

CIOT - ATT-CTA - 2020 November Exams

Paper: **CTA Awareness**

Part/Module: **Module B**

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

Answer-to-Question-_13_

YE 5.4.20 -0 Brypo Disc Trust

	NSI £	SI £	Divis £	
Rental income	10,000			
Interst income		4,100		
Divi income			800	
Property fees	(960)			960
Trustees expenses (518 x 100/92.5)			(560)	560
	9,040	4,100	240	1,520

Income tax

0-1,000 @ 20% = £200
9,040 @ 45% = 4,068
4,100 @ 45% = 1,845
240 @ 38.1% = 91
1,520 @ 38.1% = 579

Income tax to be paid = £6,783

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

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

Answer-to-Question-_14_

- Agricultural property relief (APR) is available under certain circumstances when farmland and farm building are situated in the UK and other locatinos.
- Assume location of farm within specific geography required

Bobbins for to disc. trust (farmed)

- Relief would be APR at 100% if owned for more than 2 years before the gift
- APR on agricultural value of the land, being £900,000 and buildings of £400,000
- Farm equipment excluded from APR so not available

Firkins for to disc. trust (tenanted to son)

- Relief would be APR at 100%, owned for more than 7 years before the gift as tenanted
- APR on agricultural value of the land, being £880,000 and buildings of £200,000
- Farm equipment excluded from APR so not available

- If tenanted before 1.9.95 and lease more than 2 years to run, then only 50% APR avaiailable on gift

- APR deducted from MV of farmland before lifetime IHT calculation done.

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

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

Answer-to-Question-_15_

2019/20 gifts

- Gifts to spouse exempt for IHT purposes, therefore IHT £Nil.
- £40,000 of shares gifts to son, potentially exempt transfer (PET), therefore no lifetime IHT payable. IHT may be payable should the donor die in less than 7 years
- Land to trust

	£
Gift of land	500,000
Less PY AE	(3,000)
Less CY AE	<u>(3,000)</u>
Net CLT	494,000
Less NRB	<u>(325,000)</u>
Taxable amount	169,000
IHT @ 25%, assumed donor paying	<u>£42,250</u>

- cash to UK charity of £10,000 exempt from IHT, therefore IHT £Nil.

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

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

Answer-to-Question-_16_

Death tax no lifetime transfers

- Donor survived more than 7 years so Jan 2011 gift excluded
and no death tax due

	£	
£		
GCT	100,000	
318,750		
NRB	325,000	
less GCTs in 7 years before gift	<u>(200,000)</u>	
		<u>(125,000)</u>
No IHT due, covered by NRB		Nil
NRB remaining		
<u>(25,000)</u>		
Taxable		
293,750		
IHT @ 40%		
117,500		
less taper relief 1-2 years @ 0%		(
-)		
less life tax		
<u>(18,750)</u>		
IHT payable		
<u>98,750</u>		



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

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

Answer-to-Question-_17_

- Shares in Kenzi

40% owned but value at 60% level as civil partner owns another 20%
shares therefore valued at £8.90 each
Civil partners are related for valuation purposes and share amalgamanted

- Property in France

£120,000 subject to UK IHT, assuming Kenzi is UK-resident for IHT purposes.
But expenses deducted at max 5% of overseas assets value, being $120,000 \times 5\% = £6,000$

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

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

Answer-to-Question-_18_

- Gift to qualifying party exempt for IHT therefore excluded from calculation

- £325,000 nil rate band available on death of Martin will be used up in chronological order of gifts:

- Gift of cash to nephew a PET for IHT purposes then tax at 40% IHT payable on death.
- Gift of cash to nephew a PET for IHT purposes then tax at 40% IHT payable on death.

- then remainder used to offset level of gift to trust.

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

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

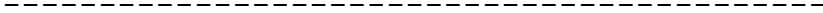
Answer-to-Question-_19_

Death at 31.3.20

	£
Main residence	530,000
Life policy	95,000
Chattles	50,000
Cash ISA	80,000
Personal loans Must be legally enforceable and paid	(5,000)
HMRC debt	<u>(1,800)</u>
	748,200
NRB at death	(325,000)
RNRB (property left to lineal decendants) 2019/20	(150,000)

Taxable	273,200
IHT @ 40%	<u>109,280</u>

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



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

Answer-to-Question-_20_

- Gift to national heritage museum is exempt transfer for purposes of CGT and IHT

- Sale of table to friend within range of expert valuation, no loss to donor from the transaction, no IHT impact

- Small gifts annually of < £250 are exempt from IHT and therefore £200 to separate individuals has no impact for IHT

- Below market value of gift, therefore the loss to donor Jamie is:

MV £185,000 - consideration £150,000 = £35,000

£35,000 becomes a PET for IHT purposes and if Jamie dies within 7 years the donee Simon would have to pay IHT on the value of the 'gift'

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

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

Answer-to-Question-_21_

- Death in 2006 before RNRB came in so not available to pass onto wife
- Amount left to wife £400,000 - 199,500 = £200,500
- All of NRB £325,000 assumed to have been used up by Nigel

- House left to lineal decendant therefore RNRB of Julia applies, all of it

- No lifetime gifts so no GCTs to deduct from NRB

Estate value	£ 900,000
NRB	(325,000)
RNRB 2019/20	<u>(150,000)</u>
Amount to charge at 40% IHT	425,000

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

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

Answer-to-Question-_22_

- Sale or appointment of assets from a trust is disposal at MV for CGT purposes

1) horse:

	£
Proceeds	28,000
less cost	<u>(14,000)</u>

Chargeable gain 14,000

CGT at 20% 2,800

2) Property:

	£
Chargeable gain	65,000
Less losses	<u>(10,000)</u>
	55,000

CGT at 28% 15,400

3) shares:

	£
Chargeable gain	80,000

CGT at 20% 16,000

- Capital losses of £10,000 deduct against higher rate at 28%

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

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

Answer-to-Question-_23_

- Gift with reservation of benefit as Joanne continues to derive benefit from it for 2 months of the year
- Market rent not paid by Joanne and she is not virtually excluded from the property
- Asset treated as still forming part Joanne's estate

- If she released the asste it would be a PET for IHT purposes

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

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

Answer-to-Question-_24_

- Executors responsible if donees under 18 years old.
Otherwise remainderman pays within, due earlier of 6 months
from end of death month and delivery of IHT 100

- £10,000 payable by donee no later than 6 months from end
of month of death, being 31 December 2020

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