

# Tolley<sup>®</sup> Exam Training

**CTA**

**AWARENESS PAPER**

**MODULE B – IHT, TRUSTS & ESTATES**

**PRE REVISION QUESTION BANK**

**FA 2019**

May and November 2020 Sittings

**PQ727B  
CTA**

**Tolley<sup>®</sup>**

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## INTRODUCTION

This Pre Revision Question Bank for Module B of the Awareness paper contains 2 full exam standard 12 question tests with answers updated to Finance Act 2019.

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 3 hours to answer all three Modules.

You should answer questions 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 read and 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 write the answers out yourself.

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## TAX TABLES



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### INCOME TAX - RATES AND THRESHOLDS

	2019/20	2018/19
<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 – 34,500
Higher rate band	37,501 – 150,000	34,501 – 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 – 2,049	1 – 2,000
Scottish basic rate	2,050 – 12,444	2,001 – 12,150
Intermediate rate	12,445 – 30,930	12,151 – 31,580
Higher rate	30,931 – 150,000	31,581 – 150,000
Top rate	150,000 +	150,000 +

### INCOME TAX - RELIEFS

	2019/20	2018/19
	£	£
Personal allowance <sup>(2)</sup>	12,500	11,850
Married couple's allowance <sup>(3)</sup>	8,915	8,695
- Maximum income before abatement of relief - £1 for £2	29,600	28,900
- Minimum allowance	3,450	3,360
Transferable Tax allowance for married couples and civil partners <sup>(4)</sup>	1,250	1,190
Blind person's allowance	2,450	2,390
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) From 6.4.18, the limit is £2 million, where over £1 million is invested in knowledge intensive companies.

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ISA limits	2019/20	2018/19
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	4,368	4,260

### Pension contributions

	Annual allowance <sup>(1)</sup>	Lifetime allowance	Minimum pension age
	£	£	
2018/19	40,000	1,030,000	55
2019/20	40,000	1,055,000	55

Basic amount qualifying for tax relief £3,600

**Notes (1)** The annual allowance is tapered by £1 for every £2 of adjusted income above £150,000 for individuals with threshold income above £110,000. It cannot be reduced below £10,000.

### Employer Supported Childcare

Exemption – basic rate taxpayer<sup>(1)</sup> £55 per week £55 per week

**Notes (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

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

### INCOME TAX - CHARGES

#### Child benefit charge

Adjusted net income >£50,000  
Adjusted net income >£60,000

#### Withdrawal rate

1% of benefit per £100 of income between £50,000 and £60,000  
Full child benefit amount assessable in that tax year

### INCOME TAX - BENEFITS

#### Car benefits

Emissions	2019/20 <sup>(1)</sup>	2018/19 <sup>(1)</sup>
0 – 50 g/km	16%	13%
51 – 75 g/km	19%	16%
76 – 94 g/km	22%	19%
95 g/km or more	23% + 1% for every additional whole 5g/km above threshold	20% + 1% for every additional whole 5g/km above threshold
165 g/km or more	37%	
180g/km or more		37%

#### Fuel benefit base figure

2019/20	2018/19
£24,100	£23,400

**Notes (1)** 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard.



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Van benefits	2019/20	2018/19
	£	£
No CO <sub>2</sub> emissions	2,058	1,340
CO <sub>2</sub> emissions > 0g/km	3,430	3,350
Fuel benefit for vans	655	633

Official rate of interest	2019/20	2018/19
	2.5%	2.5%

### INCOME TAX - SIMPLIFICATION MEASURES

#### Allowances

	2019/20	2018/19
	£	£
'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

### 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)(4)</sup>	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) <sup>(5)</sup>	2%

- Notes**
- (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2020 (£200,000 before 31 December 2018 & from 1 January 2021).
  - (2) The main pool rate applies to cars with CO<sub>2</sub> emissions of not more than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).
  - (3) The special pool rate applies to cars with CO<sub>2</sub> emissions greater than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).
  - (4) The special pool rate was 8% prior to 6 April 2019 (1 April 2019 for companies).
  - (5) The 2% rate applies to expenditure from 29 October 2018 on new qualifying non-residential structures and buildings on a straight-line basis.

