

Candidate Number			



**Association of Taxation Technicians**

## **Examination**

May 2007

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### **PAPER 1 – PART I**

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### **PERSONAL TAXATION**

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

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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.



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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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)**

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6. On 1 December 1998 James bought a 30-year lease on a shop for a market premium of £25,000. On 1 June 2006 he sold the lease for a market premium of £6,000.

**Calculate the allowable loss for Capital Gains Tax purposes.**

(2)

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7. In June 2004 Grant bought a painting and a sculpture from a gallery for £17,000 and £19,000 respectively. In May 2005, Grant sold the painting to his sister, Claire, for £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.

Grant had realised a capital gain in 2005/06 of £15,000 (before taper relief) from a sale of shares to an unconnected person. There were no other capital disposals in either 2005/06 or 2006/07. As at 5 April 2005, Grant had no capital losses brought forward 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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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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12. State which piece of legislation in 2002 introduced a range of offences in respect of money laundering, and briefly outline what is meant by money laundering.

You are not required to comment on the type of offences outlined in the legislation. (2)

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13. 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

**Which of the above Social Security and State Benefits are taxable on the recipient? (2)**

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14. The receipt of insurance proceeds in respect of damage to an asset is often treated as a part disposal for Capital Gains Tax purposes.

**Outline the requirements that must be met in order for a capital sum derived from an asset to not be treated as a disposal for Capital Gains Tax purposes and state the effect of not treating the receipt as a disposal.** (4)

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15. **Explain what is meant by:**

- 1) **Real property**
- 2) **Choses in action**
- 3) **Choses in possession**

(2)

*Scots law candidates should answer the following question.*

15. ***Explain what is meant by:***

- 1) ***Heritable property***
- 2) ***Corporeal moveable property***
- 3) ***Incorporeal moveable property***

(2)

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