

# Tolley<sup>®</sup> Exam Training

**CTA**

**AWARENESS PAPER**

**MODULE E – UNINCORPORATED  
BUSINESSES**

**PRE REVISION QUESTION BANK**

**FA 2020**

May and November 2021 Sittings

**PQ927E**

**Tolley<sup>®</sup>**

Tax intelligence  
from LexisNexis<sup>®</sup>

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## INTRODUCTION

This Pre Revision Question Bank for Module E 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.



**CONTENTS**

**MODULE E – UNINCORPORATED BUSINESSES**

Test 1

Test 2

Answers to Test 1

Answers to Test 2



**INCOME TAX - RATES AND THRESHOLDS**

	2020/21	2019/20
<b>Rates</b>	%	%
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
<b>Thresholds</b>	£	£
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
<b>Scottish Tax Rates<sup>(1)</sup></b>	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
<b>Scottish Tax Thresholds<sup>(1)</sup></b>	£	£
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 <sup>(2)</sup>	12,500	12,500
Married couple's allowance <sup>(3)</sup>	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 <sup>(4)</sup>	1,250	1,250
Blind person's allowance	2,500	2,450
Enterprise investment scheme relief limit <sup>(5)</sup>	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.

# CTA EXAMINATIONS

2021

## TAX TABLES

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

Pension contributions	Annual allowance <sup>(1)</sup>	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<sup>(1)</sup>    £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 <sup>(1)</sup>	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 % <sup>(1)</sup>		
		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%	



# CTA EXAMINATIONS

2021

## TAX TABLES

### Car benefits – 2019/20

Emissions	Car benefit % <sup>(1)</sup>
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 <sub>2</sub> emissions	2,792	2,058
CO <sub>2</sub> 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

# CTA EXAMINATIONS

2021

## TAX TABLES

### CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) <sup>(1)</sup>	100%
WDA on plant and machinery in main pool <sup>(2)</sup>	18%
WDA on plant and machinery in special rate pool <sup>(3)</sup>	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) <sup>(4)</sup>	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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> (0 g/km of CO<sub>2</sub> 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) <sup>(1)</sup>	£50,000	£4,167	£962	£50,000	£4,167	£962
Apprentice upper secondary threshold for under 25 (AUST) <sup>(2)</sup>						

### 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 <sup>(1)(2)</sup>	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
<b>Employment allowance</b>		
Per year, per employer	£4,000	£3,000
<b>Class 1A contributions</b>	13.8%	13.8%
<b>Class 1B contributions</b>	13.8%	13.8%
<b>Class 2 contributions</b>		
Normal rate	£3.05 pw	£3.00 pw
Small profits threshold	£6,475 pa	£6,365 pa
<b>Class 3 contributions</b>	£15.30 pw	£15.00 pw
<b>Class 4 contributions</b>		
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%

# CTA EXAMINATIONS

2021

## TAX TABLES

### OTHER PAYROLL INFORMATION

<b>Statutory maternity/adoption pay</b>	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £151.20 and 90% of AWE
<b>Statutory shared parental pay /paternity pay/parental bereavement pay</b>	For each qualifying week, the lower of 90% of AWE and £151.20
<b>Statutory sick pay</b>	£95.85 per week
<b>Student Loan</b>	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)
<b>Postgraduate Loan</b>	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
<b>Accommodation Offset</b>	£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

Annual exempt amount for individuals	<b>2020/21</b> £12,300	<b>2019/20</b> £12,000
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### CGT rates for individuals, trusts and estates

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

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

<b>Investors' relief</b>		
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.

