

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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	63	271	326
Section 2	36	172	194
Section 3	0	0	0
Section 4	58	273	314
Section 5	134	522	657
Section 6	73	404	443
Section 7	137	585	719
Section 8	81	390	451
Section 9	74	321	397
Section 10	54	246	282
Section 11	79	398	474
Section 12	65	283	345

Answer-to-Question- _1_

Sales till March	84,000		
Sales for Q/E JUne	12,000	As split over each quarter	
Total sales as on April	96,000		

As sales exceeds over the registration threshold of £90,000 as on April.

- Liz should notify HMRC in the next 30 days of the reaching of the threshold. I.e by 31 May.

Liz should start charging VAT from 1 June on her supplies.

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

		Input VAT £	
Office equipment	6000/120x20	1,000	
Leasing costs of a BMW car		800	
Purchase of new Ford Car	Input VAT blocked		
Fue for both cars		40	
Entertaining overseas suppliers	Input VAT blocked		
Input VAT		1,840	

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

		Output VAT	
Sales to the general public		7,560	
Sales to Tardie Ltd	Working 1	3,920	
Sales to Suenodulce S.A	Zero rated	-	
Gift of trade samples	Not a deemed supply as trade samples	-	
Consultancy services - reverse charge		2,500	
Total output VAT		13,980	

Working 1:

Sales to Tredie Ltd - £20,000

Amount after discount (20,000 -2%)= 19,600

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

1. This is the first grant of major interest to Sara in the property therefore the rate of VAT will be zero rated supply.
2. A plot of a land will be outside the scope of VAT.
3. A 35 year lease on newly built retail shop will also be as Zero rates supply as its the first grant of major interest in the property.

However, Sarah can made an effective option to tax on the above both leases. However it will not be effective to opt to tax the 999 year lease as it will be tenanted as house to individuals who may not want to pay more rent due to VAT.

35 Years lease will be good option as she intend to rent it to local businesses so VAT won't effect them.

-----ANSWER-5-ABOVE-----

 -----ANSWER-6-BELOW-----

Answer-to-Question- 6

		Total £	
Standard sales		99,000	
Zero rates sales		17,000	
Exempt sales		8,000	
		124,000	
% of taxable supplies	$(99,000 + 17,000) / 124,000$	93.6%	
Input VAT		standard	Exempt
Attributable to standard supplies		9,000	
Zero rates supplies		2,00	
Exempt supplies			800
Residual	$5,000 \times 93.6\%$	4,680	320
Total		13,880	1,120
Deminimis test: < 7,500 therefore all input VAT claimable			
Input VAT claimable	$13,880 + 1,120$	15,000	
Claimed during the year		12,225	
To be adjusted (claimable)		2,775	Annual adjustment

 -----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question- 7

- G&S Traders is VAT registered and UK business.
- G&S holds 80% of shareholding in Yunoe Ltd which is more than 75%. therefore qualifies to be in group.
- Yunoe holds 80% holdings in Duea Ltd which in turns to less than 75% holdings of G&S (will be only 64%). Therefore Yunoe can't be part of the VAT group.
- Treay SPA is overseas entity but registered in UK for VAT purposes therefore eligible to be the member of the VAT group.
- Only G&S Traders, Yunoe Ltd and Treay Spa can be the members of the VAT group.
- It will help the administrative burden for the senior partner of G&S traders as currently he needs to prepare the VAT returns for all entities separately but later they just need to submit group VAT return.

-----ANSWER-7-ABOVE-----

 -----ANSWER-8-BELOW-----

Answer-to-Question- 8

		Net amount £	VAt £
Purchase of newly constructed warehouse	Business asset more than 250,000	600,000	120,000
Useful life	10 years		
Initial amount of VAt recovered		120,000	
Adjustment on 1 January 2023		$120,000 \times (100 - 70\%) / 10$	3,600
No adjustments in further years as the business use doesn't chages			
Sold as on 1 March 2025	Remaining life is 7 years		
Adjustment on sale		$120,000 \times (70\% - 0) / 10 \times 7$	58,800
Adjsutment required at the date of sale under capital goods scheme			58,800

 -----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

1) The price of the flight and the meals provided are the single supply and the meals provided in the flights are incidental to the main supply.

The single supply will be charged to VAT as standard rated supply.

On the vat incurred on the expenses while Nadim was in UK and incurred those in UK, he would be able to claim those expenses back and company can reclaim input vat on those expenses.

