

# The Chartered Institute of Taxation

## AWARENESS

**November 2024**

TIME ALLOWED – 3 HOURS 15 MINUTES

- All five Awareness Modules are contained in this document.
- You must only answer the modules you have already entered for, no other module answers will be marked. You cannot change your mind on the day of the exam.
- Type your answers between the correct question dividers and against the correct question number. Questions are numbered 1 – 60. **Do NOT delete any of the question dividers.**
- If you are answering Module A VAT including Stamp Taxes you may, where appropriate, answer by reference to Stamp Duty Land Tax or Land and Buildings Transaction Tax.
- Each module consists of 12 questions and each question carries 5 marks. To pass the exam you need to obtain a minimum of 21 marks (35%) out of the 60 available per module and achieve an overall pass mark of at least 50%.
- You should answer all the questions in each of the three modules.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You should make all calculations to the nearest month and pound unless stated otherwise.
- Unless otherwise indicated by the provision of additional information in the question, you may assume that 2023/24 legislation (including rates and allowances) continues to apply for 2024/25 and future years. Candidates answering by reference to more recently enacted legislation or tax cases will not be penalised.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

## Module A: VAT including Stamp Taxes

If you have entered for Module A you must answer Questions 1 – 12 and type your answers between the question dividers 1 – 12.

1. Smotly Ltd is a VAT registered company that makes only standard-rated supplies. For the quarter ended 31 March 2024, the company incurred the following costs:
- 1) £15,000 for the purchase of equipment. The VAT invoice was inadvertently destroyed and cannot be replaced.
  - 2) Purchase of a new car for the marketing manager for £23,500. The car is used approximately 70% for business purposes.
  - 3) A mileage claim for an employee who used their own 2,500cc petrol engine car for a 600 mile business trip. In line with company policy, the employee submitted a claim for £270 (600 miles at 45p) and petrol receipts.

**Explain how much input VAT Smotly Ltd can recover on each item.**

2. Reuben started trading on 1 April 2023 making only taxable supplies. His turnover and expenses were:

	<u>Monthly Turnover</u>	<u>Monthly Stock Purchases</u>	<u>Monthly Expense Payments</u> (goods and services)
	£	£	£
1 April 2023 to 30 September 2023	7,000	5,000	1,500
October and November 2023	9,500	7,000	1,500
From December 2023 onwards	10,000	6,500	1,500

All stock purchased was sold within the month it was purchased.

The monthly expense payments all relate to standard rated costs, and include £750 a month in respect of the hire of office equipment and other services.

All figures are VAT exclusive.

- 1) **Explain when the VAT threshold was breached, and state by what date Reuben should have notified HMRC that he was required to register for VAT.**
- 2) **Calculate the VAT payable by Reuben for his first VAT quarter.**

3. Olivia uses the annual accounting scheme.

Her VAT liability was £120,000 for the year ended 31 March 2024. Olivia is expecting her VAT liability to be £130,000 for the year ended 31 March 2025.

**Explain how Olivia's VAT liability for the year ended 31 March 2025 will be paid and state the due date for the submission of the VAT return.**

4. Linda owns a small café, which customers can sit in to eat, or can order take-out food. Linda has income streams from various types of food and drink sales, some of which are:
- 1) Sit in hot breakfast rolls
  - 2) Take away coffee
  - 3) Take away cold sandwiches
  - 4) Take away ice cream
  - 5) Take away freshly baked cookies (left on an unheated rack)

**Briefly explain whether each income stream is standard rated, zero rated or exempt for VAT purposes.**

5. Jeremy recently started to sell antique jewellery and furniture.

He sold an antique necklace to a private collector for £9,000. Jeremy had bought the necklace from an elderly neighbour for £450, and he spent £1,200 plus VAT having the necklace cleaned and repaired.

Jeremy also sold an old chair for £400. Jeremy bought the chair from a private collector for £500 and had expected to be able to fix some damage to it. However, he damaged it further and sold it at a loss.

**Calculate the VAT payable by Jeremy if he used the global accounting scheme and if he used the second-hand goods scheme.**

6. Fran and Dan have been in partnership for many years running a small theatre, called Theatretime. The partnership has two private boxes that can be booked up to two months in advance at a cost of £450, at which time the customer must pay a 25% deposit. An invoice is given to the customer on the day of the live show, with payment of the balance of 75% required within seven days.

