

Institution **CIOT - CTA**  
Course **Awareness**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 13	<b>133</b>	<b>598</b>	<b>718</b>
Section 14	<b>75</b>	<b>354</b>	<b>421</b>
Section 15	<b>86</b>	<b>418</b>	<b>489</b>
Section 16	<b>113</b>	<b>457</b>	<b>571</b>
Section 17	<b>56</b>	<b>257</b>	<b>296</b>
Section 18	<b>76</b>	<b>359</b>	<b>419</b>
Section 19	<b>121</b>	<b>522</b>	<b>643</b>
Section 20	<b>43</b>	<b>231</b>	<b>254</b>
Section 21	<b>69</b>	<b>293</b>	<b>362</b>
Section 22	<b>51</b>	<b>271</b>	<b>302</b>
Section 23	<b>41</b>	<b>182</b>	<b>207</b>
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-----ANSWER-13-BELOW-----  
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Answer-to-Question- \_13\_

15 September 2024 - this is a PET, however, this is partially covered by the wedding exemption, under 'other' therefore £1000 of this is exempt from IHT. the remaining 1,500 is covered by the annual exemption for 24/25 and therefore  
iF adele dies within 7 years of this gift being made, this will become a failed PET ,  
however it will not be chargeable due to the exemptions.

31st December 2024 - this is a CLT.

14,100 of lifetime IHT will be payable on this transfer as the tax is being paid by the trustees. this is after using the nil rate band for 2024/25 and the remaining annual exemptions.

clt	400,000		
Less: AE 24/25	(1,500)		
Less@ AE 23/24	(3000)		
	395,500		
Less NRB	(325,000)		
chargeable to IHT	70,500		
IHT payable @ 20%	14,100		

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-----ANSWER-13-ABOVE-----  
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-----ANSWER-14-BELOW-----  
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Answer-to-Question- \_14\_

1.

Death estate			
House	240,000		
Cash/ shares	530,000		
	770,000		
IHT @ 40%	308,000		

2. The liability relating to the house can be paid in up to 10 installments, as the IHT relating to this is 96,000 which represents more than 20% of the IHT liability, and it is qualifying property. Additionally, the amount payable is over 20,000. they would not be interest bearing installments as this is an amount payable relating to a death estate

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-----ANSWER-14-ABOVE-----  
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-----ANSWER-15-BELOW-----  
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Answer-to-Question- 15

Death estate

Death estate	750,000		
Less: RNRB	(175,000)		
Less Spousal rnrB	(25,000)		
Less: NRB		325,000	
Less Lifetime gift		(250,000)	
NRB	(75,000)		
	475,000		
iht @ 40%	190,000		

] spousal RNRB tapered as estate was worth more than 2m. therefore  $2,300,000 - 2,000,000 = 300,000 / 2 = 150,000$

$175,000 - 150,000 = 25,000 =$  spouse RNRB

no spousal NRB available as this would have been used on the cash left to Molly's son

DUe date for payment is 6 months after death so 30th September 2025, or when return filed for probate.

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-----ANSWER-15-ABOVE-----  
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-----ANSWER-16-BELOW-----  
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Answer-to-Question- 16

1974/75 - Thato had a domicile of origin in South Africa as he was born there

1980/81 - Thato has a domicile of dependency in germany, as his parents moved there and became German domiciled.

2024/25 - Thato is still german domiciled , as he has not yet spent 15 of the last 20 years as a UK resident, however in 25/26 he will trigger deemed domcile for IHT as he will have reached 15 years as a UK resident in the last 20 years, and as he intends to return to germany, he will remain deemed domcile for the next 20 years as he is not breaking all ties with the country.

