

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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>100</b>	<b>511</b>	<b>610</b>
Section 2	<b>24</b>	<b>157</b>	<b>176</b>
Section 3	<b>81</b>	<b>331</b>	<b>385</b>
Section 4	<b>82</b>	<b>386</b>	<b>467</b>
Section 5	<b>93</b>	<b>362</b>	<b>418</b>
Section 6	<b>137</b>	<b>590</b>	<b>724</b>
Section 7	<b>33</b>	<b>149</b>	<b>177</b>
Section 8	<b>61</b>	<b>298</b>	<b>356</b>
Section 9	<b>81</b>	<b>341</b>	<b>401</b>
Section 10	<b>124</b>	<b>575</b>	<b>692</b>
Section 11	<b>20</b>	<b>98</b>	<b>107</b>
Section 12	<b>73</b>	<b>327</b>	<b>377</b>

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Answer-to-Question- \_1\_

1) Compulsary registration is required where a person has taxable turnover exceeding the VAT threshold limit of £90,000 over the previous 12 months under the historic test or in the next 30 days they are going to have over £90,000 under the futures test. Only taxable supplies count towards this total and with Deborah only making £7,250 (12 x £87,000) of standard rate supplies she does not exceed this threshold.

2) Only taxable supplies are considered when registering for VAT. If registered persons that are chargeable to VAT are often considered more compliant given the further records kept by the person.

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-----ANSWER-1-ABOVE-----

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-----ANSWER-2-BELOW-----  
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Answer-to-Question- \_2\_

- 1)Standard rated supply
- 2)Zero-rated unless wholly or predominately devoted to advertising or audio and video content
- 3)Standard rated supply
- 4)Exempt supply
- 5)Reduced rated supply

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----

Answer-to-Question- \_3\_

1)

Output VAT				£	£
SR supplies:	£200,000 x 20%				40,000
ZR supplies:	£20,000 x 0%				Nil
Input VAT					
SR purchases:	£50,000 x 20%				(10,000)
ZR purchases:	£2,000 x 0%				Nil
					30,000
Bad debt relief:					
30 August 24	£900 x 20%				(180)
30 September	(£2,100 - £1,400) x 20%				(140)
					29,680

2) A claim must be made within 4 years and 6 months of the later of the following the date the consideration was written off and the date of supply

-----ANSWER-3-ABOVE-----

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-----ANSWER-4-BELOW-----  
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Answer-to-Question- \_4\_

Jose can voluntarily deregister as his taxable turnover for the previous 12 months is below the de-registration VAT threshold of £88,000 for the year ended 30 June 2025, this is a compulsory deregistration.

On deregistration a deemed supply takes place where any goods that have had input VAT claimed on them must calculate the output VAT on the assets at hand on the date of deregistration.

If the VAT values comes to a total of less than £1,000 this can be ignored.

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- \_5\_

Penalties:

VAT quarter			Penalty point	Running Total
30 June 2024			1	1
30 Sept 2024			1	2
31 Dec 2024			1	3
31 March 2025			1	4

For the 31 March 2025, a penalty will arise on the late filing of the fourth VAT return.  
This is done by a penalty point system and the penalty is £200.

Interest:

	VAT liability (£)	Days late	Late payment interest (£)
June	40,000	x 7.75% x 10/365	85
Sept	45,000	x 7.75% x 20/365	191
Dec	(3,000)		Nil
March	35,000	x 7.75% X 35/365	260
			536

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_

A group can be formed if there is control by one company over another or if they are both under common control. Control is described as having a 51% control in that company. Jasmine owns 100% of Goolld Ltd, Sielver Ltd and 70% in Broonze Ltd so these will all be eligible to form a VAT group. Saaphire Inc will not be able as it is not a UK company despite having 100% ownership by Jasmine. Copper Ltd will be eligible to join the VAT group as it is a 100% subsidiary of Broonze Ltd, control of 51% still works through subsidiaries.

It may not be beneficial for Sielver Ltd as they will lose their ability to complete monthly returns as a result of the company only completing zero-rated supplies, if they joined a VAT group

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-----ANSWER-6-ABOVE-----  
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-----ANSWER-7-BELOW-----  
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Answer-to-Question- \_7\_

Gross sales = £1.5 million  
ESP of standard rated stock - £1.2 million  
ESP of all goods for resale - £1.95 million

£1.5 million x £1.2 million/£1.95 million

£923,077 x 1/6 = £153,846

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-----ANSWER-7-ABOVE-----  
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-----ANSWER-8-BELOW-----  
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Answer-to-Question- \_8\_

Goods:

The goods supplied by Ganndy Ltd are known as exports, these will not have a UK place of supply and will therefore be zero-rated as long as Ganndy Ltd has evidence these have been exported, which they do.