Theatretime is hoping to simplify their invoicing system for customers who pay in full for their tickets in advance of the show.

- 1) Explain when the VAT liability will arise in respect of the rentals of the private boxes.
- 2) Explain whether Theatretime is required to provide invoices and whether it could move to simplified invoices for some customers.

7. Partiad Ltd made the following supplies during the year ended 31 March 2024:

	£
Standard-rated supplies (exclusive of VAT)	265,000
Exempt supplies	40,000

The standard-rated supplies included incidental rental income of £15,000 (exclusive of VAT).

The input VAT incurred by Partiad Ltd during the year was:

	£
Attributable to standard-rated supplies	80,000
Attributable to exempt supplies	5,000
Non-attributable	<u>25,000</u>
	<u>£110,000</u>

Partiad Ltd had initially recovered the full £110,000 input VAT as the company had met the de minimis test in the previous year. The simplified tests were not met for the year ended 31 March 2024.

**Calculate the annual adjustment to be made for the year ended 31 March 2024.**

8. Raeyd Ltd has two wholly owned subsidiaries, Baeyd Ltd and Gaeyd Ltd. The companies are in a VAT group.

The sales by the group companies for the quarter ended 31 March 2024 were:

	£
Sales to unconnected companies	100,000
Sales from Raeyd Ltd to Baeyd Ltd at open market value	30,000
Promotional sales to unconnected companies (see Note)	15,000

Note: A discount of 10% was offered on the promotional sales (shown above before discount) if customers paid within 15 days. 30% of the sales were paid for within 15 days.

Raeyd Ltd intends to make some changes to the group within the next 12 months, including:

- 1) buying the shares of a company which is registered and operates wholly overseas, and
- 2) selling the trade and assets of Gaeyd Ltd such that Gaeyd Ltd will become dormant.

All sales are standard-rated supplies and all amounts are stated exclusive of VAT.

- 1) Calculate the output VAT payable by the group for the quarter ended 31 March 2024.
- 2) Explain how the planned changes to the Raeyd Ltd group will impact the VAT group.

9. ThriveIn Ltd is a partially exempt company which uses the standard method. On 1 April 2021, it bought a ship costing £625,000. The ship is used for taxable cruises and exempt gaming from its casino.

The supplies made in recent years were:

	<u>Year to 31</u> <u>March 2022</u>	<u>Year to 31</u> <u>March 2023</u>	<u>Year to 31</u> <u>March 2024</u>
	£	£	£
Standard rated services	100,000	110,000	120,000
Zero rated services	20,000	25,000	25,000
Exempt services	40,000	40,000	45,000

All amounts are exclusive of VAT.

**Calculate the annual capital goods scheme adjustment for the year ended 31 March 2024.**

10. Maria runs a VAT registered gym. She filed her VAT return for the quarter to 31 March 2024 on 29 April 2024, which included turnover of £150,000. The return showed the VAT payable to HMRC to be £10,000. Due to carelessness on Maria's part, the figure should actually have been £18,000.

- 1) Calculate the maximum penalty that Maria could be charged.
- 2) Explain how Maria can correct the error.

11. Lennox sold his shares in Crantel Ltd to Lawrence for £575,000 on 11 January 2024 and executed a stock transfer form on the same day.

Lawrence did not present the form for stamping until 10 April 2024 and paid the duty due on that date.

**Calculate the Stamp Duty, interest and maximum penalty payable on this transaction. Assume the rate of interest on the overdue Stamp Duty is 6.5%.**

12. On 1 November 2023 Angustus Ltd entered into a 30-year lease for a warehouse, paying a premium of £500,000. In addition, it pays an annual rent of £15,000. The net present value of the rent is £275,880.
- 1) **Calculate the Stamp Duty Land Tax [Scots law – Land and Buildings Transaction Tax] payable by Angustus Ltd on the lease.**
  - 2) **State by when Angustus Ltd must submit the land transaction return, and how long it would have should it wish to amend the return.**

## Module B: Inheritance Tax, Trusts & Estates

If you have entered for Module B you must answer Questions 13 – 24 and type your answers between the question dividers 13 – 24.

13. Alice (who had made no previous lifetime transfers) had the following transactions during 2023/24:

On 18 May 2023, she sold a house which had been advertised for sale at £199,000 since July 2022. There had been no interest in the house until Alice accepted an offer of £185,000.