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-----ANSWER-16-ABOVE-----  
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-----ANSWER-17-BELOW-----  
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Answer-to-Question- 17

Transfers within 7 years of death - 205,000 in Sept 2019 and 200,000 in Jan 2022.

gCT	205,000		
Less: NRB in 24/25		(325,000)	
No ihT PAYABLE			
remaining NRB	120,000		

GCT	300,000		
Less: NRB	(120,000)		
	180,000		
IHT @ 40%	72,000		
Less taper relief @ 3-4 years @ 20%	(14,400)		
Less lifetime tax paid	(36,000)		
IHT payable	21,600		

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-----ANSWER-17-ABOVE-----  
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-----ANSWER-18-BELOW-----  
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Answer-to-Question- \_18\_

No reduction made for sale of house in Liverpool as that was sold more than 3 years after Hugo's death.

Losses are for @ flat in manchester  
House in manchester

	Probate value	Sales proceeds	Loss
flat in manchester	120,000	119,500	500
house in manchester	420,000	380,000	40,000
Flat in Liverpool	133,000	125,000	8,000

Loss on flat in manchester can be ignores as it is less than 1,000

Reduction in value on Hugo's death estate is 48,000

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-----ANSWER-18-ABOVE-----  
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-----ANSWER-19-BELOW-----  
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Answer-to-Question- 19

APR is available on the land used for farming at the agricultural value of the land.  
therefore it is only available on a portion of the land, not all of it.

The transfer to the trust is the 2nd transfer, however the first one was on death so APR is still available.

APR on transfer to the trust is available on the value of the farmland at Emmet's death, and the rest of it is chargeable to IHT.

However, the land used as a seperate businesss for fishing and shooting vcould be available for BPR@ 50%, however this is not possible as the business was not a going concern as Emmett was planning to materially change the nature of the business.

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-----ANSWER-19-ABOVE-----  
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-----ANSWER-20-BELOW-----  
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Answer-to-Question- 20

**PRINCIPAL CHARGE**

Value of trust	880,000		
Less: NRB		325,000	
Less CLt		(150,000)	
nrb	(175,000)		
IESS: distribution	(75,000)		
	630,000		
Notional IHT @ 20%	126,000		
Effective rate	$126,000 / 880,000 =$ 14.318%		
Actual rate	$30\% * 14.318\% = 4.295\%$		
Principal charge	$880,000 * 4.295\% = 37,796$		

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-----ANSWER-20-ABOVE-----  
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-----ANSWER-21-BELOW-----  
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Answer-to-Question- 21

1. BPR is available at 50% here as the related party value is more than 50% there fore Terreance and his wife had control of the company. and ownership was more than 2 years. this is a trading company so it a qualifying asset for BPR.
2. NO BPR is available here, as shares in an investment company is not a qualifying asset for BPr. Only trading companies are.

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-----ANSWER-21-ABOVE-----  
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-----ANSWER-22-BELOW-----  
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Answer-to-Question- 22

	non-savings income	interest income	dividend income	
property income	37,000			
Less: letting expenses	(15,000)			
Interest income		10,000		
Dividend income			7,000	
less management expenses @ 100/91.25			(3,288)	
Total	22,000	10,000	3,712	
Tax @ 20% / 20% / 8.75%	4,400	2,000	325	
Tax on expenses 3,288 * 8.75%			282	

total tax payable = 7,007

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-----ANSWER-22-ABOVE-----  
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-----ANSWER-23-BELOW-----  
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Answer-to-Question- 23

sale	OTHER	PROPERTY	
painting	10,000		
shares	(3,250)		
		35,000	
Less: AE (1,500 / 6) or minimum 300		(300)	
	6,750	34,700	
CGT @ 20% / 24%	1,350	8,328	

total CGT ppayable = 9,678

Less: already paid : (7,680)

Total CGT payable = 1,998

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-----ANSWER-23-ABOVE-----  
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-----ANSWER-24-BELOW-----  
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Answer-to-Question- 24

Income on death:

$$1,125 * 8 = 9,000$$

$$\text{Dividends @ } 20,000 * 5/12 = 8,333$$

Less: interest (3,000)

	non-savings income		dividend income
rent	9,000		
Dividend			8,333
Less interest	(3,000)		
total	6,000		8,333
tax due @ 20% / 8.75%	1,200		729

TOTAL TAX PAYABLE = 1,929


Tax is payable 6 months after death or on delivery of return, therefore on 31st Jan 2025.