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- 10

		Inclusive of VAT	VAt
Standard rated supplies	29,500	35,400	4,425
Zero rated supplies	1000	1,200	150
Total output VAT			4,575
Less: Input VAT on capital items	2,500		(500)
VAT payable by Rosa for Q/E Aug 25			4,075
Input vat on other purchases and expenses can't be claimed as Rosa is in Flat rate scheme.			

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question- _11_

- Siebzehn holds 80% shareholdings in Achtzehn, therefore these are group companies for the SDLT purposes.
- The sale of a freehold office building by Siebzehn to Achtzehn is exempt from SDLT.
- Sale of warehouse to Neunzehn is chargeable transaction for SDLT purposes as Siebzehn and Achtzehn doesn't qualify for the members of the same group due to less than 75% shareholdings/ownership or control.
- There will no implicatiions of the sale of shareholdings on 1 April 2025.

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question- 12

- Newly issued shares are exempt for stamp duty purposes.
- Brought shares frp, a friend in Potterr are in scope of stamp duty.
- Exempt for Stamp duty in UK as shares listed in Madrid stock exchange
- Inherited shares in Oldviejo Ltd on the death of his grandfather are exempt for stamp duty as these are gift and no consideration have been given.

-----ANSWER-12-ABOVE-----

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Count (s)	Word(s)	Char (s)	Char (s) (WS)
Section 13	109	504	611
Section 14	106	526	618
Section 15	71	415	459
Section 16	113	500	612
Section 17	97	464	543
Section 18	62	348	382
Section 19	0	0	0
Section 20	54	296	327
Section 21	85	394	478
Section 22	24	139	150
Section 23	0	0	0
Section 24	0	0	0

-----ANSWER-13-BELOW-----

Answer-to-Question- 13

- Gifts made by Adele to her Nephew of £2,500

- These are Potential exempt transfers for inheritance tax purposes.

- Adele will be eligible for the wedding gift exemption of £1,000 and the remaining £1,500 will be covered by annual exemption.

- The gift of £400,000 to a discretionary trust for the benefit of grandchilder is the chargeable transfer and will be subject to inheritance tax.

- Adele will be able to claim the Annual exemption of £3,000 and nil rate band of £325,000 as she haven't made any lifetime gifts.

- The earlier gift made on 15 September 2024 on wedding is covered by her annual exemption.

-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question- _14_

Death estate		Amount £	
House		240,000	
Cash and quoted shares		530,000	
Less: RNRB	(175,000)		
NRB	Already utilised	(175,000)	
Net chargeable transfer		3,55,000	
IHT payable @40%		142,000	

- The tax liability can be paid in installments only if the chargeable estate is related to land and building and quoted shares and any inheritance tax is payable on those chargeable transfers.
- The IHT liability should be paid within 10 installments if related to the above mentioned chargeable transfer. Other than these the liability would be interest bearing.
- The first installemnt is due by end of 6 month from the month end of the date of death.

-----ANSWER-14-ABOVE-----

 -----ANSWER-15-BELOW-----

Answer-to-Question- 15

		Amount £	
Chargeable estate		750,000	
RNRB	(175,000 +175,000) but restricted to the value of house	(225,000)	
NRB	(325,000)		
IESS: CHARGEABLE transfers within 7 years	250,000	(75,000)	
Net chargeable transfers		450,000	
IHT payable @40%		180,000	

- The due date of payment is 30 September 2025.

Workings:
 calculation of Nil rate band used by Molly

Chargeable estate		2,300,000	
Less: transfer to spouse		(1,300,000)	
Chargeable transfer		1000,000	
NRB	325,000	(325,000)	
Net chargeable transfer		775,000	

-----ANSWER-15-ABOVE-----

-----ANSWER-16-BELOW-----

Answer-to-Question- 16

- Thato parents have the domicile of France and UK. Thato mother is domiciled in UK. Thato will be UK domiciled by birth for the IHT purposes due to her mother's UK by birth domiciled status.
- During 1980/91 Thato will be non-UK domiciled as he was moved to Germany with his parents.
- For the foreign domiciled residents, the 15/20 rule applies here and if Thato is UK resident during the 15 years out of the preceding 20 years then he will be deemed domicile for UK IHT purposes.
- 2024/25 will be the 15th year of UK resident for Thato, therefore he will be deemed domicile for IHT purposes during 2024/25.

