Institution **CIOT - CTA**
Course **Awareness**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 13	**155**	**671**	**824**
Section 14	**86**	**442**	**508**
Section 15	**148**	**616**	**753**
Section 16	**51**	**250**	**283**
Section 17	**167**	**799**	**963**
Section 18	**59**	**299**	**347**
Section 19	**75**	**347**	**424**
Section 20	**33**	**174**	**190**
Section 21	**234**	**1089**	**1305**
Section 22	**73**	**381**	**435**
Section 23	**174**	**737**	**909**
Section 24	**48**	**244**	**280**

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

Answer-to-Question-_13_

The sale of the house is not a chargeable transfer for IHT purposes as although the house was sold at an amount less than market value, this was a genuine arm's length transaction with a third party.

The sale of the clock to Alice's niece is a potentially exempt transfer. Although the niece has made a small payment for the clock, this payment is clearly much less than the asset is worth.

	(£)		
Value	12,000		
Less: AEs (2023/24 and 2022/23)	(6,000)		
PET	6,000		

The PET of £6,000 will not give rise to an IHT charge immediately. However, If Alice dies within 7 years of making the gift, the PET will become chargeable and the niece will pay the IHT due on the PET. As Alice hasn't made any previous lifetime transfers, if she dies within 7 years of making this gift, the NRB may be available meaning no IHT may be due on the PET.

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

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

Answer-to-Question-_14_

	(£)		
value of transfer (W1)	75,000		
Less: AE (utilised by gifts to nephew)	-		
less: marriage exemption	(2,500)		
PET	72,500		

(W1)
The sculptures transferred to the charity by Edward have, in the 5 years before the gift to his grandaughter, been the property of a charity following the transfer by Edward. This means they are considered to be related property.

	related property value (£)	standalone value (£)	higher amount (£)
value before transfer	300,000	150,000	300,000
value after transfer	225,000	0	(225,000)
loss to donor			75,000

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

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

Answer-to-Question-_15_

Jorge is non-domiciled. He has been resident in the UK since 2017.

Azool plc shares -

	(£)		
shares	500,000		
less:AEs	(6,000)		
Less: spouse exemption	(325,000)		
PET	169,000		
IHT is due on the PET unless Jorge dies within 7 years of making the gift to Maria. Apartment in Spain - Jorge is not domiciled in the UK. He is not deemed domiciled in the UK as he has not acquired a UK domicile of choice as he does not intend to permanently settle in the UK and he has not been UK resident for at least	(£)		

15 of the past 20 tax years. Therefore, he is only subject to UK IHT on his UK assets. The apartment in Spain is excluded property meaning this is not chargeable to UK IHT. Cash			
value of gift	850,000		
less: AEs	(6,000)		
less: NRB	(325,000)		
CLT	519,000		
IHT @ 25%	129,750		

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

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

Answer-to-Question-_16_

	(£)		
Gross chargeable transfer	212,500		
less: fall in value relief (W1)	(12,500)		
revised value	200,000		
Less: NRB (325,000 - 875,259)			
taxable	200,000		
IHT @ 40%	80,000		
less: taper relief (W2)	(64,000)		
less: lifetime IHT Paid	(42,500)		
IHT due	nil		

(W1)
176,000 - 163,500 = 12,500
(W2)
80% x 80,000 = 64,000

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

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

Answer-to-Question-_17_

BPR was available at 100% in respect of the share of the partnership as this is an interest in a business when this was transferred to Lorraine. The original transfer was made upon George's death. Lorraine is treated as owning the partnership interest from 1 October 2014 as she received this transfer on the death of her spouse. Therefore, BPR is available on the transfer from Lorraine to Marty.

BPR would have been available at 50% in respect of the building which was used by the partnership. Again, as George transferred this to his spouse on his death, Lorraine is treated as having owned the building since the date that George acquired it meaning she is treated as meeting the ownership period requirement. Therefore BPR is available at 50% on the transfer to Marty.

Shares in an investment company are not relevant business property. No BPR would have been available on the transfer from George to Lorraine and no BPR is available on the transfer to Marty.