#### 100% First year allowances available to all businesses

- 1) New energy saving plant and machinery, and water efficient plant and machinery (until April 2020).
- 2) Capital expenditure incurred by a person on research and development.
- 3) New zero-emission goods vehicles (until April 2021).
- 4) New cars registered before 31 March 2021 if the car either emits not more than 50 g/km of CO<sub>2</sub> (75g/km before 1 April 2018) or it is electrically propelled.
- 5) Electric vehicle charging points expenditure incurred from 23 November 2016 until April 2023.

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### NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2019/20			2018/19		
	Annual £	Monthly £	Weekly £	Annual £	Monthly £	Weekly £
Lower earnings limit (LEL)	6,136	512	118	6,032	503	116
Primary threshold (PT)/ Secondary threshold (ST)	8,632	719	166	8,424	702	162
Upper earnings limit (UEL)/ Upper secondary threshold for under 21 (UST) <sup>(1)</sup> / Apprentice upper secondary threshold for under 25 (AUST) <sup>(2)</sup>	50,000	4,167	962	46,350	3,863	892
<b>Class 1 primary contribution rates</b>						
Earnings between PT and UEL				12%		12%
Earnings above UEL				2%		2%
<b>Class 1 secondary contribution rates</b>						
Earnings above ST <sup>(1)(2)</sup>				13.8%		13.8%

- 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%.

	2019/20	2018/19
<b>Employment allowance</b>		
Per year, per employer	£3,000	£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	£3.00 pw	£2.95 pw
Small profits threshold	£6,365 pa	£6,205 pa
<b>Class 3 contributions</b>	£15.00 pw	£14.65 pw
<b>Class 4 contributions</b>		
Annual lower profits limit (LPL)	£8,632	£8,424
Annual upper profits limit (UPL)	£50,000	£46,350
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

### OTHER PAYROLL INFORMATION

<b>Statutory maternity/adoption pay</b>	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £148.68 and 90% of AWE
<b>Statutory shared parental pay /paternity pay</b>	For each qualifying week, the lower of 90% of AWE and £148.68
<b>Student Loan</b>	Plan 1: 9% of earnings exceeding £1,577 per month Plan 2: 9% of earnings exceeding £2,143 per month
<b>Postgraduate Loan</b>	6% of earnings exceeding £1,750 per month

### National living/minimum wage (April 2019 onwards)

Category of Worker	Rate per hour	Category of Worker	Rate per hour
Workers aged 25 and over	£8.21	18–20 year olds	£6.15
21–24 year olds	£7.70	16–17 year olds	£4.35
		Apprentices	£3.90

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### CAPITAL GAINS TAX

	<b>2019/20</b>	<b>2018/19</b>
Annual exempt amount for individuals	£12,000	£11,700

### CGT rates for individuals, trusts and estates

Gains qualifying for entrepreneurs' relief/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band <sup>(1)</sup>	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates <sup>(2)</sup>	20%	20%

**Notes** (1) The rate is 18% if the gain is in respect of a residential property

(2) The rate is 28% if the gain is in respect of a residential property

### Entrepreneurs' relief and Investors' relief<sup>(1)</sup>

	<b>2019/20</b>	<b>2018/19</b>
Relevant gains (lifetime maximum)	£10 million	£10 million

**Notes** (1) The first claims for investors' relief can be made in 2019/20.

### 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

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### 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	2019	2018	2017
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

	Standard rate	VAT fraction
From 4.1.11	20%	1/6

Limits	From 1.4.19	From 1.4.18
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

### OTHER INDIRECT TAXES

	2019/20	2018/19
<b>Insurance premium tax<sup>(1)</sup></b>		
Standard rate	12%	12%
Higher rate	20%	20%
<b>Tobacco products duty</b>	<b>From 29.10.18</b>	<b>Until 28.10.18</b>
Cigarettes	16.5% x retail price + £228.29 (or £293.95 <sup>(2)</sup> ) per thousand cigarettes	16.5% x retail price + £217.23 (or £280.15 <sup>(2)</sup> ) per thousand cigarettes
Cigars	£284.76 per kg	£270.96 per kg
Hand-rolling tobacco	£234.65 per kg	£221.18 per kg
Other smoking/chewing tobacco	£125.20 per kg	£119.13 per kg
Tobacco for heating from 1 July 2019	£234.65 per kg	N/A

- Notes** (1) Premium is tax inclusive (3/28 for 12% rate and 1/6 for 20% rate).  
 (2) The £293.95/£280.15 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).