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-----ANSWER-24-ABOVE-----  
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Section 25	<b>54</b>	<b>266</b>	<b>304</b>
Section 26	<b>87</b>	<b>410</b>	<b>462</b>
Section 27	<b>70</b>	<b>315</b>	<b>385</b>
Section 28	<b>37</b>	<b>242</b>	<b>255</b>
Section 29	<b>25</b>	<b>128</b>	<b>139</b>
Section 30	<b>103</b>	<b>433</b>	<b>505</b>
Section 31	<b>52</b>	<b>252</b>	<b>304</b>
Section 32	<b>107</b>	<b>447</b>	<b>554</b>
Section 33	<b>43</b>	<b>212</b>	<b>244</b>
Section 34	<b>102</b>	<b>542</b>	<b>630</b>
Section 35	<b>64</b>	<b>248</b>	<b>312</b>
Section 36	<b>121</b>	<b>527</b>	<b>649</b>

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-----ANSWER-25-BELOW-----  
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Answer-to-Question- 25

Draft trading profits	220,000	
Cost of xmas party	-	allowable as employees only
legal fees	-	allowable as relates to renewal of a short lease for trading
cost of repairing the roof	48,000	this is capital expenditure
Interest on loan	-	qualifying interst expense
fine for breach	20,000	finest are not allowable
ttp	288,000	

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-----ANSWER-25-ABOVE-----  
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 -----ANSWER-26-BELOW-----  
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Answer-to-Question- 26

1.10.23 - 30.9.24	Main pool	Special rate pool	CAs
b/f values	1,100	990,000	
Proceeds on car	(750)		
Small pool allowance	350		350
WDV@ 6%		59,400	59,400
c/f balance		930,600	
CAs			59,750

1.10.24- 31.12.24 <b>3 month period!</b>	FYA @ 50%	AIA @ 100%	Special rate pool	CAs
b/f			930,600	
Add: lift installation	950,000	250,000		250,000 + 475,000
WDV@ 6% * 3/12			13,959	13,959
c/f			916,641 + 475,000 = 1,391,641	
CAs				738,959

$AIA @ 1,000,000 * 3/12 = 250,000$

Total capital allowances for period =  $738,959 + 59,750 = 798,709$

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 -----ANSWER-26-ABOVE-----  
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-----ANSWER-27-BELOW-----  
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Answer-to-Question- 27

Capital allowances are available for the electrical and water systems at 6% in the special rate pool, so at 6% i.e an allowance of 15,000 on this.

Architects fees and the construction of the warehouse can be relieved by structures and building allowance at  $3\% * 95,000 + 700,000 * 9/12$ , as the asset was brought into use on 1st July 2024. therefore there is relief of 17,888 under SBA.

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-----ANSWER-27-ABOVE-----  
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-----ANSWER-28-BELOW-----  
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Answer-to-Question- 28

	UK commercial property	Uk residential property	Overseas commercial property
Income	150,000	24,000	82,000
Less:			
Maintencne	(5,000)	(1,500)	(6,000)
Loan interest	(22,000)	nil	
	123,000	22,500	76,000
less: losses		(8,000)	(10,000)
Property income	123,000	14,500	66,000

Total = 203,500

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-----ANSWER-28-ABOVE-----  
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-----ANSWER-29-BELOW-----  
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Answer-to-Question- 29

	Trading profit	non-loan relationship income
Draft	860,000	6,200
IFA		$(4,000) * 9/12 = (3,000)$
CT	this is not deductible	
Stock	8,750	300
TTP	868,750	3,500

