



**Accounting  
Technicians**  
Ireland



**1<sup>st</sup> Year Examination Summer 2009**

# **TAXATION I (Northern Ireland)**

**PAPER, SOLUTIONS  
and  
EXAMINER'S REPORT**



## NOTES TO USERS ABOUT THESE SOLUTIONS

The solutions in this document are published by Accounting Technicians Ireland. They are intended to provide guidance to students and their teachers regarding possible answers to questions in our examinations.

Although they are published by us, we do not necessarily endorse these solutions or agree with the views expressed by their authors.

There are often many possible approaches to the solution of questions in professional examinations. It should not be assumed that the approach adopted in these solutions is the ideal or the one preferred by us.

This publication is intended to serve as an educational aid. For this reason, the published solutions will often be significantly longer than would be expected of a candidate in an examination. This will be particularly the case where discursive answers are involved.

The solutions are relevant to the tax rates in the year the Examination was sat. A copy of the tax rates is enclosed with the solutions.

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# 1<sup>st</sup> Year Examination : Summer 2009

## PAPER : TAXATION I (NI)

Thursday 21st May 2009 : 9.30 a.m. to 12.30 p.m.

### INSTRUCTIONS TO CANDIDATES

#### PLEASE READ CAREFULLY

For candidates answering in accordance with the law and practice of Northern Ireland.

Candidates should answer the paper in accordance with the appropriate provisions up to and including the Finance Act 2008. The provisions of the Finance Act 2009 should be ignored.

Allowances and rates of taxation to be used by candidates, are set out in a separate booklet supplied with the examination paper.

Answer ALL THREE QUESTIONS in Section A, and ANY TWO of the THREE questions in Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.

Candidates should allocate their time carefully.

All workings should be shown.

All figures should be labelled as appropriate e.g. £s, units etc.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on Page 2 overleaf.

The following inserts are enclosed with the paper:

- Form P11 (QUESTION 1)
- Form VAT 100 (QUESTION 6)
- Tax Reference Material



## SECTION A

Answer ALL THREE questions in this Section

## QUESTION 1

You have been engaged to update the payroll records of CAPITOL Ltd for their two telesales staff, Jeff and Kyle. Inclusive of month 9 of 2008/09 you have been able to ascertain the following information:

	Jeff £	Kyle £
Gross salary to date including commissions .....	1,750.00	27,375.00
Tax paid to date .....	224.90	6,037.20
Employee NIC Paid to Date .....	142.67	2,562.78
Employer NIC paid to date .....	166.02	2,982.14
Tax Code .....	(see note)	K357
Company pension scheme contribution .....	7%	7%

You have been informed that salaries and commissions for the sales staff for months 10 and 11 are:

	Jeff £	Kyle £
Month 10 .....	1,865	3,455
Month 11 .....	1,991	3,192

## NOTE

Jeff's employment with CAPITOL Ltd commenced at the beginning of month 9. To date no P45 has been received from his previous employer.

## Requirement

Complete all relevant sections of form P11 for months 10 and 11 in respect of Jeff and Kyle.

Total 20 Marks

**N.B.** Form P11 is supplied with the examination paper for the purposes of answering this question. Please show all workings clearly.

## QUESTION 2

- (a) James has been self-employed selling electronic equipment for a number of years. In the summer of 2008 he decided to cease self-employment after he was offered a job as a sales representative for a major High Street retailer. James closed the business on 30<sup>th</sup> September 2008 and commenced employment with the retailer on 1<sup>st</sup> November 2008.

Accounts for the business had been prepared to 30<sup>th</sup> June each year and show the following tax adjusted profits:

	£		£
Year ended 30 <sup>th</sup> June 2006 .....	16,910	overlap profits b/fwd.....	1,395
Year ended 30 <sup>th</sup> June 2007 .....	18,225		
Year ended 30 <sup>th</sup> June 2008 .....	17,420		
Period ended 30 <sup>th</sup> September 2008 .....	3,790		

Question 2 continues on the next page



**QUESTION 2** (*Cont'd*).

**Requirement**

Calculate James' assessable profits and detail the basis periods for all relevant tax years.

**10 Marks**

- (b) Colin commenced trading as a plumber on 1<sup>st</sup> March 2006 and his trading profits, adjusted for tax purposes, are as follows:

	£
10 months ended 31 <sup>st</sup> December 2006 .....	18,750
Year ended 31 <sup>st</sup> December 2007 .....	21,175
Year ended 31 <sup>st</sup> December 2008 .....	23,415

**Requirement**

Calculate Colin's assessable profits for all relevant tax years and detail both the basis periods and the overlap profits arising.

**10 Marks**

**Total 20 Marks**

**N. B.** Where relevant you may *pro-rata* by months rather than days.

**QUESTION 3**

Aiden Coyle has been operating a Health Food Store for a number of years and prepares accounts to the 30<sup>th</sup> September each year. The following is a summary of his profit and loss account for the year ended 30<sup>th</sup> September 2008.

**Summary Profit and Loss Account for the year ended 30<sup>th</sup> September 2008**

	Notes	£	£
Gross Profit .....			70,415
<i>Other income:</i>			
Profit on sale of equipment .....		283	
Dividends received .....		<u>880</u>	
			1,163
			<u>71,578</u>
<i>Less Expenses:</i>			
Business Rates .....		2,315	
Employee costs .....	(1)	29,105	
Premises costs .....	(2)	3,570	
Legal and professional fees .....	(3)	5,510	
Subscriptions .....	(4)	804	
Depreciation .....		4,950	
Repairs .....	(5)	9,180	
Motor expenses .....	(6)	12,670	
Light and heat .....	(7)	3,672	
Interest and charges .....	(8)	14,670	
Entertainment and gifts .....	(9)	<u>1,010</u>	
			(87,456)
Net (Loss)			<u>(15,878)</u>

**NOTES**

- (1) *Employee Costs:*

- (i) This figure includes £4,995 taken by Aiden as drawings and £1,820 paid in respect of his income tax liability for 2007/08.
- (ii) In November 2007 Aiden's business was the subject of a PAYE audit by HMRC. As a result of this audit £2,137 was paid to HMRC in respect of the incorrect calculation of PAYE following a contract settlement. This figure included interest and penalties of £352 with the balance being payment for under-collection.

**Question 3 continues on next page**



**QUESTION 3 (Cont'd).****(2) Premises Costs:**

Aiden lives over his shop premises. 30% of premises costs relate to his private living accommodation.

**(3) Legal and Professional Fees:**

	£
Accountancy fees for preparation of accounts .....	1,150
Legal fees regarding unfair dismissal claim by an employee .....	1,875
Legal fees regarding purchase of site for new shop .....	1,735
Architect's fee for submission of planning permission .....	750
	<u>5,510</u>

**(4) Subscriptions**

	£
Aiden's gym membership .....	360
Trade magazines .....	444
	<u>804</u>

**(5) Repairs:**

	£
Extension to shop including new office .....	6,975
Furniture for new office .....	854
Painting and decorating shop premises .....	699
Replacement of damaged security doors .....	652
	<u>9,180</u>

**(6) Motor Expenses:**

	£
Aiden's motor expenses .....	4,235
Second-hand car purchased for use by sales assistant .....	5,995
Employee's motor expenses .....	2,440
	<u>12,670</u>

Aiden travelled 21,000 miles during the year. He estimates that 13,650 of these miles refer to private use. The sales assistant's car was purchased on the 1<sup>st</sup> April 2008. 20% of his mileage for the period to the 30<sup>th</sup> September 2008 refers to private mileage.