# CTA EXAMINATIONS

2021

## TAX TABLES

### Retail Prices Index

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

### Lease percentage table

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

# CTA EXAMINATIONS

2021

## TAX TABLES

### CORPORATION TAX

<b>Financial year</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Main rate	19%	19%	19%

### EU definition of small and medium sized enterprises

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

	<b>Standard rate</b>	<b>VAT fraction</b>
Rate	20%	1/6
<b>Limits</b>	<b>From 1.4.20</b>	<b>From 1.4.19</b>
	£	£
Annual registration limit	85,000	85,000
De-registration limit	83,000	83,000
<b>Thresholds</b>	<b>Cash accounting</b>	<b>Annual accounting</b>
	£	£
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)

<b>Engine size</b>	<b>Petrol</b>	<b>LPG</b>	<b>Engine size</b>	<b>Diesel</b>
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
<b>Electricity rate</b>	4p			

### OTHER INDIRECT TAXES

	<b>2020/21</b>	<b>2019/20</b>
<b>Insurance premium tax<sup>(1)</sup></b>		
Standard rate	12%	12%
Higher rate	20%	20%
<b>Tobacco products duty</b>	<b>From 11.3.20</b>	<b>From 29.10.18</b>
Cigarettes	16.5% x retail price + £237.34 per thousand cigarettes (or £305.23 per thousand cigarettes <sup>(2)</sup> )	16.5% x retail price + £228.29 per thousand cigarettes (or £293.95 per thousand cigarettes <sup>(2)</sup> )
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 <sup>(3)</sup>

**Notes:** (1) Premium is tax inclusive (<sup>3</sup>/<sub>28</sub> for 12% rate and <sup>1</sup>/<sub>6</sub> 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.

# CTA EXAMINATIONS

2021

## TAX TABLES



### INHERITANCE TAX

Death rate	40% <sup>(1)</sup>	<b>Lifetime rate</b>	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<sup>(2)</sup>

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

<b>Stamp duty<sup>(1)</sup></b>	- On shares transferred by physical stock transfer form	0.5%
<b>Stamp duty reserve tax<sup>(1)</sup></b>	- On agreements to transfer shares <sup>(2)</sup>	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 % <sup>(1)(2)(3)</sup>	Higher Rate % <sup>(1)(2)</sup>	Residential <sup>(1)(2)(3)</sup>	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 % <sup>(1)(2)(3)</sup>	Residential	Rate % <sup>(1)</sup>	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 <sup>(1)</sup>
	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 E – TEST 1

1. Ahmed and Briony have traded in partnership for several years, preparing accounts to 31 December each year. After paying Ahmed a salary at the rate of £18,000 per annum, the profits were shared between Ahmed and Briony in the ratio 1:2.

On 1 October 2020 Chiara was admitted into the partnership, from which date there were no salaries and the profits were shared equally between the three partners.

The taxable trading profit of the partnership was £90,000 for the year ended 31 December 2020.

**Calculate the allocation of taxable trading profits to each partner for the year ended 31 December 2020.**

2. On 1 July 2020 Lavinia started to trade. She had no income prior to this as she had been a student at university.

Her taxable trading profits for the year to 30 June 2021 are expected to be £78,000.

**Calculate the National Insurance Contributions payable by Lavinia for 2020/21, identifying each class of contribution.**

3. On 10 April 2020, Gordon transferred his business to a newly incorporated company, Burns Ltd, in return for shares in Burns Ltd worth £158,000 and cash of £42,000.

The market values and original costs of the assets of the business on 10 April 2020 were:

	Market values	Cost
	£	£
Goodwill	75,000	-
Workshop	125,000	65,000

On 31 March 2021, Gordon sold all of the shares in Burns Ltd for £180,000.

**Calculate the chargeable gain arising on the sale of shares, assuming Incorporation Relief is the only relief applied in 2020/21.**

4. Sally works full-time as a lawyer.

About once a month, Sally visits a charity shop or car boot sale, and purchases a piece of broken or old wooden furniture, using her salary to pay for the piece. She then makes any necessary repairs to the furniture and varnishes the wood.

She advertises the repaired furniture for sale on the staff notice board at her law firm, usually selling each piece for a profit within six weeks of buying it.

**Explain the factors which HM Revenue & Customs will use to support the argument that Sally is trading in furniture.**

5. Frank prepares his trading accounts to 31 December each year. The following transactions took place during the year ended 31 December 2020:
- 1) Frank acquired a printing machine with capital cost of £50,000. The machine was acquired under a 10-year hire purchase contract.
  - 2) Interest charges of £1,000 were incurred and paid on the hire purchase contract.
  - 3) Frank took goods from the business for his own use. The goods cost £2,000 and this amount is included in his accounts as an expense. The goods could have been sold to customers for £3,000.
  - 4) Frank paid £100 to a national registered charity.

