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Association of Taxation Technicians

Examination

May 2007

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 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 between two and four marks as indicated in brackets.
- 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.

Calculate David's personal allowance for 2006/07.	
Calculate David 3 personal allowance for 2000/07.	

2.	In July 1999 Charlotte bought a piano for £1,000. In August 2006 she sold it for	£9,000.
	Calculate the gain after taper relief.	(2)
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Calculate the gain after taper relief. (2)	3.	In May 1987 Edward bought 100 shares in Aardvark plc for £28,000. He has never worked for this company, and his shareholding has never exceeded 1% of the voting rights of the issued shares. In February 2007 Edward sold this shareholding for £94,000.
		Calculate the gain after taper relief. (2)

	nad an Income Tax liability of £3,000, which she paid on the same date. Daisy not been required to make payments on account.
F	Calculate any penalties, interest and surcharges which may be imposed by Revenue & Customs. You should assume that the HM Revenue & Customs trate on late payment of Income Tax is 5%.

Calculate Emma's entitlement to Child Tax Credit and Working Tax Credit.	1

C	lculate the allowable loss for Capital Gains Tax purposes.	
Cc	inculate the allowable loss for Capital Gains Tax purposes.	

1	In June 2004 Grant bought a painting and a sculpture from a gallery for £17,000 ar £19,000 respectively. In May 2005, Grant sold the painting to his sister, Claire, f £10,000. In May 2006, Grant sold the sculpture to Claire for £40,000. The market value of the painting at May 2005 was £15,000; the market value of the sculpture at May 2006 was £35,000.
2	Grant had realised a capital gain in 2005/06 of £15,000 (before taper relief) from a sa of shares to an unconnected person. There were no other capital disposals in eith 2005/06 or 2006/07. As at 5 April 2005, Grant had no capital losses brought forwa from earlier years.
(Calculate Grant's taxable gains in 2006/07 after all allowances and reliefs. (2
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8.	Anna bought a field and stables in April 1973 for £2,000. Both the field and stables have been used throughout her period of ownership to house her daughter's and granddaughter's ponies. At 31 March 1982 the field and stables were worth £15,000. In April 1982 Anna improved the stables, at a cost of £7,000.
	In May 2006 Anna sold the field and stables to a neighbour for £70,000. Anna has not previously made an election for re-basing to apply.
	Calculate the chargeable gain (after taper relief) arising on the disposal. You are required to show full workings. (4)
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- 9. The following taxpayers are all resident, ordinarily resident and domiciled in the UK:
 - 1) Tom is in full time employment in the UK and also receives £12,000 rental income in 2006/07 from properties in the UK. The rental income is <u>not</u> from furnished holiday letting.
 - 2) Michelle is a director of a UK trading company; she receives £3,000 employment income in respect of this and has no other income.
 - 3) Eric receives a state pension and dividends from UK companies.

Explain whether HM Revenue & Customs could issue a short tax return in each of the above situations. (3)
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10.	Edna is aged 84 and is married to Joseph, who is 78. They married in 1962. Edna received pension income of £24,000 in 2006/07.
	In 2006/07 Joseph receives net bank interest of £15,000 and dividends from UK companies of £9,000.
	Edna and Joseph have elected to transfer half of the basic Married Couple's Allowance to Edna.
	Calculate the Married Couple's Allowance available to Joseph for 2006/07. (4)
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Your client, Bob, has entered into an employment contract that requires him to move to Ruritania. Prior to this move, Bob has been resident in the UK.
Bob left the UK on 1 October 2006 and started his new role on 1 November 2006. He has not visited the UK since he left, and does not intend to do so until his return date of 1 November 2008.
State the period for which Bob will be non-UK resident for Income Tax purposes and explain whether he will be subject to UK tax on his Ruritanian employment income for this period. (3)
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11.

You legis	are latio	<u>not</u> n.	requ	ired	to	com	ımer	it o	n t	he	type	of	offe	nces	out	lined	in	tl (

Consider the following list of Social Security and State Benefits:														
1)	Statutory Maternity or Paternity Pay													
2)	Child Benefit													
3)	Disability Living Allowance													
4)	Carer's Allowance													
recij	ch of the above Social Security and State Benefits are taxable on the pient? (2)													

The receipt of insurance proceeds in respect of damage to an asset is often treated a part disposal for Capital Gains Tax purposes.									
Outline the requirements that must be met in order for a capital sum derived fr an asset to <u>not</u> be treated as a disposal for Capital Gains Tax purposes and st the effect of not treating the receipt as a disposal.									

15.	Expl	plain what is meant by:									
	1)	Real property									
	2)	Choses in action									
	3)	Choses in possession	(2)								
Scots	s law c	andidates should answer the following question.									
15.	Explain what is meant by:										
	1)	eritable property									
	2)	Corporeal moveable property									
	3)	Incorporeal moveable property	(2)								