**(7) Light and Heat:**

	£
Electricity for shop premises and living accommodation .....	1,668
Heating oil for shop .....	894
Fuel costs for living accommodation .....	312
Purchase and installation of new storage heaters for shop .....	798
	<u>3,672</u>

**(8) Interest and charges:**

	£
Overdraft interest on business bank account .....	895
Term loan interest in respect of shop extension .....	1,413
Current account fees on business bank account .....	90
Current account fees on personal bank account .....	75
Mortgage loan repayments	12,197
	<u>14,670</u>

Mortgage loan repayments include interest of £5,980. The mortgage was taken out when the shop and living accommodation was purchased several years ago.

**(9) Entertainment and gifts:**

	£
Staff Christmas party .....	394
Entertaining customers .....	175
Gift to local football club .....	441
	<u>1,010</u>

The gift to the football club was the cost to Aiden of providing a new playing kit with his business logo emblazoned on each shirt.

**Requirement**

Compute Aiden's tax adjusted Profits for the year ended 30<sup>th</sup> September 2008.

**Total 20 Marks**



SECTION B

Answer ANY TWO of the three questions

QUESTION 4

Requirement

The office manager has asked you to draft a memo to Calvin Hobbes, a new client, differentiating between the different classes of NIC as they apply to the employed and self-employed. Your memo should also be sufficient for the client to understand what income is subject to NICs and state the basic administration requirements, including payment dated lines.

Total 20 Marks

QUESTION 5

Caleb is 77 years old and is married to Caroline, aged 64 years, both ages attained pre 6<sup>th</sup> April 2008. Caleb still consults as an Architect, albeit on a very limited basis, preparing accounts to 31<sup>st</sup> December each year. Caleb's recent assessable profits have been as follows:

	£
Year ended 31 <sup>st</sup> December 2007 .....	8,950
Year ended 31 <sup>st</sup> December 2008 .....	8,355

Caleb

Caleb's income in 2008/09 is supplemented by a state pension of £7,495 together with income from investments, which he had made during his lifetime, and which are detailed below:

	£
Net rental income .....	5,447
Dividends received from UK resident companies .....	4,193
Interest credited to accounts with CORNWALLIS Building Society ...	3,470
ISA Interest received .....	675
National Savings Income Bonds .....	849

Caleb also paid £1,356 net to a UK registered charity under gift aid during the year.

Caroline

Caroline's income for 2008/09 is detailed below:

	£
Interest received from LAMB Building Society .....	3,418
Dividends received from CASPER Ltd, a UK resident company .....	2,450
Income received from premium bonds .....	455
Gross income received from part-time employment .....	3,250
State pension .....	2,825

Requirement

On the assumption that Caleb and Caroline have not made any prior elections or claims relating to allowances, calculate their income tax liabilities for 2008/09.

Total 20 Marks



**QUESTION 6**

Connor, a VAT registered trader, commenced trading on 1<sup>st</sup> October 2008 and accounts for VAT using the Cash Accounting Scheme. A review of his records reveals that a proper cash book has not been maintained.

However you are able to ascertain the following:

- (1) Details of cash payments made prior to lodgement to the bank are as follows:

	£
Connor's drawings .....	3,300
Staff wages .....	1,475
Payments to suppliers .....	2,440
Cash purchases .....	985
Petrol .....	410

Payment to suppliers includes a payment for £1,125 (gross) in respect of a new automatic garage door installed at Connor's mother's house.

- (2) Bank lodgements for the quarter amounted to £12,755. All sales are subject to VAT at the standard rate.

- (3) An analysis of the cheques written by Connor in this period shows the following:

	Note	£
Employer's and public liability insurance .....		1,750
Cash register .....		655
Car (second hand) .....	(i)	7,800
NI Electricity (NIE) .....	(ii)	215

- (4) An analysis of the invoices and receipts kept by Connor reveal that:

- Not all invoices and receipts in respect of purchases of £985 paid for by cash have been kept. Connor's records show that proper VAT invoices are held for £475 and non-detailed till receipts for £78 are also held. No further information is available in respect of these purchases.
- Invoices have been kept for the purchases from suppliers and the total of these invoices amounts to £6,350 exclusive of VAT. The only amount paid to suppliers is the £2,440 referred to above.

**NOTES**

- (i) Connor used his car for both private and business mileage. The list price of the car when new was £12,250 and it has a CO<sub>2</sub> emissions rating of 174 g/km.
- (ii) Connor lives above the business premises and 40% of the NIE bill refers to domestic use.

**Requirement**

- (a) Calculate Connor's liability VAT repayment for the quarter ended 31<sup>st</sup> December 2008.
- (b) Complete Form VAT 100.

**16 Marks**

4 Marks

**Total 20 Marks**

**N. B.** Form VAT 100 is supplied with the examination paper for the purpose of answering this question.













## Deductions Working Sheet P11 Year to 5 April 2009

[illegible][illegible]

if the contribution Table letter changed during this part of the tax year, please see Note 2 above.

if more than one contribution Table letter has been used during this employment, steps (1) to (4) should be repeated for each contribution Table letter.

- (1) Add all amounts of NICs not marked 'R'.
- (2) Add all amounts of NICs marked 'R'.
- (3) Take away (2) from (1).
- (4) If (3) is a minus amount, mark the amount 'R' and carry forward to page 2.



Turn over page for Weeks 1-30 (Months 1-7)

Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.

Box A Employer details

Box B HM Revenue &amp; Customs office name

Box C Surname

Box D Birth date (DD/MM/YYYY)

Box E National Insurance number

Box F Date of birth (DD/MM/YYYY)

Box G Works/payroll number

Box H Date of leaving (DD/MM/YYYY)

Box I Date of leaving (DD/MM/YYYY)

Box J Student Loan Deductions (see note 1)

Box K Tax code

Box L Tax code

Box M Tax code

Box N Tax code

Box O Tax code

Box P Tax code

Box Q Tax code

Box R Tax code

Box S Tax code

Box T Tax code

Box U Tax code

Box V Tax code

Box W Tax code

Box X Tax code

Box Y Tax code

Box Z Tax code

Box AA Tax code

Box AB Tax code

Box AC Tax code

Box AD Tax code

Box AE Tax code

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Box JH Tax code

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Box KY Tax code

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Box LE Tax code

Box LF Tax code

Box LG Tax code

Box LH Tax code

Box LI Tax code

Box LJ Tax code

Box LK Tax code

Box LL Tax code

Box LM Tax code

Box LN Tax code

Box LO Tax code

Box LP Tax code

Box LQ Tax code

Box LR Tax code

Box LS Tax code

Box LT Tax code

Box LU Tax code

Box LV Tax code

Box LW Tax code

Box LX Tax code

Box LY Tax code

Box LZ Tax code

Box MA Tax code

Box MB Tax code

Box MC Tax code

Box MD Tax code

Box ME Tax code

Box MF Tax code

Box MG Tax code

Box MH Tax code

Box MI Tax code

Box MJ Tax code

Box MK Tax code

Box ML Tax code

Box MM Tax code

Box MN Tax code





# Value Added Tax Return

For the period

For Official Use

Registration Number

Period

You could be liable to a financial penalty if your completed return and all the VAT payable are not received by the due date.