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

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

Answer-to-Question-_18_

	(£)		
home	750,000		
cash	280,000		
liabilities	(95,000)		
	935,000		
less: charitable legacy	(75,000)		
	860,000		
less: RNRB	(175,000)		
less: NRB (325,000 - 130,000)	(195,000)		
	490,000		
490,000 @ 40%	196,000		

Baseline amount: £750,000 + 280,000 - 95,000 - 175,000 = 760,000

75,000 / 760,000 = 9.8% < 10% therefore the lower rate where a gift is left to charity does not apply

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

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

Answer-to-Question-_19_

	(£)		
value of villa (495,000 / 1.10)	450,000		
less: overseas probate fees (19,800 / 1.1)	(18,000)		
value to be included in death estate	432,000		

The additional costs of overseas probate fees are less than 5% of the value of the villa so they are not restricted.
No relief is available for the overseas death duties paid.

Gifts of overseas property cannot be made tax-free therefore Lucas will pay the UK IHT due on the villa.

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

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

Answer-to-Question-_20_

	(£)		
initial value	800,000		
less: NRB	(325,000)		
	475,000		
Notional tax @ 20%	95,000		
95,000/800,000	11.875%		
11.875% x 30% x 28/40	2.494%		
2.494% x (100-2.494)/100	2.432%		
2.432% x 50,000	1,216		

Exit charge = £1,216

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

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

Answer-to-Question-_21_

	Probate value (£)	Gross sale proceeds (£)	Profit / (loss) (£)
shares in Murty	75,000	60,000	(15,000)
shares in Risshi	50,000	55,000	5,000
Total			(10,000)

Where the executors sell shares within the 12 months following the death, the aggregate sale proceeds are compared to the aggregate probate value of the shares at the time of death. Relief is available where a loss arises. The allowable loss is deducted from the value of the shares in the death estate calculation. The allowable loss would be restricted if Akshata purchases any shares during the period beginning with her father's death and ending 2 months after the date of the last sale in the 12 month period.

Relief is also available for the sale of the commercial land at a loss as this has been sold within 3 years of the date of death. The allowable loss would be restricted by any purchases of land by the executors between the date of death and 4 months after the last sale in the above period. Again the allowable loss is deducted from the value pf the land in the death estate calculation. The allowable loss would be £95,000 - £88,000 = £7,000.

The total reduction in the value of the estate is £17,000.

Therefore, a repayment of IHT would be due as follows.

£17,000/£1,200,000 x £480,000 = £6,800

Repayment interest would be due from HMRC on this amount.

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

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

Answer-to-Question-_22_

Part 1

	(£)		
value of estate	575,000		
IIP trust	825,000		
less: NRB (W1)	(650,000)		
	750,000		
IHT @ 40%	300,000		
IHT payable by trustees (300,000 x 825,000/(825,000+575,000))	176,786		

(W1)
Evelyn NRB = £325,000
Duncan's NRB = 100% unused
Therefore Evelyn's NRB is increased by 100% to £650,000

Part 2

	(£)		
value of free estate	575,000		
less: IHT due on free estate (W2)	(123,214)		
Net amount of inheritance	451,786		

(W2)

300,000 x 575,000/(825,000+575,000) = £123,214

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

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

Answer-to-Question-_23_

Jane had a UK domicile of origin because her parents were UK domiciled when she was born. She has not lost her UK domicile as she has remained UK resident since birth meaning she has not adopted a domicile of choice elsewhere.

Francine did not have a UK domcile of origin as her parents had a French domicile when she was born. However, Francine has adopted a UK domicile of dependency as her parents acquried a UK domicile of choice when they chose to settle permanently in the UK when she was six years old. Her domicile follows her father's domicile whilst she is under 16 years old.

Zoya did not have a UK domicile of origin. She has not acquired a UK domicile of choice as she does not intend to settle permanently in the UK. However, she is deemed domiciled in the UK because she has been resident in the UK for over 15 of the past 20 tax years and at least one of the four tax years ending with 2023/24.