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-----ANSWER-29-ABOVE-----  
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-----ANSWER-30-BELOW-----  
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Answer-to-Question- 30

	y/e 30.6.23	9m/e 31.3.24	y/e 31.3.25	y/e 31.3.26
Trading profit / loss	15	9	(24)	11
Capital gain/ loss	1	(1.5)	2	1
Capital gain offset			(1.5)	
trading profit/ loss	(3.75)	(9)		(11)
After loss relief				
Trading profit / loss	11.25	-	-	-
Capital gain/ loss	1	-	-	1

Explanations

Capital losses can only be carried forward, so  $1.5m * (2 * 9/12 = 1.5)$  can be offset

trading loss offset for 3 months of y/e 30.6.23 =  $15 * 3/12 = 3.75$

remainder carried forward so  $24 - 9 - 3.75 = 11.25$

11 offset against expected profits in 25/26, 0.25 carried forward

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-----ANSWER-30-ABOVE-----  
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-----ANSWER-31-BELOW-----  
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Answer-to-Question- 31

Group relief

Pycelle can only surrender 50,000 of its trading losses as per the 50,000 of 255 of net income loss relief rule.

No capital gain to offset Rickonn's capital losses with.

the companies should offset losses in their own company first, then surrender left overs to other companies in the group

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-----ANSWER-31-ABOVE-----  
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-----ANSWER-32-BELOW-----  
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Answer-to-Question- 32

this is a degrouping charge . the degrouping charge will be on Vyserys ltd as the seller of shares, and this charge will be added to price that shareholding is sold for.

At the time, the transfer was done at no gain no loss, so it should be taken at market value at the time and the gain not charged at the time will be the degrouping charge.

it does not matter that the shares' value has decreased over time, but the value of the building taken for the degrouping charge should be the lower of current value or market value at the time of the transfer.

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-----ANSWER-32-ABOVE-----  
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-----ANSWER-33-BELOW-----  
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Answer-to-Question- \_33\_

Augmented profits = 220,000 + 7,000 + 25,000 = 252,000 therefore no marginal relief required as above upper limit

	UK profits	Overseas profits	total
	220,000	25,000	
CT @ 25%	55,000	6,520	
DTR			
Less: Foregin tax paid		(5,000)	
CT tax payable	55,000	1,250	56,250

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-----ANSWER-33-ABOVE-----  
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-----ANSWER-34-BELOW-----  
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Answer-to-Question- 34

Rollover relief

Base cost of office building in 2010

Proceeds	750,000		
Less cost	(550,000)		
	200,000		

New asset = 750,000-800,000 - therefore all proceeds reinvested,

Base cost of new office = 800,000-200,000 = 600,000

Proceeds in oct 2024

proceeds	1,100,000		
Less: cost	(600,000)		
Less: indexation from JUL 2010	$278.1 - 223.6 / 223.6 = 0.244^*$ $600,000 = (146,400)$		
Gain	353,600		
rollover relief (balacing figure)	153,600		
<b>Chargeable gain</b>	<b>200,000</b>		

replacement asset = 1,100,000-900,000 = gain not rolled over =200,000

**Base cost of new asset = 900,000-153,600 = 746,400**

Fixed P+M is chargable sooner of 10 years, or sold, or stopped being used in the trade

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-----ANSWER-34-ABOVE-----  
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-----ANSWER-35-BELOW-----  
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Answer-to-Question- 35

SSE - needs to be more than 10% held for at least 12 months in the 6 years prior to disposal.

therefore the disposal in 2019 qualifies as it held 12 % for more than a year before disposal

the disposal in 2025 does not qualify as not enough of a shaareholding was held in the last 12 months as only 6% was held.