Due date: 31.12.05

For  
Official  
Use

For any enquiries please ring 0151 703 8921



Before you fill in this form please read the notes on the back and the VAT leaflets "Filling in your VAT return" and "Flat rate scheme for small businesses", if you use that scheme. Fill in all boxes clearly in ink, and write 'none' where necessary. Don't put a dash or leave any box blank. If there is no pence column, "00" in the pence column. Do not enter more than one amount in any box.

		£	p
For official use	VAT due in this period on <b>sales</b> and other outputs	1	
	VAT due in this period on <b>acquisitions</b> from other EC Member States	2	
	Total VAT due (the sum of boxes 1 and 2)	3	
	VAT reclaimed in this period on <b>purchases</b> and other inputs (including acquisitions from the EC)	4	
	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	5	
	Total value of <b>sales</b> and all other outputs excluding any VAT. Include your box 8 figure	6	00
	Total value of <b>purchases</b> and all other inputs excluding any VAT. Include your box 9 figure	7	00
	Total value of all <b>supplies</b> of goods and related costs, excluding any VAT, to other EC Member States	8	00
	Total value of all <b>acquisitions</b> of goods and related costs, excluding any VAT, from other EC Member States	9	00

If you are enclosing a payment please tick this box.  <input type="checkbox"/>	DECLARATION: You, or someone on your behalf, must sign below	
	I, ..... declare that the Full name of signatory in BLOCK LETTERS)	
	information given above is true and complete.	
	Signature .....	Date .....

A false declaration can result in prosecution



# STANDARD ANSWER SHEET FOR ALL MULTIPLE CHOICE QUESTIONS



**Accounting  
Technicians  
Ireland**

Candidates are required to insert the following details.

Examination Session .....

Examination Session .....

Examination Session .....

Examination Session .....

**To answer each section, please tick appropriate box.**

Part		Part		Part		Part		Part	
1	(a) <input type="checkbox"/>	6	(a) <input type="checkbox"/>	11	(a) <input type="checkbox"/>	16	(a) <input type="checkbox"/>	21	(a) <input type="checkbox"/>
	(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>
	(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>
	(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>
2	(a) <input type="checkbox"/>	7	(a) <input type="checkbox"/>	12	(a) <input type="checkbox"/>	17	(a) <input type="checkbox"/>	22	(a) <input type="checkbox"/>
	(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>
	(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>
	(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>
3	(a) <input type="checkbox"/>	8	(a) <input type="checkbox"/>	13	(a) <input type="checkbox"/>	18	(a) <input type="checkbox"/>	23	(a) <input type="checkbox"/>
	(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>
	(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>
	(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>
4	(a) <input type="checkbox"/>	9	(a) <input type="checkbox"/>	14	(a) <input type="checkbox"/>	19	(a) <input type="checkbox"/>	24	(a) <input type="checkbox"/>
	(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>
	(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>
	(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>
5	(a) <input type="checkbox"/>	10	(a) <input type="checkbox"/>	15	(a) <input type="checkbox"/>	20	(a) <input type="checkbox"/>	25	(a) <input type="checkbox"/>
	(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>		(b) <input type="checkbox"/>
	(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>		(c) <input type="checkbox"/>
	(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>		(d) <input type="checkbox"/>





# Taxation Reference Material

Northern Ireland

**For use in First and Second Year Taxations Examinations  
Summer & Autumn 2009**

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# TAXATION REFERENCE MATERIAL

## FOR TAX YEAR 2008/09

(To be used by candidates in answering the Taxation papers)

### INCOME TAX

	Rate
	%
First £34,800 .....	20
Balance (over £34,800) .....	40
Dividends higher rate .....	32½

From 2008/09 onwards the starting rate band is abolished. A new starting rate savings band for individuals is introduced. For 2008/09 the band is £2,320. Where an individual's non-savings income is less than the starting rate limit for savings, the savings income is taxable at the 10% starting rate for savings up to the limit. Where non-savings income exceeds the limit, the starting rate for savings does not apply.

### ALLOWANCES

	£
Personal .....	6,035
Blind persons allowance .....	1,800

#### Married couples

Elder born before 6 April 1935 to age 74	6,535
Age 75 and over .....	6,625
Both subject to a minimum allowance of	2,540

Where applicable MCA attract tax relief at 10%

#### Age allowance

Personal (Under 75) .....	9,030
---------------------------	-------

Maximum income before abatement of relief .....	21,800
---	--------

#### Abatement income ceiling

Personal .....	27,790
Married .....	35,780



Personal (Over 75) .....	9,180
Maximum income before abatement of relief.....	21,800
Abatement income ceiling	
Personal .....	28,090
Married .....	36,260

#### RATE OF INTEREST

Official rate of interest 6.25%

#### SCALE BENEFITS - MOTOR CARS

Percentage of manufacturer's list price	
2008-2009	
CO2 emissions in grams per kilometre (g/km)	% of car's price to be taxed
120	10
135	15
140	16
145	17
150	18
155	19
160	20
165	21
170	22
175	23
180	24
185	25
190	26
195	27
200	28
205	29
210	30
215	31
220	32
225	33
230	34
235 & above	35

Car benefit is calculated on a percentage of the list price of the car plus the price of optional accessories when the car was first registered appropriate to the level of the car's CO<sub>2</sub> emissions. There is a 3% supplement on diesel cars not meeting Euro IV emission standards subject to the maximum charge of 35%.

#### SCALE BENEFITS - FUEL SUPPLIED FOR PRIVATE USE

The same percentage as for car benefit will be applied to the fixed sum of £16,900.

#### VAT REGISTRATION LIMITS

From 1/04/08 £67,000  
From 1/04/08 £65,000 (deregistration possible)



**VAT ON PRIVATE FUEL****SCALE BENEFITS - MOTOR CARS**

From 01/05/2008 24 bands based on CO<sub>2</sub> emissions apply where private fuel is provided  
(see table below)

<b>VAT fuel scale charges (inclusive of VAT)</b>	
<b>2008-2009</b>	
<b>CO2 emissions in grams per kilometre (g/km)</b>	<b>VAT fuel scale charge 3 month period (£)</b>
120 or below	138
125	207
130	207
135	207
140	221
145	234
150	248
155	262
160	276
165	290
170	303
175	317
180	331
185	345
190	359
195	373
200	386
205	400
210	414
215	428
220	442
225	455
230	469
235 & above	483

**CAPITAL GAINS TAX**

	2008/09	2007/08	2006/07	2005/06
Annual exemption	£9,600	£9,200	£8,800	£8,500
Rate .....	18%			

**Entrepreneurs' relief** – This will reduce the chargeable gain on qualifying assets by 4/9 – an effective rate of 10%. An individual will be able to make claims for disposals on or after 6 April 2008. Claims may be made on more than one occasion up to a lifetime total of £1 million of gains

**CORPORATION TAX**

	Financial Year commencing	
	1 <sup>st</sup> April 08	1 <sup>st</sup> April 09
	%	%
First £300,000 .....	21	20
Next £1,200,000 .....	29.75	32.5
Over £1,500,000 .....	28	30
Small companies' marginal relief fraction .....	$\frac{7}{400}$	$\frac{1}{400}$



**PERSONAL RETIREMENT PROVISIONS****PENSION CONTRIBUTIONS**

## Limit of Allowable Payment

Individuals may obtain tax relief on any contributions made to a registered pension scheme, up to 100% of their relevant UK earnings for a tax year, **OR** £3,600 per year if their relevant UK earnings are less than this amount.

