 2020/21 by Ursula in relation to the property were as follows:

	£
Mortgage interest	1,800
Insurance (paid on 1 May 2020 for the year to 30 April 2021)	1,540

In addition, Ursula paid £700 in 2020/21 for additional furniture for the cottage.

You are required to:

- 1) **Calculate Ursula's property income for 2020/21.**
 - 2) **State two advantages of the property being treated as furnished holiday accommodation.**
6. Tariq, aged 30, earns an annual salary of £55,000 from his employment, and additionally receives a mileage allowance of 50p per mile for using his own car for business purposes. He travelled 12,000 business miles during 2020/21.

His salary is earned evenly throughout the year.

Calculate the amount of each class of National Insurance Contributions payable both by Tariq and by his employer for 2020/21, clearly stating which class(es) of National Insurance Contributions are payable.

7. On 10 March 2021, Sheila was granted an option over 5,000 shares in her employer Rex Ltd, a trading company. The options were granted under the company's Enterprise Management Incentives (EMI) scheme and were valued at £6 per share on 10 March 2021.

Sheila expects to exercise her options during 2025.

You are required to explain the Income Tax implications on the grant of the option and on the exercise of the share option, assuming the exercise price is:

- 1) **£8 per share, or alternatively**
- 2) **£5 per share**

8. Kelly made a chargeable gain on a sale in November 2020, and in January 2021 she used the proceeds to subscribe for the shares listed below, intending to claim Enterprise Investment Scheme (EIS) deferral relief on the gain:
- 1) Ordinary shares in Faraway Ltd, an unquoted company selling package holidays, for which Kelly worked full-time.
 - 2) Ordinary shares in James Retail plc, a company listed on the London Stock Exchange, which operates department stores.
 - 3) Preference shares in Read & Learn Ltd, an unquoted company which publishes children's books.
 - 4) Ordinary shares in Luxury Homes Ltd, an unquoted property development company.
 - 5) Ordinary shares in Treats Eats Ltd, an unquoted company, which operates a restaurant.

Each company operated UK businesses and used the subscription funds immediately. They each had fewer than 250 employees, gross assets of less than £15 million and no connected companies.

State whether each of these investments qualifies for EIS deferral relief, and if the investment does not qualify, explain why not.

9. Richard sold his entire shareholding in Teal Ltd back to the company in January 2021 for £100,000. He has never worked for the company.

He purchased the shares for £55,000 from his friend, who had purchased them on subscription for £25,000.

Richard is a higher rate taxpayer and made no other capital disposals during 2020/21. He has a capital loss brought forward at 6 April 2020 of £12,000.

- 1) **Calculate the amount to be charged to Income Tax if the purchase by Teal Ltd is treated as an income distribution.**
 - 2) **Calculate the Capital Gains Tax payable if the purchase instead qualifies for the capital treatment.**
10. Marcel owned a 5 acre plot of land, which he had acquired as an investment in January 2005 for £23,000. On 25 February 2021 he sold 2 acres of it for £70,000, from which selling costs totalling £5,000 were deducted. The remaining 3 acres were valued at £125,000 on 25 February 2021.

Marcel had taxable income for 2020/21 of £40,000. His only other disposal was of a house which he had held as an investment which realised a gain of £90,000.

Calculate Marcel's Capital Gains Tax liability for 2020/21.

11. Laurette owns 3,000 ordinary shares in Morris plc for which she paid £18,000 in August 2006. On 4 February 2021 Morris plc was taken over by Newnham plc, and the shareholders received the following for each Morris plc share originally held:

- 1) Two ordinary shares in Newnham plc;
- 2) £4 in cash

The Newnham plc shares were each worth £8 on 4 February 2021. Laurette does not qualify for any capital gains tax reliefs.

Calculate the amount of chargeable gains, if any, arising on 4 February 2021, and identify the base cost of the Newnham plc shares for a future disposal by Laurette.

