CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module D**

--------------ANSWER-37-BELOW--------------

Answer-to-Question-_37_

KATE's assessable profit for 2020/21 would be as follows:

	£
Annual value	8,000
Add: Additional yearly rent (290,000-75,000)*2.25%	4,838
Taxable benefit	12,838

The National Insurance Contributions payable is £1,772 (£12,838*13.8%).

--------------ANSWER-37-ABOVE--------------

--------------ANSWER-38-BELOW--------------

Answer-to-Question-_38_

Tax	£
4500 @ 20%	900
1000 @ 0%	0
1000 @ 20%	200
2000 @ 0%	0
1000 @ 7.5%	75
	1,175
Less: Marriage allowance	(250)
Income tax payable	925

--------------ANSWER-38-ABOVE--------------

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--------------ANSWER-39-BELOW--------------
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Answer-to-Question-_39_


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--------------ANSWER-39-ABOVE--------------
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--------------ANSWER-40-BELOW--------------
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Answer-to-Question-_40_


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--------------ANSWER-40-ABOVE--------------
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--------------ANSWER-41-BELOW--------------

Answer-to-Question-_41_

1) Annual allowance of £40,000 is available to an individual for a tax year. Further an individual's annual allowance for a tax year is increased by any unused annual allowance of the previous three tax years.
When calculating the amount of an unused annual allowance, the current year annual allowance is deemed to be used in priority. After tha, any unused aannual allowance from pervious years is used, usind relief from earlier years first. In other words, unused annual allowance is utilised n a FIFO basis.

There is an unused allowance of £10,000 in 2016/17 and £20,000 in 2017/18. However, the unused allowance of £10,000 in 2016/17 would have been utilised in the year 2018/19 since the contribution to pension scheme exceeded by £10,000.

In the year 2019/20, contribution of £50,000 is made. There would be no annual allowance charge in 2019/20 because Nick would have utilised the annual allowance of current year of £40,000 and £10,000 from the year 2017/18.

2) The maximum gross contribution Nick could make into the pension plan for 2020/21 without incurring an annual allowance charge is £50,000 (Annual allowance of £40,000 of current year and unutilised balance of 2017/18 of £10,000).

--------------ANSWER-41-ABOVE--------------

--------------ANSWER-42-BELOW--------------

Answer-to-Question-_42_

Mandy will be able to avail Principal Private residence relief (PPR) for sale of her main residence.

The amount of the relief available is
Gain * Period of occupation of property/Period of ownership

Occupation includes both actual and deemed occupation.

Period	Occupation months	Absence months
1 January 2009 to 30 June 2013	54	
1 July 2013 to 30 September 2015	27	
(Any period when employed abroad)		
1 October 2015 to 31 December 2015	3	
(Up to 3 Years for any reason)		
1 January 2016 to 30 September 2016	9	
1 October 2016 to 31 March 2018		18
1 April 2018 to 30 September 2020		27
1 October 2020 to 31 March 2021	9	
	102	45

PPR relief would be available for 102 days out of 147 days of occupation.

The last 9 months of ownership always count as deemed occupation as long as the houuse was occupied at some point by the taxpayer.

Three further types of absence will count as deemed occupation provided the taxpayer lived in the house at some point before and at some point after the absence.

- any period when empliyed abroad;
- up to 4 years when working away from home
- up to 3 years for any reason.

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--------------ANSWER-42-ABOVE--------------
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--------------ANSWER-43-BELOW--------------

Answer-to-Question-_43_

Gain on sale of warehouse

	£
Sales proceeds	250,000
Less: Legal costs	(2,800)
Net sales proceeds	247,200
Less: Cost	(180,000)
Less: Repairs	(4,000)
Gain	63,200

Calculation of capital gains tax liability for Bert for 2020/21

	Residential property	Non-residential property
	£	£
Gain	80,000	63,200
Less: Annual exempt amount	(12,300)	
Net gains	67,700	

Capitals gains tax liability:

	£
8900 (37,500-28,600) @ 18%	1,602
58,800 (67,700-8,900) @ 28%	16,464
63,200 @ 20%	12,640
	30,706

--------------ANSWER-43-ABOVE--------------

--------------ANSWER-44-BELOW--------------

Answer-to-Question-_44_

Steve is not UK domiciled and had moved to the UK in August 2017 in order to start a five year employment contract.

However he intends to return overseas when his UK employment contract finishes in July 2022.

Steve would not be domiciled or deemed domiciled in UK for this period of five years. Hence his foreign income will be taxable in the UK on remittance basis if he opts for the same. However if he opts for remittance basis, he would lose his entitlement to personal allowance and annual exempt amount.

Hence, Steve's overseas property income for 2020/21 will be subject to Income tax in the UK of £5,000 if he opts for remittance basis.

Further if he does not opt for remittance basis then his overseas property income of £18,400 would be subject to income tax in the UK with the availability of personal allowance.

--------------ANSWER-44-ABOVE--------------

--------------ANSWER-45-BELOW--------------

Answer-to-Question-_45_

An individual is resident in the UK for the tax year if they meet any of the following three test:

1. They are present in the UK for 183 days or more in a tax year.
2. They have a UK home.
3. They work full-time in the UK.

Kelly moved to the UK on 18 October 2020. This does not meet the first test as she is present in the UK for less than 183 days in tax year 2020/21.

Kelly purchased a house on 1 February 2021 and moved to UK after selling her home overseas. Kelly may fall into second test of having a UK home.

An individual has a uk home if
 - there is a period of at least 91 consecutive days, at least 30 of which fall in the tax year; when
 - the individual has a home in the UK in which they spend at least 30 days in the tax year and either they have no home overseas or they have one or more homes overseas, but during the tax year they are present ineach of those homes on fewer than 30 days.

Since the 30 days period fall in the tax year and Kelly would live for consecutive 91 days. Further she has also no home overseas. Hence kelly would be considered as resident in UK for the tax year 2020/21.

--------------ANSWER-45-ABOVE--------------

--------------ANSWER-46-BELOW--------------

Answer-to-Question-_46_

1) National Insurance contributions (NIC) payable by Becky for 2020/21

	£
For 11 month (2500-792)*12%*11	2,255
For the month of December	
(4167-792)*12%	405
(4500-4167)*2%	7
	2,667

2)The total NIC payable by Pikor Ltd for 2020/21 in relation to Becky and Sam

	£
Sam (30,000-9788)*13.8%	2,927
Becky (4500-4167)*13.8%	46
	2,973

--------------ANSWER-46-ABOVE--------------

--------------ANSWER-47-BELOW--------------

Answer-to-Question-_47_

1) If income treatment applies

	£
Amount received on share buy back	140,000
Less: Subscription price	(5,000)
Dividend received	135,000
Original subscription price	5,000
Less: Actual cost	(20,000)
Captial loss	15,000

Tax payable by Spike on the sale of shares is £51,435 (£135,000*38.1%)

2) If capital treatment applies

Sales proceeds	140,000
Less: Cost	(20,000)
Chargeable gains	120,000

Tax payable by Spike on sale of shares is £24,000 (120,000@20%)

--------------ANSWER-47-ABOVE--------------

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--------------ANSWER-48-BELOW--------------
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Answer-to-Question-_48_


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--------------ANSWER-48-ABOVE--------------
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