Employer contributions do not count as part of an individual's contributions. The normal minimum pension age is 50 but this may be higher for some schemes. Pension benefits must be taken by the age of 75.

There are annual and lifetime limits on the value of contributions made to a registered scheme, tax charges will be applied where these limits are exceeded.

	Annual Allowance	Lifetime Allowance
2008/09	£235,000	£1.65million

**Earnings limits and National Insurance contribution rates**

	Employee's contribution	Employer's contribution
	<i>Contribution Table Letter A</i>	<i>Contribution Table Letter A</i>
Below £90.00 weekly or Below £390.00 monthly or Below £4,680.00 yearly	Nil	Nil
£90.00 to £105.00 weekly or £390.00 to £453.00 monthly or £4,680.00 to £5,435.00 yearly	0%	0%
£105.01 to £770.00 weekly or £453.01 to £3,337.00 monthly or £5,435.01 to £40,040.00 yearly	11% on earnings above the Earnings Threshold	12.8% on earnings above the Earnings Threshold
Over £770.00 weekly or Over £3,337.00 monthly or Over £40,040.00 yearly	1% on earnings above the UEL	12.8% on all earnings above the Earnings Threshold

\*Class 4 NIC - 2008/09 Self employed on profits between £5,435 and £40,040 at the rate of 8% and on profits over £40,040 at the rate of 1%.

Exemption from employees primary contributions OR self employed contributions applies if state pension age was reached by 6 April 2008.





Accounting  
Technicians  
Ireland

# 1<sup>st</sup> Year Examination : Summer 2009

## TAXATION I (NI)

### Solutions

**Solution to question 1 - (Capitol Ltd)**

**Jeff Income Tax**

	Month 10 £	Month 11 £
Gross salary	1,865.00	1,991.00
Less pension @ 7%	(130.55)	(139.37)
	<u>1,734.45</u>	<u>1,851.63</u>
Less Free Pay (£6,039/12)	(503.25)	(503.25)
Taxed as per	<u>1,231.20</u>	<u>1,348.38</u>
Taxed as per		
£1,231.20 @ 20%	246.24	
£1,348.38 @ 20%		269.68

**Jeff NIC**

Primary		
£(1,865 - £453) x 11%	155.32	
£(1,911 - £453) x 11%		169.18
Secondary		
£(1,865 - £453) x 12.8%	180.74	
£(1,991 - £453) x 12.8%		196.86
	<u>336.06</u>	<u>366.04</u>

**The completed Form P11 follows**



## Deductions Working Sheet P11 Year to 5 April 2009

[illegible]

