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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.

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.

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.

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.

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.


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.

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.

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.

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

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

		£
Purchased	1,000	5,000
Sold	500	
Purchased	750	1,500
Sold	250	
Purchased	250	1,000
	Sold Purchased Sold	Sold500Purchased750Sold250

Show the cost of the shares sold in March 2006 for Capital Gains Tax purposes.

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.

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.

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.

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.