Services:

The services supplied to Spain would normally be a business to business transaction which would be supplied where the recipient belongs.

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-----ANSWER-8-ABOVE-----  
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 -----ANSWER-9-BELOW-----  
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Answer-to-Question- \_9\_

Flat rate scheme -			£	£
Output VAT:	(£95,000 x 1.2) x 10.5%			11,970
No input VAT is deductible				Nil
				11,970

Regular VAT accounting -			£	£
Output VAT:	(£95,000 x 20%)			19,000
Input VAT:	(£20,000 x 20%)			(4,000)
				15,000

The tax saving if Nazeem uses the flat rate scheme will be £3,030

Nazeem cannot be a limited cost trader as his relevant goods are not less than 2% of turnover or greater than 2% of turnover but less than £1,000.

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 -----ANSWER-9-ABOVE-----  
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-----ANSWER-10-BELOW-----  
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Answer-to-Question- \_10\_

A transfer of going concern is satisfied is if the following conditions are met:

- 1) the effect of the transfer means the new owner of the business can be operated as such.
- 2) the assets transferred must be intended for use by the new owner to carry on the same kind of business. This is the continuation of the economic activity.
- 3) There must not be a series of immediately consecutive transfers of the business
- 4) Where the seller of the business or part of the business is registered for VAT, the buyer must be registered for VAT.
- 5) There is no significant break in trading before or immediately after the transfer.

If these conditions are met then a transfer of going concern will be satisfied

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-----ANSWER-10-ABOVE-----  
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-----ANSWER-11-BELOW-----  
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Answer-to-Question- \_11\_

			£	£
Consideration:				
	£100,000			100,000
	Diamond necklace			7,500
SD payable	@ 0.5%			538

The stamp duty is payable by Averil.

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-----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----  
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Answer-to-Question- 12

1) Sven is a first time buyer so different rates will apply.

SDLT:	£600,000		£
£425,000 @ 0%	(425,000)		Nil
£175,000 @ 5%	(600,000)		8,750
			8,750

The due date for payment is 31 May 2025

2) Stacey is not a first time buyer and is instead buying an additional residential property so will be subject to the higher rates:

SDLT:	£600,000		£
£250,000 @ 3%	(250,000)		7,500
£350,000 @ 8%	(600,000)		28,000
			35,500

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-----ANSWER-12-ABOVE-----  
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Section 13	<b>65</b>	<b>326</b>	<b>369</b>
Section 14	<b>73</b>	<b>302</b>	<b>351</b>
Section 15	<b>111</b>	<b>520</b>	<b>599</b>
Section 16	<b>74</b>	<b>297</b>	<b>349</b>
Section 17	<b>59</b>	<b>267</b>	<b>323</b>
Section 18	<b>55</b>	<b>274</b>	<b>316</b>
Section 19	<b>43</b>	<b>212</b>	<b>237</b>
Section 20	<b>29</b>	<b>157</b>	<b>170</b>
Section 21	<b>113</b>	<b>431</b>	<b>539</b>
Section 22	<b>37</b>	<b>172</b>	<b>203</b>
Section 23	<b>33</b>	<b>179</b>	<b>194</b>
Section 24	<b>109</b>	<b>449</b>	<b>556</b>

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 -----ANSWER-13-BELOW-----  
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Answer-to-Question- \_13\_

		Stand alone	Related property	Value
Before transfer -		£	£	£
6,000 shares		500,000		
Related property	(6,000/8,000) x £780,000		585,000	585,000
After transfer -				
Nil shares		Nil		
Related property	(2,000/2,000 x £160,000		160,000	(160,000)
Value				425,000
Less: AE x 2				(6,000)
PET				419,000

The regular gift by Victoria to her niece will be exempt as a result of it being normal expenditure out of income.