12. **Explain when a gain on a disposal of shares (NOT acquired by way of an employment related share option) will qualify for business asset disposal relief in full.**

ANSWERS TO MODULE D – TEST 1

1.

	£	
Company car benefit		
$(22,000 - 2,000) \times (20\% + (130 - 75)/5)$	<u>6,200</u>	[2]
Sports club membership – available to the public	<u>780</u>	[1]
Flowers and chocolates	Exempt as trivial benefit	[1]
Workplace nursery	Exempt as nursery is at place of work	[1]

2.

- a) Andrew – no charge as leaving is due to injury [1]
- b) Bertie – leaving within three years and therefore charged to tax and NIC on market value on date of transfer of shares - £5,000 [1]
- c) Caroline – leaving between three and five years and therefore charged to tax and NIC on lower of market value at date of award and market value on date of transfer of shares - £3,600 [1]

Because Dandy plc is a quoted company, the shares are readily convertible assets. [1]

PAYE will therefore be operated and the tax and Class 1 National Insurance will be taken via payroll deductions and paid to HMRC in the normal way. [1]

3.

	£	
Rental income from spare rooms (8,450 – 7,500)	950	[1]
Rental income from beach hut	Exempt	[1]
Salary	50,500	
Interest	<u>1,500</u>	
	52,950	
Less: Personal allowance	<u>(12,500)</u>	
Taxable income	<u>40,450</u>	[1]*
Tax liability		
37,500 @ 20%	7,500	
1,450 @ 40%	580	[2]
500 @ 0%	Nil	
1,000 @ 40%	<u>400</u>	
Income tax liability	<u>8,480</u>	

[* This mark for including interest and personal allowance]

Tutorial Note:

The property allowance is available in respect of the property income from the beach hut as Harvey would elect for rent-a-room relief to apply.

4. Any *five* from:
- 1) Must be a registered charity, Community Benefit Society or Community Interest Company
 - 2) Must be unquoted
 - 3) Must not be under the control of another company
 - 4) Must carry on a trade which does not consist of excluded activities
 - 5) Must only have qualifying subsidiaries, being 51% subsidiaries
 - 6) Assets of the company must not exceed £15m before the investment and £16m afterwards
 - 7) Must have fewer than 250 full-time employees when the investment is made.
 - 8) Must meet the financial health requirement.

[1 each - Max 5]

Tutorial Note:

See ITA 2007, s.257MC-MQ

5. Where the remittance basis is claimed, the advantage is that the individual pays tax only on overseas income which is remitted to the UK rather than the total amount arising. [1]
- However, in claiming the remittance basis, individuals lose their entitlement to a personal allowance for Income Tax purposes. [1]
- For Franklin, the claim will mean that he saves tax on income of £14,400 (£1,200 x 12 months) but loses a personal allowance of £12,500. [1]
- Franklin has now been in the UK for six years so will soon need to consider whether he is liable to pay the remittance basis charge if the remittance basis is claimed. [1]*
- This will require a payment of £30,000 to be made once Franklin has been resident in the UK for 7 of the last 9 tax years (£60,000 when he has been resident for 12 out of the last 14 tax years). [1]*

[* A maximum of 2 will be awarded for discussing the remittance basis charge but other valid points will be taken into account.]

6.

	Gains eligible for BADR	Other gains not eligible for BADR	Residential property gain	
	£	£	£	
Furnished holiday let	105,000			
Shares		25,000		
Investment property			<u>70,000</u>	
Net gains	<u>105,000</u>	<u>25,000</u>	<u>70,000</u>	
Less: Annual exempt amount			<u>(12,300)</u>	[2]*
Taxable gains	<u>105,000</u>	<u>25,000</u>	<u>57,700</u>	
Capital gains tax				
105,000 at 10%			10,500	[1]
25,000 at 20%			5,000	[1]
57,700 at 28%			<u>16,156</u>	[1]
			<u>31,656</u>	

[* 1 for deducting the AEA, 1 mark for allocating all to the residential property]

7.

