

|                  |  |  |  |
|------------------|--|--|--|
| Candidate Number |  |  |  |
|                  |  |  |  |



## Association of Taxation Technicians

# Examination

May 2008

---

### 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. Charles and Victoria had been married for many years but decided to separate amicably on 17 May 2007; neither party sought a divorce. On 12 October 2007 Victoria gave Charles a painting which was worth £40,000 and on 16 April 2008 she sold him a Sevres dinner service, which was valued at £15,000, for £10,000.

**Explain how these disposals will be treated for Capital Gains Tax purposes. (2)**

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----



4. Peter owned a commercial property which he bought in February 1978 for £15,000. The market value of the property at 31 March 1982 was £28,000. The property was let to an unquoted trading company with which Peter had no connection. Peter sold the property on 5 December 2007 for £500,000, with £400,000 being receivable on completion and £100,000 in May 2008.

**Calculate the chargeable gain after taper relief for 2007/08.** (4)

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

- 5. Susan made two payments on account for 2006/07 of £1,500 each; one on 28 February 2007 and one on 30 September 2007. Her balancing payment for 2006/07 was £5,000. She paid this on 31 May 2008, the same day that she filed her personal tax return for 2006/07. She had no payments on account to pay for 2007/08.

**Calculate the penalties, surcharges and interest that Susan will suffer in relation to these payments and filings (assume the rate of interest on unpaid tax is 5%).**  
(4)

-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

6. In which of the following scenarios might a Capital Gains Tax charge arise, and why? (Assume that the proceeds of the overseas disposals are not brought into the UK and ignore the effect of any double taxation agreements).

- 1) Sale of an overseas commercial property by a UK resident and domiciled individual.
- 2) Sale of a UK residential property by a non-UK resident but UK domiciled individual.
- 3) Sale of an overseas property by a UK resident but non-domiciled individual.

(3)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....









- 10. In 2005 William gave his brother John £500,000 which John put towards the purchase of a £750,000 house. John emigrated in 2006 and, from 6 September 2007, William moved into the house and lived there rent-free. Full market rent for the occupation of this property would be £24,000 per annum.

**Calculate the tax charge that arises on William for 2007/08 and explain the election that he could make to avoid it. (3)**

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

11. Muriel receives the following benefits from her employment:

- 1) A diesel Volvo XC90, registered in May 2006 and with a list price of £40,000. The CO<sub>2</sub> emissions are 219g/km. Fuel for private mileage is also provided.
- 2) A parking space is provided in a car-park close to the office; her employer pays £3,000 per annum to secure this space.
- 3) A loan of £200,000 on which she pays interest of 2%.
- 4) A mobile phone.

**Calculate the amounts chargeable to Income Tax in respect of these benefits for 2007/08.** (4)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

12. **What are the three main types of fee arrangements that are encountered in practice? Where a member of the Association of Taxation Technicians (ATT) is to receive commission from a third party as a result of a client taking action based on his advice, what disclosure must the member make? (3)**

-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