On 17 September 2023, she sold an antique clock to her niece for £100 when she knew that it was actually worth £12,000.

**Explain the Inheritance Tax implications of Alice's disposals in 2023/24.**

14. Edward owned a matching set of three antique sculptures, the values of which were as follows:

	£
One sculpture	150,000
Two sculptures	450,000
Three sculptures	900,000

On 26 April 2023, Edward gave two sculptures to a charity. The charity immediately sold them for their full market value.

On 25 December 2023, Edward gave his remaining sculpture to his granddaughter, Sarah, as a wedding present.

Edward's only other lifetime gifts were gifts out of capital of £3,000 to his nephew every year on 10 April.

**Calculate the value of the potentially exempt transfer to Sarah.**

15. Jorge and his wife Maria are both domiciled in Spain. They have been resident in the UK since 2017, but intend to return to Spain in a few years' time.

Jorge has made the following gifts of assets:

14 February 2018	Shares valued at £500,000 in Azool plc, a company resident in the UK, to Maria.
22 October 2021	An apartment in Spain, valued at £350,000, to a discretionary trust. The Trustees agreed to pay any Inheritance Tax due.
18 March 2024	Cash of £850,000, which had previously been held in a UK bank account, to a discretionary trust. Jorge agreed to pay any Inheritance Tax due.

Jorge had made no lifetime gifts prior to 14 February 2018.

**Calculate the Inheritance Tax due, if any, on Jorge's gifts.**

16. On 6 December 2015, Rupert made a gross chargeable transfer of £875,250.

On 1 November 2017, Rupert transferred a commercial property, valued at £176,000, to a discretionary trust. The gross chargeable transfer was £212,500. Rupert paid the Inheritance Tax due of £42,500.

Rupert died on 27 February 2024, at which time the commercial property was valued at £163,500.

**Calculate:**

- 1) The Inheritance Tax due as a result of Rupert's death; and**
- 2) The nil rate band available for Rupert's death estate.**

17. George died on 6 December 2022. His estate included the following assets which he left to his wife, Lorraine:
- 1) A share of a trading partnership. George had been a partner since 1 October 2014.
  - 2) A building that had been personally owned by George and used in the partnership since 1 January 2021.
  - 3) Shares in an unlisted investment company which George had owned since 1 March 2021.

On 30 May 2023, Lorraine gave all the above assets to her son, Marty.

**Explain the business property relief available, if any, on Lorraine's gift of the assets to Marty.**

18. Anna died on 17 January 2024. Her death estate was as follows:

	£
Home in Surrey	750,000
Cash and personal chattels	280,000
Allowable debts and funeral expenses	<u>(95,000)</u>
	935,000
Charitable legacy	<u>(75,000)</u>
Gross Chargeable Estate	<u>£860,000</u>

Anna had made a gross chargeable transfer of £130,000 in 2023. She left her entire estate to her son, Alex.

**Calculate the Inheritance Tax payable on Anna's death estate.**

19. Jacob, who was domiciled in the UK, died on 19 June 2023. Included in his death estate was a villa in Greece valued at €495,000. Additional overseas administration expenses of €19,800 were incurred in relation to the villa and death duties of €75,000 were payable in Greece.

The villa was left to his brother, Lucas, and the residue of the estate was left to his sister, Lily, who was Jacob's executor.

The London buying rate on the date of Jacob's death was €1.10.

**1) Calculate the value of the villa that will be subject to UK Inheritance Tax in Jacob's death estate.**

**2) State who is liable to pay the UK Inheritance Tax on the villa.**

20. On 25 September 2016, Arlo (who had made no previous transfers) created a discretionary trust and gave cash of £800,000 to the Trustees. Arlo agreed to pay the Inheritance Tax due.

On 4 October 2023, the Trustees distributed £50,000 cash to a beneficiary. The Trustees agreed to pay the Inheritance Tax due.

**Calculate the exit charge arising in October 2023.**

21. Sudha died on 5 October 2023, leaving a death estate valued at £1.2 million. The estate did not include residential property and there was no nil rate band available. Inheritance Tax of 40% x £1.2 million = £480,000 was paid on 26 April 2024.