**Briefly explain the treatment of each of these items when calculating Frank's tax adjusted trading profit for the year ended 31 December 2020. Frank has not elected to use the cash basis of accounting.**

6. After several years of trading, Giovanni ceased to trade on 31 October 2020. His results for the last two periods of trading were:

<u>Period</u>	<u>Trading profit/(loss)</u>
	£
Year ended 31 December 2019	30,000
10 months ended 31 October 2020	(80,000)

Giovanni had overlap profits on commencing trade of £9,000.

**You are required to:**

- 1) **Calculate the terminal loss on cessation of trade; and**
  - 2) **Briefly explain how Giovanni could apply terminal loss relief.**
7. Felicity undertook the following transactions with regard to the plant and machinery used in her business during the year ended 31 December 2020.

	<u>Cost/(proceeds)</u>
	£
Purchase of new zero emission goods vehicles	80,000
Disposal of car with CO <sub>2</sub> emissions of 180g/km, original cost £25,000	(18,000)
Disposal of design equipment, original cost £12,000	(15,000)

On 1 January 2020, Felicity had tax written down values of £34,300 on the main pool and £18,500 on the special rate pool. There was no private use of the car.

**Calculate the maximum capital allowances that Felicity can claim for the year ended 31 December 2020.**

8. Geoffrey is a sole trader.

In the year ended 5 April 2021, Geoffrey had taxable trading profits of £110,000. He had a trading loss brought forward at 6 April 2020 of £2,700.

Geoffrey had no other income during 2020/21.

**Calculate Geoffrey's Income Tax liability for 2020/21.**

9. Ricardo ceased to trade on 31 January 2021. He wants to know the treatment for Income Tax purposes of the following items:

- 1) Ricardo made additional voluntary redundancy payments of five times the statutory amount to each of his employees on 31 January 2021.
- 2) On 30 April 2021, Ricardo finally received payment from a customer. Ricardo had written off the amount as a bad debt in January 2021.
- 3) The trading stock held on 31 January 2021 remains unsold.

**Explain the Income Tax treatment for Ricardo of each of these items.**

10. Lorenzo sells antique furniture from a large shop. He undertook the following transactions:

- 1) On 1 May 2020, he transferred an antique table, previously used in the office of his shop, into trading stock. The table had cost £12,000 in April 2006, and had a market value of £31,000 on 1 May 2020. Lorenzo sold the table on 1 March 2021 for £32,500.
- 2) On 10 February 2021, Lorenzo sold 70 square metres of land near the shop for £22,000. This was part of a larger plot of land of 100 square metres, which had been bought for £25,000 in January 2009 and which was used by customers for parking. The remaining plot of 30 square metres was worth £6,000 on 10 February 2021.

**Calculate Lorenzo's taxable gain for 2020/21, assuming no claims or elections are made.**

11. Alastair is a self-employed car retailer. He purchased a showroom in 2000 at a cost of £64,000. He decided to relocate his business premises and sold the original showroom in August 2020 for £320,000. The new premises were purchased in June 2020 at a cost of £290,000. They are however bigger than Alastair needs and he rents out one fifth of the new premises to XJ Ltd who sell electrical goods.

**Explain whether and to what extent Alastair will be able to claim rollover relief for the gain of £256,000 on the sale of his original showroom. Calculations are not required.**

12. Raymond, Sylvia and Tamar are in partnership sharing income and capital profits in the ratio 2:1:1.

On 1 March 2021, the partnership transferred a property to Tamar, when the market value of the property was £150,000. The property had cost the partnership £54,000 in March 1995. The property had been extended at a cost of £8,000 in May 2006.

**Explain, with supporting calculations, the Capital Gains implications of this transaction for each partner. You are not required to calculate Capital Gains Tax liabilities.**

**MODULE E – TEST 2**

1. Amy is a sole trader preparing her accounts for the year ended 31 March 2021 and is unsure how to treat the following items of expenditure:
- 1) Entertaining costs – comprising the costs of entertaining UK customers, overseas customers and staff;
  - 2) Car hire charges – for Amy's car which is used 100% for business purposes. The car is used under an operating lease which was entered into on 1 June 2020. The car has CO<sub>2</sub> emissions of 144g/km;
  - 3) Bonus payment – the bonus payment is to the salesman and relates to the sales for the year ended 31 March 2021. It will be paid out to him in January 2022, when Amy has finalised her accounts; and
  - 4) Payment made to a potential new customer in order to assist in the awarding of a contract. This is normal practice in Amy's line of business.

