
Answers

				<i>Marks</i>
1	(a) (i)	Robert Jolly's income tax computation for 2003.		
		Notes	€	
		Schedule E: Salary	50,000	1
		Benefit in kind	6,375	1
			56,375	
		Less: Additional voluntary contribution	(5,000)	2
		Schedule D Case III		
		Deposit interest	100	1
		Total income	51,475	1/2
		Less: personal reliefs		
		Permanent health insurance	(1,000)	1
		Taxable income	50,475	1/2
		Tax payable:		
		€28,100 at 20%	5,620	
		€22,375 at 42%	9,398	1
			15,018	
		Less: non refundable credits		
		Single credit	1,520	1
		Employee credit – PAYE	800	1
		DIRT	20	1
		Tuition fees	420	1
			2,760	
		less: refundable credits	12,258	
		PAYE	12,000	1
		Net tax due	258	
		Notes		
		1 Car benefit in kind		
			€	
		Original cost of car	25,000	2
		30% of €25,000 =	7,500	1
		High business mileage relief: Annual business mileage is 18,500.		
		Reduction to 85%	6,375	2
		2 The tax payable at the lower rate is calculated as follows:		
		Single person's tax band	28,000	1
		Deposit interest	100	1
		Total	28,100	
		3 Tax relief at the standard rate is available for qualifying courses at a qualifying educational establishment.		1
				21
	(ii)	Robert's PRSI deducted monthly via the PAYE system is calculated as follows:		
			€	
		Salary per month	4,166.67	1
		Less monthly PRSI free allowance	550.00	1
		Total	3,616.67	
		PRSI at 4%	144.67	1
				3
				24

Note: Once Robert's income exceeds the earnings ceiling of €40,420, no further PRSI is payable for that tax year.

		Marks
(b) Amanda's medical expenses relief for 2003 is as follows:		
Hospital bills	2,700	1
Doctors bills	800	1
Medical prescriptions	400	1
	3,900	
Deduct; VHI reimbursement	3,000	1
Net allowable expenses	900	1
Deduct: single individual restriction	125	1
Allowable medical expenses	775	
Note: The dentist bills are not allowable as they relate to routine dental treatment.		1
		7
Total marks		31

2 Sitric Sports Ltd
Corporation tax computation for year ended 31 December 2003

		€		
Profit per accounts		599,050		1
<i>Deduct</i>				
Dividends received – Franked Investment Income		1,000		1
		598,050		
<i>Add back</i>	Notes	€		
Depreciation		72,000		1
Motor expenses	1	450		1
Donations to political parties		5,000		1
Professional fees		4,000		1
Interest to Revenue		5,000		1
Entertaining clients		26,000	112,450	1
			710,500	
<i>Less</i>				
Capital Allowances	2	533,870		1
Case I income		176,630		1
Total profits		176,630		
Corporation Tax at 12.5%		22,079		1

Notes

- 1 Motor expenses restriction – 00 XX 1234

Speeding fine	250	
Parking tickets and clamping	200	
Total motor expenses add-back	450	

The restriction on motor expenses does not apply to chargeable periods ending on/after 1 January 2002.
- 2 Donations

Donations to political parties are not tax deductible.
- 3 Professional fees

Professional fees incurred on the purchases of shares are capital and therefore not allowed in calculating Case I income. The fees may however be allowed as a deduction in calculating any capital gain arising on the disposal of the shares.
- 4 Subscriptions

These are all allowable.

				Marks	
5	Capital Allowances – Wear and Tear – pre 1 January 2001.				
	Equipment (15% S.L.)	Motor vehicles (20% R.B.)	Total		
	€	€	€		
	Original cost	3,000,000	21,000	3,021,000	1
	Written down value 1 Jan 2003	1,800,000	8,602	1,808,602	1
	Wear & Tear	450,000	1,720	451,720	2
	TWDV 31 Dec 2003	1,350,000	6,882	1,356,882	1
	Capital Allowances – Wear and Tear – post 1 January 2001.				
	(12·5% S.L.)	(20% S.L.)	Total		
	€	€	€		
	Original cost 1 January 2003	0	22,000	22,000	2
				0	
	Written down value 1 January 2003	0	17,600	17,600	1
	Additions in year – equipment	600,000			
	motors	22,000	0	622,000	1
		622,000	17,600	639,600	
	Wear & tear	77,750	4,400	82,150	2
				0	
	TWDV 31 December 2003	544,250	13,200	557,450	1
	W1 Capital Allowances summary				
			€		
	Wear and Tear – pre 1 January 2001 additions		451,720		
	Wear and Tear – post 1 January 2001 additions		82,150		
			533,870	1	
			Total marks	30	

3 Declan's capital gains tax for 2003.

History of Declan's shareholding in Skitours Ltd

Holding 1	Number of shares	Cost price €	Acquisition	
September 1985	2,000	3,000	Purchase	1
July 1994	2,000	0	Bonus	1
	<u>4,000</u>	<u>3,000</u>		
Holding 2				
March 1990	500	1,500	Purchase	1
July 1994	500	0	Bonus	1
	<u>1,000</u>	<u>1,500</u>		

Disposal in April 2002

The April 2002 gift is treated as a disposal for capital gains tax purposes. In accordance with the FIFO rules it is treated as having come entirely from the holding acquired in September 1985. 1
1

		€	
Deemed proceeds – market value of 1,000 shares		5,000	1
Cost of 1,000 shares			
	$\frac{1,000}{4,000} \times €3,000$	750	2
Index factor	1.633	1,225	1
Gain		3,775	1
Annual exemption		1,270	1
		<u>2,505</u>	
Tax at 20%		501	1
		<u>501</u>	

Summary of holdings as at October 2003

	No. of shares	Cost €	
Holding 1	3,000	2,250	1
Holding 2	1,000	1,500	1
Total holding	4,000	3,750	

Calculation of gain and tax on disposal

		€	
Sale proceeds	15,000		
Less: cost of disposal	1,000	14,000	1
Cost of acquisition of 2,000 shares			
	$\frac{2,000}{3,000} \times €2,250$	1,500	2
Index factor	1.713	2,570	1
Gain		11,430	
Less annual exemption		1,270	1
Taxable gain		10,160	
Tax at 20%		2,032	1
		<u>2,032</u>	

Total marks 21

			Marks
4 (a)	The registration limit for goods is €51,000 and for services it is €25,500.		<u>2</u>
(b)	VAT returns must be made for the following taxable periods:	Filing dates	
	January/February	19 March	1
	March/April	19 May	1
	May/June	19 July	1
	July/August	19 September	1
	September/October	19 November	1
	November/December	19 January	1
			<u>6</u>
(c) (i)	Richard's assessable profits for the years 2001, 2002 and 2003 are as follows:		
	Tax year	Basis period	Assessable profits
			€
	2001	1 May 2001 – 31 December 2001	
		€24,000 x 8/12	16,000
	2002	First 12 months	
		1 May 2001 – 30 April 2002	24,000
	2003	Year ended 30 April 2003	30,000
			<u>7</u>
(ii)	The due date for filing Richard's 2003 tax return is 31 October 2004.		2
	His preliminary tax for 2003 was due on 31 October 2003.		<u>1</u>
			<u>3</u>
Total marks			<u>18</u>