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-----ANSWER-35-ABOVE-----  
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-----ANSWER-36-BELOW-----  
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Answer-to-Question- 36

1. Due date of CT payable y/e 31st march 2024 is 9 months and 1 day after end of accounting period, so the total amount is due on 1st janaury 2025. This is because this is below the threshold of 1.5m for large companies

2. CT for the 9 month period is not payable in installments, despite the fact this this is over the adjusted limit for being a large company as  $9/12 * 1,500,000 = 1,250,000$ . This is because this is the first time that Sansabran has breached this threshold. Going forward, if it continues to make profits at over 1,500,000 per annum, it will need to pay CT in installments. Therefore the due date for payment is 1st October 2025.

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-----ANSWER-36-ABOVE-----  
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Section 50	<b>67</b>	<b>299</b>	<b>351</b>
Section 51	<b>42</b>	<b>182</b>	<b>209</b>
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Section 58	<b>112</b>	<b>502</b>	<b>614</b>
Section 59	<b>109</b>	<b>496</b>	<b>603</b>
Section 60	<b>52</b>	<b>199</b>	<b>251</b>

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-----ANSWER-49-BELOW-----  
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Answer-to-Question- 49

Trading profit	80,000		
Add: 15% of leasing costs for high emission car	720		
add: fine	1,500		
add: lease premium	20,000		
TTP	102,220		

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-----ANSWER-49-ABOVE-----  
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-----ANSWER-50-BELOW-----  
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Answer-to-Question- 50

1. Actual expenses allowable deduction

Capital allowances at 880  
Fuel costs at 2,100  
Parking charges at 320

Total = 3,300

Capital allowances @ special rate pool

	special rate pool	business use	CAs
Car	22,000		
WDV@ 6%	1,320	@ 12,000/18,000 = 2/3	880

2. Flat rate expenses

Business mileage = 12,000

10,000 @ 45p per mile = 4,500

2,000 @ 25p per mile = 500

total = 5,000

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-----ANSWER-50-ABOVE-----  
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-----ANSWER-51-BELOW-----  
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Answer-to-Question- 51

Nimra

Sales	37,000-600 + 200 for purchase	36,400	
Purchases	8,000-200	(7,800)	
Laptop	1,200 * 70%	(840)	
business use of home	30 pw * 4 = 120 @ £26 per month	(312)	
TTP		27,448	

Minal

Sales income	1,900		
Less@ cost	(750)		
TTP	1,150		

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-----ANSWER-51-ABOVE-----  
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-----ANSWER-52-BELOW-----  
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Answer-to-Question- 52

Rajesh may claim relief for replacing the roof under capital allowances - this will fall under the main pool expenditure and be written down at 18% per annum. this will be a claim of 4,320

Rajesh can claim capital allowances for the airconditioning, either at the full cost under annual investment allowance, or at 6% in the special rate pool as this is an integral feature. . this will be a claim of either 16,000 or 960

he cannot claim relief for the land, however he can claim structures and buildign allowances on the contstruction fcost of the warehouse from 1st November 2024. this claim will be  $5/12 * 3% * 140,000 = 1,750$

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-----ANSWER-52-ABOVE-----  
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 -----ANSWER-53-BELOW-----  
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Answer-to-Question- \_53\_

	total	adam 20%	malcolm 40%	travis 40%
profits	80,000			
Salary	(100,000)		55,000	45,000
profit share	(20,000)	(4,000)	(8,000)	(8,000)
		(4,000)	47,000	37,000
			(2,238)	(1,762)
total profit		nil	44,762	35,238

Loss relief from malcolm

$$4,000 * (47,000 / (47,000 + 37,000)) = 2,238$$

Loss relief from travis

$$4,000 * (37,000 / (47,000 + 37,000)) = 1,762$$

Class 4 NIC due

0-12,570	nil		
35,238-12,570 @ 6%	1,480		

total class 4 NIC for travis = 1,480

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 -----ANSWER-53-ABOVE-----  
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-----ANSWER-54-BELOW-----  
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Answer-to-Question- \_54\_

