

The Chartered Institute of Taxation

Awareness

Module D: Taxation of Individuals

May 2025

Suggested answers

Answer 37

	Total	Non-savings income	Savings income	Dividend income	
	£	£	£	£	
Employment income	35,000	35,000			
Interest	1,500		1,500		
Dividends	7,500			7,500	
	44,000	35,000	1,500	7,500	
Personal allowance	(12,570)	(12,570)			1
	£31,430	£22,430	£1,500	£7,500	
Income Tax:		£		£	
Non-savings income at basic rate		22,430	20%	4,486	1
Savings income at nil rate		1,000	0%	0	
Savings income at basic rate		500	20%	100	1*
Dividend income at nil rate		500	0%	0	
Dividend income at basic rate		7,000	8.75%	613	1*
				5,199	
Marriage allowance		1,260	20%	(252)	1
Income tax liability				£4,947	

*1 for savings income rates, 1 for dividend income rates

Answer 38

	£	£	
Salary		90,000	
Bonus (3 March 2025)		20,000	1
Employer pension contributions		0	1
Laptop benefit (£3,000 x 20%)		600	1
		110,600	
Less: Leoni's occupational pension contributions (£90,000 x 5%)	4,500		1
Payroll giving scheme (£20 x 12)	240		1
		(4,740)	
Employment income		£105,860	

Answer 39

	£	
List price	53,000	1
Plus: optional accessories added at the time of purchase	1,000	1
Less: capital contribution by Philippe (max. £5,000)	(5,000)	1
	£49,000	
Benefit: £49,000 x 8% x 6/12	1,960	1
Less: monthly contribution toward private use (£50 x 6)	(300)	1
Taxable benefit	£1,660	

Answer 40

	£	
Class 1 Primary contributions payable by Juliet:		
Nil as below primary annual threshold of £12,570	£0	1
Class 1 Primary contributions payable by Roman:		
(£50,270 – £12,570) x 8%	3,016	1
(£55,000 – £50,270) x 2%	95	1
	<u>£3,111</u>	
Class 1 Secondary contributions payable by Reomee Ltd:		
In respect of Julia: (£12,000 - £9,100) x 13.8%	400	
In respect of Roman (£55,000 - £9,100) x 13.8%	6,334	
	6,734	1
Less: employment allowance	(5,000)	1
	<u>£1,734</u>	

Answer 41

	£	£	
Statutory redundancy pay	10,000		
Ex-gratia payment	18,000		
	28,000		1
Company car (MV)	9,000		1
Less exemption	(30,000)		1
		7,000	
Restrictive covenant (fully taxable)		25,000	1
Retraining course (exempt)		0	1
Taxable amount		<u>£32,000</u>	

Answer 42

The annual allowance for 2024/25 is £60,000. However, this must be tapered if Dominic has threshold income above £200,000 and adjusted net income above £260,000. 1

Dominic's threshold income is his net income of £205,000 less gross personal pension contributions paid by him, so £205,000 - £15,000 = £190,000 1

As Dominic's threshold income does not exceed £200,000, it is not necessary to consider his adjusted income. 1

Dominic's annual allowance is therefore £60,000 + £20,000 brought forward from 2023/24, so £80,000. 1

There will be no annual allowance charge as the total pension contributions of £50,000 + £15,000 = £65,000 do not exceed the annual allowance for 2024/25. 1

Answer 43

Income Tax:	£		£	
Starter rate	2,306	19%	438	1
Scottish basic rate	11,685	20%	2,337	1
	13,991			
Intermediate rate	17,101	21%	3,591	1
	31,092			
Higher rate	31,338	42%	13,162	1
	62,430			
Advanced rate	62,710	45%	28,220	1*
Income tax liability			<u>£47,748</u>	

*For correct rate and not including tax free benefit or deducting the personal allowance

Answer 44

Callie and Arman satisfy the automatic UK residence test for 2024/25 as they have spent more than 183 days in the UK during the tax year. 1

However, 2024/25 is a split year for Callie because she is leaving the UK to work full-time abroad. 1

It is also a split year for Arman because he is leaving the UK to accompany his spouse. 1

Callie and Arman are UK resident for the period from 6 April 2024 to 30 November 2024. 1

They are non UK-resident for the period from 1 December 2024 (first overseas workday) to 5 April 2025. 1

Answer 45

Grant

There is no tax charge on the grant of the option. 1

Exercise

An income tax charge arises on exercise because the shares were granted at a discount to the market value at the date of the grant. 1

The income tax on exercise is calculated on the difference between the market value of the shares at the date of the grant less the option price (i.e. the discount). 1

Sale of shares

A chargeable gain arises on the sale of the shares, calculated as the sale proceeds less both the amount actually paid for the shares and the amount charged to income tax on exercise. 1+1

Answer 46

Proceeds	£	
	20,000	
Less: cost (working)	(7,530)	
Chargeable gain	<u>£12,470</u>	1

Working: s.104 pool

	Shares	Cost £	
June 2015 – acquisition*	3,000	6,000	
September 2018 – bonus issue	1,500	0	1
	<u>4,500</u>	<u>6,000</u>	
December 2020 – acquisition*	1,000	2,300	1*
	<u>5,500</u>	<u>8,300</u>	
March 2024 – rights issue	2,750	4,125	1
	<u>8,250</u>	<u>12,425</u>	
March 2025 – sale	(5,000)	(7,530)	1
Pool carried forward	<u>3,250</u>	<u>£4,895</u>	

*For both acquisitions

Answer 47

	UK gains £	Overseas gains £	
Necklace	25,000		
Shares in Doontello Ltd		28,000	
Chargeable gains	<u>25,000</u>	<u>28,000</u>	
Annual exempt amount	(3,000)		1
	<u>22,000</u>	<u>28,000</u>	
Capital loss brought forward	(10,000)		1
Taxable gains	<u>£12,000</u>	<u>£28,000</u>	
Capital gains tax at 20%	2,400	5,600	1
Less double tax relief			
Lower of:			
- UK tax £5,600			1
- Overseas tax £4,200		(4,200)	1
UK Capital Gains Tax (total £3,800)	<u>£2,400</u>	<u>£1,400</u>	

Answer 48

As the omission was accidental, the penalty will be based on careless behaviour. 1

Assuming HMRC do not initiate an enquiry, then Daryll reporting the error will be an unprompted disclosure. 1

The maximum penalty for careless behaviour with an unprompted disclosure is 30% of potential lost revenue. 1

The minimum penalty for careless behaviour with unprompted disclosure is nil if reported within 12 months of the date the tax first became due, i.e. by 31 January 2026. 1

However, if Daryll is late submitting her 2024/25 tax return and does not notify HMRC of the unreported gain until after 31 January 2026, the minimum penalty will be 10% of potential lost revenue. 1