

# **The Chartered Tax Adviser Examination**

May 2022

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## **Application and Professional Skills**

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### **Taxation of Individuals**

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Pre-seen information

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**You may print this copy of the pre-seen information for your exam, however it will be contained in the final Exhibit in each question.**

## Pre-seen information

Client names	Justin Liu and Jenny Liu
Date and place of birth	Justin was born on 5 February 1961 in Ruritania Jenny was born on 16 December 1969 in Ruritania
Marital status	Justin and Jenny were married on 1 April 2010
Children	Justin has an adult daughter, Mary, from a previous relationship. Mary lives in the UK. Jenny has no children
Residence	Justin – UK resident since 1992/93 Jenny – UK resident since 2000/01
Domicile	Justin – Ruritania Jenny – Ruritania
Wills	Both Justin's and Jenny's UK Wills are written such that their respective estates pass to the surviving spouse on either of their deaths.

## Justin Liu – Asset Schedule at 25 April 2022

### 53 Red Street, London

Residential property purchased 6 April 2000 for £120,000.  
This was Justin's main residence until 5 April 2010, and has since been let to long-term tenants.

### Shares in Industrious Ltd

Justin owns 3,500 ordinary shares in Industrious Ltd, an unquoted trading company. All of the company's assets are used for the purpose of its trade. The company has 50,000 shares in issue which rank pari passu in all respects.

Justin bought the shares on 1 May 1996 for £63,500, which was their market value at that time.

### Unit 4, Grey Building

Justin purchased this warehouse on 5 April 2009 for £80,000. Since then it has been let to Industrious Ltd at a market rate, and currently generates a rental profit of £20,000 per annum.

### Other Assets

Stocks and Shares ISA  
Self-Invested Personal Pension (SIPP)

## Jenny Liu – Asset Schedule at 25 April 2022

### 17 Yellow Road, London

Residential property purchased 1 September 2004 for £350,000.  
Jenny has lived in this property as her main residence since purchase. It has also been Justin's main residence since 6 April 2010.

### Other Assets

Cash ISA

Continued

Continuation

Justin Liu – 2021/22 Tax Return

Tax Calculation

	£
Pay from employment	100,000
Profit from UK land and property	43,000
Dividends	<u>20,000</u>
Total income on which tax is due	<u>163,000</u>

Income tax charged	
Basic rate £37,700 x 20%	7,540
Higher rate £105,300 x 40%	42,120
Dividends at nil rate £2,000 x 0%	0
Dividends at higher rate £5,000 x 32.5%	1,625
Dividends at additional rate £13,000 x 38.1%	<u>4,953</u>
Total tax due	<u>56,238</u>

Jenny Liu – 2021/22 Tax Return

Tax Calculation

	£
Pay from all employments	55,000
minus Personal Allowance	<u>(12,570)</u>
Total income on which tax is due	<u>42,430</u>

Income tax charged	
Basic rate £37,700 x 20%	7,540
Higher rate £4,730 x 40%	<u>1,892</u>
Total tax due	<u>9,432</u>