

Candidate Number			

You must tick the box below if you have answered this Module.



# The Chartered Tax Adviser Examination

May 2009

**AWARENESS**

---

## **MODULE D – TAXATION OF INDIVIDUALS**

---

- You should only answer this module if you have not/do not intend to sit the Taxation of Individuals Advisory paper.
- Each question carries 5 marks.
- You should answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.







A series of 20 horizontal dashed lines spanning the width of the page, intended for writing or drawing.









A series of 20 horizontal dashed lines spanning the width of the page, intended for writing or drawing.



















9. David and Doreen own the entire share capital of Willis Ltd, They each subscribed for 500 ordinary shares of £1 each in January 1983.

David has always worked as a full-time director of the company, whilst Doreen has had no involvement other than owning the shares. David and Doreen also personally own the freehold building from which Willis Ltd operates. They let the building rent free to the company. David and Doreen purchased the building in February 1983.

David now wishes to retire, and the couple intend to buy a second home. To fund this purchase, David and Doreen sold their shares in March 2009, each realising a gain on disposal before reliefs of £449,500. In the same month, they also sold the freehold building each realising a gain before reliefs of £650,000. David and Doreen made no other disposals during 2008/09, and David has capital losses brought forward at 6 April 2008 of £20,000.

**You are required to calculate the Capital Gains Tax payable by David and Doreen for 2008/09, assuming all relevant claims and elections are made.**

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

A series of 20 horizontal dashed lines spanning the width of the page, providing a template for writing.

10. Pardeep purchased 5,000 ordinary shares of £1 each in Puck plc for £20,000 on 20 January 1999. On 25 May 2008, Puck plc was taken over by Creed plc. The shareholders received the following for each £1 ordinary share in Puck plc:

	<u>Market Value at 25 May 2008</u>
Two ordinary shares in Creed plc	£7.16 per share
£3 Qualifying Corporate Bonds (QCBs) in Creed plc	£0.96 per £1 of QCBs

On 26 March 2009 Pardeep sold all 10,000 of the ordinary Creed plc shares for £43,000, and £10,000 of QCBs in Creed plc for £21,000. Pardeep has never worked for either company and his shareholdings have always been less than 1% of the issued share capital.

**Calculate Pardeep's chargeable gains arising on the disposals in 2008/09.**

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----



11. Gordon has recently left university and is planning to purchase his first house. He is still unsure about what to do next with regard to work and/or travelling the world.

Gordon assumes that the gain on the eventual sale of the house will be exempt from Capital Gains Tax whatever life choices he makes.

**Identify five periods during which Gordon may not be living in the house, but in respect of which part of the eventual gain on sale may still be exempt from Capital Gains Tax.**

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

Blank lined paper with 24 horizontal lines.

12. Theo disposed of two assets during 2008/09 as follows:

1) Land

Theo inherited 25 acres of land in July 2000 when the probate value was £400,000. On 5 August 2008 he sold 15 acres to a developer for £986,800, from which solicitor's fees totalling £6,800 are to be deducted. The remaining 10 acres were valued at £600,000 on that date.

2) Lease

Theo acquired a 15 year lease on 10 January 2003 for £20,000. On 10 January 2009 he sold the lease for £13,425.

**Calculate Theo's Capital Gains Tax payable for 2008/09.**

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----

-----



A series of 20 horizontal dashed lines spanning the width of the page, intended for writing or drawing.