The Chartered Institute of Taxation

Awareness

Module D: Taxation of Individuals

November 2025

Suggested answers

37)

	Total	Non-savings	Savings	
	£	£	£	
Employment income	64,000	64,000		
Interest	1,000		1,000	
Total income	65,000	64,000	1,000	
Personal allowance	(12,570)	(12,570)		**1**
Taxable income	£52,430	£51,430	£1,000	
Income tax:	£		£	
On NSI at basic rate	37,700	20%	7,540	
On NSI at higher rate	13,730	40%	5,492	**1**
On savings income within allowance	500	0%	0	
On savings income above allowance	500	40%	200	**1**
High income child benefit charge (working)			312	
Income Tax liability			£13,544	

Working: HICBC

	£	
Adjusted net income (£64,000 + £1,000)	65,000	
Threshold	(60,000)	
Income above threshold	5,000	**1**

Working: (£5,000 / £200) = 25%. 25% x £1,248 = £312 **1**

38)

	Total	Non-savings	Dividend	
	£	£	£	
Pension income	5,000	5,000		
Dividend income	105,000		105,000	
Total income	110,000	5,000	105,000	
Personal allowance (workings)	(7,945)	(5,000)	(2,945)	
Taxable income	£102,055	£0	£102,055	
Income tax (workings):	£		£	
On dividend income within allowance	500	0%	0	**1**
On dividend income at ordinary rate	37,950	8.75%	3,321	
On dividend income at higher rate	63,605	33.75%	21,467	**1**
Income tax liability			£24,788	

Working: Personal allowance

	£	
Adjusted net income (£110,000 - £750)	109,250	**1**
Threshold	(100,000)	
Income above threshold	£9,250	

£12,570 – (£9,250 / 2) = £7,945 **1**

Working: bands

Basic rate band: £37,700 + £750 = £38,450 **1**

39)

	£	
Beatrice:		
((£2,000 - £758) x 13.8%) x 11	1,885	
((£2,000 + £250) - £758) x 13.8%	206	
Laura:		
((£60,000 + £10,000) - £9,100) x 13.8%	8,404	
	10,495	**3***
Less, employment allowance	(5,000)	**1**
Class 1 Secondary NICs	5,495	
Class 1A NICs: £1,200 x 13.8%	166	**1**
	£5,661	

***1 mark for 13.8%; 1 mark for correctly including both £250 and £10,000; 1 mark for calculating Laura's NIC on an annual basis.**

40)

	£	
Car:		
List price	42,000	
Less, capital contribution (max. £5,000)	(5,000)	**1**
Revised price	£37,000	
Benefit for full year: £37,000 x 26% [20 + (105 – 75)/5]	£9,620	**1**
Cash equivalent for period of use: £9,620 x (4/12)	£3,207	**1***
Fuel:		
£27,800 x 26%	£7,228	**1**
Cash equivalent for period of use: £7,228 x (4/12)	£2,409	
Loan:		
Interest at average rate for year less interest paid:		
(£15,000 x 2.25%) - £100	£237	**1**

***Must time apportion both car and fuel benefits to gain mark**

41)

Relief may not be claimed for the costs of **ordinary commuting**, including travel between home and a **permanent workplace**. This applies to the travel to the employer's premises and so these costs are not an allowable deduction. **1+1**

The exclusion for ordinary commuting does not apply to his travel from home to the client's premises as the client's premises are **a temporary workplace**. **1**

This is because:

- He did not spend **more than 40% of his time** at the client's premises.
- He did not regularly attend the client's premises for **a period in excess of 24 months**. **1***

The cost of the sweets and toys is not an allowable deduction as:

- Theo was **not obliged to incur the expense** as an employee.
- The expense was **not incurred wholly, exclusively and necessarily** in performing the duties of the employment. **1***

***In both cases, mark awarded for correct conclusion and at least one of the reasons given.**

42)

<u>Option one – residential property</u>

A deduction can be claimed in calculating Alice's taxable income from her property business for the cost of replacing the boiler as this is a revenue expense. **1***

A deduction may not be claimed for the interest. Instead, relief will be given at the rate of 20% as a reduction in calculating Alice's Income Tax liability. **1**

No relief is given for the initial cost of furniture provided for use in a residential property. **1**

<u>Option two – commercial property</u>

The interest and the cost of the boiler (revenue expense) can be deducted in calculating Alice's taxable income from her property business. **1**

Alice may claim capital allowances in respect of the cost of installing fixtures and fittings. These will be deducted from her property income. **1**

***For correct treatment of boiler in both options.**

43)

Ben does not meet either of the first and second tests as he was UK resident for the previous three tax years and spent more than 15 days in the UK in the tax year. **1+1**

Ben does meet the work test as:
- he worked full-time (at least 35 hours per week) abroad with no significant breaks, and **1**
- he spent fewer than 91 days in the UK in the tax year, and **1**
- he had fewer than 31 workdays in the UK in the tax year. **1**

44)

Relief is given for 2024/25 as a reduction in calculating Asha's Income Tax liability for the year at the rate of 50%, capped at the amount of his Income Tax liability (£152,703). **1**

Relief is calculated on the lower of £200,000 and the amount subscribed of £220,000. **1**

Therefore, Income Tax relief of £100,000 (£200,000 x 50%) may be claimed.

The claim should be made in the Self Assessment Tax Return for 2024/25. **1**

However, a claim may not be made until such time as the form SEIS3 is issued by HMRC. **1**

The deadline for making a claim, in the return or if necessary directly to HMRC, is 5 years from 31 January following the end of the tax year in which the shares are issued: 31 January 2031. **1**

45)

Grant: no charge to Income Tax **1**

Exercise: 1,000 x (£100 - £90) = £10,000 charged to Income Tax **1+1**

	£	
Proceeds: 1,000 x £200	200,000	
Less, cost: 1,000 x £90	(90,000)	
Less, amount charged to Income Tax on exercise (above)	(10,000)	**1**
Capital gain	£100,000	**1**

46)

	£	
Classic car: wasting chattel, exempt from CGT*	No gain or loss	**1**
Rental property: £180,000 (MV) - £60,000	Gain of £120,000	**1**
Painting: £6,000 (deemed proceeds) - £9,000	Loss of £3,000	**1**
Jewellery: lower of:		**1**
£7,500 - £2,000 = £5,500		
5/3rd of (£7,500 - £6,000) = £2,500	Gain of £2,500	**1**

***Explanation not needed for the mark**

47)

	£	
Gain (£670,000 – £320,000)	350,000	
Less, private residence relief ((105/120) x £350,000) (Note)	(306,250)	**1**
Chargeable gain	43,750	
Less, annual exemption	(3,000)	**1**
Taxable gain	£40,750	
CGT on £2,270 [(£12,570 + £37,700) - £48,000] at 18%	£409	**1**
CGT on £38,480 (£40,750 - £2,270) at 24%	£9,235	
	£9,644	**1***

Note: proportion of gain eligible for PRR

	Months	
Actual occupation	96	
Deemed occupation: last nine months of ownership	9	
Total months for PRR	105	**1**

***For using correct rates of CGT**

48)

	£	
Return filed late	100	**1**
Return filed between 3 and 6 months late (90 days x £10 per day)	900	**1**
	£1,000	

Potential lost revenue: £20,000 x 39.35% = £7,870		**1**
Minimum penalty for deliberate but not concealed error: 20% x £7,780	£1,574	**1**
Maximum penalty for deliberate but not concealed error: 70% x £7,780	£5,446	**1**