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

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

Answer-to-Question-_24_

	(£)		
sale proceeds	975,000		
less: cost (W1)	(886,777)		
chargeable gain	88,223		

(W1)
Cost = value of asset at time of transfer to trust + IHT paid by trustees

	(£)		
value	1,030,000		
less: NRB	(325,000)		
	705,000		
IHT @ 20%	141,000		
141,000 x 780,000/(780,000+250,000)	106,777		

780,000 + 106,777 = 886,777

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

Institution **CIOT - CTA**
Course **Awareness**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 25	**42**	**185**	**217**
Section 26	**39**	**209**	**232**
Section 27	**65**	**288**	**318**
Section 28	**34**	**209**	**236**
Section 29	**232**	**1165**	**1388**
Section 30	**67**	**392**	**428**
Section 31	**115**	**587**	**691**
Section 32	**51**	**215**	**260**
Section 33	**75**	**401**	**457**
Section 34	**165**	**741**	**901**
Section 35	**165**	**808**	**966**
Section 36	**38**	**202**	**230**

--------------ANSWER-25-BELOW--------------

Answer-to-Question-_25_

	(£)		
TTP	155,000		
CT @ 25%	38,750		
less: marginal relief (W1)	(239)		
CT payable	38,511		

50,000 x 9/12 = 37,500
250,000 x 9/12 = 187,500

(W1)
3/200 x (187,500 - 170,000) x (155,000/170,000) = 239

due date for payment: 1 Januart 2025

--------------ANSWER-25-ABOVE--------------

--------------ANSWER-26-BELOW--------------

Answer-to-Question-_26_

	(£)		
profit	420,000		
Add pension contributions not paid	2,500		
loss on disposal of fixed asset	4,700		
leasing costs (W1)	1,200		
theft by employee			
depreciation	12,500		
tax adjusted trade profit before capital allowances	440,900		

(W1)
£8,000 x 15% = £1,200

--------------ANSWER-26-ABOVE--------------

--------------ANSWER-27-BELOW--------------

Answer-to-Question-_27_

9m

	FYA @ 100% (£)	FYA @ 50% (£)	AIA (£) (max £30,000	main rate (£)	special rate (£)	Total CAs
tax wdv b/f				120,000	62,000	
integral features			30,000		10,000	
goods vehicle	25,000					
disposal				(12,000)		
	25,000		30,000	108,000	72,000	
FYA @ 100%	(25,000)					25,000
AIA @ 100%			(30,000)			30,000
WDA @ 18% x 9/12				(14,580)		14,580
WDA @ 6% x 9/12					(3,240)	3,240
Maximum						72,820

--------------ANSWER-27-ABOVE--------------

--------------ANSWER-28-BELOW--------------

Answer-to-Question-_28_

	(£)		
rental income (2,000 x 12)	24,000		
less: agent fees	(3,600)		
less: replacement boiler	(3,000)		
dishwasher (capital expenditure disallowed)			
interest payable (NTLR debit as interest on loan to acquire property)			
property business profits	17,400		

--------------ANSWER-28-ABOVE--------------

--------------ANSWER-29-BELOW--------------

Answer-to-Question-_29_

There has been a change in ownership of Wyye Ltd (the company) as Mr Tayy has acquired a controlling interest in the company.

Therefore we must consider whether there has been a major change in the nature or conduct of the trade during a 5 year period beginning no more than 3 years before the change in ownership on 1.7.2023.

Within 12 months of the change in ownership, the company has closed its shop which it used to sell chocolate from and changed to selling its products to supermarkets and farm shops. This is a major change in the customers, outlets and markets of the trade.

Therefore, loss relief is restricted.

No relief can be given for losses incurred after the change in ownership (1.7.2023) against profits arising during accounting periods beginning before the change in ownership.

Also no loss relief is available for losses made in accounting periods beginning before the change in ownership against profits of an accounting period ending after the change in ownership.

This means that the loss incurred in the year ended 31.12.23 cannot be relieved against profits arising during the period ending 31.12.24 as the loss-making period began before the change in ownership and the period during which relief would be given ends after the change in ownership.

The loss can therefore only be carried back against profits arising during accounting periods beginning before 1.7.2023.

--------------ANSWER-29-ABOVE--------------

--------------ANSWER-30-BELOW--------------

Answer-to-Question-_30_

	y/e 30.9.22	y/e 30.9.23	y/e 30.9.24
trade profit	180,000		30,000
UK property	10,000	12,000	14,000
overseas property			
capital gain			25,000
less: capital loss			(22,000)
chargeable gains			nil
total profits	190,000	12,000	44,000
less: trade loss relief		(12,000)	
	(68,000)		
revised total profits	122,000		
Less: QCDs	nil	wasted	nil
TTP	122,000	12,000	44,000

The overseas property business loss can only be carried forward against future overseas property business profits.

--------------ANSWER-30-ABOVE--------------

--------------ANSWER-31-BELOW--------------

Answer-to-Question-_31_

Group relief is available where there is at least a 75% direct or indirect relationship between companies.
Ayevon is an 80% subsidiary of Tweeed meaning group relief is available and losses can be transferred between the companies.

