

Module D
Taxation of Individuals

1. Anna had the following income for 2016/17:

	£
Salary	100,000
Dividends received	52,000

Income Tax totalling £29,200 was deducted from her salary at source. Anna made payments on account of her 2016/17 Income Tax liability totalling £3,000.

Calculate the Income Tax payable for 2016/17 by Anna on 31 January 2018.

2. Ben is a sales representative with a monthly earnings period for the purposes of National Insurance Contributions. For 2016/17, Ben's basic salary was £3,200 per month. In March 2017, Ben was paid a bonus of £5,000.

Calculate the National Insurance Contributions payable by Ben and his employer for 2016/17.

3. On 6 January 2017, Charles received £80,000 from his employer in the form of an interest-free loan. He made a repayment of £15,000 on 5 March 2017.

Calculate the cash equivalent of Charles' benefit for 2016/17 in respect of the loan using:

- 1) The average method.
- 2) The strict method.

4. Douglass is considering subscribing for 2,000 newly-issued shares in Good Hearted Ltd, a registered charity. Douglass will pay £10,000 for the shares.

You are required to:

- 1) State the conditions Douglass must satisfy in order to be an eligible investor in Good Hearted Ltd for the purposes of Social Investment Tax Relief (SITR).
- 2) Calculate the maximum amount of Income Tax relief under the SITR that Douglass may claim.

5. Fiona and George are married. They have always been UK resident. On 27 December 2016, Fiona and George left the UK so that Fiona could take up a full-time job in New Zealand. She started work on 1 January 2017. The couple do not plan to return to the UK before Fiona's employment contract ends on 31 December 2020.

Briefly explain Fiona and George's UK residence status for 2016/17.

6. Harriet lets a furnished cottage in France to holidaymakers. The cottage was available to let throughout 2016/17. However, due to an issue with the bookings website, it was let for only 75 days during that period. There were no periods of longer-term occupation.

The property qualified as a furnished holiday let in 2015/16.

Briefly explain whether the cottage qualifies as a furnished holiday let for 2016/17.

7. On 5 January 2017, Imogen granted a 30-year lease to occupy a commercial property that she owns. Imogen's income and expenditure in respect of the property for 2016/17 was as follows:

<u>Date paid / Received</u>	<u>Description</u>	<u>Income</u> £	<u>Expense</u> £
5 January 2017	Premium received from tenant	30,000	
5 January 2017	Rent for first six months received in advance from tenant	6,000	
5 January 2017	Landlords insurance for year to 31 December 2017		1,500
3 March 2017	Repairs to roof due to storm damage		1,700

Calculate Imogen's taxable property income for 2016/17.

8. Jason resigned from his employment with Karz Ltd with effect from 5 March 2017. During his employment with Karz Ltd, Jason was awarded free shares under a Share Incentive Plan (SIP) as follows:

<u>Date</u>	<u>Number of shares</u>	<u>Market value per share</u> £
1 May 2011	3,400	1.05
1 May 2013	3,000	1.20
1 May 2014	2,570	1.40

At 5 March 2017, shares in Karz Ltd had a market value of £2 per share. Shares in Karz Ltd are not readily convertible assets.

Calculate Jason's employment income for 2016/17 in respect of each award of shares. If no income arises, state why.

9. Linda made the following disposals during 2016/17:

	<u>Acquisition cost for Linda</u> £	<u>Proceeds received by Linda</u> £	<u>Market value on disposal</u> £
Painting	4,000	8,000	8,000
Shares in a listed company	10,000	nil	32,000
Residential property	175,000	175,000	230,000
Jewellery	7,000	3,200	3,200

Linda gave the shares to her husband and she sold the residential property to her daughter. She sold the painting and the jewellery to a local retailer.

Calculate Linda's chargeable gain or allowance loss in respect of each disposal.

10. On 1 December 2016, Martin disposed of a residential property, which was not and had never been his main residence, realising a capital gain of £60,000.

Martin's only income in 2016/17 was property income of £25,000. On 1 March 2017, he made a charitable donation of £500.

Calculate the Capital Gains Tax payable by Martin for 2016/17.

11. Oliver purchased shares in Purpul plc as follows:

	<u>Number of shares</u>	<u>Total cost £</u>
11 October 2007	12,500	15,850
3 April 2010	20,000	32,000
9 May 2011	2,000	3,900

On 4 February 2017, Oliver sold 25,000 shares at £2 per share. By 27 February 2017, the value of the shares had fallen to £1.30 per share at which point Oliver bought 5,000 shares.

Calculate Oliver's chargeable gain or loss in respect of his disposal on 4 February 2017.

12. Poppy's tax liabilities for 2016/17 are as follows:

	£
Income Tax	4,100
Less, deducted at source	<u>(800)</u>
	3,300
Capital Gains Tax	<u>1,400</u>
Total tax payable	<u>£4,700</u>

She made payments on account of her tax liability for 2016/17 of £450 on 31 January 2017 and £450 on 31 July 2017.

You are required to:

- 1) Briefly explain why Poppy will be required to make payments on account of her tax liability for 2017/18.**
- 2) Calculate the tax payable by Poppy on 31 January 2018.**