

CIOT - ATT-CTA - 2020 November Exams

Paper: **CTA Awareness**

Part/Module: **Module D**

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

Answer-to-Question- \_37\_

Premium bond prize is exempt income

taxable income = 58,000+600 = 58,600

Personal allowance = 12500

Taxable income = 45,500 (PA deducted from employment income)

37,500@20% = 7,500

8,000@40% = 3,200

Interest - 500 = not taxed (500 personal savings allowance for higher rate income) interest is taxed after non-savings income.

100@40% = 40

Child benefit

Income - 58,600

8,600 is in excess of 50,000

8,600/100 = 86%

Child benefit charge = 1,097\*86% = 943

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

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

Answer-to-Question-\_38\_

Employment income = 104,500

Gift donation extends the tax bands  
 $2,000 * 100/80 = 2,500 =$  gross up amount

new bands:  
 $37,500 + 2,500 = 40,000$

Her PA is reduced as employemet income exceeds 100,000  
 $12,500 - 2,250 = 10,250$

$104,500 - 10,250$   
94,250 - taxable income after PA

$40,000 @ 20\% = 8,000$   
 $54,250 * 40\% = 21,700$

Total = 29,700

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

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

Answer-to-Question-\_39\_

march payments - 6,000  
first 10,000 business miles allowances is 45p. 10,000  
have been exceeded.  
therefore additional business miles allowance is 25p  
 $25p * 700 = 175$  - allowable  
 $420 - 175 = 245$   
total = 6245

Class 1 NIC by Amab

$(4,167 - 719) * 12\% = 414$   
 $(6245 - 4,167) * 2\% = 42$

Class 1 secondary contributions (by employer)

$(6,245 - 719) * 13.8\% = 763$

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

---

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

Answer-to-Question-\_40\_

    Maria used the car for 6 months out of 12. two weeks  
repair does not qualify for non-availability deduction as  
the car was not off the road for 30 days.

    listed price = 38,000  
    (125-95)/5+23 = 29%

    38,000\*29% = 11,020 - benefit for the whole year  
    11,020\*6/12 = 5,510 - benefit for the part of the year  
when Maria used the car  
    less contributions = 5,500

    taxable benefit is £10

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

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

Answer-to-Question- \_41\_

Anna

$700 \times 12 = 8,400$  - property income

She can apply for rent-a-room relief where £7,500 is deducted from gross rent, with no relief for expenses.

If no claim is made then, gross rents minus expenses is taxed as normal

$8,400 - 7,500 = 900$  taxable - more beneficial than

$8,400 - 320 \times 12 = 4,560$  (taxable if no claim is made)

Elsie

$150 \times 12 = 1,800$

expenses  $35 \times 12 = 420$

Elsie can use property allowance of 1,000, but then the expenses will not be allowable.

taxable amount will be 800

If she decides not to use property allowance, taxable amount will be  $1,800 - 420 = 1,380$  which is more than in the above option

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

---

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

Answer-to-Question-\_42\_

Head office to clients' premises - these expenses are incurred for business purposes (wholly, exclusively and necessarily) therefore will be deductible

Home to head office - head office is his permanent place of work, therefore travel is not deductible

Home to the office in York - office in York is treated as temporary place of work as his assignment is less than for 24 months, therefore will be deductible.

As he was required to stay at the hotel by his employer, it will be business related - should be deductible

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

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

Answer-to-Question-\_43\_

Threshold income  
Salary - 160,000  
less employeys contributions

Threshold income (160,000) exceeds 110,000

Adjusted income  $160,000 + 35,000 = 195,000$   
exceeds 150,000

Adjusted income  $195,000 - 150,000 = 45,000$

Annual allowance 40,000  
less reduction  $(45,000 / 2) = (22,500)$   
tapered annual allowance = 17,500

17,500

AA allowance is increased by any unused AA for previous  
3 years  
, i.e. 5,000

$17,500 + 5,000 = 22,500$   
less contributions (35,000)  
12,500 - excess  
Charge  $12,500 * 45\% = 5,625$

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

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

Answer-to-Question-\_44\_

grant of lease is less than 45 years

$110,000 * 2\% * (45-1) = 9,680$  - capital element  
treated as apart disposal of the underlaying land and  
building

$cost = 9,680 / (110,000 + 160,000) = 0.036$

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

---

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

Answer-to-Question- \_45\_

- shares must be in a trading company and must be unlisted when they are issued
- whether the shares new ordinary share subscribed for cash before 17 th MArch 2016 (if yes, condition is satisfied)
- whether Peter is a director or employee of the company. (for IR he can't be)
- whether the shares have been held for 3 years from 6.04.16 (if yes, condition is satisfied)

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

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

Answer-to-Question-\_46\_

Loss on shares sold to daughter is a sale to a connected person therefore loss can be offset against future gains on disposal to that same person

Shares in Spownie will be taxed at 10% = 3,500  
Residential property 65,000  
AEA (12,000)  
53,000 - taxable gain

60,000-12,500 = 47,500 (first 37,500 taxed at 20%)  
10,000 at 40%

Shares in Spownie will be included in next band total  
82,500

Residential property will be taxed @28% = 14,840

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

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

Answer-to-Question-\_47\_

painting - loss on the sale. Loss restricted by  
deeming gross proceeds to be £6,000  
 $6,000 - 7,000 = (1,000)$  - loss

Necklace - gains restricted to  $\frac{5}{3} * (7,500 - 6,000) =$   
2,500

watch -  $12,000 - 2,000 = 10,000$

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

---

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

Answer-to-Question-\_48\_

Marcus Payment on the account is required, as the tax due (3,200) is more than 1,000 and not 80% of tax liability is collected via PAYE.

Kezia - the amount is less than 300, no payment on the account is required and the payment can be collected via PAYE next year through adjusted tax code by HMRC.

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