Akshata, Sudha's daughter, is the Executor and sole beneficiary of Sudha's estate. She wishes to sell the following assets that were included in Sudha's death estate:

	<u>Value in Sudha's death estate</u>	<u>Expected sales proceeds</u>
	£	£
Shares in Murrty plc	75,000	60,000
Shares in Risshi plc	50,000	55,000
Commercial land	95,000	88,000

**Explain the Inheritance Tax effect of selling the assets on 11 May 2024.**

22. Evelyn died on 25 February 2024, leaving assets (which did not include residential property) valued at £575,000. Evelyn was also the original life tenant of an Interest in Possession Trust created in 1997. The trust assets were valued at £825,000 at the date of Evelyn's death. Evelyn's nephew, Paul, was the remainderman of the trust and Evelyn's niece, Jennifer, was the sole beneficiary of Evelyn's free estate.

Evelyn's husband, Duncan, died on 22 September 2007, leaving his entire estate to Evelyn.

Neither Duncan nor Evelyn had made any lifetime gifts.

**Calculate:**

- 1) The Inheritance Tax payable by the Trustees of the Interest in Possession Trust; and**
- 2) The net amount of inheritance that Jennifer will receive.**

23. Jane was born in the UK to British parents and has lived in the UK all her life.

Francine was born in France to married French parents. In 2017, when she was six years old, her parents came to the UK with the intention of staying here permanently, cutting all ties with France and taking up British citizenship.

Zoya was born in Greece to married Greek parents. In 2002, when she was 25 years old, she came to the UK where she has lived ever since, although she intends to return to Greece in a few years' time.

**Explain the domicile status of Jane, Francine and Zoya in 2023/24 for Inheritance Tax purposes.**

24. Paramveer had owned an investment property and unquoted investment company shares since 2014. On 14 March 2019, she created a discretionary trust and transferred in both the property, worth £780,000, and the shares, worth £250,000, to the Trustees. The Trustees agreed to pay the Inheritance Tax on the transfer.

Paramveer had made no previous lifetime transfers, other than to use her annual exemption on 6 April each year.

No claim for gift relief under s.260 TCGA 1992 was made.

On 17 December 2023, the Trustees sold the investment property for £975,000.

**Calculate the chargeable gain arising on the Trustees in 2023/24.**



## Module C: Corporation Tax

If you have entered for Module C you must answer Questions 25 – 36 and type your answers between the question dividers 25 – 36.

25. Sevrn Ltd prepared accounts for the nine months to 31 March 2024. The company's taxable total profits were £155,000 and its augmented profits were £170,000.

**Calculate the Corporation Tax payable for the period ended 31 March 2024 and state the due date for payment.**

26. For the year ended 30 June 2024, Tems Ltd had an accounting profit of £420,000 after deducting the following expenses:

	£
Pension contributions (of which £2,500 were paid in July 2024)	52,000
Loss on the disposal of a fixed asset	4,700
Leasing costs (car with CO <sub>2</sub> emissions of 80g/km)	8,000
Theft by an employee	700
Depreciation	12,500

**Calculate the company's tax adjusted trading profit before capital allowances.**

27. Trennt Ltd prepared accounts for the nine months to 30 September 2024. The balances on its capital allowances pools at 1 January 2024 were: general pool £120,000 and special rate pool £62,000.

During the period, Trennt Ltd incurred expenditure of £40,000 on second-hand integral features and £25,000 on a new zero-emissions goods vehicle. It received £12,000 on the sale of a car which had been allocated to the general pool on acquisition.

The company is part of a group. The amount of annual investment allowance allocated to it for the period is £30,000.

**Calculate the maximum capital allowances that Trennt Ltd may claim for the period ended 30 September 2024.**

28. Oozze Ltd owns a residential property which is let for £2,000 per month. The rent is payable in advance on the first day of the month.

For the year ended 30 June 2024, the company incurred the following expenditure in relation to the property:

	£
Letting agent fees	3,600
Replacement boiler	3,000
New dishwasher (there was no dishwasher at the property previously)	600
Interest payable on a loan to purchase the property	6,000

The rent payable on 1 June 2024 was not paid until 28 July 2024.

**Calculate the company's property business profits for the year ended 30 June 2024, clearly showing your treatment of all items of expenditure.**

29. Wyye Ltd carries on a trade as a chocolatier. For many years, it sold chocolate directly to the public from a shop. However, it has been making trading losses in recent years including a loss of £120,000 for the year ended 31 December 2023.