**Briefly explain whether each item of expenditure is deductible in calculating Amy's taxable trading profits for the year ended 31 March 2021. (Assume she does not want to use flat rate expenses for motor vehicles.)**

2. Betina is aged 45 years old and has traded in partnership with a friend for many years. Betina's share of the partnership tax adjusted trading profits for the year ended 31 January 2021 is £96,200. In addition, Betina paid interest during 2020/21 of:
- 1) £2,500 on a loan that she took out to invest additional capital into the partnership; and
  - 2) £500 on a loan that she took out to buy a 1% shareholding in a quoted investment company.

She had no other income during 2020/21.

**Calculate Betina's Income Tax liability for 2020/21.**

3. Cara has been a sole trader for many years. On 10 April 2020 she received a notice requiring her to file a 2019/20 Self Assessment Tax Return. On 10 October 2021 she submitted her Return online. The Return showed a liability to tax for 2019/20 of £5,400.

**State, with brief explanations, the maximum penalties for late filing of this Tax Return that could be charged by HM Revenue & Customs.**

4. In recent months, Dieter has been doing work to rectify problems with the computer systems of Elliott Ltd. The following facts are pertinent:
- 1) Dieter has done work for Elliott Ltd in the past but has occasionally had to turn down work for Elliott Ltd due to other commitments;
  - 2) All of this work for Elliott Ltd must be performed at the offices of Elliott Ltd during normal office hours; and
  - 3) Dieter is paid on a monthly basis based on the number of hours worked. The payment is made to Dieter on the last working day of the month via the payroll system. However he is to be paid a substantial final amount if he rectifies all of the computer problems. None of that final amount will be paid if any of the problems remain unresolved.

**Briefly explain whether each of these facts indicates that Dieter is employed by Elliott Ltd, or is self-employed.**

5. Federica has been trading for many years making up accounts to 31 December. She had three months of unrelieved overlap profits from commencement totalling £6,213. She has, for business purposes, decided to change her accounting date to 30 June. Her tax adjusted trading profits are as follows:

<u>Period of account</u>	<u>Trading profits</u>
	£
Year ended 31 December 2019	54,140
18 months ended 30 June 2021	84,630

**Assuming all relevant conditions are met for a valid change of accounting date:**

- 1) **Calculate Federica's assessable trading profits for 2020/21, stating the dates of the basis period; and**
  - 2) **Calculate the amount of the unrelieved overlap profits after the change of accounting date.**
6. Guillermo began trading on 20 April 2020 and drew up his first accounts to 31 March 2021. He made an adjusted trading loss during the first period of trading. However he expects his business to make profits in the following year and for profits to increase significantly over the next few years.

Guillermo has had small amounts of dividend income every year. His only other source of income has been a salary from his employment. He continued with his employment until 30 June 2020 at which time he gave up his job in order to focus on his new business.

**Briefly explain all of the options available to Guillermo for relieving his trading loss of 2020/21.**

**You are not required to assess which is the best option.**

7. Caitlin, Alice and Emma have been in partnership for several years. They prepare accounts annually to 31 December.

Caitlin, Alice and Emma share profits 50:20:30 after providing for a salary of £45,000 to Alice.

The partnership had an adjusted trading loss for the year ended 31 December 2020 of £60,000.

**You are required to calculate the trading profit/(loss) of each partner for the year ended 31 December 2020.**

8. Mohammed is 40 years old and is in business as a sole trader. For the year ended 31 March 2021, the tax adjusted trading profits of his business were £10,250. Mohammed also has £15,000 of property income each year.

