
Answers

		Ravi Patel – Income tax for 2004–05				Marks
		Non Savings £	Savings £	Dividend £	Total £	
Salary	39,000					0.5
Benefits (w1)	22,360					
	61,360					
Payroll giving scheme (£20 x 12)	–240					1
Professional fees	–180					1
Employment income		60,940			60,940	
Bank interest (£240 x 100/80)			300		300	1
Building society interest (£190 x 100/80)			237		237	1
Dividends (£280 x 100/90)				311	311	1
ISA interest – tax free						0.5
		60,940	537	311	61,788	
STI		–4,745			–4,745	0.5
Personal allowance						
		£56,195	£537	£311	£57,043	
Basic rate band extension:						
$(£31,400 - £2,020) + (£234 \times 100/78 \times 12) + (£2,340 \times 100/78) = £35,980$						2
Tax payable:	£			£		
1st	2,020 x 10%			202		0.5
Next	35,980 x 22%			7,916		0.5
Next	18,195 x 40%			7,278		0.5
	56,195					
Savings	537 x 40%			215		0.5
Dividends	311 x 32.5%			101		0.5
	57,043			15,712		
Less tax paid:						
Dividend	(10%)	31				0.5
Interest	(20%)	107				0.5
PAYE		7,808	–7,946			0.5
Tax payable			£7,766			
Workings						
Apartment						
Rateable value		4,100				0.5
Additional (£160,000 – £75,000) x 5%		4,250				1
		8,350				
Contribution		–2,500				0.5
		£5,850				

		£	Marks
Furniture			
	£12,000 x 20%	£2,400	1
		<u>£2,400</u>	
Wages and bills			
	£1,500 + £550	£2,050	1
		<u>£2,050</u>	
Car			
Percentage:			
CO ₂ emission	209		
base level	-145		0.5
	<u>64</u>		
divided by five	12		0.5
base level	15		0.5
	<u>27</u>		
Diesel addition	3		0.5
	<u>30%</u>		
List price	£26,500 + 800	27,300	0.5
Capital contribution		-4,000	0.5
		<u>£23,300</u>	
Car	£23,300 x 30%	£6,990	1
Fuel	£14,400 x 30%	£4,320	1
		<u>£750</u>	
(no reduction for fuel contribution)			
Golf fees		£750	1
		<u>£750</u>	
Travel expenses	tax free		0.5
Total benefits		£22,360	<u>23</u>

(b) (i)	Neha – Schedule D Case I profits		
2002–03	Actual		
	1 Oct 02 – 05 Apr 03		
	6/7 x £8,680	£7,440	2
2003–04	1st 12 months		
	1 Oct 02 – 30 Sept 03		
	£8,680 + (5/12 x £18,720)	£16,480	2
2004–05	CYB		
	Yr ended 30 Apr 04	£18,720	<u>1</u>
			<u>5</u>
(ii)	Neha – National insurance contributions		
Class 2	£2.05 x 52	107	1
Class 4	£(18,720 – 4,745) x 8%	1,118	2
		<u>£1,225</u>	<u>3</u>

		Marks
(iii)	Neha – Dates of payment	
31 January 2005	} Calculated as 50% of the tax for 2003–04	1
31 July 2005		1
31 January 2006	Balance of amount due for 2004–05	1
		<u>3</u>
		<u>34</u>

2 (a) (i)		Thompson Brothers Ltd – Capital allowances				
Plant and machinery		FYA	General pool	Expensive car	CAs	
		£	£	£	£	
Balance b/fwd			140,000			0·5
Purchases	80,000			22,000		1
Disposals			-23,000			0·5
			117,000	22,000		
WDA – 25% x 9/12			-21,937		21,937	1
WDA – £3,000 x 9/12				-2,250	2,250	1
			95,063	19,750		
FYA – 40%	-32,000				32,000	1
Transfer to general pool	-48,000		48,000			
			£143,063	£19,750		
			£143,063	£19,750		
Total allowances					£56,187	
					£56,187	
Industrial buildings (IBA)						
Cost (less land)			120,000			1
WDA – 4% x 9/12			-3,600		£3,600	1
			£116,400		£3,600	
			£116,400		£3,600	
Total for plant and machinery and industrial buildings					£59,787	<u>7</u>
					£59,787	<u>7</u>

