

UNIVERSITY COLLEGE LONDON

University of London

EXAMINATION FOR INTERNAL STUDENTS

For The Following Qualification:–

LL.B.

LL.B. Part II: Law of Taxation

COURSE CODE : LAWSII07

DATE : 19-MAY-05

TIME : 10.00

TIME ALLOWED : 3 Hours 15 Minutes

LAW OF TAXATION

Answer **FOUR** questions including at least one question from **PART A**.

In answering questions on this paper candidates

- (i) must, in the absence of clear indication to the contrary in the questions concerned, assume that all persons mentioned are domiciled, resident and ordinarily resident in the United Kingdom, that all assets are situated in the United Kingdom and that all events occur in the United Kingdom;
- (ii) should not attempt to compute the amount of tax payable; and
- (iii) should ignore all changes in legislation made or proposed after 1 March 2005.

PART A

1. How does tax legislation attempt to prevent home owners from giving away their homes and continuing to live in them?
2. 'It is no doubt too much to expect that any exposition will remove all difficulties in the application of the principles because it is in the nature of questions of construction that there will be borderline cases about which people will have different views. It should however be possible to achieve some clarity about basic principles.' *Barclays Mercantile Business Finance v Mawson*. (2004)

Has the decision of the House of Lords in *Barclays Mercantile* clarified the law of tax avoidance? And if so how?

3. The main residence exemption for capital gains tax is the exemption which affects most people. In what circumstances does the exemption apply and what are the limits on this exemption?
4. What is the importance of the connecting factors of residence, ordinary residence and domicile for the purposes of the taxation of employment income? Do these factors make for a coherent system of taxing employment income?

TURN OVER

PART B

5. Edwina is head of an Oxford College and receives £70,000 per annum. As head she is a member of the College governing body. Under the College regulations Edwina is required to live on the premises and she is provided with a house in the College grounds which was built in 1800. All the gas and electricity costs of the house are paid for by the College.

Edwina uses the College gym to keep fit and plays tennis on the College tennis courts with her husband and children. She dines in College during term time and does not pay for these meals. In her office in the College she has a College provided computer which cost the College £1000.

Edwina has her own car which she parks outside the house in the College.

Edwina is given an entertainment allowance of £1,000 to entertain students.

In October Edwina flew to New York on a fund raising mission. The College paid for her ticket.

Advise Edwina on the tax treatment of the above.

6. For many years Frances and her family have lived in a house in Kensington owned by Frances. In September 2004 Frances decided to sell the house and move to a flat. She obtained £100,000 less on the sale than she could have done as the agents were negligent. The agents therefore paid her £100,000 as compensation in January 2005.

Frances inherited some cuff links from her father, Harry, who died in 1980. In 1985 she gave them to her husband, George, on their wedding anniversary when they were worth £10,000. This year George sold the cuff links for £12,000.

In Harry's will his residuary estate was left to trustees to hold the assets on trust for his grandson Jack, contingently upon attaining the age of 25. This year Jack attained the age of 25. Immediately after this the trustees sold some of the trust assets which had greatly increased in value in order to enable Jack to buy a flat.

Frances received £5,000 of net dividends from her family company in January 2005.

Advise on the tax treatment of the above.

CONTINUED

7. Danielle is a barrister who started in practice as a criminal practitioner three years ago. She makes up her accounts to 31 December each year.

Danielle received £25,000 in fees in the year to December 2004. She had many expenses. She had to pay rent to chambers. She also had to buy suitable clothing to appear in court and have her clothes and bands laundered. In September 2004 Danielle purchased a computer to use for her work. In order to keep up to date in criminal law she has an annual subscription to the Criminal Law Review.

To travel to courts Danielle sometimes uses the train and sometimes takes her car which she also uses for other purposes.

After a particularly successful defence case, one of Danielle's clients was acquitted and he later sent her a crate of champagne.

Danielle has a young baby and she employs a full time nanny to look after the baby. Whenever she can, Danielle works at home preparing for trials and doing paperwork.

Advise Danielle on her liability to tax and when she will have to pay the tax.

8. Alexander is a wealthy businessman who made the following dispositions in the year to March 2005:
- (i) He gave £10,000 to his brother Ben on 1 June 2004.
 - (ii) On 1 July 2004 Alexander settled £10 million on discretionary trusts in favour of his family.
 - (iii) In August 2004 Alexander purchased a holiday for his widowed aunt.
 - (iv) Later that month he gave £250 to Charles, a friend, and another £250 to David, another friend, to give to Charles.
 - (v) In September 2004 Alexander paid the university fees for his daughter who is aged 19. She spent the last year after leaving school traveling round the world.
 - (vi) Following an appeal in the autumn for funds by his university Alexander gave them £20,000.

Alexander died in March 2005.

Advise on the inheritance tax treatment of the above.

END OF PAPER