National insurance contributions										Statutory payments										DAVE income tax																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
Earnings details					Contribution details					Statutory Sick Pay		Statutory Maternity Pay		Statutory Paternity Pay		Statutory Adoption Pay		Student Loan repayments (pounds only)		Month number		Pay in the month including statutory payment (OSP paid/OT/OTSP)		Total pay to date		Total 'free pay' to date as shown by column 4		Total 'additional' pay to date as shown by column 4		Total taxable pay into 3 minus column 4a or column 3 plus column 4b		Total 'tax due' to date as shown by column 6 or column 8 if 6		Tax due at end of current period (column 4 minus column 6)		Regulatory limit 50% of column 2 entry		The deducted or refunded in the week or month (column 7 minus column 8)		K codes only		K codes only		For Employer's use																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Earnings at the LEL (where earnings are less than employer's LEL)	Earnings above the LEL, up to and including the ET	Earnings above the LEL, up to and including the LEL	Earnings above the LEL, up to and including the ET	Earnings above the LEL, up to and including the LEL	Total of employer's and employer's contributions due on all earnings above the LEL (column amounts 'W')	Employer's contributions due on all earnings above the LEL (column amounts 'W')	Employee's contributions due on all earnings above the LEL (column amounts 'W')	Total of employer's and employer's contributions due on all earnings above the LEL (column amounts 'W')	Total of employer's and employer's contributions due on all earnings above the LEL (column amounts 'W')	Statutory Sick Pay paid to employee in the week or month included in column 6	Statutory Maternity Pay paid to employee in the week or month included in column 2	Statutory Paternity Pay paid to employee in the week or month included in column 2	Statutory Adoption Pay paid to employee in the week or month included in column 2	Student Loan repayments (pounds only)	Month number	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519	520	521	522	523	524	525	526	527	528	529	530	531	532	533	534	535	536	537	538	539	540	541	542	543	544	545	546	547	548	549	550	551	552	553	554	555	556	557	558	559	560	561	562	563	564	565	566	567	568	569	570	571	572	573	574	575	576	577	578	579	580	581	582	583	584	585	586	587	588	589	590	591	592	593	594	595	596	597	598	599	600	601	602	603	604	605	606	607	608	609	610	611	612	613	614	615	616	617	618	619	620	621	622	623	624	625	626	627	628	629	630	631	632	633	634	635	636	637	638	639	640	641	642	643	644	645	646	647	648	649	650	651	652	653	654	655	656	657	658	659	660	661	662	663	664	665	666	667	668	669	670	671	672	673	674	675	676	677	678	679	680	681	682	683	684	685	686	687	688	689	690	691	692	693	694	695	696	697	698	699	700	701	702	703	704	705	706	707	708	709	710	711	712	713	714	715	716	717	718	719	720	721	722	723	724	725	726	727	728	729	730	731	732	733	734	735	736	737	738	739	740	741	742	743	744	745	746	747	748	749	750	751	752	753	754	755	756	757	758	759	760	761	762	763	764	765	766	767	768	769	770	771	772	773	774	775	776	777	778	779	780	781	782	783	784	785	786	787	788	789	790	791	792	793	794	795	796	797	798	799	800	801	802	803	804	805	806	807	808	809	810	811	812	813	814	815	816	817	818	819	820	821	822	823	824	825	826	827	828	829	830	831	832	833	834	835	836	837	838	839	840	841	842	843	844	845	846	847	848	849	850	851	852	853	854	855	856	857	858	859	860	861	862	863	864	865	866	867	868	869	870	871	872	873	874	875	876	877	878	879	880	881	882	883	884	885	886	887	888	889	890	891	892	893	894	895	896	897	898	899	900	901	902	903	904	905	906	907	908	909	910	911	912	913	914	915	916	917	918	919	920	921	922	923	924	925	926	927	928	929	930	931	932	933	934	935	936	937	938	939	940	941	942	943	944	945	946	947	948	949	950	951	952	953	954	955	956	957	958	959	960	961	962	963	964	965	966	967	968	969	970	971	972	973	974	975	976	977	978	979	980	981	982	983	984	985	986	987	988	989	990	991	992	993	994	995	996	997	998	999	1000	1001	1002	1003	1004	1005	1006	1007	1008	1009	1010	1011	1012	1013	1014	1015	1016	1017	1018	1019	1020	1021	1022	1023	1024	1025	1026	1027	1028	1029	1030	1031	1032	1033	1034	1035	1036	1037	1038	1039	1040	1041	1042	1043	1044	1045	1046	1047	1048	1049	1050	1051	1052	1053	1054	1055	1056	1057	1058	1059	1060	1061	1062	1063	1064	1065	1066	1067	1068	1069	1070	1071	1072	1073	1074	1075	1076	1077	1078	1079	1080	1081	1082	1083	1084	1085	1086	1087	1088	1089	1090	1091	1092	1093	1094	1095	1096	1097	1098	1099	1100	1101	1102	1103	1104	1105	1106	1107	1108	1109	1110	1111	1112	1113	1114	1115	1116	1117	1118	1119	1120	1121	1122	1123	1124	1125	1126	1127	1128	1129	1130	1131	1132	1133	1134	1135	1136	1137	1138	1139	1140	1141	1142	1143	1144	1145	1146	1147	1148	1149	1150	1151	1152	1153	1154	1155	1156	1157	1158	1159	1160	1161	1162	1163	1164	1165	1166	1167	1168	1169	1170	1171	1172	1173	1174	1175	1176	1177	1178	1179	1180	1181	1182	1183	1184	1185	1186	1187	1188	1189	1190	1191	1192	1193	1194	1195	1196	1197	1198	1199	1200	1201	1202	1203	1204	1205	1206	1207	1208	1209	1210	1211	1212	1213	1214	1215	1216	1217	1218	1219	1220	1221	1222	1223	1224	1225	1226	1227	1228	1229	1230	1231	1232	1233	1234	1235	1236	1237	1238	1239	1240	1241	1242	1243	1244	1245	1246	1247	1248	1249	1250	1251	1252	1253	1254	1255	1256	1257	1258	1259	1260	1261	1262	1263	1264	1265	1266	1267	1268	1269	1270	1271	1272	1273	1274	1275	1276	1277	1278	1279	1280	1281	1282	1283	1284	1285	1286	1287	1288	1289	1290	1291	1292	1293	1294	1295	1296	1297	1298	1299	1300	1301	1302	1303	1304	1305	1306	1307	1308	1309	1310	1311	1312	1313	1314	1315	1316	1317	1318	1319	1320	1321	1322	1323	1324	1325	1326	1327	1328	1329	1330	1331	1332	1333	1334	1335	1336	1337	1338	1339	1340	1341	1342	1343	1344	1345	1346	1347	1348	1349	1350	1351	1352	1353	1354	1355	1356	1357	1358	1359	1360	1361	1362	1363	1364	1365	1366	1367	1368	1369	1370	1371	1372	1373	1374	1375	1376	1377	1378	1379	1380	1381	1382	1383	1384	1385	1386	1387	1388	1389	1390	1391	1392	1393	1394	1395	1396	1397	1398	1399	1400	1401	1402	1403	1404	1405	1406	1407	1408	1409	1410	1411	1412	1413	1414	1415	1416	1417	1418	1419	1420	1421	

If the contribution Table letter changed during this part of the tax year, please see Note 2 above.

If more than one contribution Table letter has been used during this employment, steps (1) to (4) should be applied separately to each Table letter.

<p>(3) Add all amounts of NICs not marked 'R'.</p> <p>(2) Add all amounts of NICs marked 'R'.</p> <p>(3) Take away (2) from (1).</p> <p>(4) If (3) is a minus amount, mark the amount 'R' and carry forward to page 2.</p>
--



Turn over page for Weeks 1-30 (Months 1-7)

Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.

20000	Date of meeting	20000	How many times the copy?	1	If considered over and previous work
20000	Date of next	20000	Approves copy?		Whether in which applied
20000	Date of hearing				
20000	20 Jan 1975				
20000	Product Loan Calculators case 10				

**000001** National Insurance number **000002** Workplace number  
**000003** Date of birth DD MM YYYY

**2009** Year to 3 April 2009

**2009** Deductions Working Sheet #11

**2009** Employee name

**2009** Field Avenue & Customs office name

**2009** Employees FIVE telephone

**2009** First time for primary's

**2009** Employee's details and capital

**2009** Jeff

[illegible][illegible][illegible]



**Solution to question 1 - (Capitol Ltd) (Cont'd)****Kyle Income Tax**

	<b>Month 10</b>	<b>Month 11</b>
	<b>£</b>	<b>£</b>
Gross salary to date	27,375.00	30,830.00
Salary for month	<u>3,455.00</u>	<u>3,192.00</u>
	30,830.00	34,022.00
Less pension @ 7%	<u>(2,158.10)</u>	<u>(2,381.54)</u>
	28,671.90	31,640.46

Additional Pay		
£3,579 x 10/12	2,982.50	
£3,579 x 11/12		<u>3,280.75</u>
Net Taxable Pay	<u>31,654.40</u>	<u>34,921.21</u>

Taxed as Per	
£34,800 x 10/12 x 20%	5,800.00
£2,654.40 x 40%	<u>1,061.76</u>
	6,861.76
Less tax paid to date	<u>(6,037.20)</u>
	<u>824.56</u>

£34,800 x 11/12 x 20%	6,380.00
£3,021.21 x 40%	<u>1,208.48</u>
	7,588.48
Less paid to date	<u>(6,861.76)</u>
	<u>726.72</u>

**Kyle NIC**

Primary		
£(3,337 - £453) x 11%	317.24	
£(3,455 - £3,337) x 1%	<u>1.18</u>	
	318.42	
£(3,192 - £453) x 11%		301.29
Secondary		
£(3,455 - £453) x 12.8%	384.26	
£(3,192 - £453) x 12.8%		<u>350.59</u>
	<u>702.68</u>	<u>651.88</u>

