

Candidate Number			



Association of Taxation Technicians

Examination

May 2005

PAPER 1 – PART I

PERSONAL TAXATION

TIME ALLOWED - 3 HOURS
(for Part I and Part II)

You are required to answer **all** questions in Part I and any **three** out of five questions in Part II (printed separately).

Part I

You must write your answers in this booklet using the space provided under each question and complete your candidate number at the top of this page.

Each question carries two marks. It is expected that your answers will be in brief bullet point format or summary computations. It is not expected that you will require all of the space provided.

1. On 20 May 2004, Tom, aged 85, died. He and his wife Sally, aged 83, had the following sources of income for 2004/05:

	Tom	Sally
	£	£
State pension	750	4,500
Private pension	2,000	8,000

Tom's executors have notified the Inland Revenue that the surplus married couple's allowance for 2004/05 is to be transferred to Sally.

You are required to show your calculation of the net tax chargeable on Sally for 2004/05.

2. Richard is 12 and his only source of income for 2004/05 was £5,000 (net) paid by the administrators of his grandfather's will. He was advised that the income represented bank interest of £3,200 and UK company dividend income of £1,800, both paid net.

You are required to show the tax repayment due to Richard for 2004/05.

- 3. George Lancaster runs a small business with five employees. One of the employees is provided with a car for personal use.

You are required to show the due date for payment of Class 1A National Insurance Contributions and the filing date for the form P11D(b) for 2004/05.

4. Giles Lincoln's only source of income for 2004/05 was earnings of £41,745 (tax deducted £8,906). In March 2005 Giles made a gift aid payment to a registered charity of £780.

You are required to show the tax repayment due for 2004/05.

7. On 5 June 2005 Douglas Hill paid a pension premium of £7,800 (net). He wishes to carry back the premium to 2004/05 to obtain tax relief at 40% on the full premium. He has already made a first payment on account for 2004/05 of £7,000. His total liability for 2004/05 before relief for the premium is £14,500. The 2004/05 tax return form showing the claim to carry back the premium is submitted on 30 June 2005.

You are required to show the amounts of tax payable (if any) by 31 July 2005 for 2004/05, and by 31 January 2006 for 2004/05 and 2005/06.

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9. Mary and Margaret are friends who jointly own their home with Mary owning one third and Margaret two thirds. They rent out rooms for a total rental of £4,200 per annum. As Mary is still working but Margaret is retired, they split the rental income 1:2.

You are required to show the amount of rental income assessable on Mary and Margaret assuming that rent-a-room relief applies.

10. John James is employed in an office in Oxford, 10 miles from his home. During May 2004 he spent 10 days working in a client's office which is 10 miles from his employer's premises, on the other side of the city to where he lives. During June 2004 he spent 10 days in another client's office which is 10 miles from his own home but in the opposite direction to his employer's office (i.e. 20 miles from his employer's office).

His employer pays mileage at 40p per mile and will only pay travelling expenses allowable by the Inland Revenue.

You are required to show amounts which can be claimed for travel expenses during May and June 2004.

13. In October 2004 Elizabeth sold a business asset which she had owned for four years, realising a gain before taper relief of £25,000. She has capital losses brought forward at 6 April 2004 of £5,000.

You are required to show the net chargeable gain for 2004/05 before annual exemption.

14. In May 2003 Bernard Williams purchased a house with 1 acre of land for £360,000 as an investment. In April 2004 he sold $\frac{3}{4}$ acre for £90,000, the remaining house and $\frac{1}{4}$ acre being valued at £450,000.

You are required to show the net chargeable gain for 2004/05 before annual exemption.

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15. In August 2004 Michael sold an antique vase for £7,500. He had received the vase in May 2004 under the terms of his father's will at a probate value of £4,000.

You are required to show the net chargeable gain for 2004/05 before annual exemption.

16. Edith died in November 2004. Prior to her death she realised gains of £15,000 on non-business assets held for less than two years and a capital loss of £25,000.

The only other previous disposals were made during 2003/04 when she had realised gains of £15,000 on which no taper relief was due.

You are required to show the amount of unused capital losses.

17. In February 2003, Jack Bush gave 1,000 shares (market value £100,000) in his family trading company to his son, Nathan, realising a gain after indexation of £80,000. He had owned the shares for 10 years. Jack and Nathan elected for the gain to be held over under TCGA 1992 s.165.

In December 2004, Nathan sold the shares for £150,000. He made no other chargeable disposals during 2004/05.

You are required to show the amount chargeable to Capital Gains Tax for 2004/05.

19. Malcolm owns 40% of the share capital of Waterfall Ltd, an investment company. His wife, Janet, owns 20% of the share capital. In March 2005 Malcolm gave one half of his share holding (i.e. 20%) to his son.

The following valuations apply at the date of the gift:

	£
60%	300,000
40%	180,000
20%	85,000

You are required to show the value for Inheritance Tax purposes of the gift of the shares by Malcolm.

- 20. On 20 April 2004 Graham Bristol created a discretionary trust with a settlement of £400,000. The Trustees agreed to pay the Inheritance Tax due. Graham died in January 2005.

You are required to show the due date for payment of Inheritance Tax by the trustees.