Salary		£	52,000	
Benefits			3,000	
ISA			<u>Exempt</u>	
			55,000	[1]
Less: PA			<u>(12,500)</u>	
Taxable Income			<u>42,500</u>	
Tax Liability				
£37,500 + (80 x 100/80 x 12)	@ 20%		7,740	
£3,800	@ 40%		<u>1,520</u>	
			9,260	[1]
Add: High income child benefit charge	(W)		<u>692</u>	
			<u>9,952</u>	
<u>Working</u>				
Net Income			55,000	[1]
Less: Pension contribution (80 x 100/80 x 12)			<u>(1,200)</u>	
Adjusted Net Income			<u>53,800</u>	
Less:			<u>(50,000)</u>	[1]
			<u>3,800</u>	
£3,800/100 x 1%			38%	
£1,820 x 38%			<u>692</u>	[1]

8. The maximum contribution is the greater of
 £3,600
 100% x relevant UK earnings [1]

Relevant earnings for Yasmin include only her salary of £31,500 giving a maximum contribution of £31,500. [1]

The payment into the personal pension plan will be made net of basic rate tax, meaning that Yasmin will only pay £25,200 (£31,500 x 80%). [1]

Any higher or additional rate relief due will be given by way of an extension of the basic and higher rate tax limits. [1]

Normal basic rate band	37,500
Pension contributions	<u>31,500</u>
Extended band	69,000

All of Yasmin's income will now be taxed at the basic rate. [1]

[If students mention £40,000 annual allowance, bonus mark can be granted but not necessary to gain full marks.]

- 9.
- | | | |
|---------------------------------------|--------------|-----|
| Employee contributions | £ | |
| 11 months | | |
| (2,000 – 792) @ 12% x 11 | 1,595 | [1] |
| 1 month | | |
| (4,167 – 792) @ 12% | 405 | |
| (5,000 – 4,167) @ 2% | <u>17</u> | |
| | <u>2,017</u> | [1] |
| Employer contributions (U21 employee) | | |
| 11 months | | |
| (2,000 – 732) @ 0% | Nil | [1] |
| 1 month | | |
| (4,167 – 732) @ 0% | Nil | [1] |
| (5,000 – 4,167) @ 13.8% | <u>115</u> | [1] |
| | <u>115</u> | |

10.

Share identification rules 500 shares purchased in the next 30 days
 1,000 shares matched with the share pool [1]

	Next 30 days	Share pool	
Proceeds			
16,500/1,500 x 500 /1,000	5,500	11,000	[1*]
Less: Cost			
Actual cost	(5,000)		[1]
Share pool (W)	<u>500</u>	<u>(2,300)</u>	
		<u>8,700</u>	<u>9,200</u>

Share pool working

	Number of shares	Cost	
1.7.12 Purchase	4,000	5,800	
1.8.15 Rights issue			
1 for 2 basis (4,000/2) x 4	<u>2,000</u>	<u>8,000</u>	[1]
	6,000	13,800	
30.6.20 Sale	<u>(1,000)</u>	<u>(2,300)</u>	[1]
Carried forward	<u>5,000</u>	<u>11,500</u>	

[*Mark lost if not shown as two separate disposals]

11.

	£	
Personal allowance		
Adjusted net income > £125,000 so reduced to nil		[1]
Taxable income	<u>168,000</u>	
£41,500 (W) x 20%	8,300	
£112,500 (W) x 40%	45,000	
£14,000 x 45%	<u>6,300</u>	
Income tax liability	<u>59,600</u>	[2]

W)

Extension of basic and higher rate limits

	Basic	Higher	
Normal	37,500	150,000	
Gift aid donation			grossing up [1]
£3,200 x 100/80	<u>4,000</u>	<u>4,000</u>	both bands [1]
Extended band	<u>41,500</u>	<u>154,000</u>	