**The completed Form 11 follows**



## Deductions Working Sheet P11 Year to 5 April 2009

Turn over page for Weeks 31-52 (Months 8-12) and End of Year Summary boxes

**Box A** Employer name \_\_\_\_\_

**Box B** EIN/Registered or Customers office name \_\_\_\_\_

**Box C** Employer address \_\_\_\_\_

**Box D** First two surnames \_\_\_\_\_

**Box E** Surname \_\_\_\_\_

**Box F** National Insurance number \_\_\_\_\_

**Box G** Date of birth (dd mm yyyy) \_\_\_\_\_

**Box H** Date of joining (dd mm yyyy) \_\_\_\_\_

**Box I** Leaving (dd mm yyyy) \_\_\_\_\_

**Box J** Work/assigned number \_\_\_\_\_

**Box K** Tax code(s) \_\_\_\_\_

**Box L** Apprentices code (s) \_\_\_\_\_

**Box M** \_\_\_\_\_

**Box N** \_\_\_\_\_

**Box O** \_\_\_\_\_

**Box P** \_\_\_\_\_

**Box Q** \_\_\_\_\_

**Box R** \_\_\_\_\_

**Box S** \_\_\_\_\_

**Box T** \_\_\_\_\_

**Box U** \_\_\_\_\_

**Box V** \_\_\_\_\_

**Box W** \_\_\_\_\_

**Box X** \_\_\_\_\_

**Box Y** \_\_\_\_\_

**Box Z** \_\_\_\_\_

**Box AA** \_\_\_\_\_

**Box AB** \_\_\_\_\_

**Box AC** \_\_\_\_\_

**Box AD** \_\_\_\_\_

**Box AE** \_\_\_\_\_

**Box AF** \_\_\_\_\_

**Box AG** \_\_\_\_\_

**Box AH** \_\_\_\_\_

**Box AI** \_\_\_\_\_

**Box AJ** \_\_\_\_\_

**Box AK** \_\_\_\_\_

**Box AL** \_\_\_\_\_

**Box AM** \_\_\_\_\_

**Box AN** \_\_\_\_\_

**Box AO** \_\_\_\_\_

**Box AP** \_\_\_\_\_

**Box AQ** \_\_\_\_\_

**Box AR** \_\_\_\_\_

**Box AS** \_\_\_\_\_

**Box AT** \_\_\_\_\_

**Box AU** \_\_\_\_\_

**Box AV** \_\_\_\_\_

**Box AW** \_\_\_\_\_

**Box AX** \_\_\_\_\_

**Box AY** \_\_\_\_\_

**Box AZ** \_\_\_\_\_

**Box BA** \_\_\_\_\_

**Box BB** \_\_\_\_\_

**Box BC** \_\_\_\_\_

**Box BD** \_\_\_\_\_

**Box BE** \_\_\_\_\_

**Box BF** \_\_\_\_\_

**Box BG** \_\_\_\_\_

**Box BH** \_\_\_\_\_

**Box BI** \_\_\_\_\_

**Box BJ** \_\_\_\_\_

**Box BK** \_\_\_\_\_

**Box BL** \_\_\_\_\_

**Box BM** \_\_\_\_\_

**Box BN** \_\_\_\_\_

**Box BO** \_\_\_\_\_

**Box BP** \_\_\_\_\_

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Earnings details					Contribution details					Statutory Sick Pay (SSP)					Statutory Maternity Pay (SMP)					Statutory Paternity Pay (SPP)					Statutory Adoption Pay (SAP)					Student Loan Deductions (where paid only)					Week number					Pay in the week or month including payments (SSP/SMP/SAP)					Total pay to date by Tables A *					Total 'free pay' to date as shown by Tables A *					Total taxable pay to date as shown by Tables A					Total taxable pay to date: column 3 minus column 3 plus column 4b *					Total 'tax due' by Tables 8 to D					K codes only					K codes only					Tax deducted or retained for month					K codes only					Tax last deducted in the Regularity limit					For Employer's use																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Earnings (where earnings are equal to or exceed the EL)					Earnings (where earnings are equal to or exceed the EL)					Total of employer's and employee's contributions - mark minor amounts 'm'					Employer's contributions due to all employees above the EL					paid to employee or month included in column 2					paid to employee or month included in column 2					paid to employee or month included in column 2					paid to employee or month included in column 2					Total pay to date					Total 'free pay' to date as shown by Tables A *					Total taxable pay to date as shown by Tables A					Total taxable pay to date: column 3 minus column 3 plus column 4b *					Total 'tax due' by Tables 8 to D					The date of entry of current period					Regulatory limit of column 2					Tax deducted or retained for month					Tax last deducted in the Regularity limit					For Employer's use																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
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If the contribution Table letter changed during this part of the tax year, please see Note 2 above.

If more than one contribution Table letter has been used during this employment, steps (1) to (4) should be completed separately in each Table letter.

(1) Add all amounts of NICs not marked 'R'.
(2) Add all amounts of NICs marked 'R'.
(3) Take away (2) from (1).
(4) If (3) is a minus amount, mark the amount 'R' and carry forward to page 2.



Turn over page for Weeks 3-30 (Months 1-7)

Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.

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 20003 Approved code 3  
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[illegible]

use Monks 1 and 2 overleaf

[illegible]

Pay and Tax totals in previous unemployment

Pay	Tax
1	2
3	4
5	6

Pay and Tax totals in this unemployment

Pay	Tax
7	8
9	10
11	12

Employee's contribution to the Agency for the Unemployed

13
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Is it a new entry on the unemployment card of the employee?

Yes ☐ No ☐

Employee's contribution to the Agency for the Unemployed

14
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[illegible]



Solution to question 2 - (*James & Colin*)

	YOA	Basis Period		Assessable Profit £
<b>James</b>	2006/07	Y/E 30/06/06		<u>16,910</u>
	2007/08	Y/E 30/06/07		<u>18,225</u>
	2008/09	01/07/07 - 30/09/08	Y/E 30/06/08	17,420
			P/E 30/09/08	3,790
			Less Overlap	<u>(1,395)</u>
				<u>19,815</u>
<b>Colin</b>	2005/06	01/03/06 - 05/04/06	(1/10 x £18,750)	<u>1,875</u>
	2006/07	01/03/06 - 28/02/07	10 m/e 31/12/06	18,750
			(2/12 x 21,175)	<u>3,529</u>
				<u>22,279</u>
	2007/08	Y/E 31/12/07		<u>21,175</u>
	2008/09	Y/E 31/12/08		<u>23,415</u>
	Overlap period	01/03/06 - 05/04/06		1,875
		01/01/07 - 28/02/07		<u>3,529</u>
				<u>5,404</u>



**Solution to question 3 - (Aiden Coyle)****Aiden Coyle adjusted profits for the year ended 30 September 2008**

	£	£
Loss per accounts		(15,878)
Less		
Profit on sale of equipment	283	
Dividends	<u>880</u>	
		(1,163)
Add		
Drawings	4,995	
Payment of personal income tax	1,820	
PAYE interest and penalties	352	
Private use of premises (£3,570 @ 30%)	1,071	
Legal fees re new shop	1,735	
Architect's fees	750	
Gym membership	360	
Extension	6,975	
Furniture	854	
Private motoring (£4,235 @ 65%)	2,753	
Car purchase	5,995	
Electricity (£1,668 @ 30%)	500	
Fuel	312	
New heaters	798	
Personal bank account fees	75	
Capital element of mortgage (£12,197 - £5,980)	6,217	
Mortgage interest (£5,980 x 30%)	1,794	
Depreciation	4,950	
Entertainment	<u>175</u>	
		42,481
Adjusted Profit		<u><u>25,440</u></u>



**Solution to question 4 - (Calvin Hobbes)****MEMO****To:** Calvin Hobbes**From:** A Technician**Date:****Subject:** NICs: Employment vs. Self-employment**NICs and the Employed****Class 1 contributions**

Class 1 contributions are due if an individual is employed. Contributions are due from those individuals who are over 16 and earn more than £5,435 a year (the primary threshold). Contributions are due from both the employee (primary) and the employer (secondary). It is important to realise that these contributions are calculated at the same time as income tax and must therefore be based on the employee's earnings period, which will be either weekly or monthly.