**You are required to:**

- 1) **Briefly explain, with the aid of calculations, Mohammed's liability to National Insurance Contributions for 2020/21; and**
  - 2) **Briefly explain the effect on Mohammed's National Insurance Contributions if he had made an adjusted trading loss of £5,000 in the year ended 31 March 2020, and made an Income Tax election to claim relief for the loss against other income of 2019/20.**
9. Nadya has been running her business for many years, and at 1 November 2019 has a tax written down value on the main pool of £41,500. During the nine months ended 31 July 2020, she made the following capital purchases:

		£
November 2019	Electric car (20% private use by Nadya)	25,188
December 2019	Machinery	780,000

**Calculate the maximum capital allowances available to Nadya for the nine months ended 31 July 2020, showing the treatment of each capital purchase.**

10. In December 2020 Oren sold his business, which he had owned for many years. The chargeable gains arising on the disposal of the business were:

	£
Office building	590,000
Goodwill	<u>480,000</u>
	<u>1,070,000</u>

In 2017/18 Oren had sold some shares resulting in a gain of £600,000 on which he claimed Entrepreneurs' Relief (now Business Asset Disposal Relief). Oren's taxable income in 2020/21 was £30,000.

**Calculate the Capital Gains Tax payable by Oren on the disposal of his business in 2020/21, assuming that Oren made no other disposals in the tax year.**

11. On 15 February 2021 Petra sold a building used by her business for £1 million resulting in a substantial chargeable gain.

The following are the other assets that she has bought recently:

		<u>Cost</u>
		£
10 February 2020	Purchase of fixed plant and machinery	80,000
12 October 2020	Purchase of computer equipment for the business	30,000
30 June 2021	Purchase of a 45 year lease on a property to be used in the business	840,000

**Explain the relief for reinvestment in business assets ('rollover' relief) which is available to Petra in respect of each of the purchases.**

12. Quentin made several capital disposals during 2020/21. One of his friends has recently mentioned that he may be able to pay his Capital Gains Tax in instalments.

**Briefly explain the situations when a Capital Gains Tax liability can be paid in instalments, and the period over which the instalments are made.**



## ANSWERS TO MODULE E – TEST 1

1.

	Total £	Ahmed £	Briony £	Chiara £	
1.1.20 – 30.9.20					
Salary 18,000 x 9/12	13,500	13,500			[1]
Profit share 1:2 (bal)	<u>54,000</u>	<u>18,000</u>	<u>36,000</u>		[1]+[1]
90,000 x 9/12	67,500	31,500	36,000		[1]
1.10.20 – 31.12.20					
90,000 x 3/12 1:1:1	<u>22,500</u>	<u>7,500</u>	<u>7,500</u>	<u>7,500</u>	[1]
Total	90,000	39,000	43,500	7,500	

2.

Basis period for 2020/21 (opening years) 1.7.20 – 5.4.21  
 Assessable trading profits for 2020/21 (9/12 x 78,000) = £58,500 [1]

Class 2

3.05 x 52 x 9/12 = £119 [1]

Class 4

(50,000 – 9,500) x 9% = 3,645 [1]+[1]  
 (58,500 – 50,000) x 2% = 170 [1]  
3,815

*[Various forms of Class 2 calculation acceptable (e.g. using approximate number of weeks or days) provided not full year, but Class 4 must be as shown]*

3.

Gains on incorporation	£	£	
Goodwill (Gain = proceeds)		75,000	[1]
Workshop			
Proceeds	125,000		
Less: Cost	<u>(65,000)</u>		
Gain		<u>60,000</u>	[1]
Total gains		<u>135,000</u>	
Incorporation relief			
135,000 x 158,000/(158,000 + 42,000)		<u>106,650</u>	[1]
Gain on shares			
Proceeds		£ 180,000	
Less: Cost (158,000 – 106,650)		<u>(51,350)</u>	[1]+[1]
		<u>128,650</u>	

4. Frequency of transactions – regular, Sally undertakes this each month [1]  
 Length of ownership – short, Sally owns pieces for less than six weeks [1]  
 Supplementary work – Sally adds value to the furniture by repairing/varnishing before selling [1]  
 Marketing/method of selling – Sally specifically advertises the furniture for sale [1]  
 Profit motive – it appears Sally is undertaking the activity to make a profit [1]

