The Chartered Institute of Taxation

Awareness

Module D Taxation of Individuals

November 2021

Suggested solutions

Answer 37

	£	
Employment income	80,000	
Qualifying loan interest		
- car	0	1
- shares	(6,000)	1
Net income	74,000	
Personal Allowance	(12,500)	1
Taxable income	61,500	

Basic rate band = £37,500 + (£4,000 x 100/80) = £42,500 1

Income tax	£	
£42,500 x 20%	8,500	
£19,000 x 40%	7,600	
Income Tax liability	£16,100	1

Answer 38

	£	£	
Salary: £30,000 x 10/12*		25,000	
Professional subscription		(300)	
		24,700	
Accommodation benefit			
Annual value	4,800		
Additional benefit: £(315,000 – 75,000) x 2.25%	5,400		1+1
Use of furniture: 20% x £18,000	3,600		1
	13,800		
£13,800 x 10/12*		11,500	1*
Employment income		£36,200	1**

**for time apportioning where appropriate*
***for including the annual value and deducting the professional subscription correctly*

Answer 39

	£	£	
1) Company car and fuel			
Car benefit: £18,000 x 37% (max)		6,660	1
Fuel benefit: £24,500 x 37%		9,065	1
Annual charge		15,725	
Available 6 September 2020 – 5 April 2021 = 7 months			
7/12 x £15,725		£9,173	1
2) Own car			
Received: 12,000 x 2/3 = 8,000 x 60p	4,800		1
AMAP rate: 8,000 x 45p	(3,600)		1
		£1,200	

Answer 40

Main residence

Denise's income is (£175 x 52) + (£175 x 50) = £17,850	1
Her property income less expenses is therefore £17,850 - £1,200 = £16,650	1
Alternatively, she could make an election for rent-a-room relief to apply	1
Her property income would be £17,850 - £7,500 = £10,350	1

River

The full amount of £980 is taxable as the property allowance is not available since her other property income (excluding the income from her main residence) is already in excess of £1,000. 1

Answer 41

Elijah's net income is:	£	
Salary and benefits in kind (employer's pension contributions exempt)	222,000	
Property income	15,000	
Net income	237,000	1
Threshold income is:		
Net income	237,000	
Less Elijah's gross personal pension contributions	(5,000)	
	232,000	1
Adjusted income is:		
Net income	237,000	
Plus employer's pension contributions	18,000	
	255,000	1

As Elijah's threshold income is greater than £200,000 and his adjusted income is greater than £240,000, his annual allowance is tapered to £40,000 – ½(£255,000 – £240,000) = 1
£32,500. 1

Answer 42

1) The investment in Sidderz Ltd could potentially qualify for SEIS relief provided Flora is not connected to the company before the share issue. 1

2) The investment in Rickz Ltd could not qualify for relief as Flora is connected to the company through her husband being an employee. 1

3) The investment in Vickz Ltd could potentially qualify for relief as the number of full-time equivalent employees is less than 25 (15 + (50% x 15) = 22.5). 1

4) The investment in Dunnz Ltd could not qualify for relief as its net assets are greater than £200,000. 1

5) The investment in Teddz Ltd could not qualify for relief as it is not a new trade (ie the trade is more than two years old). 1

Answer 43

Initial award: £3,600/£9 = 400 shares	1
Partnership shares: maximum is the lower of £1,800 and	1
10% of salary, therefore £13,500 x 10% = £1,350/£9 = 150 shares	1
Matching shares: (2 for 1 partnership shares) = 300 shares	1
Dividend shares: £18/£9 = 2 shares	1
Total number of shares received = 400 + 150 + 300 + 2 = 852	

Answer 44

Glenn

No employee's Class 1 primary NICs payable by Glenn as he is over state retirement age. 1

Diandra

As Diandra is a director, her employee's Class 1 primary NICs must be calculated on an annual basis

Annual pay (cash only) = £(15,000 + 30,000) = £45,000		
£(45,000 – 9,500) x 12%	£4,260	1

Howerton Ltd

Class 1 secondary re Glenn: £((14,000 + 2,000) – 8,788) x 13.8%	£995	1
Class 1 secondary re Diandra: £(45,000 – 8,788) x 13.8%	£4,997	1
Class 1A on Diandra's benefits in kind: £60,000 x 13.8%	£8,280	1

Answer 45

1) As Helen spent 183 days or more in the UK in 2020/21, she was automatically UK resident. 1

   However, as she left the UK for full-time work overseas on 8 January 2021, the split year treatment applied, which means that she was UK resident from 6 April 2020 until 31 January 2021, and non-UK resident from 1 February 2021, which was her first overseas workday. 1 1

2) From 6 April 2020 until 31 January 2021 (10 months) her worldwide income is taxed in the UK. From 1 February 2021 only her UK income is taxed in the UK. 1

   Therefore, in 2020/21, only 10/12 of her employment income and property income from the apartment in Barcelona (10/12 x £(60,000 + £18,000) = £65,000) will be taxed in the UK, but the property income of £12,000 from the property in Bristol is taxable in full. 1 1

Max 5

Answer 46

1) On the receipt of the non-convertible loan stock, a gain of £(35,000 – 7,000) = £28,000 arises (W) 1

   However, as loan stock is a qualifying corporate bond this gain is deferred until the eventual sale of the loan stock. 1

2) On the receipt of the cash, a gain of £(10,000 – 2,000) = £8,000 arises (W) which is chargeable in 2020/21. 1

   The Capital Gains Tax due on 31 January 2022 is therefore 20% x £8,000 = £1,600. 1+1

(W)	*Consideration*	*Cost*
	£	£
£1 ordinary shares in Pheebs plc	55,000	11,000
£20,000 8% non-convertible loan stock	35,000	7,000
Cash	10,000	2,000
	100,000	20,000

Answer 47

	Residential property	*Painting*	
	£	£	
Proceeds	125,000		
Cost (note)	(82,000)		
Chargeable gain	43,000		1
Proceeds		25,000	
Cost		(10,000)	
Gain		15,000	
Less amount deferred (balancing figure)		(12,000)	1
Chargeable gain (proceeds not reinvested: £25,000 - £22,000)		3,000	1
Annual exemption (against residential property)	(12,300)		1
	30,700	3,000	
Capital Gains Tax at 28%/20% = £9,196	£8,596	£600	1

Note that the cost of the orangery cannot be deducted as it is not reflected in the state of the asset at the date of sale.

Answer 48

1) 2019/20

	£	
Proceeds:		
Cash received on 1 January 2020	550,000	
Plus the right to receive future consideration	120,000	
	670,000	
Less cost	(250,000)	
Chargeable gain	420,000	1
Annual exemption	(12,000)	1
Taxable gain	408,000	
Capital Gains Tax at 10% (Business Asset Disposal Relief)	£40,800	1

2)

On the receipt of the £95,000 on 1 February 2021, the capital loss arising of £(95,000 – 120,000) = £25,000 is carried back against the gain in 2019/20 which results in a refund of Capital Gains Tax of £2,500 (£25,000 x 10%). 1 1