

WRITTEN EXAMINATION

PAPER I

12 NOVEMBER 2009

9.00am – 10.30am

Time Allowed – 1½ Hours

Instructions to Candidates:

1. Complete the Green Examination Information Sheet by stating your examination candidate number (not your name) together with the area in which you are practising and the local Association of which you are a member. Attach the green sheet to the top of your answer pad and ring the numbers of the **two** questions that you have answered.
2. Write your candidate number (not your name) on each page. Put the number of the question and the page in the top right hand corner.
3. Write on one side of the paper only, leaving the margin on the left- hand side.
4. Start each answer on a separate sheet and place your answers in numerical order.
5. Time has been allowed for you to read through the Question Paper **and plan** your answers.
6. You should attempt to answer **two** out of the three questions, ringing their numbers on the green sheet.
7. All questions carry equal marks: 20 each.
8. Questions are framed so as to minimise the need to make assumptions but state clearly any that you do make and the reasons for them.
9. Where appropriate, you will be expected to state the relevant Act, Statutory Instrument or case upon which you have based your answers.
10. You may use imperial or metric measurements in your answers. Please indicate which units you are using.
11. The presentation and clarity of your answers is important.

PAPER I Q 1

You have been contacted by an existing client who has seen an advertisement in the local newspaper for a 500-acre farm to be let on a long tenancy.

Your client is an established beef and sheep farmer with approximately 1,200 acres, partly owned and partly tenanted. He sees this 'to let' farm as an excellent opportunity for his son who is married with a young family. He has a very clear idea of how they would manage and farm the holding but needs assistance in bringing these ideas together on paper to submit a formal tender application and has asked for your help.

- i) Prepare a framework document setting out the section and sub-section headings, with brief explanatory text, of the tender submission you would prepare in applying for this tenancy. **(10 marks)**
- ii) Prepare an appropriate covering letter to the landlord's agent to accompany the farm tender. **(10 marks)**

PAPER I Q 2

You are instructed by the Loyal Bank of Mercia Plc (High Risk Department) (HRD) to carry out a revaluation of Higher Farm – a 500 acre holding, for security purposes, following a review by the bank of the client's banking facilities.

- i) Write a letter to the Loyal Bank of Mercia Plc (HRD) confirming your instructions and enclosing your Conditions of Engagement for undertaking a security valuation and set out, **in heading form**, what those Conditions of Engagement should cover. **(5 marks)**
- ii) Prepare an outline of your valuation report to the Loyal Bank of Mercia Plc (HRD) setting out, **in headings**, with a brief explanation of each heading, the contents of your valuation report stating, where necessary, any assumptions. **(15 marks)**

PAPER 1 Q 3

You have been asked by the beneficiary of some land to give advice for Inheritance Tax purposes on whether you consider Agricultural Property Relief (APR) and Business Property Relief (BPR) would be available following the death of the owner, Miss Ty Ming.

The property comprises 35 acres of agricultural land near to a market town. Planning permission for residential development was granted twelve months before death. The land fetched £5.1m net of agents' and solicitors' fees which was considered 'pleasantly surprising' by the selling agents in the current economic climate.

The land was, immediately prior to Miss Ming's demise, held on an oral grazing licence arrangement, through a local letting agent. This arrangement was, however, confirmed in writing. Investigations found that the graziers fertilised the land themselves and that it was used exclusively by one grazier. Previously graziers were found by the beneficiary's letting agents. Miss Ming was interested in the activities of the graziers but only to the extent that she derived a yearly licence fee off the land.

(i) Write **a report to your client's solicitors** setting out reasons why you consider APR and BPR may or may not be granted by HMRC for Inheritance Tax purposes and to what extent. Ensure you mention any case law which backs up your views. **(12 marks)**

(ii) Write **short notes** on the following recent cases:

a) The Trustees of the **Nelson Dance** Family Settlement v **HMRC**.
(3 marks)

b) Representatives of Earl of Balfour v HMRC (2009). **(5 marks)**