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 -----ANSWER-13-ABOVE-----  
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-----ANSWER-14-BELOW-----  
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Answer-to-Question- \_14\_

1)

14 March 2025			£	£
Gift to trust				450,000
Less: AE 2024/25				(3,000)
Less: AE 2023/24				(3,000)
CLT				444,000
Nil band			325,000	
Less: CT in previous 7 years			(275,000)	
Remaining nil band				(50,000)
Taxable CLT				394,000
IHT @ 20/80				98,500

Due date for payment will be the 30 September 2025

2) An IHT 100 must be filed 12 months from the end of the month of the transfer - 31 March 2026

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-----ANSWER-14-ABOVE-----  
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 -----ANSWER-15-BELOW-----  
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Answer-to-Question- 15

Seth RNRB - used			£
RNRB 10 April 2017			100,000
Less: amount used			(55,000)
			45,000
% unused			45%

Richard RNRB			£
RNRB 15 February 2020			150,000
Less: matilda used spousal RNRB	@ 55%		(82,500)
Remaining			67,500
Less: used			(60,000)
			7,500
% unused			5%

Matilda available RNRB			£
RNRB			175,000
Add: remaining RNRB spouse	£175,000 x 5%		8,750
			183,750

Each time Matilda gets married, and that person passes on their family home to a lineal descendant, the available amount of spousal RNRB available to Matilda on her death is reduced. This is shown above, that after Seth and Richard's use of the RNRB, Matilda is left with 5% of the spousal amount.

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 -----ANSWER-15-ABOVE-----  
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-----ANSWER-16-BELOW-----  
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Answer-to-Question- \_16\_

1)

			£	£
PET				194,000
Nil band			325,000	
Less: CLT in previous 7 years			(152,250)	
Nil band remaining				(172,250)
Taxable PET				21,750
IHT @ 40%				8,700
Less: Taper relief	5 and 6 years - 60%			(5,220)
IHT payable				3,480

2) The IHT will be payable by the executors on the earliest of:

The date the IHT return is submitted, or  
6 months from the end of the month of death - 31 August 2025

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-----ANSWER-16-ABOVE-----  
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-----ANSWER-17-BELOW-----  
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Answer-to-Question- \_17\_

- 1) The spousal exemption available on Williams death is only £325,000 as a result of Margrethe being non-domciled in the UK.
- 2) Margrethe could elect to be domiciled in the UK which means she would be eligible for the full spousal exemption but this does mean that her non-UK assets will become eligible to IHT in the UK.
- 3)

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-----ANSWER-17-ABOVE-----  
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 -----ANSWER-18-BELOW-----  
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Answer-to-Question- \_18\_

			£	£
Market value				960,000
1.				
Less: nil band				(325,000)
Taxable				635,000
IHT @ 40%				254,000
Less: IHT paid on LT				(33,750)
IHT payable				220,250

1. Philip has lost the APR available as a result of the disposal of the farmland by the trustees and the subsequent purchase into non-agricultural property (quoted investment company shares).

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 -----ANSWER-18-ABOVE-----  
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-----ANSWER-19-BELOW-----  
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Answer-to-Question- \_19\_

			£	£
Death estate				895,000
Less: 5% foreign property deduction				(13,750)
Less: Nil band				(325,000)
Taxable estate				556,250
IHT @ 40%				222,500
Less: Tax bearing QSR	1 and 2 years - 80%	80% x £46,000 x (£240,000 - £46,000)/(£240,000)		(29,747)
IHT payable				192,753

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-----ANSWER-19-ABOVE-----  
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 -----ANSWER-20-BELOW-----  
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Answer-to-Question- \_20\_

			£	£
Gross chargeable estate				1,520,000
Less:RNRB				(175,000)
Nil band			325,000	
Less: CLT in previous 7 years			(260,000)	
Nil band remaining				(65,000)
Taxable estate				1,280,000
IHT @ 36%				460,800

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 -----ANSWER-20-ABOVE-----  
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-----ANSWER-21-BELOW-----  
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Answer-to-Question- \_21\_

1)

1. This will be an asset held in Greece.
2. For IHT this will be in the UK as a result of it being where the land is based.
3. The shares are in the US as this is where they are listed.

2) An individual will be deemed domicile if they have been a UK resident for 15 of the last 20 tax years. With the implications of being deemed domicile coming into affect on the 16th tax year. 2025/26 would be Giorgis' 16th tax year and so as a result of being deemed domiciled he will be eligible to IHT on world wide assets and not just his UK assets.

