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## Association of Taxation Technicians

## Examination

November 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.

1. Frank is 73 and single. His only source of income for 2005/06 was a pension from his former employer of $£ 20,500$

Show your calculation of the net amount chargeable to Income Tax for 2005/06.
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2. Donatella is non-UK domiciled but was resident in the UK throughout 2005/06. During that year she received net rental income from her property in Italy of $£ 9,000$ of which $£ 7,000$ was remitted to the UK. She had no other sources of income during that year.

Show the net amount chargeable to Income Tax for 2005/06.

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3. Due to an increase in salary, Gordon became a higher rate taxpayer during 2004/05. In May 2005, he notified HM Revenue \& Customs that he required a tax return but the form was not issued to him until 15 December 2005.

Show the due dates for submission assuming:

1) He files online, calculating his tax liability
2) He completes the return form but does not calculate his tax liability.
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4. Mary rents out two rooms in her own home at $£ 50$ a week each. The expenses attributable to the lettings in the year were $£ 800$. She has elected to claim rent-a-room relief for 2005/06.

Show your calculation of the amount of rental income assessable for 2005/06.
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5. On 6 October 2005, Simon was first provided with a car by his employer for personal use. He was also first provided with fuel for private use from that date. In calculating the car benefit a rate of $20 \%$ is used.

Calculate the amount assessable for 2005/06 in respect of the fuel benefit.
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6. On 5 June 2005, Rhona was provided with an interest-free loan by her employer of £10,000. She repaid $£ 2,000$ on 6 January 2006.

Assume that the official rate of interest for 2005/06 is 5\%.
Show your calculation of the amount assessable as a benefit using the average method for 2005/06.
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7. James is 14 and during 2005/06 had no sources of income apart from $£ 6,000$ (net) received from his grandfather's discretionary trust.

Show the tax repayment due for 2005/06.
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8. George filed his 2004/05 tax return (which had been issued on 6 April 2005), on 10 February 2006. The balance of tax payable for $2004 / 05$ of $£ 5,000$ was paid on 15 March 2006.

Show the late filing penalty and surcharge due for 2005/06. Ignore interest on late payment of tax.
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9. Jane is 68 and during 2005/06 received the following:

|  | $£$ |
| :--- | ---: |
| Winter fuel payment | 400 |
| Attendance allowance | 2,000 |
| State pension | 4,500 |

State whether each of the above sources of income are assessable to Income Tax for 2005/06.
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10. Mary sold her holding of $£ 100,000$ 3\% Treasury Stock on 5 March 2006 cum div. Interest is paid twice yearly on 5 April and 5 October.

Show the amount assessable in respect of the accrued income for 2005/06.
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11. Tina has two children and is employed full-time. She has agreed to reduce her annual salary by $£ 3,250$ in return for her employer providing her with child care vouchers of £250 per month.

Show the amount assessable as a benefit for 2005/06.

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12. In March 2006 Brian sold shares in his family trading company for $£ 100,000$. He had been given the shares by his father in May 2005 when they were valued at $£ 80,000$. He and his father agreed to hold-over the gain of $£ 50,000$ arising on the father's disposal.

Show Brian's net chargeable gain before annual exemption for 2005/06.

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13. In July 2005 Roger sold a painting for $£ 5,000$ which he had purchased three years previously for $£ 8,000$.

Show the capital loss arising on the disposal.
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14. Judith's only source of income for $2005 / 06$ was $£ 3,000$ from self-employment. During that year she realised gains of $£ 20,000$.

Show the Capital Gains Tax due for 2005/06.
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15. In August 2005 Robert sold a house for $£ 440,000$ which he had acquired in January 2000 as a buy-to-let investment at a cost of $£ 100,000$. In January 2003, an extension was added at a cost of $£ 40,000$.

Show the net chargeable gain for 2005/06 before annual exemption.

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16. On 20 March 2006 Daniel sold 500 shares in XVZ plc. He has had the following other transactions in shares in this company.

|  |  |  | $£$ |
| :--- | :--- | ---: | :---: |
| 1 April 1985 | Purchased | 1,000 | 5,000 |
| 19 October 1995 | Sold | 500 |  |
| 5 December 1998 | Purchased | 750 | 1,500 |
| 5 May 2004 | Sold | 250 |  |
| 5 April 2006 | Purchased | 250 | 1,000 |

Show the cost of the shares sold in March 2006 for Capital Gains Tax purposes.
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17. In July 2005, Nathan sold a qualifying business asset which he had owned for over two years realising a gain of $£ 90,000$. He had capital losses brought forward at 6 April 2005 of $£ 10,000$.

Show the net chargeable gain for 2005/06 before annual exemption.

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18. In May 2000 Eric gave his son $£ 375,000$ having always made other gifts of $£ 3,000$ each year. His son agreed to pay any Inheritance Tax due. Eric died in March 2006.

Show the amount of Inheritance Tax payable on the gift following Eric's death.
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19. Bill and Jill are married and each own 400 shares in BJ Ltd, a family investment company with a share capital of 1,000 ordinary shares. In March 2005 Jill gave 200 shares to their son.

The values of the shareholdings have been agreed as follows:

|  | $£$ |
| :--- | ---: |
| $20 \%$ | 80,000 |
| $40 \%$ | 180,000 |
| $60 \%$ | 288,000 |
| $80 \%$ | 400,000 |

You are required to show the value for Inheritance Tax purposes of the gift of the shares to her son by Jill.
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20. On 10 April 2004, Edna made a gift to her daughter of $£ 500,000$. Her daughter agreed to pay any Inheritance Tax due. Edna died on 5 May 2006 leaving an estate valued at £2 million.

Show the due dates for payment of the Inheritance Tax payable by Edna's daughter and by the executors of her estate.
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