

Candidate Number			



Association of Taxation Technicians

Examination

November 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.
- All workings should be shown and made to the nearest month and pound unless the question requires otherwise.

2. Mark receives his 2006/07 personal tax return from HM Revenue & Customs on 30 April 2007. He completes it quickly and pays all the tax due on 15 October 2007. However, he forgets to file his tax return until 15 March 2008.

- 1) **Outline the penalties and interest payments Mark will incur due to his forgetfulness. (There is no need for calculations.)**
- 2) **In the absence of fraud, negligence or discovery, until what date is HM Revenue & Customs entitled to raise an enquiry into Mark's 2006/07 tax return?**

Give reasons for your answers.

(2)

6. Justine made a capital gain, after taper relief, of £16,000 in 2005/06. Maximum business asset taper relief was available on the gain. No other gains or losses were made in 2005/06 and there were no brought forward losses as at 6 April 2005.

On 1 October 2006 Justine subscribed £20,000 at par for shares in an Enterprise Investment Scheme (EIS) company. The company had only recently been incorporated and began trading immediately.

- 1) What tax relief is available to Justine as a result of the EIS investment?
- 2) Assuming she makes all available claims, calculate her revised gain after taper relief for 2005/06.
- 3) If Justine sells her EIS shares for £500,000 in 2010, what capital gain will crystallise at that time? (4)

(You should assume that both Justine and the company satisfy all the necessary conditions for all EIS reliefs to be available at all relevant times.)

7. Isobel subscribed for shares in Phoenix Ltd many years ago for £50,000. In October 2006, she discovered that the shares are now worthless and that the company is dormant. Isobel made a large capital gain on 12 September 2005 and wonders if it is possible to claim relief for the money spent on the Phoenix Ltd shares against that gain.

What conditions need to be satisfied concerning the value of the Phoenix Ltd shares for such relief to be available and by what date would Isobel need to make the necessary claim? (2)

- 9. On 12 September 2005 Lucy bought £20,000 5.75% Treasury Stock at par. This stock pays interest on 5 May and 5 November each year. On 5 September 2006 she sold £5,000 units of this stock for £5,500 cum-div.

On what amount of interest will Lucy be subject to Income Tax in relation to this holding in 2006/07? (3)

10. Natasha, aged 28, bought a painting in May 1993 for £10,000. In July 2006 she sold the painting at auction for £120,000. Auction house commission of £5,000 was incurred on the sale. Her taxable income for 2006/07 was £22,965.

Calculate Natasha’s Capital Gains Tax liability for 2006/07. (4)

13. HM Revenue & Customs cannot raise a discovery assessment if they could have been reasonably expected, on the basis of the information made available to them, to be aware of the situation giving rise to the loss of tax.

For these purposes, under what circumstances is information to be regarded as "made available"? (2)