Group relief is only available for profits / losses arising during the period beginning with the date that the companies form the group relief group (1.1.2024).

Common period: 1.1.2024 - 30.6.2024

Tweeed maximum profit:

£120,000 x 6/12 = £60,000

Ayevon maximum loss:

£90,000 x 6/10 = £54,000

The maximum surrenderable loss which Ayevon may surrender to Tweeed is £54,000.

Tweeed should make a claim to use the loss by 30.9.2026.

Tweeed can deduct the loss from its TTP.

--------------ANSWER-31-ABOVE--------------

--------------ANSWER-32-BELOW--------------

Answer-to-Question-_32_

Mr Dee is not a participator in the close company meaning no s.455 charge arises on the loan made to him.

Mrs Edn:

Lower of loan:

- outstanding at end of AP (31.12.2023) - £40,000
- outstanding at due date for CT (1.10.2024) (W1) - £25,000

£25,000 x 33.75% = £8,438

--------------ANSWER-32-ABOVE--------------

--------------ANSWER-33-BELOW--------------

Answer-to-Question-_33_

	Business use (75%) (£)	Non-business use (25%) (£)	
Sale proceeds	1,050,000	350,000	
less: cost	(420,000)	(140,000)	
less: indexation (W1)	(63,000)	(21,000)	
Gain	567,000	189,000	
less: rollover relief (W2)	(117,000)	(nil)	
Chargeable gain	450,000	189,000	

(W1)
£560,000 x (278.1 - 241.8)/241.8 = 84,000
84,000 x 75% = 63,000
84,000 x 25% = 21,000

(W2)
chargeable gain: 1,050,000 - 600,000 = 450,000
567,000 - 450,000 = 117,000

Base cost of building 2: £600,000 - £117,000 = £483,000

--------------ANSWER-33-ABOVE--------------

--------------ANSWER-34-BELOW--------------

Answer-to-Question-_34_

Teemm and Donnn are in a capital gains group as Donnn is > 75% owned by Teemm. This means that transfers of assets between the two companies take place at no gain no loss.

The transfer in May 2020 took place at no gain no loss.

However, a de-grouping charge will arise as Teemm has sold its shareholding in Donnn meaning the companies are no longer in a capital gains group together, and Donnn is leaving the group whilst still holding the asset.

Donnn is deemed to have disposed of the asset and immediately reacquired it on 17.5.2020 at market value which creates a chargeable gain equal to the market value at the time of the original transfer less Donnn's base cost of the asset (i.e. the indexed cost from the no gain no loss transfer).

This gain is added to the proceeds received by Teemm on the disposal of the shareholding in Donnn, thereby increasing the gain on the disposal of the Donnn shares.

--------------ANSWER-34-ABOVE--------------

--------------ANSWER-35-BELOW--------------

Answer-to-Question-_35_

The transfer pricing rules apply where a company obtains a UK tax advantage as a result of a non-arm's length transaction between connected companies.

Ribl and Bannn Ltd (Bannn) are connected as Ribl owns a controlling interest in Bannn.

There is an exemption for small and medium sized enterprises (SMEs). Bannn is not an SME as it has over 250 employees.

Bannn has bought materials from Ribl at an increased price than would be charged to third party customers. This means Bannn's expense is aritifically increased therefore leading to a greater cost which will reduce its UK profits. This creates a UK tax advantage.

The transfer pricing rules will therefore apply.

This means that an adjustment must be made in the computation of Bannn's corporation tax liability as though a price of £2 had been paid per item.

If Ribl is subject to UK corporation tax on any of its trading profits, a corresponding adjustment can be made as this company is the disadvantaged company.