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### INHERITANCE TAX

Death rate 40%<sup>(1)</sup> Lifetime rate 20%

**Notes** (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

**Notes** (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	£5,000
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 1.4.19	From 1.4.18
>£0.5m - ≤ 1m	£3,650	£3,600
> £1m - ≤ 2m	£7,400	£7,250
> £2m – ≤ 5m	£24,800	£24,250
> £5m – ≤ 10m	£57,900	£56,550
> £10m – ≤ 20m	£116,100	£113,400
> £20m	£232,350	£226,950

### 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.

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### 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 pay 15% on purchases of residential property valued > £500,000.
- (3) First-time buyers purchasing a single dwelling as their only or main residence on or after 22.11.17 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)(4)</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% (for effective dates on or after 25 January 2019) 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. Where the effective date is on or after 25 January 2019 but the contract was entered into prior to 12 December 2018, the 3% (prior) rate will apply.
- (3) For contracts entered into after 8 February 2018, where the effective date of the transaction is on or after 30 June 2018, there is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.
- (4) These rates apply where the effective date is on or after 25 January 2019. Prior to this date the 0% band was the same, £150,001-£350,000 was 3%, £350,001+ was 4.5%.

#### 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+

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

## MODULE B – TEST 1

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

20 March 2020	£500,000 to his wife
30 March 2020	£200,000 to his daughter
30 June 2020	£10,000 to a national registered charity
30 August 2020	£500,000 to a discretionary trust for his grandchildren

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

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

2. The Tree Discretionary Trust received the following income during 2019/20:

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

The trustees incurred management expenses of £555.

**Calculate the Income Tax liability for the trustees for 2019/20.**

3. Julie died on 31 January 2020 leaving a death estate valued at £1,200,000 to her niece, Anne. Her only lifetime gift was on 10 April 2016 when she gave a seaside apartment in Northern Ireland to Anne. The apartment was valued at £380,000 in April 2016, but in January 2020, had fallen in value to £320,000.

**Calculate the Inheritance Tax payable due to Julie's death in January 2020.**

4. The Bee Discretionary Trust made the following capital disposals during 2019/20:

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

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

The trust had unused capital losses brought forward at 6 April 2019 of £30,000.

**Calculate the Capital Gains Tax payable by the Trust for 2019/20, stating the amount of any remaining unused capital losses available to carry forward.**

5. Arnold died on 12 August 2020. Arnold came to the UK 10 years ago but retained his Spanish domicile status. His estate at 12 August 2020 consisted of the following assets:

	<u>Value at 12 August 2020</u>
	£
House in the UK	600,000
Loan secured on the UK house	65,000
Buy-to-let property in North Devon, UK	390,000
Apartment in Spain	130,000

The loan secured on the UK house had been used to purchase the apartment in Spain in 2012.

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

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

**Calculate the Inheritance Tax payable on Arnold's death estate.**

6. Pauline died on 31 December 2019. The following UK income was received in 2019/20:

	Date received	Amount received
		£
ISA account interest	31 December 2019	455
	31 March 2020	560
Bank interest	30 September 2019	250
	31 March 2020	450
Dividends	31 March 2020	4,667

The personal representatives incurred administration expenses of £250 in February 2020. They also borrowed funds to pay the Inheritance Tax due. The total interest paid on this loan during 2019/20 amounted to £500.

The administration of the estate was completed in June 2020.

**Calculate the amount of Taxable Income for Pauline's personal representatives for 2019/20.**



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

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

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

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

**Explain the Inheritance Tax implications of:**

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

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

8. Michael died in December 2019 with an estate valued at £1 million.

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

June 2012

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

August 2016

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

	<u>Gross Value</u> <u>August 2016</u>	<u>Value December 2019</u>
	£	£
Shares in Blue Ltd - Qualifying for 100% BPR	430,000	500,000
House in Edinburgh	350,000	Sold December 2016
Cash	100,000	100,000

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

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

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

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

**State the Inheritance Tax implications of:**

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

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

**State the conditions which must be met for the trustees to qualify for Entrepreneurs' Relief on this sale of shares.**

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

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

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

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

Bert's wife Bettina died in May 2008. She left £156,000 to her son and the balance of her estate worth £200,000 to Bert, having made no lifetime gifts.

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

## MODULE B – TEST 2

1. Family Ltd, an investment company, has 10,000 £1 ordinary shares in issue. 6,000 shares had been held by Julian and 4,000 by his wife since incorporation in 1999.