*[Other factors acceptable but must be relevant to the scenario and be in support of trading, e.g. how she finances the transaction is not relevant here, as this does not particularly support a trading argument.]*

5. 1) Hire purchase treated as outright purchase so £50,000 eligible for capital allowances. [1]  
 100% relief available in the year via annual investment allowance [1\*]  
 2) Interest charge of £1,000 deductible as trading expense [1]  
 3) Frank must add £3,000 to the taxable trading profits as deemed sale to self [1]  
 4) Donation is not an allowable deduction from trading profits [1]

*[\* 18% WDA acceptable only if state assumption that AIA already used.]*

6. 1)

Terminal loss

	£	£	
Period from 6.4.20 – 31.10.20			
7/10 x £80,000	56,000		[1] for this & 24k below
Overlap relief	<u>9,000</u>		[1]
		65,000	
Period from 1.11.19 – 5.4.20			
3/10 x £80,000	24,000		
Profit of 2/12 x £30,000	<u>(5,000)</u>		[1]
		<u>19,000</u>	
Total		<u>84,000</u>	

- 2)

The terminal loss can be carried back and used against trading profits [1] first in 2019/20, then 2018/19 and then the remainder in 2017/18. [1]

7.

	Main pool	Special rate pool	Allowances	
	£	£	£	
TWDV b/fwd	34,300	18,500		
Zero emission goods	80,000			
vehicles				
FYA @ 100%	<u>(80,000)</u>		80,000	[1]
Disposals	<u>(12,000)</u>	<u>(18,000)</u>		[1]+[1]
	22,300	500		
WDA @ 18%	<u>(4,014)</u>		4,014	[1]
Small balance written off		<u>(500)</u>	500	[1]
TWDV c/f	<u>18,286</u>	<u>Nil</u>	<u>84,514</u>	

8.

Taxable trading profits	£		
		110,000	
Less: Loss brought forward		<u>(2,700)</u>	
		107,300	[1]
Less: Personal allowance (W)		<u>(8,850)</u>	
		<u>98,450</u>	
Income Tax Liability			
37,500 @ 20%		7,500	[1]
60,950 @ 40%		<u>24,380</u>	
		<u>31,880</u>	

Working

Net income		107,300	[1]
Less		<u>(100,000)</u>	
		<u>7,300</u>	[1]
Personal Allowance		12,500	
Less: ½ x 7,300		<u>(3,650)</u>	[1]
		<u>8,850</u>	

9.

- 1) Redundancy payments of statutory amount plus up to three times the statutory amount are allowable. [1]  
 The restriction is because the trade is not continuing. [1]
- 2) The payment from the former bad debt is a post-cessation receipt and so taxed in the year of receipt (2021/22). [1]  
 Ricardo can elect for the receipt to be treated as received on 31 January 2021. [1]
- 3) The unsold stock is treated as being sold for full market value on 31 January 2021, and the trading profits for the final period of trading adjusted accordingly. [1]

10.

	£	£	
Table			
Proceeds	31,000		[1]
Less: Cost	<u>(12,000)</u>		[1]
		19,000	
Land disposal			
Proceeds	22,000		
Less: Cost (25,000 x 22,000/(6,000 + 22,000))	<u>(19,643)</u>		[1]+[1]
		<u>2,357</u>	
		21,357	
Less: Annual exempt amount		<u>(12,300)</u>	[1]
Taxable gain		<u>9,057</u>	

11. Rollover relief is available because:

- The new and old assets are buildings [1]
- Both are used in the trade [1]
- The new premises were acquired in the period 1 year before to 3 years after the sale of the old premises. [1]
- Relief will be restricted for those proceeds not reinvested. [1]
- Relief will be restricted as the new premises are only used 80% for the trade. [1]

12. There is a disposal by the partnership with the partners (Raymond and Sylvia) assessed on their proportion of the gain [less their annual exempt amount if available]. [1]

	<u>Gain</u>	<u>Raymond (50%)</u>	<u>Sylvia (25%)</u>	
	£	£	£	
Proceeds	150,000			
Less: Cost	(54,000)			[1]
Extension cost	<u>(8,000)</u>			[1]
Gain	<u>88,000</u>	<u>44,000</u>	<u>22,000</u>	[1]