On 1 July 2023, Mr Tayy bought 60% of the issued share capital of Wyye Ltd.

On 1 January 2024, the company closed the shop and instead sells its products to a number of local supermarkets and farm shops. The company expects to make a profit of £150,000 for the year ending 31 December 2024.

**Explain whether any restrictions apply to the offset of the company's loss for the year ended 31 December 2023 against its profits for the year ending 31 December 2024.**

30. Speyy Ltd's recent results are as follows:

	<u>y/e 30 September</u> <u>2022</u> £	<u>y/e 30 September</u> <u>2023</u> £	<u>y/e 30 September</u> <u>2024</u> £
Trading profit/(loss)	180,000	(80,000)	30,000
UK property business profits	10,000	12,000	14,000
Overseas property business loss	-	-	(6,000)
Capital gain/(loss)	(22,000)	-	25,000
Qualifying charitable donations	-	(8,000)	-

**Calculate the company's taxable total profits for all periods assuming that loss relief is claimed as early as possible, clearly showing your treatment of all items.**

31. On 1 January 2024, Tweeed Ltd acquired 80% of the issued ordinary share capital of Ayevon Ltd. Recent results are as follows:

			£
Tweeed Ltd:	Year ended 30 September 2024	Taxable total profits	120,000
Ayevon Ltd:	10-month period ended 30 June 2024	Trading loss	90,000

**Explain if and how group relief may be claimed in respect of Ayevon Ltd's trading loss.**

32. Neyn Ltd is a close company, preparing accounts to 31 December. It has made the following loans to directors.

		<u>Mrs Edn</u> £	<u>Mr Dee</u> £
3 July 2023	Loan	50,000	-
18 October 2023	Loan	-	20,000
14 December 2023	Repayment	10,000	-
3 May 2024	Repayment	-	12,000
19 June 2024	Written-off by the company	15,000	-
1 November 2024	Repayment	7,500	-

Mrs Edn is the company's sole shareholder.

**Calculate the company's liability under s.455 CTA 2010 for the year ended 31 December 2023, clearly showing your treatment of all items.**

33. Wifham Ltd bought Building One on 17 June 2012 for £560,000. It was used 75% for trading purposes before it was sold on 1 February 2024 for £1,400,000.

Wifham Ltd bought Building Two on 18 October 2024 for £600,000, which is used 100% for trading purposes.

**Calculate the chargeable gain arising to Wifham Ltd on the disposal of Building One and the base cost of Building Two, assuming the company makes any available claims.**

34. Teemm Ltd has a number of 100% subsidiary companies including Donnn Ltd, a company carrying on investment activities.

On 17 May 2020, Teemm Ltd transferred land and buildings to Donnn Ltd, which Donnn Ltd still owned on 1 November 2024, when Teemm Ltd sold its entire shareholding in Donnn Ltd at a profit.

**Explain how the chargeable gain on the sale of the Donnn Ltd shares by Teemm Ltd will be calculated.**

35. Ribl is a non-UK resident company that owns 80% of Bannn Ltd's issued share capital. Bannn Ltd is a UK resident company, with approximately 300 employees working at factories across the UK.

Bannn Ltd has agreed to buy materials from Ribl at a price of £2 per item. Ribl normally charges its other customers £1.80 per item.

**Explain whether the transfer pricing rules will apply and the effect of the rules applying.**

36. Tyyn Ltd is a large company and pays its Corporation Tax liability in instalments. Its Corporation Tax liability for the eight-month period ended 31 August 2024 is £960,000.

**State the amounts and due dates for payment of the Corporation Tax liability for the period ended 31 August 2024.**

## Module D: Taxation of Individuals

If you have entered for Module D you must answer Questions 37 – 48 and type your answers between the question dividers 37 – 48.

37. For 2023/24, Shafiq had the following income:

	£
Employment income	14,750
Interest income	16,000

**Calculate Shafiq's Income Tax liability for 2023/24.**

38. Jeremy owns a leasehold residential flat which he lets out to tenants. The monthly rent is payable in advance on the 1st of the month. From 1 January 2023 the rent was £1,500 per month and from 1 January 2024 the rent was £1,750 per month. The tenants paid the rent on time except for the rent due on 1 April 2023 which was paid 10 days' late.