--------------ANSWER-35-ABOVE--------------

--------------ANSWER-36-BELOW--------------

Answer-to-Question-_36_

1.1.2024 - 31.8.2024

1st instalment

Due date: 14.7.2024

Amount: 3 x 960,000/8 = £360,000

2nd instalment

Due date: 14.10.2024

Amount: 3 x 960,000/8 = £360,000

3rd instalment

Due date: 14.12.2024

Amount: £(960,000 - (2 x 360,000)) = £240,000

--------------ANSWER-36-ABOVE--------------

Institution **CIOT - CTA**
Course **Awareness**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 49	**99**	**433**	**528**
Section 50	**199**	**900**	**1093**
Section 51	**156**	**782**	**933**
Section 52	**62**	**280**	**313**
Section 53	**68**	**325**	**388**
Section 54	**40**	**184**	**217**
Section 55	**104**	**550**	**636**
Section 56	**43**	**248**	**264**
Section 57	**53**	**254**	**285**
Section 58	**64**	**352**	**381**
Section 59	**115**	**607**	**702**
Section 60	**47**	**264**	**294**

--------------ANSWER-49-BELOW--------------

Answer-to-Question-_49_

She should have notified HMRC of her chargeability to income tax within 6 months of the end of the 2022/23 tax year i.e. by 5 October 2023.

The online return should have been filed within 3 months of receiving the notice as this was received after 31 October 2023 meaning the return should have been submitted by 12 February 2024.

The income tax and Class 4 NIC liabilities should have been paid by 12 February 2024.

The penalty for the late submission of the return is £100.

The penalty for the late payment is 5% x £6,280 = £314.

--------------ANSWER-49-ABOVE--------------

--------------ANSWER-50-BELOW--------------

Answer-to-Question-_50_

Zarm Ltd

Interest on a loan to buy into a close company is only eligible for relief if the full time working conditions or the material interest conditions are met. Zainab is not employed by Zarm Ltd therefore she doesn't meet the full time working conditions. However she does meet the material interest condition as she holds a > 5% interest in Zarm Ltd. Therefore, relief is available for the relevant proportion of the interest paid on the loan.

6% x £50,000 x (25,000 / 50,000) = £1,500.

£1,500 is a qualifying interest payment. Relief is given by deducting this amount in calculating Zainab's net income for the 2023/24 tax year.

Plant and machinery

Interest on a loan to buy plant and machinery is eligible for relief if the plant and machinery is owned by the individual and it is in use by the employment. This only applies to interest due and payable not later than 3 years after the end of the tax year in which the loan was made i.e. until 5 April 2023. Therefore, no relief is available for the interest paid on the loan to purchase the plant and machinery during the 2023/24 tax year.

--------------ANSWER-50-ABOVE--------------

--------------ANSWER-51-BELOW--------------

Answer-to-Question-_51_

Expenses incurred during the 7 years prior to the commencement of trade which would have been an allowable deduction had they been incurred after the trade had commenced are treated as incurred on the first day of trading.

The cost of advice on health and safety legislation is revenue expenditure and is therefore an allowable expense.

The cost of the fixtures and fittings is capital expenditure meaning no deduction is allowed from trade profits. However, capital allowances will be available and the expenditure is treated as incurred on 1 May 2023.

The cost of advertising is a revenue expense incurred wholly and exclusively for the purpose of the business therefore this is an allowable deduction.

The cost of eating out will be disallowed as these costs were not incurred wholly and exclusively for the purpose of the business. It is unlikely that the cost of travel to the nearby restaurants would have been eligible for relief.

--------------ANSWER-51-ABOVE--------------

--------------ANSWER-52-BELOW--------------

Answer-to-Question-_52_

	FYA (£)		main pool (£)	BMW car (£)	private use	Total CAs (£)
tax wdv b/f			925	9,800		
disposal				(10,200)		
goods vehicle	18,000					
	18,000		925	(400)		
FYA @ 100%	(18,000)				25%	13,500
WDA @ 18%			(167)			167
Balancing charge				400	65%	140
Maximum allowances						13,807

The wall is treated as a building and is not eligible for plant and machinery capital allowances.

--------------ANSWER-52-ABOVE--------------

--------------ANSWER-53-BELOW--------------

Answer-to-Question-_53_

Qualifying expenditure: £50,000 + £225,000 = £275,000

SBA : £275,000 x 3% = £8,250

The SBA is given from the date that the building is brought into use by the trade.

The electrical and water systems are integral features. Plant and machiner capital allowances are available (AIA / WDA @ 6%).

The cost of acquiring land and the cost of planning permission are excluded expenditure for the SBA.