Tamar has no disposal but the base cost for Tamar in future is the market value reduced by the notional gain on her share (150,000 - 22,000 = 128,000) [1]

## ANSWERS TO MODULE E – TEST 2

1. The treatment of each item of expenditure is as follows:

- 1) Entertaining costs cannot generally be deducted in calculating taxable trading profits. However the entertainment of employees is an allowable expense, and so the cost of entertaining employees is deductible. [2]
- 2) Car hire charges are a deductible expense. However as the CO<sub>2</sub> emissions exceed 110g/km the deduction is restricted to 85% of the hire charge. [1]

Tutorial Note:

*For leases entered into from 6 April 2021 the restriction will apply where CO<sub>2</sub> emissions exceed 50g/km.*

- 3) As the bonus payment will be made more than nine months after the end of the period of account it will not be deductible in the year ended 31 March 2021. It will instead be deductible in the period of payment. [1]
- 4) The payment to the potential new customer appears to amount to a bribe, and as such is a crime related payment which is not deductible. [1]

2. Income Tax computation

	£	
Trading profits	96,200	[1]
Less: Qualifying interest (partnership loan only)	<u>(2,500)</u>	[1]
Net income	93,700	
Less: Personal allowance	<u>(12,500)</u>	[1]
Taxable income	<u>81,200</u>	
Income Tax liability		
37,500 @ 20%	7,500	[1]
43,700 @ 40%	<u>17,480</u>	[1]
	<u>24,980</u>	

3.

	£	
Late filing penalties (return due on 31 January 2021)		
For being late - fixed penalty	<u>100</u>	[1]
For being three months late		
• £10 per day		
• up to a maximum of 90 days (90 x £10)	<u>900</u>	[2]
For being six months late - higher of		
• £300 and		
• 5% of liability to tax (5% x 5,400 = 270)	<u>300</u>	[2]

4.

1) Although Dieter has done other work in the past there is no 'mutuality of obligations' as Dieter has previously had to turn down some Elliott Ltd work. This indicates Dieter is self-employed. [2]

2) As all work had to be performed at Elliott Ltd's offices during working hours there seems to be 'control' suggesting employment. [1]

*[Alternative to part 2 for 1 – this is not an indicator of employment, but simply because Dieter requires access to the hardware of Elliott Ltd]*

3) As Dieter is paid on a monthly basis via the payroll system there is a suggestion of employment. However the substantial final payment shows that Dieter has financial risk or reward and this suggests self-employment. [2]

5. Change of accounting date

Tax year of change is 2020/21 – with no period ending in the tax year

	<u>Trading profits</u>	
	£	
2020/21		
12 months ending on the new accounting date in the tax year		
i.e. 1 July 2019 – 30 June 2020 *		[1]
1 July 2019 – 31 December 2019		
6/12 x 54,140	27,070	[1]
1 January 2020 – 30 June 2020		
6/18 x 84,630	<u>28,210</u>	[1]
	<u>55,280</u>	
Overlap profits		
Original overlap profits	6,213	[1]
Additional overlap profits (taxed in 2019/20 and 2020/21):		
1 July 2019 - 31 December 2019	<u>27,070</u>	[1]
Total overlap profits	<u>33,283</u>	

*[\* Acceptable alternative = Year ended 30 June 2020]*

6. Guillermo has the following options for relieving his trading loss:

- General income  
Against general income of 2020/21 and/ or 2019/20 in any order (subject to a cap in both years of the higher of £50,000 and 25% of his adjusted total income) [1]

- Opening years' loss relief  
As the loss arises in the first four years of trading it can be set against general income (including employment income and dividend income) of the previous three years on a FIFO basis. (Again, the amount offset is subject to a cap in all years of the higher of £50,000 and 25% of adjusted total income) [3]

- Carry forward loss relief  
Against future trading profits of the same trade, as much as possible as soon as possible [1]

7.