-----ANSWER-16-ABOVE-----

-----ANSWER-17-BELOW-----

Answer-to-Question- 17

No IHT payable on lifetime transfer of 110,000 as will be covered by AEs and NRB.

on 30 September 2019, there was transfer of £205,000 out of which AEs of £6,000 will be claimed and remaining will be covered by NRB.

1 January 2022			
Chargeable transfer		300,000	
Less: NRB	325,000		
Transfers made in previous 7 years (205,000 -6000)	199,000	(126,000)	
Net chargeable transfer		174,000	
IHT payable	@40%	69,600	
Less: taper relief	@40%	(69,600)	
IHT payable		Nil	

The death was after 3 years of the gift made and before 7 years and therefore taper relief will be available.

-----ANSWER-17-ABOVE-----

-----ANSWER-18-BELOW-----

Answer-to-Question- 18

	Probate value	Gross sale proceeds	Reduction in value
Flat in London	650,000	680,000	30,000
Flat in Manchester	120,000	119,500	(500)
House in Manchester	420,000	380,000	(40,000)
House in Liverpool	220,000	240,000	Profit ignored as after 3 years
Flat in Liverpool	133,000	125,000	(8,000)
Total loss eligible for value reduction	18,500		
Restricted to purchase of land as purchased within 4 months	18,500		

Workings:

-----ANSWER-18-ABOVE-----

-----ANSWER-19-BELOW-----

Answer-to-Question- 19

-----ANSWER-19-ABOVE-----

-----ANSWER-20-BELOW-----

Answer-to-Question- 20

		Amount £	
Current value of the trust		8,80,000	
NRB	325,000		
Less: CLT within 7 years before creation of trust	(150,000)		
Less: distribution in previous 10 years	(75,000)	(100,000)	
Net chargeable transfers		780,000	
Notional tax @20%		156,000	
Effective tax rate	156,000/880,000	17.7%	
Actual tax rate	17.7% x 30%	5.31%	
Principal charge	880,000 x 5.31%	46,728	

-----ANSWER-20-ABOVE-----

-----ANSWER-21-BELOW-----

Answer-to-Question- 21

- Terrance holds 40% holdings in Leeng Plc, her wife also holds 30% of holdings. Together they have 70% of the holdings.
- Katy hold the shares for more than 2 years and for Terrance holdings, the period of holdings before his death will also be considered as the inheritance of shares was due to death.
- The shares are qualifying property and the period of holding condition is also satisfied therefore eligible for BADR.
- 10% preference shares will not be eligible for BADR.

-----ANSWER-21-ABOVE-----

-----ANSWER-22-BELOW-----

Answer-to-Question- 22

	Property income	Interest income	Dividend income
Income (37,000 - 15000)	22,000	10,000	7,000
Tax @20/20/8.75	4,400	2,000	612.5
Total tax payable by trustee			7,012.5

-----ANSWER-22-ABOVE-----

-----ANSWER-23-BELOW-----

Answer-to-Question- 23

-----ANSWER-23-ABOVE-----

-----ANSWER-24-BELOW-----

Answer-to-Question- 24

-----ANSWER-24-ABOVE-----

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Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 37	45	227	243
Section 38	45	221	243
Section 39	47	232	262
Section 40	49	246	275
Section 41	52	257	307
Section 42	71	331	403
Section 43	0	0	0
Section 44	58	227	283
Section 45	62	298	342
Section 46	45	254	277
Section 47	54	265	294
Section 48	0	0	0

-----ANSWER-37-BELOW-----

Answer-to-Question- 37

	Total	NS	Saving
Employment income	64,000	64,000	
Bank interest	1,000		1,000
Child benefit - Exempt			
Taxable income	65,000	64,000	1,000
Personal allowance	(12,570)	(12,570)	
	52,430	51,430	1,000
37,700 x 20%	7,540		
13,730 x 40%	5,492		
500 x 0%			
500 x 40%	200		
Tax liability	13,232		

-----ANSWER-37-ABOVE-----

-----ANSWER-38-BELOW-----

Answer-to-Question- 38

	Total	NS	Interest
Pension income	110,000	5,000	105,000
Less: personal allowance	(12,570)	(5,000)	(7,570)
	97,430		97,430
500 x 0%	0		
37,950 x 20%	7,590		
58,980 x 40%	23,592		
Tax liability	31,182		

