

**WRITTEN EXAMINATION**

**PAPER I**

**14 NOVEMBER 2013**

**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, the number of the question and the page number in the top right hand corner of each page.
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. Where relevant state whether you are answering for England, Wales or Scotland.
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 1 Q1

Please make **brief notes** on **5** out of the following **8** subject areas.  
**4 marks are available for each of the 5 subject areas you answer, 20 marks in total.**

- (i) Energy Performance Certificates:
  - a) when is one required?
  - b) what buildings are exempt from this requirement?
  - c) what information must a Certificate provide?
- (ii) For the permanent transfer of entitlements with land under the Single Payment Scheme, what is:
  - a) the process?
  - b) the information required?
- (iii) The "Green Deal". What is it? How does it work?
- (iv) What you understand by the term "overage covenant".
- (v) You are in the process of letting an agricultural tenancy for a fixed term of 10 years. Please prepare notes for the client in respect of the following questions about the legal basis for end of tenancy compensation for tenant's improvements:
  - a) how does the law define what is a tenant's improvement?
  - b) into what categories does it divide them for compensation purposes? State for each category what, if any, the notice provisions are for the improvement to be eligible for compensation and give brief examples.
  - c) what is the statutory basis of valuation for tenant's improvements?

Please indicate if your answer is with respect to an FBT (England and Wales) or an LDT (Scotland)

- (vi) HMRC has agreed that your firm's deceased client's house is a farmhouse for Inheritance Tax purposes.

Prepare notes to brief your principal, stating relevant case law, on:

- a) what is required for it to be of a "character appropriate"?
  - b) what basis of valuation is to be adopted?
- (vii) Under the Money Laundering Regulations:
    - a) what duties and process are imposed on a business that wishes to practice as an estate agency?
    - b) what actions must an employee taken when dealing with each individual sales instruction?
    - c) what checks must be made where the client is an individual, a limited company, a trust and a public limited company?
  - (viii) What are the standard measures proposed for "greening" under the current agreement for the reform of the Common Agricultural Policy? What is to be the "greening" payment and the associated penalties?

## PAPER 1 Q2

You act for the landlord of Manor Farm, Churchfield. It is a 172 hectare (425 acre) farm capable of growing good combineable crops. It was let in October 1978. It was due for a rent review as at 11<sup>th</sup> October 2013 but the rent has not been agreed.

It has a traditional 5 bed farmhouse, a pair of semi-detached farm cottages and a range of useable, but limited, buildings from the 1920/30s. The cottages have been modernised by the tenant, one is sublet with consent on a shorthold (short assured tenancy in Scotland) and the other is occupied by a retired farm worker. The tenant built a 1,000 tonne grain store without the landlord's formal written consent in 2005.

The rent review is proving contentious and you have been asked to draft potential evidence in preparing for a possible hearing.

- a) Prepare a simple budget for the holding to present at the hearing. **(12 marks)**
  
- b) List with a brief explanation of each:
  - i) those factors that the law says must be disregarded at a rent review
  - ii) those factors which the law says must be taken into account in determining the rent. **(8 marks)**

*pto Question 3 overleaf.../*

## PAPER 1 Q3

The owner of a 300 acre farm has asked your advice in respect of potential Capital Gains Tax liabilities.

He has told you that the farm comprises:

300 acres arable land valued at	£2,250,000
6 bedroom farmhouse	£ 600,000
Pair of cottages occupied by farm workers	£ 300,000
Traditional wooden farm buildings	<u>£ 150,000</u>
	£3,300,000

and that

- he purchased the farm in 1982 for £220,000
- he is the sole owner and farms as a sole trader
- he is a higher rate tax payer
- his wife does not work and has no taxable income
- he will have no other chargeable gains during this tax year

He is considering two options:

- a) to retire and sell the whole farm
- b) sell part of the farm retaining the farmhouse, one cottage, the traditional buildings and 80 acres of land which he will continue to farm

He has asked you:

1. what is Capital Gains Tax? How is it calculated? What are the rates? what are the main reliefs? **(7 marks)**
2. for each of options a) and b), to set out the different tax treatment of the assets and describe the reliefs available **(6 marks)**
3. to calculate the tax payable under each of options a) and b) **(7 marks)**