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-----ANSWER-21-ABOVE-----  
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-----ANSWER-22-BELOW-----  
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Answer-to-Question- 22

1) £96,014

Tax pool			£
Balance b/f			500
Add: tax trustees paid			
D after expenses @ 39.35%	£250,000 - (£5,475 x 100/91.250	£244,000 @ 39.35%	96,014
Less: tax credits	£33,000 x 45/55		(27,000)
2) Balance c/f			69,514

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-----ANSWER-22-ABOVE-----  
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 -----ANSWER-23-BELOW-----  
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Answer-to-Question- 23

Gain on six acres			£	£
Proceeds				950,000
Less: selling costs				(12,000)
Less: Acquisition	£1.3 million x £950,000/£950,000 + £600,000			(796,774)
Gain				141,226
Less: AEA				(1,500)
Chargeable gain				139,726
CGT @ 20%				27,945

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 -----ANSWER-23-ABOVE-----  
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-----ANSWER-24-BELOW-----  
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Answer-to-Question- 24

The gift of the house to his daughter whilst still taking benefit from living in the house will be a gift with reservation of benefit. As a result of Ishaq still living in the house, it will remain as part of his estate. If Ishaq had paid market value rent this would not have been the case.

As a result there will be a double charge to IHT on the gift of the house to his daughter with it being within 7 years of his death and on his estate. HMRC will choose which way to calculate Ishaq with the method producing the higher amount of IHT being favoured.

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-----ANSWER-24-ABOVE-----  
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Section 37	<b>63</b>	<b>248</b>	<b>267</b>
Section 38	<b>40</b>	<b>201</b>	<b>221</b>
Section 39	<b>47</b>	<b>226</b>	<b>250</b>
Section 40	<b>68</b>	<b>279</b>	<b>333</b>
Section 41	<b>26</b>	<b>165</b>	<b>174</b>
Section 42	<b>101</b>	<b>547</b>	<b>633</b>
Section 43	<b>55</b>	<b>250</b>	<b>277</b>
Section 44	<b>70</b>	<b>336</b>	<b>405</b>
Section 45	<b>54</b>	<b>234</b>	<b>285</b>
Section 46	<b>54</b>	<b>247</b>	<b>266</b>
Section 47	<b>39</b>	<b>180</b>	<b>195</b>
Section 48	<b>103</b>	<b>444</b>	<b>544</b>

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-----ANSWER-37-BELOW-----  
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Answer-to-Question- \_37\_

		NS	S	D
		£	£	£
Employment income		35,000		
Interest			1,500	
Dividends				7,500
Net income		35,000	1,500	7,500
Less: PA		(12,570)		
Taxable		22,430	1,500	7,500
Tax	31,430			
NS @ 20%	(22,430)	4,486		
S @ 0%	(1,000)		0	
S @ 20%	(500)		100	
D @ 0%	(500)			0
D @ 8.75%	(7,000)			613
Less: tax reducer (MA)	1,260 x 20%	(252)		
IT liability		4,947		

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-----ANSWER-37-ABOVE-----  
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 -----ANSWER-38-BELOW-----  
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Answer-to-Question- 38

			£	£
Annual salary			90,000	
Less: 5% salary			(4,500)	
Less: charity	£20 x 12		(240)	
				85,260
Laptop				3,000
Bonus	based on date paid			18,000
Occupational pension scheme	will give relief by increasing BRB by gross amount		9,000	
Employment income				106,260

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 -----ANSWER-38-ABOVE-----  
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-----ANSWER-39-BELOW-----  
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Answer-to-Question- \_39\_

			£	£
List price			53,000	
Add: accessories			1,000	
Less: Philipe contribution	Max. £5,000		(5,000)	
Revised list price				49,000
			£	£
Revised list price x emissions based %	£49,000 x 8%		3,920	
Time apportioned - 6/12				1,960
Less: private use contributions	£50 x 6			(300)
Car benefit				1,660

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-----ANSWER-39-ABOVE-----  
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-----ANSWER-40-BELOW-----  
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Answer-to-Question- \_40\_

Juliet is a director so will pay annually but her annual salary is below the primary threshold so no Class 1 NIC: primary will be payable by her. Dividends are not liable to NICs.

