The Chartered Institute of Taxation

Awareness

Module D: Taxation of Individuals

May 2026

Suggested answers

Answer 37

	Total	Non-savings income	Savings income	Dividend income	
	£	£	£	£	
Salary	112,000	112,000			
Interest	4,000		4,000		
Dividends	2,000			2,000	
	118,000	112,000	4,000	2,000	
Personal allowance (working)	(3,570)	(3,570)			1+1*
Taxable income	£114,430	£108,430	£4,000	£2,000	

Income Tax:	£		£	
Non-savings income at basic rate	37,700	20%	7,540	
Non-savings income at higher rate	70,730	40%	28,292	1
Savings income at nil rate	500	0%	0	
Savings income at higher rate	3,500	40%	1,400	1
Dividend income at nil rate	500	0%	0	
Dividend income at higher rate	1,500	33.75%	506	1
			£37,738	

Working:
Adjusted net income £118,000 - £100,000 = £18,000
£18,000 / 2 = £9,000
£12,570 - £9,000 = £3,570

*1 for correct amount, 1 for deducting from non-savings income

Answer 38

	£	£	
Rent received:			
8 months x £1,600		12,800	
3 months x £1,850		5,550	
		18,350	1
Expenses paid:			
Mortgage interest	0		1
Buildings insurance	540		
Repair	450		1*
New bed (£900 - £50)	850		1
Fridge/freezer (£600-£100)	500		1
		(2,340)	
Property income 2025/26		£16,010	

**For buildings insurance and repair*

Answer 39

Extra income tax relief is given by extending the basic rate band for 2025/26 by the gross amount of the pension contribution, being £10,000 x 100/80 = £12,500. 1 1

Therefore, income of £12,500 is taxed at 20% rather than 40%. The additional tax relief will be £12,500 x (40-20)% = £2,500. 1

Max's adjusted net income is also reduced by the gross pension contribution. 1

As Max's income exceeds £100,000, this reduces the abatement of his personal allowance by £6,250 (£12,500 x 50%), saving tax of £2,500 (at 40%). 1

Answer 40

	£	£	£	
Benefit for use of camera				
2024/25 £2,000 x 20%			400	
2025/26 £2,000 x 20% x 6/12			200	
			£600	1
Benefit for transfer of camera, higher of:				
Market value at transfer		500		1
Original market value	2,000			
Less already charged for use	(600)	1,400		1
			1,400	
Less: price paid by Lucy			(200)	1
			£1,200	
Benefit for use in 2025/26			200	
Benefit on transfer			1,200	
Total benefit in 2025/26			£1,400	

Provision of workplace parking (car park season ticket) - exempt 1

Answer 41

	£		£	
Earnings for the year ((£8,000 x 12) + £10,000)			£106,000	1
Up to Primary Threshold	12,570	0%	0	
Above Primary Threshold (£50,270 - £12,570)	37,700	8%	3,016	1
Above Upper Earnings Limit (£106,000 - £50,270)	55,730	2%	1,115	1
Class 1 NICs payable by Jamil			£4,131	
Class 1 NICs payable by Jaamma Ltd ((£106,000 - £5,000) x 15%)			£15,150	1
Class 1A payable by Jaamma Ltd (£1,500 x 15%)			£225	1

Answer 42

Tina acquired the shares at a discount, therefore, she will have taxable income equal to the gift element of the award (market value less price paid). 1

As the shares are unlisted, and as there were no arrangements in place for them to be sold, the shares were not readily convertible assets and so the gift was not subject to PAYE. 1

Instead, Tina must account for tax through the self-assessment system. The award must be included in her tax return for 2025/26 and the tax due paid on or before 31 January 2027. 1+1

Beellsy Ltd should have notified HMRC of the award of the shares by 6 July 2026 (i.e. 6 July following the end of the tax year). 1

Answer 43

1) Strict method	£	
6/4/2025 – 5/7/2025 (3 months): 3/12 x £20,000 x 3.75%	188	1
6/7/2025 – 5/1/2026 (6 months): 6/12 x £17,000 x 3.75%	319	1
6/1/2026 – 5/4/2026 (3 months): 3/12 x £12,000 x 3.75%	113	1
	£620	

2)
Mario should not make an election to use the strict method as it results in a higher taxable benefit. 1
HMRC would not be likely to insist on using the strict method as the difference of £20 (£620 - £600) is minimal. 1

Answer 44

	£	
Employment income	400,000	
Less: Personal allowance	-	
	£400,000	
Income Tax:		
37,700 x 20%	7,540	
87,440 x 40%	34,976	
274,860 x 45%	123,687	
	£166,203	2
Maximum tax reducer of £1 million x 30% = £300,000 is restricted to tax liability, reducing it to Nil.	£166,203	1

PAYE of £162,000 to be repaid to Camila. 1*

The claim can be made up to five years after the 31 January following the end of tax year, i.e. 31 January 2032. 1

*Not necessary to be stated for mark but must not be deducted from the tax reducer.

Answer 45

1)
Income Tax relief is withdrawn as the shares were sold within three years. As the shares were sold at a loss the amount withdrawn is £20,000 x 50% = £10,000. 1

The capital loss on the disposal of shares is:

	£	£	
Proceeds		20,000	
Less selling costs		(300)	1
		19,700	
Less: cost			
Original cost			
Less Income Tax relief given and not withdrawn	50,000		1
£(25,000 – 10,000)	(15,000)	(35,000)	1
		£(15,300)	

2)
Diego could use the capital loss as follows:* 1
- Against any capital gains in 2025/26 then against future gains
- Against income for 2025/26 or 2024/25 (claim under s.131)

only 1 required

Answer 46

Value after takeover:

	£	
Baagg Ltd ordinary shares (20,000 x 2 x £2)	80,000	
Cash (20,000 x £1.50)	30,000	
	£110,000	1

Chargeable gain in 2022/23 on cash

Proceeds	30,000	
Less: cost (60,000 x (30,000/110,000))	(16,364)	1+1
	£13,636	

Chargeable gain in 2025/26 on shares

Proceeds	150,000	
Less: cost (60,000 x (80,000/110,000))	(43,636)	1+1
	£106,364	

Answer 47

	£	
Gain on residential property	46,000	
Less: annual exempt amount	(3,000)	1
	43,000	1*
Less: capital loss b/f	(28,000)	1
Taxable gain	£15,000	

Basic rate band remaining £37,700 - £27,700 = £10,000
CGT:

£10,000 x 18%	1,800	1
£5,000 x 24%	1,200	1
	£3,000	

**For not offsetting current year loss incurred after date of property sale*

Answer 48

The filing and payment deadline was 31 March 2026, being three months after the issue of a notice to file a return, since this is later than the normal filing date of 31 January 2026. Therefore, the return is filed four months late. 1

An initial penalty of £100 will be charged on late submission. 1

Additional daily penalties of £10 per day may be charged for 31 days since the return is filed over three months late. 1

As the payment is more than 30 days late a penalty of 5% of the unpaid tax will be charged. 1

Interest will be charged on the amount of tax unpaid from 31 March 2026 to 31 July 2026. 1