During 2023/24 he incurred the following expenditure:

- 1) A management service charge of £120 per month, payable on the 1st of the month.
- 2) £10,000 to extend the lease on the flat from its current 82 years to 125 years. Legal fees of £2,250 were incurred in relation to the extension of the lease.
- 3) £490 interest on a loan taken out to finance the cost of extending the lease.
- 4) £2,000 to replace a broken single-glazed window with a new double-glazed window.

**Calculate Jeremy's property income for 2023/24, clearly showing your treatment of each item.**

39. Graham is a director of Shapps Ltd. In addition to his annual salary, he becomes entitled to and receives a bonus on 31 May each year which is based on the company's results for the previous year to 31 December. His bonus for the year ended 31 December 2023 was paid on 31 May 2024.

The Board of Directors held their annual meeting on 25 February 2024 where the company's results for the year ended 31 December 2023 were discussed and the amount of the bonus was determined.

**Explain the rules that govern the date of receipt of Graham's bonus for employment income purposes.**

40. On 6 April 2023, Pearl started employment with Moredaunt Ltd. As her new job was not within reasonable daily travelling distance from where she was living at the time, Moredaunt Ltd paid for her relocation expenses of £8,750.

In addition to her salary of £42,000, Pearl was allowed to choose between either additional annual cash amounts or various benefits as follows:

<u>Benefit</u>	<u>Cash Alternative</u> £
Private use of a company car	9,000
Diesel provided for private journeys	8,500
Use of a mobile phone	360

The company car has a list price of £35,000 and CO<sub>2</sub> emissions of 96g/km.

In each case, Pearl chose the benefit rather than the cash alternative.

**Explain how Pearl's employment income for 2023/24 will be calculated, clearly showing your treatment of each item.**

41. Inza has been employed by Batoole Ltd since 1 January 2017. Since that date she has been provided with accommodation by her employer, the details of which are as follows:

		£
6 June 2009	Purchase by Batoole Ltd	195,000
22 December 2015	Cost of a loft conversion	40,000

The accommodation is not job related. It was valued at £225,000 on 1 January 2017 and £285,000 on 6 April 2023. The annual value is £12,000.

**Calculate Inza's accommodation benefit for 2023/24.**

42. Kelly has been employed by Badenock Ltd for many years. On 20 February 2023, she borrowed £50,000 from the company. She repaid £15,000 on 6 November 2023 and the balance on 5 April 2024.

Kelly paid interest on the loan of £600 for 2023/24.

Kelly will make any beneficial elections.

**Calculate the loan benefit Kelly would report for 2023/24.**

43. Alex was 18 on 6 April 2023 and is employed by Mallicke Ltd. During 2023/24 his monthly salary, paid at the end of the month, was £1,500.

Waleed is 46 years old and is a director of Mallicke Ltd. From 1 April 2023, his monthly salary, also paid at the end of the month, was £4,000, increasing to £4,750 per month from 1 January 2024.

Mallicke Ltd has over 50 employees.

**Calculate the National Insurance Contributions payable for 2023/24 by:**

- 1) Alex and Waleed; and**
- 2) Mallicke Ltd in respect of Alex and Waleed.**

44. Lucy had the following employment income and expenses for 2023/24:

	£
Salary	50,000
Taxable benefits (none of which were payrolled)	16,500
Professional subscription (paid personally by Lucy)	(850)

In addition, she had £23,000 of interest income. HMRC collect the tax due on this income via PAYE.

Lucy was entitled to the basic personal allowance for 2023/24.

**Calculate Lucy's tax code for 2023/24.**

45. In 2023/24, Teresa made gains on the disposal of the following shares:

<u>Shares in</u>	<u>Date of purchase</u>	<u>Date of sale</u>
P Ltd	3 January 2016	6 May 2023
Q plc	15 May 2018	20 June 2023
R Ltd	19 November 2020	15 September 2023
S Ltd	5 December 2020	5 January 2024
T Ltd	1 January 2021	14 March 2024

Q plc is a listed company.

All the companies are trading companies except S Ltd whose only assets are investment properties.

All of the shares were subscribed for except for the T Ltd shares which she purchased from her brother.

Teresa has never worked for any of the companies.