			£	£
Roman -				
Class 1 NIC: primary				
(£50,270 - £12,570) @ 8%			3,016	
(£55,000 - £50,270) @ 2%			95	
				3,111
Reomee Ltd -				
Class 1 NIC: secondary				
(£55,000 - £9,100) @ 13.85				6,334

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-----ANSWER-40-ABOVE-----  
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 -----ANSWER-41-BELOW-----  
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Answer-to-Question- \_41\_

			£	£
Statutory redundancy			10,000	
Ex-gratia payment			18,000	
Restrictive covenant			25,000	
Company car			9,000	
Less: £30,000 exempt			(30,000)	
				32,000
Retraining course	Exempt			Nil
Taxable amount				32,000

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 -----ANSWER-41-ABOVE-----  
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-----ANSWER-42-BELOW-----  
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Answer-to-Question- \_42\_

Dominic will have adjusted income of £270,000 which is above the £260,000 threshold, Dominic will have to taper his annual allowance by £1 for every £2 over the threshold in 2024/25

			£
Annual allowance			60,000
Less: tapering	$(£270,000 - £260,000)/2$		(5,000)
New annual allowance			55,000
Add: b/f unused annual allowance			20,000
			75,000
Dominic pension contributions			65,000

Dominic's annual allowance will be tapered down by £5,000 resulting in his 2024/25 annual allowance being £55,000 add in the unused b/f amount of £20,000 he will have £75,000 available during this year. Dominic only contributed £65,000 so will not have an annual allowance charge.

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-----ANSWER-42-ABOVE-----  
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-----ANSWER-43-BELOW-----  
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Answer-to-Question- 43

No taxable benefit on the parking space provided by her employer.

			NS	
			£	
Employment income			125,140	
Less: PA	No PA available			
Taxable income			125,140	
Scottish Tax	125,140			
NS @ 19%	(2,306)		438	
NS @ 20%	(11,685)		2,337	
NS @ 21%	(17,101)		3,591	
NS @ 42%	(31,338)		13,162	
NS @ 45%	(62,710)		28,220	
IT liability			47,748	

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-----ANSWER-43-ABOVE-----  
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-----ANSWER-44-BELOW-----  
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Answer-to-Question- \_44\_

As Callie has accepted a full-time employment contract overseas the 2024/25 tax year will be treated under the split years treatment. Callie will fall under case 1 where she has accepted full-time work overseas. Arman will also fall under the split years treatment, case 2 where a partner starts work full-time overseas.

The deemed departure date for both of them will be 1 November 2024.

$$90 \times 7/12 = 52.5$$

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-----ANSWER-44-ABOVE-----  
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-----ANSWER-45-BELOW-----  
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Answer-to-Question- \_45\_

Where the EMI shares have been granted an option below market value there will be an income charge on exercise. There is never an income charge on grant of the shares.

In the 2024/25 tax year, the income charge will be the lower of:  
the market value at exercise or the

Less: option price  
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-----ANSWER-45-ABOVE-----  
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 -----ANSWER-46-BELOW-----  
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Answer-to-Question- \_46\_

Date			Shares	Cost
				£
30 June 2015	Purchase		3,000	6,000
30 Sept 2018	Bonus issue 1:2		1,500	
			4,500	6,000
31 Dec 2020	Purchase		1,000	2,300
			5,500	8,300
31 March 2024	Rights issue 1:2 at £1.50	$(5,500/2) \times$ £1.50	2,750	4,125
			8,250	12,425
			£	£
Proceeds				20,000
Less: Cost	$5,000/8,250 \times$ £12,425			(7,530)
Gain				12,470

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 -----ANSWER-46-ABOVE-----  
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 -----ANSWER-47-BELOW-----  
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Answer-to-Question- \_47\_

		BADR	Other	
		£	£	
Necklace			25,000	
Shares		28,000		
Less: AEA			(3,000)	
Less: b/f capital losses			(10,000)	
Chargeable gain		28,000	12,000	
BADR @ 10%		2,800		
Other @ 20%			2,400	
Less: DTR	Can only take to 0	(4,200)		
CGT liability			2,400	

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 -----ANSWER-47-ABOVE-----  
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-----ANSWER-48-BELOW-----  
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Answer-to-Question- \_48\_

A penalty will be chargeable on the potentially lost revenue which is the capital gains tax liability. Given that this is a careless action by Daryll she could have a maximum penalty of 30%, if Daryll makes unprompted disclosure the minimum could be a 0% penalty.

There will be a late payment for the 2023/24 tax return that was paid on 1 May 2025, given this is 3 months late a 5% penalty of the potential lost revenue will be charged.

Given she has a reasonable excuse as to why her tax returns are late she may be able to appeal the penalties.

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