On 5 July 2019, Julian gave 5,000 of his 6,000 shares to a discretionary trust. The market values of the shares in Family Ltd on 5 July 2019 were:

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

The trustees agreed to pay any Inheritance Tax due as a result of the gift. Julian had fully used his nil rate band on a gift he made in 2017/18 and uses his annual exemption each year.

**Calculate the Inheritance Tax due on the gift on 5 July 2019.**

2. Harry made the following gifts to his daughter during 2019/20:

1 June 2019	£10,000 cash on his daughter's 21st birthday
31 December 2019	A rental property (which he had never lived in) worth £270,400 on the occasion of his daughter's wedding. The property had been inherited by Harry on the death of his mother in January 2007, when it had a probate value of £190,200.

Harry had not made any previous lifetime gifts. He made no other chargeable disposals for Capital Gains Tax in 2019/20.

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

3. Carmel gave £340,000 to a discretionary trust in May 2011, paying any Inheritance Tax due. She made a further gift to the same trust of £200,000 on 10 October 2017. The trustees paid any Inheritance Tax due on this gift. Carmel died on 2 February 2020.

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

4. Oscar, who was divorced, died on 7 June 2020 having never made any lifetime gifts. His estate was valued at £940,000, which included his main residence valued at £600,000. Oscar had the following outstanding liabilities at the date of his death:

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

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

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

5. David wants to set up a trust for his 10 year old son. David is terminally ill and not expected to live beyond 2020.

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

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

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

7. Tom owns two farms.

Tom purchased a farm in the Channel Islands in May 2015. This is farmed by a tenant farmer on a lease that commenced in May 2015. The agricultural value of the farm is £450,000.

Tom owns a farm in Devon which he purchased in October 2012 and which he farms himself as a farming business. He has recently obtained planning permission to build on part of the farmland and so it is valued at £780,000. The agricultural value of the farm is £360,000.

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

8. Frederick created a discretionary trust on 1 September 2009 and transferred £150,000 to it. Frederick paid any tax that was due. He had made a gross chargeable transfer of £200,000 in 2007/08. The trustees made a distribution of £10,000 to a beneficiary in March 2018. The beneficiary paid the tax due on the distribution. On 31 August 2019 the trust fund was worth £240,000.

**Calculate the Inheritance Tax principal charge.**

9. Ranjit bought a residential property for £127,000 in April 2015. In November 2016 when the property had a market value of £135,000 he put it into trust, claiming gift relief. The trustees decided to sell the property in January 2020 for £165,000, incurring costs of sale of £2,600. This is the only trust ever set up by Ranjit.

**You are required to:**

- 1) State the amount of gift relief claimed by Ranjit in November 2016; and**
- 2) Calculate the Capital Gains Tax payable by the trustees on the disposal of the land in 2019/20.**

10. In February 2020, Amanda gave shares in JJ Ltd, an unquoted trading company, to her nephew. The shares were worth £79,000. The net assets of JJ Ltd were valued at £950,000 in February 2020. This included surplus cash balances of £240,000. Amanda had inherited the shares from her husband on his death in January 2019. Her husband had purchased the shares in April 2008.

Amanda gave her 30,000 shares in XY plc to her niece on 6 March 2020. XY plc has 50,000 shares in issue. XY plc buys and sells land and buildings. The shares were quoted at 820 – 826 at the date of gift. Amanda had purchased the shares in July 2015.

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

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

11. The Alpha Discretionary Trust had the following receipts and payments during 2019/20:

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

The balance brought forward on the tax pool at 6 April 2019 was £1,856. A net income payment of £2,000 was made to a beneficiary on 20 December 2019.

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

**Calculate the value of the tax pool carried forward at 5 April 2020.**

12. Yasmin died on 1 October 2018, leaving two rental properties, Ivy Cottage worth £160,000 and Rose Barn worth £290,000. Her executors sold Ivy Cottage for net proceeds of £105,000, having incurred costs of sale of £12,000, on 4 June 2019. Rose Barn was sold for gross proceeds of £300,000 on 23 December 2019. They bought another house for £170,000 on 1 April 2020.