**Earnings**

Earnings for both primary and secondary contributions are gross cash earnings in the relevant earnings period. Cash earnings include basic wages and other cash receipts including readily convertible benefits. Note, no deductions are allowed from the gross receipts. Earnings would therefore include the following:

- Wages, salaries, and bonuses
- Sick and maternity pay
- Items readily convertible to cash (e.g. gold bars, silver bullion, shares, and fine wines)
- Most vouchers, for example luncheon vouchers
- Profits on authorised mileage rates.

**Rates**

The main Class 1 contribution rate for the employee is 11% on earnings above the primary threshold. However, there is an upper earnings limit (UEL) of £40,040 per year, and any earnings in excess of this are subject to contributions of 1%.

For an employer, the secondary contribution rate is 12.8% on earnings above the primary threshold. However, there is no UEL for an employer, and all earnings above the primary threshold remain subject to contributions of 12.8%.

In addition, there is an upper age limit of 60 for women and 65 for men. An employee will cease paying contributions on reaching the upper age limit; however, employers will continue to pay secondary contributions regardless of the employee's age.

In summary, an employee aged below the upper age limit will pay NICs as follows:

Weekly:	£0 - 105	0%
	£105 - 770	11%
	Above £770	1%
Monthly:	£0 - 453	0%
	£453 - 3,337	11%
	Above £3,337	1%

An employer will pay nothing on the first £105 per week, or £453 per month, but will then pay 12.8% on all earnings above these limits.

**Solution to question 4 continued on next page**



**Solution to question 4 (Cont'd)****Class 1A contributions**

Class 1A contributions are due from the employer only - never the employee - when non-cash benefits are given to an employee. Class 1A contributions are always at the rate of 12.8% on the total amount of the benefits. The non-cash benefit figure will not include items included under earnings for Class 1 (see above), but will include the normal benefits calculated as for income tax purposes (such as the use of a company car, beneficial loans, use of assets etc).

**Administration and payment**

Class 1 contributions (primary and secondary) are calculated for the relevant earnings period and recorded on an employee's PAYE deduction sheet. The total amount is then paid to HMRC within 14 days of the end of each tax month (the 19<sup>th</sup> of the month). Class 1A contributions are calculated annually and are due by 19 July following the relevant tax year of collection.

An employer can deduct the total of his Class 1 secondary and Class 1A contributions from his trading profits for tax purposes.

**NICs and the self-employed****Class 2**

Class 2 contributions are payable by all those who are self-employed if their annual earnings are above £4,825 (the small earnings limit). It is payable from the age of 16 to retirement age (60 for women and 65 for men). The amount payable is a flat weekly rate of £2.30, meaning that there is a maximum payment of £119.60 (£2.30 x 52 weeks) for 2008/09.

**Class 4**

In addition to Class 2, all those who are self-employed with trading profits above £5,435 have to pay Class 4 contributions.

Again, this is only payable if the individual is over 16 and under retirement age at the start of the tax year.

Class 4 contributions are calculated on the aggregate of all trading profits where an individual has more than one business. The contributions are calculated on the final adjusted trading profits, after capital allowances and any trading losses and trade charges on income.

Class 4 contributions are calculated at the rate of 8% for profits between the lower earnings limit of £5,435 and the upper earnings limit of £40,040, and 1% on any profits above this level.

**Administration and payment**

The sole trader is responsible for paying both Class 2 and Class 4 contributions. Class 2 is payable either monthly by direct debit, or quarterly, billed in arrears. Class 4 contributions are payable at the same time as the individual's income tax. NICs are, therefore, due in two instalments. The first is due on 31 January in the year of assessment, and the second on 31 July following the year of assessment. These instalments each equal half of the previous year's NICs. Any final balance is due (or refunded if an overpayment has occurred) on 31 January following the year of assessment.

If you require any further information please do not hesitate to contact me.

Regards

A Technician



## Solution to question 5 - (Caleb &amp; Caroline)

## Caleb Income Tax Computation 2008/09

	Notes	N.S £	S £	D £	Total £
Income from self-employment		8,355			8,355
State Pension		7,495			7,495
Rental Income		5,447			5,447
BSI (£3,470 x 100/80)			4,338		4,338
National Savings Income Bonds			849		849
Dividends (£4,193 x 100/90)				4,659	4,659
		21,297	5,187	4,659	31,143
Less PAA	W1	(6,035)			(6,035)
		15,262	5,187	4,659	25,108

Taxed as Per	£
£15,262 @ 20%	3,052.40
£5,187 @ 20%	1,037.40
£4,659 @ 10%	465.90
	4,555.70

Less MCAA	W2	(£5,946 @ 10%)	(594.60)
Less Tax Credit			(465.90)
Less Tax paid @ source			(868.00)
			<u>2,627.20</u>

## Caroline Income Tax Computation

	N.S £	S £	D £	Total £
Employment Income	3,250			3,250
Stock pension	2,825			2,825
BSI (£3,418 x 100/80)		4,273		4,273
Dividends (£2,450 x 100/90)			2,722	2,722
	6,075	4,273	2,722	13,070
Less PAA - 65 before Y/E	(6,075)	(2,955)		(9,030)
	-	1,318	2,722	4,040

Taxed as Per	£
£1,318 @ 10%	131.80
£2,722 @ 10%	272.20
	404.00
Less Tax Credit on dividend	(272.20)
Tax on interest (£4,273 - £3,418)	(855.00)
Refund due	<u>(723.20)</u>



## Solution to question 5 (Cont'd)

## Notes

<b>(W1) PAA</b>		<b>£</b>	<b>£</b>
Income from self employment		8,355	
Rental income		5,447	
UK State pension		7,495	
Dividends (£4,193 x 100/90)		4,659	
Interest - Building Society (£3,470 x 100/80)		4,338	
National Savings Income Bonds		849	
		<u>31,143</u>	
Less gift aid (£1,356 x 100/80)		(1,695)	
		<u>29,448</u>	
Less Threshold		(21,800)	
		<u>7,648</u>	
Maximum Restriction (£7,648/2)		3,824	
PAA 75 +	£9,180	Original Restriction	3,824
Restriction (Max)	£(3,145)	Utilised	(3,145)
PAA restricted	£6,035	Unutilised against PAA	<u>679</u>
<b>(W1) MCAA</b>			
MCAA 75 +		6,625	
Less Unutilised restriction		(679)	
MCAA available		<u>5,946</u>	