	Total £	Caitlin £	Alice £	Emma £	
Year ended 31 December 2020					
Salary	45,000		45,000		[1]
Balance (50:20:30)	<u>(105,000)</u>	(52,500)	(21,000)	(31,500)	[2*]
	<u>(60,000)</u>				
		<u>(52,500)</u>	<u>24,000</u>	<u>(31,500)</u>	
Reallocation of notional profit					
£24,000 x		15,000	(24,000)	9,000	[2]
52,500/(52,500+31,500)					
£24,000 x		_____	_____	_____	
31,500/(52,500+31,500)					
Adjusted trading loss		<u>(37,500)</u>	_____ -	<u>(22,500)</u>	

[\* 1 for applying correct ratio and 1 for applying to amount remaining after deducting salary]

8.

1)

Class 2

Payable at a flat rate of £3.05 per week.

$52 \times 3.05 = \underline{159}$  [1]

Class 4

Class 4 contributions are earnings related, calculated as follows:  
9% (Earnings – lower limit), where the lower limit for 2020/21 is £9,500.

Hence his Class 4 contribution is  $9\% \times (10,250 - 9,500) = \underline{67}$  [1]

2)

Trading losses are treated as relieved ONLY against trading income for NIC purposes. Therefore the loss is carried forward for National Insurance purposes. [1]

Net earnings of £5,250 (10,250 - 5,000) for 2020/21 would fall below the lower limit and there would be no liability to Class 4 contributions. [1]

In addition, profits would not exceed the small profits threshold for 2020/21 for Class 2 NIC of £6,475 therefore no Class 2 NIC would be payable. [1]

9.

<u>Nine months ended 31 July 2020</u>	FYA @ 100%	AIA	Main pool	Allowances	
		£	£	£	
TWDV b/f			41,500		
Electric car (25,188 x 80%)	20,150				
AIA	<u>(20,150)</u>			20,150	[1]
Machinery		780,000			
AIA (W)		<u>(750,000)</u>		750,000	[1]
			<u>30,000</u>		
			71,500		
WDA @ 18% x 9/12			<u>(9,653)</u>	<u>9,653</u>	*[2]
TWDV c/f			<u>61,847</u>		
Total allowances				<u>779,803</u>	

[\*1 for 18% and 1 for prorating the WDA]

Working

AIA =  $9/12 \times 1,000,000 = \underline{\underline{£750,000}}$  [1]

10.

Capital Gains Tax Payable 2020/21	Gains eligible for BADR	Gains not eligible for BADR	
	£	£	
Remaining BADR limit (1m - 0.6m)	400,000		*[1]
Balance of the gains on the business (1.07m – 0.4m)		670,000	**[1]
Less: Annual exempt amount (against non-BADR gains first)		<u>(12,300)</u>	[1]
	<u>400,000</u>	<u>657,700</u>	
BADR gains – tax @ 10%		40,000	[1]
Non-BADR gains – tax @ 20% (BRB used up by BADR gains)		<u>131,540</u>	[1]
Capital Gains Tax payable		<u>171,540</u>	

[\* this mark for the correct calculation of the remaining BADR limit]

[\*\*this mark for separating out a balance (i.e. still get this second mark if the balance is calculated as (£1.07m - £1m))]



11. The gain cannot be rolled over into the purchase of fixed plant and machinery in February 2020 as it is outside the period of one year before and three years after the original disposal. [1]

The October 2020 purchase is not eligible as it is not a qualifying business asset (moveable plant and machinery). [1]

The June 2021 purchase is eligible as it is within the qualifying time period, and is a qualifying asset. The purchase of the short lease only defers the gain until the earliest of:

- Ten years after acquisition of the replacement asset
- Ceasing to use the replacement asset in the trade
- Sale of the replacement asset. [2]

There is not full reinvestment as only £840,000 of the £1,000,000 has been reinvested, so £160,000 remains within the charge to Capital Gains Tax in 2020/21. [1]

12. S.280 TCGA 1992

If proceeds on disposal are received in instalments over a period exceeding 18 months, then the taxpayer may elect to pay the Capital Gains Tax in instalments over a period which is the shorter of:

- Eight years, and
- The period of the instalments [2]

S.281 TCGA 1992

Capital Gains Tax can be paid by ten equal annual instalments on gifts of:

- Land
- Shares and securities out of a controlling shareholding, or
- Unquoted shares or securities

where gift relief cannot be claimed. [3]