**For each disposal, explain whether the gain qualifies for Investors' Relief.**

46. On 1 June 2023, Greg sold a residential property, which had always been let out to tenants. The chargeable gain on the disposal was £52,300.

His only other capital disposal during 2023/24 was of a painting on 4 November 2023, which resulted in a chargeable gain of £15,600.

Greg is a higher rate taxpayer.

**Calculate Greg's Capital Gains Tax liability for 2023/24 and state the due date(s) for payment.**

47. Susanna has bought Bitcoin as follows:

<u>Bought</u>	<u>Number</u>	<u>Cost</u> £
16 July 2013	1,500	19,200
20 February 2018	7,500	182,400
1 November 2023	2,000	45,000

On 22 October 2023, she sold 5,000 Bitcoin for proceeds of £150,000.

**Calculate the chargeable gain on the disposal of the Bitcoin.**

48. Celine is domiciled in France but has been UK resident since 1 September 2019. Her only income is £90,000 per annum in dividends from shares in a French company. During 2023/24 she remitted £60,000 of the dividends to the UK.

Celine also sold a flat in Paris for £350,000, resulting in a gain of £44,000. She remitted £175,000 of proceeds of sale to the UK.

**Explain the consequences of Celine claiming the remittance basis in 2023/24.**

## Module E: Taxation of Unincorporated Businesses

If you have entered for Module E you must answer Questions 49 – 60 and type your answers between the question dividers 49 – 60.

49. Ellie started trading on 1 November 2022. On 28 September 2023 she notified HMRC that she had acquired a new source of taxable income and on 12 November 2023 she was issued with a notice to complete a tax return for 2022/23.

Ellie submitted an online return for 2022/23 on 25 February 2024 and paid the Income Tax and National Insurance Contributions due of £6,280 on 12 April 2024.

**Explain:**

- 1) **The latest date(s) by which Ellie should have notified HMRC of her chargeability to Income Tax, filed her tax return for 2022/23 and paid the Income Tax and National Insurance Contributions due.**
- 2) **The penalties Ellie may be charged by HMRC.**

50. Zainab has been employed by Mulla plc since 1 January 2019. On 6 September 2019, she took out a personal loan of £50,000 on which interest of 6% per annum is payable. She used the loan to make the following purchases:

	£
Shares in Zarm Ltd (a 25% holding)	25,000
Plant and machinery for use in her employment with Mulla plc:	
Computer and printer (100% business use)	10,000
Car (70% business use)	<u>15,000</u>
	<u>£50,000</u>

Zarm Ltd is a close trading company. Zainab does not work for Zarm Ltd.

**Explain if any of the interest payable by Zainab on her loan in 2023/24 will qualify for Income Tax relief and how relief would be given.**

51. On 1 May 2023 Carmen started trading as a restaurateur. She incurred the following expenditure before starting to trade:

<u>Date incurred</u>	<u>Expenditure</u>
5 February 2023	Advice on health and safety legislation
10 April 2023	New and unused fixtures and fittings for her business premises
25 April 2023	Advertising her new business in the local newspaper

In addition, in the six months prior to opening her restaurant, Carmen ate out at least once a week at nearby restaurants so that she could research her potential competitors.

**Explain if any of the expenses incurred by Carmen before she started to trade are allowable trading expenses.**

52. Amba is a sole trader, preparing accounts to 5 April each year. Her tax written down values brought forward on 6 April 2023 for capital allowances purposes were:

	£
Main pool	925
BMW car with CO <sub>2</sub> emissions of 75g/km and with 65% private use by Amba	9,800

During the year ended 5 April 2024 Amba bought and sold the following assets:

		<u>Cost/(Proceeds)</u>
		£
1 May 2023	Sold the BMW car	(10,200)
1 May 2023	Zero-emissions goods vehicle with 25% private use by Amba	18,000
10 June 2023	New wall around the shop car park	3,500

**Calculate Amba's maximum capital allowances for the year ended 5 April 2024, showing your treatment of each item.**

53. Emily has been a sole trader for many years, preparing accounts to 31 December each year.

On 1 November 2021, she entered into a contract with a builder to construct a new workshop. The costs relating to the workshop were as follows:

	£
Land	450,000
Planning permission	35,000
Site preparation prior to building	50,000
Construction costs	225,000
Electrical and water systems	75,000

The office building was completed and brought into use in the business on 1 January 2023.