A claim for loss relief must be made

Early years trading loss should be 31st jan of the year after the self- assessment would be due, so on 31st jan 2027.

deducting net income from 3 years before the loss is made: therefore from 21/22

	20/21	21/22	22/23	23/24	24/25
Employment income	39,000	45,000	60,000	42,000	
trading income					(135,000)
Less relief		(45,000)	(60,000)	(30,000)	
profit	39,000	nil	nil	12,000	nil

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-----ANSWER-54-ABOVE-----  
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-----ANSWER-55-BELOW-----  
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Answer-to-Question- \_55\_

Trading loss

	23/24	24/25	
trading profit/ loss	8,000	(50,000)	
property profit	10,000	10,000	
capital gain/ loss	26,000		
Loss relief			
c/f claim for capital gain	(7,000)		
Trading loss relief	(18,000)	(10,000)	
After loss relief			
trading profit/ loss	nil	(22,000)	
property profit	nil	nil	
capital gain/ loss	19,000		

remaining trading loss c/f is  $50,000 - 28,000 = 22,000$

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-----ANSWER-55-ABOVE-----  
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-----ANSWER-56-BELOW-----  
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Answer-to-Question- \_56\_

gift relief - this claim must be made by both Agnes and Hannah as a joint election by 31st january 2027 at the latest

Agnes can claim business asset disposal relief on her claim

	total	Business use	non-business use
MV	200,000	120,000	80,000
less: cost		(24,000)	(16,000)
Gain		96,000	64,000

Gain available for gift relief is 96,000

therefore base cost of new asset =  $200,000 - 96,000 = 104,000$

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-----ANSWER-56-ABOVE-----  
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-----ANSWER-57-BELOW-----  
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Answer-to-Question- 57

rollover relief

Proceeds	400,000		
Less: cost	(82,000)		
less: cost of purchase	(2,000)		
Less: extension	(38,000)		
Gain	278,000		
Less: rollover relief (balancing figure)	(198,000)		
chargeable gain	80,000		

Chargeable gain Proceeds - cost of new asset = 400,000-320,000 = Gain of 80,000

Base cost of new factory = 320,000 - rollover relief = 122,000

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-----ANSWER-57-ABOVE-----  
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-----ANSWER-58-BELOW-----  
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Answer-to-Question- \_58\_

there are no capital gains implications for Debbie introducing the cash to the partnership.

there is a part disposal for debbie at the introduction of the building into the partnership at the value lost at cost price, so at 80% of 110,000 = so at 88,000. the cost price of the buildign is now 22,000 for Debbie

however the CGT on the disposal can be held while the asset is still in the partnership.

Debbie can claim income tax relief for the interest payable on the loan as the buildign is now an asset used in the partnership, and Debbie is a participator in the partnership so this is now qualifying interest.

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-----ANSWER-58-ABOVE-----  
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-----ANSWER-59-BELOW-----  
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Answer-to-Question- 59

Ben Trading:

Opportunity to profit - Ben is hoping to make a profit from this activity

Modification of goods to increase sale price/ proceeds - Ben alters the clothes to increase the sales price

Repetition - this is not a one-off activity, Ben does this regularly at weekends

Platform on which to trade - ben sells these items on an online marketplace

Jason not trading:

Length of ownership - Jason has owned the trainers for several years, therefore he is not looking to make a quick profit so this is not trading

No repetition - this is a one-off activity, Jason does not regularly sell items for a profit.

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-----ANSWER-59-ABOVE-----  
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-----ANSWER-60-BELOW-----  
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Answer-to-Question- 60

Amount payable on 31st Jan 2025 =

CGT @ 3,800

Income tax @ 1,486

Class 4 national insurance @ 594

First payment on account for 24/25 =  $(1,486 + 594) / 2 = 1,040$

As payment is more than 30 days late, penalty of late payment is 5% of liability due =  
294