(ii)	Thompson Brothers Ltd – Corporation tax payable for the period ended 31 December 2004		Marks
	£	£	
Adjusted profits	256,663		0.5
Capital allowances	-59,787		0.5
Adjusted Schedule D Case I	<u> </u>	196,876	
Schedule A – (9/12 x £10,000)		7,500	1
Schedule D Case III:			
Debenture interest (£120,000 x 5% x 9/12)	4,500		1
Interest for late payment of tax	-2,000	2,500	1
	<u> </u>		
Capital gain (w)	24,320		
loss b/fwd	-4,000	20,320	1
	<u> </u>		
		227,196	
Charge on income:			
Gift aid		-7,000	0.5
		<u> </u>	
PCTCT		220,196	
FII (£18,000 x 100/90)		20,000	1
		<u> </u>	
Profits		£240,196	
		<u> </u>	
Tax payable:			
£220,196 x 30%		66,059	1
£(1,125,000 – £240,196) x $\frac{220,196}{240,196}$ x 11/400		-22,306	1
		<u> </u>	
		£43,753	
		<u> </u>	
Workings:			
Thresholds: £1,500,000 x 9/12	£1,125,000		
£300,000 x 9/12	£225,000		1
Gain:			
Proceeds	86,000		0.5
Cost	-60,000		0.5
	<u> </u>		
	26,000		
Indexation allowance			
£60,000 x 0.028	-1,680		0.5
	<u> </u>		
	£24,320		<u> 11</u>
	<u> </u>		
(b)	Parker plc – Corporation tax year ended 31 March 2005		
(i) Tax payable: £1,600,000 x 30%:	£480,000		1
	<u> </u>		
(ii) Each instalment is £480,000/4:	£120,000		1
Payment dates:			
14 October 2004	£120,000 (7th month)		1
14 January 2005	£120,000 (10th month)		1
14 April 2005	£120,000 (13th month)		1
14 July 2005	£120,000 (16th month)		1
			<u> 4</u>
			<u> 23</u>

3 (a)	Fiona Banks – Capital gains tax for the tax year 2004–05	Marks
	Factory: Proceeds	£ 228,000
	Indexed cost	-138,240
	Extension	-35,000
		<u>£54,760</u>
	Taper relief – 25% (6 yrs)	0.5
	Painting: Proceeds	£ 9,870
	Auctioneer's fees	-987
		<u>8,883</u>
	Cost	-2,500
		<u>£6,383</u>
	£(9,870 – 6,000) x 5/3	£6,450
	Lower amount taken	£6,383
	Taper relief 80% (6 yrs)	0.5
	Summary:	
	Gain	1
	Loss b/fwd	
	Taper relief (25/80%)	1
	Annual exemption	0.5
		<u>£7,876</u>
	Tax payable:	
	Basic rate band left:	
	£31,400 – (£33,570 – £4,745) =	2,575 x 20%
	Remainder	5,301 x 40%
		515
		2,120
		<u>£2,635</u>
		<u>10</u>

(b) (i)	Jane Bush – Chargeable gain for 2004–05	
	Proceeds	£ 29,500
	Cost	-18,000
		<u>11,500</u>
	Chargeable now	-1,500 (not reinvested)
		<u>£10,000</u>
	Deferred to replacement	2
	Taper relief 85% (5 yrs)	0.5
	Gain £1,500 x 85%	£1,275
		<u>0.5</u>

(ii) Base cost of replacement:

	£	
Cost	28,000	
Deferred	-10,000	
	£18,000	
	£18,000	

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(c) Peter Stone – Actual and deemed periods of occupation

Period	Occupation months	Non Occupation months	Reason	
010784 – 310886	26		Lived in	1
010986 – 300491	56		Working abroad	1
010591 – 311291	8		Lived in	1
010192 – 311296	60		Working in UK – max 4 years + Any reason – max 3 years	2
010197 – 280299	26		Lived in	1
010399 – 300604	36	28	Last 3 yrs – balance for any reason not counted as not moved back in	2
	212	28		8

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4 (a)

A Technician
Anyplace
Anywhere
SP10 5BN
01794 32163

Reference: XXX

Susan Chance
At Home
Somewhere
SN 78 6 DX

Dear Susan

USE OF TRADING LOSS

Thank you for your letter requesting advice on the use of your trading loss.

There are three main ways in which you may use the loss:

- (i) using the loss in the same tax year that it was made (i.e. 2003–04) against any other income in that year; or
- (ii) using the loss in the previous tax year (i.e. 2002–03) again against any other income in that year; or
- (iii) using the loss in future years but only against income from the same trade.

In the cases of (i) and (ii) the use of the loss is optional and requires you to make an election. The loss can be used in either year in any order as you may stipulate but if a claim is made it must be for either the amount of the loss or the amount of your other income – whichever is the lower.

In the case of (iii) no claim is required because the use of the loss is compulsory where either no current or previous years claims are made or there is some loss remaining after these claims.

When deciding on which option to use you should consider the following points:

- preserving your personal allowance;
- saving tax at the highest marginal rate;
- using the loss as soon as possible.

If you require any further assistance please do not hesitate to contact me on the above number.

Yours sincerely

A Technician

presentation

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	Marks
(b)	
Monty Finch – VAT penalties	
Late notification penalties are a percentage of the net VAT due from the date Monty should have been registered until the date when notification is made:	1
Up to 9 months late: 5% of net VAT due	
Between 9 and 18 months late: 10% of net VAT due	
Over 18 months late: 15% of net VAT due	3
A minimum of £50 applies in each case	1
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(c)	
Bob Hawkes – Tax points	
The basic tax point is generally the earliest of the following dates:	
The date of delivery;	
The date of the invoice; or	
The date of payment	3
However if the invoice is issued within 14 days of the delivery date then the invoice date will be applied.	1
Therefore the tax points are:	
14 May 2004 for the deposit of £350 and	
20 July 2004 for the balance	2
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	<hr style="width: 100%; border: 0.5px solid black;"/> 21 <hr style="width: 100%; border: 0.5px solid black;"/>