**Calculate the structures and buildings allowances available to Emily for the year ended 31 December 2023, showing your treatment of each item.**

54. Thea began trading on 1 September 2023 and prepared her first accounts to 5 April 2024. Her only capital asset is a car that she uses for both business and private journeys.

The car has CO<sub>2</sub> emissions of 95g/km and cost £45,000 on 1 September 2023. Between 1 September 2023 and 5 April 2024 Thea drove 18,000 miles, 12,000 of which were for business. Total running costs, including fuel, for the same period were £4,800.

**Calculate Thea's allowable trading deductions for the period ending 5 April 2024 in respect of the car if she claims:**

- 1) **Capital allowances and running costs; or**
- 2) **The fixed rate mileage allowance.**

55. Josh began trading on 1 January 2022, and prepares accounts to 31 December each year. His taxable trading profits for his first three periods of account were as follows:

	£
Year ended 31 December 2022	18,000
Year ended 31 December 2023	20,000
Year ended 31 December 2024	24,000

**Calculate Josh's taxable trading income for the tax years 2021/22 to 2023/24 inclusive, clearly stating the basis periods. Ignore the spreading provisions.**



56. Leon and Marcia have been in partnership for many years, sharing profits and losses in the ratio 2:3 respectively, after allowing for interest at 5% per annum on the balance of each partners' capital accounts, which were £100,000 each.

On 1 October 2023, Nuala joined the partnership. From that date, no interest was paid on capital and the profits and losses were shared between Leon, Marcia and Nuala in the ratio 2:3:1 respectively, after allowing for a salary for Leon of £24,000 per annum.

In the year ended 31 March 2024, the partnership made a trading loss of £150,000.

**Calculate each partner's share of the trading loss for the year ended 31 March 2024.**

57. On 20 February 2002, Kashish bought 25,000 shares in Munchetty Ltd for their market value of £150,000 and became a director of the company on the same date. Munchetty Ltd is an unquoted trading company with an issued share capital of 100,000 shares.

On 1 June 2008, Kashish bought a piece of land next to Munchetty Ltd's office for £20,000 and immediately rented it to the company to use as a car park. She charged the company rent of £1,000 per month, although the market value rent would have been £3,000 per month.

On 1 June 2023 Kashish sold all her shares in Munchetty Ltd for £800,000 and the land for £350,000.

Kashish is an additional rate taxpayer and her Capital Gains Tax annual exempt amount for 2023/24 is not available to set against these gains.

**Calculate the Capital Gains Tax payable by Kashish on the shares and land, assuming any beneficial reliefs are claimed.**

58. On 17 October 2015, Euan sold a building for £528,000. The building cost £270,000 in 2001 and had three floors, two of which were used in Euan's trade and the third of which had always been rented out to a tenant.

On 22 September 2015, Euan bought a replacement building for £400,000, which was used wholly in his trade. This building was sold on 22 October 2023 for £600,000 and not replaced.

Euan is a higher rate taxpayer and always makes any claims available to reduce his tax liabilities.

**Calculate Euan's Capital Gains Tax liability for 2023/24.**

59. In 2004, Jack subscribed for 55,000 £1 shares (a 55% holding) in Humptydumpty Ltd, an unquoted investment company, at a cost of £55,000. This holding was valued at £825,000 throughout 2023/24.

In 2023/24, Jack gave his shares to his daughter, Jill. To try to reduce his Capital Gains Tax liability, he gave Jill a 30% holding, valued at £300,000, on 18 May 2023 and his remaining 25% holding, valued at £225,000, on 22 July 2023.

**Explain how the gift of Jack's shares to Jill will be treated for Capital Gains Tax purposes and calculate the chargeable gain(s) arising.**

60. Alice had been trading as a sole trader for many years until 1 December 2023 when she incorporated her business. The business assets were transferred to the company on that date for total consideration equal to their market value of £370,000, and the chargeable gains arising were £100,000. Incorporation relief applied to the transfer.

Alice took most of the £370,000 consideration for the transfer of the assets in shares, with the balance in the form of a director's loan account. The amount of the loan account was calculated as the maximum amount that it could be so as to ensure that she had no Capital Gains Tax liability in 2023/24.

Alice's only other disposal during 2023/24 resulted in a capital loss of £20,000.

**Calculate the amount of the director's loan account.**