12. Income chargeable on exercise of option

	£	
Income		
Market value at exercise (2.80 x 10,000)	28,000	[1]
Less: Costs of acquiring the shares - exercise cost £1 x 10,000	<u>(10,000)</u>	[1]
Employment income	<u>18,000</u>	

If the shares are not readily convertible assets, the tax due will be collected via self-assessment and will be due for payment on 31 January 2022. [1]

If the shares are readily convertible assets the tax due will be collected via PAYE in [1] the tax month ended 5 July 2020. If the tax due exceeds the cash pay available, cash pay will be reduced to nil and Wills will need to reimburse the employer the balance within 90 days of the end of the tax year in order to avoid a further benefit charge. [1]

ANSWERS TO MODULE D – TEST 2

1.

	Non-savings Income £	Dividend income £	
Statutory sick pay	800		[1]
Salary	38,000		
Dividend income		<u>2,460</u>	
Net income	<u>38,800</u>	<u>2,460</u>	
Less: Personal allowance	<u>(12,500)</u>		
Taxable income	<u>26,300</u>	<u>2,460</u>	*[1]
Income Tax liability			
Non-savings income	26,300 @ 20%	5,260	[1]
Dividend income	2,000 @ 0%	Nil	
	460 @ 7.5%	35	[1]
Less: MA	1,250 @ 20%	<u>(250)</u>	[1]
Income Tax liability		<u>5,045</u>	

[*This mark is for including salary, dividend income and personal allowance.]

2.

	£	
Salary/ commission	40,000	
Cash allowance(W)	9,000	[1]
Private medical insurance (cost to employer)	785	[1]
Occupational pension scheme		
- Employer contributions (exempt)	-	[1]
- Employee contributions	<u>(1,500)</u>	[1]
Net employment income	<u>48,285</u>	

Working

Car benefit $(140-75/5) + 20\% = 33\% \times 26,855 = \underline{8,862}$ [1]

This is lower than the cash allowance, so taxed on the cash allowance.

3. Wekesa will be deemed UK domiciled for IT and CGT purposes if:

- he was born in the UK and had a domicile of origin in the UK; and [1]
- he is resident in the UK for the tax year. [1]

He will also be deemed domiciled if he has been resident in the UK for 15 of the previous 20 tax years. [1]

If Wekesa is resident in the UK and deemed domiciled, he will be taxable on his worldwide income and gains and will not be able to claim the remittance basis. [1]

If his unremitted income and gains are less than £2,000 in a tax year, the remittance basis will apply automatically. [1]

4.

	£	
Double tax relief is <u>lower of</u> :		[1]
1) UK tax on overseas income (W)	2,770	
2) Overseas tax	3,500	
	i.e. £2,770	*[1]
<u>Working</u>		
Remaining basic rate band:		
37,500 – (37,850 – 12,500)	<u>12,150</u>	[2]
UK tax on overseas income:		
£12,150 x 20%	2,430	
£850 x 40%	<u>340</u>	
£13,000		
UK Income Tax	<u>2,770</u>	**[1]

[*For giving a result based on own figures.]

[**Calculation of tax based on own remaining BRB. If no mention has been made of BRB limit this mark is lost.]

5.

1)

	£	£	
Property income			
Rental income		7,400	
Less:			
Mortgage interest (allowable in full)	1,800		
Insurance	1,540		[1]
Furniture	<u>700</u>		[1]
Property income		<u>(4,040)</u>	
		<u>3,360</u>	[1]

2)

Advantages of being treated as furnished holiday letting:

- Mortgage interest is deductible in full
- The income is relevant earnings for pension purposes
- Relief is available for plant and machinery used in letting
- Capital Gains Tax reliefs such as business asset disposal relief are available (also gift relief and rollover relief)**

[1 each to a max of 2]*

[* Credit will also be given for mentioning deducting pre-trading expenditure (although this is not within the syllabus for this module).]