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



**ANSWERS TO MODULE B – TEST 1**

1. 20 March 2020 Covered by spouse exemption – no tax to pay [1]

30 March 2020

	£	
Gift	200,000	
Less: Annual exemption - 2019/20	(3,000)	
Less: Annual exemption - 2018/19	<u>(3,000)</u>	
Value of PET	<u>194,000</u>	

No inheritance tax payable in lifetime

[1]\*

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

30 June 2020 Exempt transfer [1]

30 August 2020	£	
CLT	500,000	
Less: Annual exemption – 2020/21 only	<u>(3,000)</u>	[1]
	497,000	
Less: Nil rate band	<u>(325,000)</u>	
Taxable	<u>172,000</u>	
172,000 @ 20/80	<u>43,000</u>	[1]

2.

	Total	Non-savings	Savings	Dividends	
	£	£	£	£	
Interest	600		600		
Property	10,000	10,000			
Dividends	<u>4,500</u>			<u>4,500</u>	
Total Trust income	15,100	10,000	600	4,500	[1]
Less: Expenses (555 x 100/92.5)	<u>(600)</u>			<u>(600)</u>	[1]
Income after expenses	<u>14,500</u>	<u>10,000</u>	<u>600</u>	<u>3,900</u>	
Tax					
£1,000 x 20%	200				
£9,000 x 45%	4,050				
£600 x 45%	270				
£3,900 x 38.1%	1,486				[3]
£600 x 7.5%	<u>45</u>				
Income tax liability	<u>6,051</u>				

3. Apartment to Niece – 10 April 2016

Julie died on 31 January 2020 within 7 years of making the gift, so the PET is chargeable

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

No tax payable as falls in nil rate band for 2019/20 [1]

Death estate – 31 January 2020

Value of death estate	1,200,000	
Less: Remaining nil rate band (325,000 - 374,000) - using the value of gift from April 2016	<u>Nil</u>	[1]
Chargeable estate	<u>1,200,000</u>	
IHT payable @ 40%	<u>480,000</u>	[1]

Working10 April 2016

The transfer was a PET so no tax was payable at that time.

The value of the transfer at time of gift:

Valuation	380,000	
Less: Annual exemptions (2016/17 & 2015/16)	<u>(6,000)</u>	[1]
	<u>374,000</u>	

## 4.

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

Sale of painting - Part disposal

Proceeds	16,000		
Less: Cost (88,000 x (16,000/(16,000 + 90,000)))	<u>(13,283)</u>		
Gain		<u>2,717</u>	[2]
Total gains		24,717	
Less: Annual exempt amount		<u>(6,000)</u>	
		18,717	
Less: Capital loss brought forward		<u>(18,717)</u>	[1]
Taxable gain		<u>Nil</u>	
CGT payable		<u>Nil</u>	

Capital loss memo

Loss brought forward	30,000	
Offset against 2019/20 capital gains	<u>(18,717)</u>	
Remaining loss carried forward	<u>11,283</u>	[1]



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

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

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

Tutorial Note:

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

6.

Pauline's estate		Amounts received From 1 January 2020 onward £	
ISA interest	Still exempt after death	Nil	[1]
Bank interest		450	[1]
Dividends		<u>4,667</u>	[1]
		5,117	
Allowable deduction	Loan interest only	<u>(500)</u>	[1] + [1]*
Taxable income		<u>£4,617</u>	

*[\* This mark is for excluding administration expenses]*

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

David is not domiciled in the UK and so his house in Nigeria is not currently within the charge to UK Inheritance Tax. [1]

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

Sheila is domiciled in the UK and so is charged UK IHT on her worldwide assets. A transfer of a half-share of David's house to Sheila, who is domiciled in the UK, will result in the half-share so transferred coming within the scope of UK Inheritance Tax, which would not be the case if it remained wholly in David's ownership. [1]

This would utilise some of her nil rate band on death, potentially increasing any Inheritance Tax payable. [1]