--------------ANSWER-53-ABOVE--------------

--------------ANSWER-54-BELOW--------------

Answer-to-Question-_54_

Capital allowances and running costs

Capital allowances: £45,000 x 6% x 7/12 x 12/18 = £1,050

Running costs: £4,800 x 12/18 = £3,200

Fixed rate allowance

10,000 x £0.45 = £4,500
2,000 x £0.25 = £500

Total allowance = £5,000

--------------ANSWER-54-ABOVE--------------

--------------ANSWER-55-BELOW--------------

Answer-to-Question-_55_

2021/22- basis period: 1.1.2022 - 5.4.2022 - taxable trading income: 3/12 x £18,000 = £4,500

2022/23- basis period: 1.1.2022 - 31.12.2022 - taxable trading income = £18,000

2023/24 - basis period: 1.1.2023 - 5.4.2024

Taxable trading income: £21,500

	(£)		
standard part (1.1.2023 - 31.12.2023)	20,000		
transition part (1.1.2024 - 5.4.2024) (3/12 x 24,000)	6,000		
6,000 - 4,500	1,500		
20,000 + 1,500	21,500		
transition profits	1,500		
assessable profits	21,500		

The question states to ignore the spreading provisions so I have included all transition profits to be assessed in 2023/24 rather than being spread over that tax year and the following four tax years.

--------------ANSWER-55-ABOVE--------------

--------------ANSWER-56-BELOW--------------

Answer-to-Question-_56_

	total (£)	Leon (£)	Marcia (£)	Nuala (£)
1.4.23 - 30.9.23 (6m)	(75,000)			
interest	(5,000)	2,500	2,500	
	(80,000)			
share 2:3	80,000	(32,000)	(48,000)	
	nil			
1.10.23 - 31.3.24 (6m)	(75,000)			
salary	(12,000)	12,000		
	(63,000)			
share 2:3:1	63,000	(21,000)	(31,500)	(10,500)
total		(38,500)	(77,000)	(10,500)

--------------ANSWER-56-ABOVE--------------

--------------ANSWER-57-BELOW--------------

Answer-to-Question-_57_

	BADR gains (£)	non-BADR gains (£)	
shares (W1)	650,000		
land (W2)	220,000	110,000	
taxable gains	860,000	110,000	
CGT @ 10%	86,000		
CGT @ 20%		22,000	
Total CGT payable	108,000		

(W1)
£800,000 - £150,000 = £650,000

(W2)
£350,000 - £20,000 = £330,000
BADR: 2/3 x 330,000 = £220,000
Non-BADR: 1/3 x 330,000 = £110,000

--------------ANSWER-57-ABOVE--------------

--------------ANSWER-58-BELOW--------------

Answer-to-Question-_58_

October 2015	Business use (2/3) (£)	Non-business use (1/3)(£)	
sale proceeds	352,000	176,000	
less: cost	(180,000)	(90,000)	
gain	172,000	86,000	
less: rollover relief (W1)	(172,000)		
chargeable gain	nil	86,000	
base cost (400,000 - 172,000)	228,000		

(W1)

chargeable gain : 352,000 - 400,000 = nil

2023/24	(£)		
sale proceeds	600,000		
less: cost	(228,000)		
gain	372,000		
less: AEA	(6,000)		
taxable gains	366,000		

CGT @ 20%	73,200		

--------------ANSWER-58-ABOVE--------------

--------------ANSWER-59-BELOW--------------

Answer-to-Question-_59_

Jack and Jill are connected as Jack is Jill's father.

Transactions between connected persons are treated as taking place at market value.

The two disposals to Jill are linked transactions because they are connected persons. The second transaction occured within 6 years of the first meaning they are linked.

This means that the value of the disposals will be determined by reference to the aggregate market value of the assets disposed of. Therefore, no reduction will be given for small shareholdings.

May 2023	(£)		
proceeds (825,000 x 30/55)	450,000		
less: cost (55,000 x 30/55)	(30,000)		
chargeable gain	420,000		

July 2023	(£)		
proceeds (825,000 x 25/55)	375,000		
less: cost (55,000 x 25/55)	(25,000)		
chargeable gain	350,000		

--------------ANSWER-59-ABOVE--------------

--------------ANSWER-60-BELOW--------------

Answer-to-Question-_60_

	(£)		
gain	100,000		
less: incorporation relief	(74,000)		
	26,000		
capital loss	(20,000)		
less: AEA	(6,000)		
taxable gains	nil		

incorporation relief : total gains x shares/total consideration

74,000 = 100,000 x shares / 370,000

shares = 273,800

loan stock: £370,000 - £273,800 = £96,200

Director's loan account = £96,200