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Association of Taxation Technicians

Examination

May 2006

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.

Pension from former employer Building Society interest (net) UK company dividends (net)	£ 4,250 2,800 2,250
Show your calculation of the net tax repa	yment for 2005/06.

Hayden is 59 and had the following sources of income for 2005/06:

1.

	de a payment of £780 to a registered charity which qualified as a gift aid payme
Sho	ow the tax repayment due for 2005/06.

ė	value of £4,500 and cost her employer £200,000 in 2002. Her employer added extension at a cost of £50,000 in 2003.
Α	Assume that the official rate of interest is 5%.
S	Show the assessable benefit for 2005/06.
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4.	Henry Biscuit is 82 and is married to Joan who is 80. Henry's only sources of income for 2005/06 were a state pension of £3,750 and a pension from his former employer of £10,000. Joan received a state pension of £2,500 for 2005/06.
	Show your calculation of Henry's tax liability for 2005/06.
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5.	Malcolm earns £20,000 per annum and was promoted by his employer on 5 October 2005. On that date he was provided with a new car available for private use. The car cost his employer £12,000 but had a list price of £15,000. It is a petrol car and has emissions of $220g/km$.
	Calculate the amount assessable for 2005/06 in respect of the car benefit.
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abroad which was for six years. His earnings in the UK up to the date of departure were £15,000 and he received interest on his deposit account in the UK as follows: 480 (net) 30 June 2005 31 December 2005 400 (net) Show your calculation of Daniel's liability to UK Income Tax for 2005/06.

On 5 August 2005, Daniel Williams left the UK to take up an employment contract

6.

7.	Simon is 33 and married to Kerry who is 30. They have a three year old son, and on 4 January 2006 a second child was born. Simon works full-time and earned £20,000 and Kerry worked on average 10 hours a week and earned £3,000 during 2005/06.
	Calculate the total child tax credit and working family tax credit due for 2005/06.

George Young works for UZX plc. In September 2003 he was granted a share option exercisable within five years under an approved scheme to purchase 5,000 shares in the company for £3 per share. The option cost him 50p per share. In June 2005 he exercised the option at a time when the market value of the shares was £10 per share.
Show the amount of chargeable to Income Tax in respect of the exercise of th share option in 2005/06.
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9.	Andrew commenced trading in October 2005 and employs three other people. He has been late every month paying the Income Tax and National Insurance contributions due under the PAYE scheme. He does not use a computer to calculate the payroll liabilities and uses the forms issued by HM Revenue & Customs.
	You are required to state the date for submission of the form P35 and the date from which interest will be charged on late payment of tax and National Insurance contributions.
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10.	Carl works two days a week from home and his employer pays the full cost of a telephone line to his home which is in the name of the employer. The rental is £50 per quarter and the call charges average £300 per quarter. It has been agreed with HM Revenue & Customs that the private usage is 25%.
	You are required to show the amount of assessable benefit in respect of the telephone for 2005/06.

11.	Helen worked for many years in Brussels and has now retired. She is domiciled and resident in the UK and receives a pension of £20,000 per annum from her employer in Brussels. The money is paid into a bank account in Brussels which Helen uses for her many trips to visit friends in the region. During 2005/06 she remitted £16,000 to her UK bank account.
	You are required to show the amount assessable in respect of the pension for 2005/06.

12.	Nigel sustained a trading loss for 2005/06 of £10,000. He has no other sources of income. In April 2005 he sold a house for £350,000 which he had purchased for £300,000 in January 2005 and on which he spent £20,000 decorating prior to putting it up for sale. He did not live in the house at any time during his period of ownership.
	You are required to show the net chargeable gain before annual exemption for 2005/06 on the basis that losses are relieved as soon as possible.
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13.	In July 2005 Keith sold a painting for £30,000, which he had purchased in April 1990 for £25,000. In November 2005, he sold another painting for £35,000 which he had purchased in August 2005 for £25,000.
	You are required to show the net chargeable gain for 2005/06 before annual exemption.
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In June 2004 Doris purchased a set of three paintings for £30,000. In October 2005 s gave one of the paintings to her daughter after having had it valued at £15,000. The to paintings which she kept were valued as a pair at £35,000.										
You are required to show the net chargeable gain for 2005/06 before ann exemption.										

15.	In August 2005 Brian sold a building for £100,000. He had purchased the building in August 2001 for £50,000 and used it for his business until August 2003 since when it has remained empty.
	You are required to show the net chargeable gain for 2005/06 before annual exemption.
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16.	Mark won £50,000 in a premium bond draw in May 2005. He used part of the money to purchase a veteran car in July 2005 for £10,000 and then spent £5,000 in restoring it to working order. He became bored with the car and sold it for £18,000 in January 2006. In August 2005, Mark purchased 3,000 shares in a quoted company at £5 per share which he sold at £10 per share in March 2006.
	You are required to show the net chargeable gain for 2005/06 before annual exemption.
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You are exemption	required n.	to	show	the	net	charg	eable	gain	for	2005/06	before	an

İ	You are required to show the value of the gifts to his son and daughter to taken into account in determining the value of Ben's estate for Inheritance purposes.
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19.	Jasper owns two factory units which he has used for business purposes for twenty years. In July 2005, when he gave both buildings to his son to use in his own business, they were each valued at £250,000. In September 2005 his son sold one factory unit for £400,000 reinvesting £200,000 of the proceeds in new equipment for his business. He continued to use the other building for trading purposes. Jasper died in March 2006.
	You are required to show the value for Inheritance Tax purposes of the gift of the buildings to his son by Jasper.

20.	In April every year Mary gave her son and daughter £1,500 each. In June 2005, Mary gave an extra £15,000 to her daughter on the occasion of her daughter's marriage. In September 2005, Mary gave £2,500 to her niece on the occasion of her niece's marriage. Mary died in January 2006.
	You are required to show the value of the gifts to her daughter and her niece to be taken into account in determining the value of Mary's estate for Inheritance Tax purposes.