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

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

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

**Max 5**

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

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

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

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

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

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

- 9.
- 1) The intended transfer from Jack to Mary is a Potentially Exempt Transfer. [1]
- This means that no tax is payable at the point of transfer, but it may be charged if Jack dies within seven years of making the transfer. [1]
- At this point it is expected that 100% Business Property Relief will be available on Jack's death within 7 years. [1]
- 2) If Mary sells the business before Jack's death, BPR is not available. Therefore if Jack dies within 7 years of making the gift, the PET will become chargeable. [1]
- If BPR is not available, the revised chargeable amount will be reduced by the annual exemptions, if available, for the current and previous tax year and will make use of any available nil rate band. [1]
- [Credit would also be given for referring to the position if replacement assets were acquired and the potential availability of taper relief.]*
10. Entrepreneurs' relief is only available to trustees where a qualifying beneficiary exists in relation to the trust, that is, an individual who has an interest in possession in the whole of the trust assets or the part containing the shares. [1]
- For at least two years ending within the three years up to the date of disposal: [1]
- the company must be the personal company of the beneficiary with the interest in the possession (he must personally own at least 5% of the shares of the company) [1]
  - the company must be a trading company or the holding company of a trading group [1]
  - that beneficiary must have been an officer or employee of the company. [1]
11. The gift when made would be within the scope of Inheritance Tax, but being between individuals would be classed as a potentially exempt transfer. As a PET, no tax would be payable in lifetime, but the gift may be revisited if Ruth were to die within 7 years of making the gift. [1]
- Any transfer of legal title where the use of the asset is retained by the donor is subject to the gift with reservation of benefit legislation. She is deemed still to own the asset which would be included in her estate when she dies. [1]
- If she dies within 7 years of making the gift, then in order to avoid a double charge, two calculations would be carried out and HMRC would choose the calculation below which yields the higher amount of tax. [1]
- First, the tax arising on the failed PET would be calculated and the house would be excluded from Ruth's estate. [1]
- Alternatively, the PET would be ignored, the house would be included in the death estate at its value at the time of Ruth's death and the charge to IHT on her estate would be calculated on that basis. [1]

12. A full nil rate band for the tax year in which he dies will apply, as he has made no lifetime transfers. [1]

Bettina died in May 2008, when the nil rate band available to her was £312,000. However, she left chargeable legacies of just £156,000. Therefore 50% (156,000/312,000) of her nil rate band was unused. [1]

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

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

In addition, Bettina did not use her residence nil rate band. As her estate did not exceed £2,000,000, a brought forward allowance of 100% of the residence nil rate band is also available to Bert. [1]

**ANSWERS TO MODULE B – TEST 2**

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

2.					
	Gift of cash	CGT No CGT as cash is not a chargeable asset.	IHT No immediate charge to IHT. PET with value of £4,000 as it can be reduced by the annual exemptions for 2019/20 and 2018/19.		[2]
	Gift of property	Gain of (£270,400 - £190,200) £80,200. The AEA of £12,000 will be set vs this gain.	PET with value of (£270,400 - £5,000 marriage exemption) £265,400. No annual exemption as used against the earlier gift in the year.		[3]

3.					
	Death in February 2020 May 2011 CLT	No additional tax as gift made more than 7 years before death			[1]
				£	
		Transfer of value		340,000	
		Less: NRB 2011/12		<u>(325,000)</u>	
				15,000	[1]
		IHT @ 20/80		<u>3,750</u>	
		GCT		<u>343,750</u>	[1]
	October 2017 CLT	Transfer of value		200,000	
		NRB at death	325,000		
		Less: GCT in 7 years prior to Oct 2017	<u>(343,750)</u>		[1]
				<u>0</u>	
				<u>200,000</u>	
		IHT @ 40% (No taper as < 3 years)		80,000	
		Less: Lifetime tax (20% x £200,000 as no NRB left at date of gift)		<u>(40,000)</u>	
		IHT due		<u>40,000</u>	[1]

- 4.
- |                                  |                  |     |
|----------------------------------|------------------|-----|
| Death Estate                     | £                |     |
| Value of estate                  | 940,000          |     |
| Less: Debts                      |                  |     |
| Income Tax and Capital Gains Tax | (14,600)         |     |
| Funeral expenses                 | <u>(4,100)</u>   |     |
| Chargeable estate                | 921,300          | [1] |
| Less:                            |                  |     |
| Residence nil rate band          | (175,000)        | [1] |
| Nil rate band                    | <u>(325,000)</u> | [1] |
|                                  | 421,300          |     |
| IHT @ 40%                        | <u>168,520</u>   | [1] |
- Due for payment on the earlier of:
- 6 months from end of month of death (31 December 2020) [1]
  - on delivery of IHT return [1]
5. The trust should be set up under David's will, or can arise under the intestacy rules. [1]
- The assets will be subject to IHT on David's death. [1]
- There will be no further IHT consequences whilst the assets are in the trust up until his son reaches the age of 18. [1]
- The income from trust assets will be accumulated and may be paid to or applied solely for the benefit of David's son, for example for school fees. [1]
- Capital can be applied for the beneficiary while still a minor without an IHT charge. [1]
- An amount of the trust income and/or capital can be applied in a tax year for the benefit of persons other than David's son provided the total is not more than the lower of £3,000 and 3% of the maximum value of the trust in the tax year. [1]
- David's son must become absolutely entitled to the trust assets together with accumulated income, on or before, age 18. There is no IHT as a result of this. [1]
- Max 5**
6. Sajid would be deemed domiciled in the UK for Inheritance Tax purposes if he had been domiciled in the UK under general law at any point in the previous 3 years. [1]
- He would also be deemed domiciled if he:
- was born in the UK with a UK domicile of origin, and [1]
  - is resident in the UK in the tax year and was resident in the UK in at least one of the two immediately preceding tax years. [1]
- Finally, he would be deemed domiciled if he:
- has been resident in the UK in 15 of the previous 20 tax years, and [1]
  - was resident in the UK for at least one of the 4 tax years ending with the current year. [1]