Workings:

Gift aid- 750 gross

Updated Basic rate band $37,700 + 750 = 38,450$

-----ANSWER-38-ABOVE-----

 -----ANSWER-39-BELOW-----

Answer-to-Question- 39

		Class 1 secondary NIC		
Salary for Beatrice				
	2,000			
	$(2,000 - 758) \times 13.8\%$	171.39 per month		
Salary for Laura				
	5,000			
	$(5,000 - 758) \times 13.8\%$	585.39 per month till February		
March salary	5000 + 10,000= 15,000			
	$(15,000 - 758) \times 13.8\%$	1,965.39 for March		

Class 1A NIC				
Total benefits	=250+1,200	200		

 -----ANSWER-39-ABOVE-----

 -----ANSWER-40-BELOW-----

Answer-to-Question- 40

			Amount £	
Loan provided by company			15,000	
Interest on loan at official rate	$15000 \times 2.25\%$	337.5		
Less: payment made		(100)	237.5	
Car list price	42,000			
Less: contribution max 5,000	(5,000)	42,000		
Car benefit	$42,000 \times 26\%$		10,920	
Fuel benefit	$27,800 \times 26\%$		7,228	
Total cash equivalent benefit			33,385.5	

 -----ANSWER-40-ABOVE-----

-----ANSWER-41-BELOW-----

Answer-to-Question- _41_

- Travel costs from Home to office are allowable deductions.
- Tracel from home to client are business related expenses, therefore not part of taxable earnings for Theo.
- Cost of sweets and small toys given to the children to Nursery is not the allowable deductions in calculating Theo net taxable earnings.

-----ANSWER-41-ABOVE-----

-----ANSWER-42-BELOW-----

Answer-to-Question- 42

- Option 1 is for residential use and option 2 is for commercial use.
- Alice would be allowed a deduction of the interest expense if he purchased commercial building.
- However, for the residential property he would only be getting the tax deduction at basic rate. Interest expenses will be treated as tax reducer at basic rate.
- He will get the deductions for the replacement costs of the boilers.

-----ANSWER-42-ABOVE-----

-----ANSWER-43-BELOW-----

Answer-to-Question- 43

-----ANSWER-43-ABOVE-----

-----ANSWER-44-BELOW-----

Answer-to-Question- 44

- On the investment in the SEIS shares, the tax benefit would be available to the individual up to 50% of the amount invested in the SEIS shares.

- It will be treated as tax reducer and the benefit will be 50% on the lower of

- a) Amount invested in SEIS
- b) tax liability due in the year

-----ANSWER-44-ABOVE-----

-----ANSWER-45-BELOW-----

Answer-to-Question- _45_

On the grant date: No tax implications

On Exercise date: The options are issued at discount, therefore there will be taxable benefit for Claire.

Market price	1,000 x 100	10,000	
Less: Exercise price	1,000 x 90	9,000	
Taxable benefit		1,000	

On sale date:

08 January 2025			
Sale proceeds	1,000 x 200	200,000	
Less: exercise price	1,000 x 100	10,000	
Capital gain		190,000	

-----ANSWER-45-ABOVE-----

 -----ANSWER-46-BELOW-----

Answer-to-Question- 46

			Capital gain	
Car	-Exempt for Capital gain purposes			
Rental property				
Sale proceed	MV used as connected party sale	180,000		
Less: cost		60,000	1,20,000	
Paintings				
Proceed Deemed proceed		6,000		
Less: Base cost		(9,000)	(3,000)	
Jewelry	Exempt for chargeable gan			
Capital gain			117,000	
Less; AEs			(3,000)	
			114,000	

 -----ANSWER-46-ABOVE-----

 -----ANSWER-47-BELOW-----

Answer-to-Question- 47

Sale proceeds		6,70,000		
Less: cost		(320,000)		
			350,000	
PRR available	$350,000/159 \times 153$		(336,792)	
Chargeable gains			13,208	
Less: AEs			(3,000)	
CG liability @18%			1,837.44	

Workings:

		Occupancy	Non-occupancy
01 January 2015 to 31 Dec 2022		144	
01 January 2023 to 30 June			6
1 July 24 to 31 March 25 (deemed occupancy)		9	
Total		153	6

 -----ANSWER-47-ABOVE-----

-----ANSWER-48-BELOW-----

Answer-to-Question- 48

-----ANSWER-48-ABOVE-----