[** Gift relief and rollover relief are not within the syllabus for this module and are not required to obtain this mark. They are included for completeness.]

6.

<u>Employee NIC</u>	£	
Primary Class 1 NIC		
(50,000 – 9,500) x 12%	4,860	[1]
(55,000 +600[W] - £50,000) x 2%	<u>112</u>	[1]+[1]
	<u>4,972</u>	

Working

Mileage allowance – for NIC excess over 45p for any amount of mileage		
(50p – 45p) x 12,000	<u>600</u>	[1]

Employer NICs

Secondary Class 1 NIC		
(55,600 – 8,788) x 13.8%	<u>6,460</u>	[1]

7. Grant

There is no Income Tax on the grant of share options under the EMI scheme. [1]

Exercise

- 1) As the exercise price (£8 per share) is at least equal to the market value of the shares at the time of grant (£6 per share), there is no Income Tax. [1]
- 2) As the exercise price (£5 per share) is less than the market value of the shares at the time of grant there is an Income Tax charge equal to the lower of: [1]
 - The discount (i.e. £6 less £5), and [1]
 - The difference between the market value of the shares at the date of exercise and the exercise price. [1]

8.

- 1) Qualifies [1]
- 2) Listed, so does not qualify [1]
- 3) Preference shares, so does not qualify [1]
- 4) Not a qualifying trade, so does not qualify [1]
- 5) Qualifies [1]

Tutorial Note:

Re: 1) Although Kelly is connected to the company as an employee this does not impact on the availability of CGT deferral relief, only IT relief.

9.

1) Income Tax charge:

	£	
Total received	100,000	
Less: Subscription value	<u>(25,000)</u>	[1]
Balance treated as dividend received	<u>75,000</u>	

2) Capital Gains Tax calculation

Total received	100,000	
Less: Original purchase cost	<u>(55,000)</u>	[1]
Capital gain	45,000	
Less: Annual exempt amount	<u>(12,300)</u>	
Less: Capital loss brought forward	<u>(12,000)</u>	[1]
Taxable gain	<u>20,700</u>	[1]
CGT @ 20%	<u>4,140</u>	[1]

10.

	Other gains £	Residential property gain £	
Land (W) House	56,744		
	<u>56,744</u>	<u>90,000</u>	
Less: AEA		<u>(12,300)</u>	[1]
	<u>56,744</u>	<u>77,700</u>	
Tax			
56,744 @ 20%		11,349	[1]
77,700 @ 28%		<u>21,756</u>	[1]
		<u>33,105</u>	
Working:			
Proceeds		70,000	
Less: Selling costs		<u>(5,000)</u>	
		65,000	[1]
Less: Cost (70,000/70,000 + 125,000) x 23,000		<u>(8,256)</u>	[1]
		<u>56,744</u>	

11. This is a paper-for-paper transaction. Laurette receives the following from Newnham plc:

Consideration received	Value at 4 February 2021 £	Original cost £	
6,000 ordinary shares in Newnham plc (6,000 x £8)	48,000	14,400	*[1]
Cash (3,000 x £4)	<u>12,000</u>	<u>3,600</u>	*[1]
	<u>60,000</u>	<u>18,000</u>	

There is an immediate gain on the cash element:

Sale proceeds	£ 12,000	[1]
Less: cost	(3,600)	[1]
Chargeable gain	<u>8,400</u>	

The cost of the Newnham plc shares for future disposal is £14,400 [1]

[1 of these marks is for the correct value at 4/2/21 and 1 for correct apportionment of the original cost]*

12. A disposal of shares will qualify for entrepreneurs' relief if:

- The shares are in a trading company or the holding company of a trading group; and [1]
- The company is the individual's personal company (the individual must own at least 5% of the ordinary share capital); and [1]
- The individual is an employee of the company (or group) [1]

throughout the period of 2 years ending with the date of disposal. [1]

The full gain will qualify for relief provided that there is enough of the lifetime limit of £1 million remaining. [1]