7. Channel Islands farm

Agricultural property situated in the Channel Islands is eligible for APR. [1] As the farm is tenanted it must have been owned for seven years prior to the transfer in order to be eligible for APR. [1] Therefore currently no APR would be given on the transfer of the Channel Islands farm. [1]

Devon farm

The farm in Devon (which is agricultural property) has been owned and occupied by Tom for agricultural purposes for the requisite two years and therefore it is eligible for APR. [1] APR at 100% would be given on the agricultural value of the land, i.e. £360,000. [1]

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

**Max 5**

## 8. Principal charge 31 August 2019

	£	£	
Current value of relevant property NRB at 31 August 2019	325,000	240,000	[1]
Less:			
Settlor's GCT's in 7 years before setting up trust	(200,000)		
Exits from the trust in last 10 years	<u>(10,000)</u>		
NRB remaining		<u>(115,000)</u>	[2]
Taxable		<u>125,000</u>	
Tax @ 20%		<u>25,000</u>	
Effective rate: $25,000/240,000 \times 100$		<u>10.417%</u>	[1]
Actual rate: $10.417\% \times 30\%$		<u>3.125%</u>	
Principal charge: $3.125\% \times 240,000$		<u>7,500</u>	[1]

9.

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

2)

		£	£	
	Proceeds		165,000	
	Less: Costs of sale		<u>(2,600)</u>	
	Net proceeds		162,400	[1]
	Cost			
	MV at gift	135,000		
	Less: Held over gain (Part 1)	<u>(8,000)</u>		
			<u>(127,000)</u>	[1]
	Gain		35,400	
	Less: AEA (12,000/2)		<u>(6,000)</u>	[1]
	Taxable gain		<u>29,400</u>	
	CGT @ 28%		<u>8,232</u>	[1]

10.

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

BPR is available despite Amanda not having owned the shares in JJ Ltd in her own right for two years. As she inherited them from her spouse, she is treated as having acquired the shares in April 2008 when her husband originally acquired them. Hence she will have owned the shares for more than 2 years before she makes her gift in February 2020. [2]

XY plc

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

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



11.

	£	
Tax pool b/f at 6 April 2019	1,856	[1]
Tax for 2019/20 (W)	<u>5,129</u>	
Tax available for providing credits	6,985	
Less: Tax credit on payment (2,000 x 45/55)	<u>(1,636)</u>	[1]
C/f at 5 April 2020	<u>5,349</u>	

WorkingTax paid 2019/20

1,000 @ 20%	200	[1]
(10,600 - 1,000 + 1,200) @ 45%	4,860	[1]
Tax on dividend income not used for expenses		

(630 - (416 x 100/92.5) = 180 @ 38.1% 69 [1]

5,129

12.

	Probate Value	Gross Sale Proceeds	Gain / (Loss)	
	£	£	£	
Ivy Cottage	160,000	117,000	(43,000)	[1]
Rose Barn	<u>290,000</u>	<u>300,000</u>	10,000	[1]
	<u>450,000</u>	<u>417,000</u>	(33,000)	
Reinvestment within 4 months (1 April 2020) of the last sale on 23 December 2019				[1]
(33,000) x £170,000/£417,000			<u>13,453</u>	[1]
			<u>(19,547)</u>	
Value in death estate (450,000 - 19,547)			<u>430,453</u>	[1]