## Solution to question 6 - (Connor)

	Notes	Net £	VAT £	Gross £
<b>Outputs</b>				
Sales	<b>W1</b>	18,182.98	3,182.02	21,365.00
Deemed Supplies				
Garage Door		957.45	167.55	1,125.00
NIE		73.19	12.81	86.00
Fuel Scale Charge		257.87	45.13	303.00
		19,471.49	3,407.51	22,879.00
<b>Inputs</b>				
Payments to Suppliers		2,076.60	363.40	2,440.00
Cash Purchases				
- Supported	<b>W2</b>	470.64	82.36	553.00
- Unsupported		432.00	-	432.00
Petrol		348.94	61.06	410.00
Insurance		1,750.00	-	1,750.00
Cash Register		557.45	97.55	655.00
Car		7,800.00	-	7,800.00
NIE		182.98	32.02	215.00
		13,618.61	636.39	14,255.00
VAT Liability			<u>2,771.12</u>	

## Notes

<b>(W1)</b>	<b>Gross Outputs</b>	<b>£</b>	<b>£</b>
	Drawings		3,300
	Wages		1,475
	Payments to suppliers		2,440
	Cash purchases		985
	Petrol		410
			<u>8,610</u>
	Bank Lodgement		<u>12,755</u>
			<u>21,365</u>
<b>(W2)</b>	<b>Unsupported cash purchases</b>		
	Cash purchases		985
	Less		
	Available invoices	475	
	Till receipts	<u>78</u>	
			<u>(553)</u>
			<u>432</u>
<b>(W3)</b>	<b>Deemed outputs on personal use of electricity</b>		
	£215 @ 40%		<u>86</u>

Connor's Form VAT 100 follows on next page





# Value Added Tax Return

For the period

For Official Use

Registration Number

Period

You could be liable to a financial penalty if your completed return and all the VAT payable are not received by the due date.

Due date: 31.12.05

For Official Use

For any enquiries please ring 0151 703 8921



Before you fill in this form please read the notes on the back and the VAT leaflets "Filling in your VAT return" and "Flat rate scheme for small businesses", if you use that scheme. Fill in all boxes clearly in ink, and write 'none' where necessary. Don't put a dash or leave any box blank. If there is no pence write "00" in the pence column. Do not enter more than one amount in any box.

		£	p
For official use	VAT due in this period on <b>sales</b> and other outputs	1	3407 51
	VAT due in this period on <b>acquisitions</b> from other EC Member States	2	NONE
	Total VAT due (the sum of boxes 1 and 2)	3	3407 51
	VAT reclaimed in this period on <b>purchases</b> and other inputs (including acquisitions from the EC)	4	636 39
	Net VAT to be paid to Customs or reclaimed by you (Difference between boxes 3 and 4)	5	2771 12
	Total value of <b>sales</b> and all other outputs excluding any VAT. Include your box 6 figure	6	19471 00
	Total value of <b>purchases</b> and all other inputs excluding any VAT. Include your box 9 figure	7	13619 00
	Total value of all <b>supplies</b> of goods and related costs, excluding any VAT, to other EC Member States	8	NONE 00
	Total value of all <b>acquisitions</b> of goods and related costs, excluding any VAT, from other EC Member States	9	NONE 00

If you are enclosing a payment please tick this box.	DECLARATION: You, or someone on your behalf, must sign below	
	I, <u>NAME</u> declare that the	
	Full name of signatory in BLOCK LETTERS)	
	information given above is true and complete.	
	Signature <u>SIGNATURE</u>	Date
A false declaration can result in prosecution		



## Summer 2009

# TAXATION I (Northern Ireland)

### Examiner's Report

Question	1	2	3	4	5	6	Total
Average Mark	14.5	12.1	14.7	11.5	13.4	11.8	63.5
Corresponding marks PY	13.3	14.0	10.2	13.7	5.9	14.8	63.5
No. Passed	242	204	276	63	235	157	250
No. attempting	297	281	307	95	281	217	318
% Passing/Attempts	81.5%	72.6%	89.9%	66.3%	83.6%	72.4%	78.6%
Standard deviation of marks	6.3	6.5	3.5	4.6	4.0	5.1	

#### Overall Candidate Achievement

Marks Achieved	50+	60+
No. Passed	250	210
No. attempting	318	318
% Passing/Attempts	78.6%	66.0%

#### General Comment

The overall performance of the candidates at this sitting was at a similar level to the corresponding sitting in the previous year, the average mark achieved of 63.5% was exactly the same as last year, however, the percentage of candidates receiving a mark of 50 or more increased slightly from 76.2% to 78.6%. The majority of candidates made a reasonable attempt at the paper and the computations were generally well laid out with properly referenced workings.

#### Question 1 - (*Capitol Ltd*)

This question tested the candidates understanding of payroll calculations and their ability to deal with commonly observed aspects of PAYE. The adoption of a structured approach and good layout by many students contributed to the improved average mark attained in this sitting. However a considerable number of candidates continue to struggle with aspects such as the calculation of NIC, application of "K" Codes, pension scheme deductions and week/month 1 codes.



**Question 2 - (James & Colin )**

Candidates were required to demonstrate an understanding of income tax basis periods on both the commencement and cessation of a trade. A surprising number of candidates had problems with the basis period calculations and the methodology for calculating amounts assessable to a particular tax year in the scenarios examined. Many students also appeared to have difficulty understanding the concept and application of overlap relief.

**Question 3 - (Aiden Coyle)**

This question required the preparation of an adjusted profit computation. This was the most popular question and with an average mark of 14.7%, the best answered on the paper.

The solutions were generally well laid out, however, easy marks continue to be lost as a minority of students neglected to provide or adequately cross reference their workings as appropriate. Other areas where students failed to pick up marks included the following:

- applying the wrong private use percentage
- failure to add back the depreciation charge
- adjusting for incorrect amounts of interest & dividends
- inability to distinguish between capital & revenue expenditure.

**Question 4 - (Calvin Hobbes)**

This narrative question required candidates to demonstrate their knowledge of the fundamentals of NIC application and administration by contrasting the positions of employed and self-employed individuals. Although this was the least popular question on the paper the overall standard of answer was better than that of narrative questions in previous years. Many students attempting this question addressed the basic issues well, identified the relevant NIC liabilities and managed to successfully contrast both positions.

**Question 5 - (Caleb & Caroline)**

This question required candidates to perform two straight-forward income tax computations and was generally well answered with an average mark of 13.4%. Some of the common mistakes included:

- an inability to recognise or restrict PAA or MCAA
- taxing of income from ISAs/premium bonds
- grossing up Net rental income
- inability to identify the correct income from self employment for inclusion within the computation
- application of incorrect tax rates to the various income categories

**Question 6 - (Connor)**

This question tested the candidates understanding of cash accounting for VAT, their ability to quantify the amount of VAT payable and prepare a VAT return in a straight-forward scenario. Whereas the average mark of 11.8 appears reasonable a significant proportion of solutions were poorly presented with no explanation for treatment adopted which makes it difficult to allocate marks.

Few candidates recognised that cash payments should have been a component of the gross sales figure for the quarter whilst others had problems recognising or properly accounted for the deemed supplies implicit in personal use element of the expenditure identified & fuel scale charge. Many failed to recognise that under the cash basis the total purchases figure provided for the quarter was irrelevant as input VAT may only be claimed on those items paid in the quarter.