Module D Taxation of Individuals

1. For 2017/18, Julie had employment income of £30,000 and dividend income of £40,000.

   Calculate Julie's Income Tax liability for 2017/18.

2. Paul is UK resident for tax purposes and is employed by a company in Edinburgh, Scotland. From Monday to Friday, Paul lives in a flat he owns in Edinburgh. At the weekend, Paul returns to live in the family home in Newcastle, England with his wife and children.

   Briefly explain whether Paul is a Scottish taxpayer for 2017/18.

3. For 2017/18, Sarah had employment income of £110,000. She made a Gift Aid donation of £2,000 on 1 January 2018.

   Briefly explain, with the aid of calculations, the Income Tax relief Sarah will obtain for 2017/18 in respect of her donation.

4. On 6 April 2017, Caroline began a new employment. As part of her contract, Caroline was offered the choice of £6,000 per annum in salary or the use of a company car. Caroline chose the company car and from 6 April 2017, she had the use of a petrol vehicle with CO_2 emissions of 140g/km and a list price of £18,000. No petrol was provided. Caroline is a higher rate taxpayer.

   Calculate the Income Tax and National Insurance Contributions payable for 2017/18 in respect of the car.

5. For 2017/18, Susan had employment income of £155,000 and property income of £7,000. She had unused annual pension allowance of £21,000 brought forward from 2016/17.

   Calculate Susan's total available annual pension allowance for 2017/18.

6. Mark lets out a furnished residential property to a long-term tenant. During the year ended 5 April 2018, he purchased the following replacement items for the property:

	£
Bed	700
Fridge freezer	550
Bath	600

   Mark paid £20 to have the existing bed taken away.

   The fridge freezer replaced a fridge at the property. Had Mark bought a fridge – rather than a fridge freezer – the cost would have been £450. Mark sold the old fridge for £30.

   In addition, Mark bought a television for the property, paying £400. The property did not contain a television previously.

   Briefly explain the maximum amount of Replacement Domestic Items Relief (RDIR) that Mark may claim as a deduction against his property income for 2017/18. For any items that do not qualify for RDIR, state why.

7. Phil, an employee of Tranzit Ltd, was granted options under an EMI scheme as follows:

Date of grant of option	Number of shares	Exercise price	Market value at date of option
31 March 2012	2,000	£3 per share	£3 per share
31 March 2014	5,000	£9 per share	£10 per share

On 1 November 2017, Phil exercised his options. The market value of the shares at that time was £12 per share.

On 1 March 2018, Phil left his employment in Tranzit Ltd and immediately sold all his shares in the company for £13 per share.

Calculate the amounts chargeable to Income Tax and Capital Gains Tax for 2017/18 in respect of the shares.

8. On 31 May 2002, Mandy bought a residential property for £160,000. She lived in the property from the date of purchase until 31 May 2007 when she moved into a new home. The former property was unoccupied from 1 June 2007 to 31 May 2009 whilst Mandy tried unsuccessfully to sell it but was then let from 1 June 2009 to 31 May 2017. On 1 June 2017, the property was sold for £310,000.

Calculate Mandy's chargeable gain in respect of her disposal of the property.

9. Stuart realised the following capital gains in 2017/18:

Asset	Date of disposal	Gain
		£
Shares in Tibald Ltd, an unquoted trading company	1 August 2017	400,000
Commercial property used by Tibald Ltd in its trade	1 August 2017	180,000
Residential property let to tenants	18 February 2018	90,000

Stuart had been the sole shareholder and full-time director of Tibald Ltd since 1 August 2007. He had owned the commercial property since 1 August 2012 and it had been used rent-free by Tibald Ltd since that date. Stuart's involvement with Tibald Ltd ceased on 1 August 2017.

Stuart's taxable income for 2017/18 was £60,000.

Calculate the Capital Gains Tax payable by Stuart for 2017/18.

10. On 6 April 2016, Tulisa received a notice to file a Self-Assessment tax return for 2015/16. She submitted the return on 1 January 2018. Her tax liability for 2015/16 was as follows:

	£
Tax liability	32,000
Deducted at source	(11,000)
Tax due	£21,000

Tulisa paid her tax liability on 31 January 2017.

You are required to:

1) Briefly explain how Tulisa's late-filing penalty will be calculated.

2) State the deadline by which HM Revenue & Customs may enquire into Tulisa's return for 2015/16.

11. On 1 January 2008, Cheryl bought 10,000 £1 Ordinary shares in Ice Ltd for £100,000.

On 31 May 2014, Ice Ltd was taken over by Berg plc. In exchange for her 10,000 shares in Ice Ltd, Cheryl received shares and loan stock in Berg plc valued at £200,000 and £50,000 respectively. The loan stock was a qualifying corporate bond (QCB).

On 1 June 2017, she sold her loan stock and all of her shares in Berg plc, as follows:

	Proceeds £
Berg plc loan stock	53,000
£1 Ordinary shares in Berg plc	300,000

Calculate Cheryl's chargeable gain(s) for 2017/18.

12. Mario is a higher rate taxpayer. On 1 February 2004, he bought a residential property for £120,000, incurring legal fees of £1,200. In 2005, Mario incurred expenditure of £6,000 on the construction of a garage at the side of the property. In 2016, the garage was demolished to allow for the property to be extended. The cost of the extension was £22,000.

On 1 February 2018, Mario sold the property for £400,000, incurring legal fees of £1,500 and estate agent's fees of £2,000.

The property qualified as a furnished holiday let throughout Mario's period of ownership. Mario does not own any other furnished holidays lets.

Mario made other gains in 2017/18 against which his annual exemption was set.

Calculate the Capital Gains Tax payable by Mario in respect of his disposal of the property.