

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module A**

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Answer-to-Question-\_1\_

Basic tax point is when there is an unconditional obligation to pay.

1) For continuous supply of services basic tax point is payment. However services concluded on 19 Jan so 19 January is tax point.

2) For goods basic tax point is when there is an unconditional obligation to pay. 3 February. However the deposit is paid earlier on 29 January so this is the tax point for the deposit (20%) issued within 14 days of delivery so 10 February is tax point for the balance (80%).

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question-\_2\_

1) land is exempt

2) new freehold of a commercial building is subject to standard rate VAT

3) lease of commercial property is exempt from vat

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3\_

Prompt payment discount can be offered. If supplier doesn't know the customer will take advantage they should invoice the full amount and write on the invoice the discount being offered.

If the prompt payment discount is taken the supplier can either issue a credit note for the reduction in consideration or they can include the terms of the prompt payment discount on the invoice and a statement that the customer can only recover input tax paid to the supplier.

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question-\_5\_

HMRC will recover input tax reclaimed on items a VAT registered person has purchased when they deregister for VAT., This is done by making an output VAT charge.

The computer purchased from a non-registered person so did not suffer VAT. Not impact on deregistration.

The computer and production equipment from purchased for £22k. The output charge is on the value of replacement equipment (14,000)..  $£14,000 * 20\% = £2,800$

Stock is valued at higher of cost and market value. Therefore the output VAT charge on deregistration is  $£5,600 * 20\% = £1,120$ .

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

Input VAT suffered

	Cost		VAT suffered	
VAN	£4,400	*20%	£880	
Repairs	£600	*1/6	£100	
CAR	£2,500	No VAT		
repairs to car	£360	*1/6	£60	
total			£1,040	

Output VAT suffered

VAN sale	£6,120	*1/6	£1,020	
Car sale	£3,700	*1/6	£616	
total			£1,636	

Total input VAT £1,040  
 less output VAT £1,636  
 VAT payable = £596.

notes

Assume sale figures of car and van are inclusive of VAT.

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

disadvantages of group VAT registration are it can take a long time and be difficult to collect all the necessary information to prepare the return from the VAT group.

The effect of group VAT registration is to ignore supplies between group members. For this purpose the VAT group is Mino Ltd, and Nyne Limited. Mino doesn;t control Ponn so not included in VAT group.

Group VAT

Output VAT on sale	Mino £	Nyne£	£	£
To 3rd parties	440,000	360,000		
To Pon	28,000	22,000		
total output	468,000	382,000		
Input VAT on purchases				
Ponn	25,000	20,000		
net output VAT	443,000	362,000		

Total output VAT = £443k+362k = £ 805,000

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

Output VAT on sales

standard rated goods	£18,500 * 20%	£3,700		
Machinery`	£4,000 * 20%	£800		

total suffered £4,500

Must pay pover to HMRC (18,500) \* 12.5% £2,312  
+ 4,000 \* 20% (because he reclaimed the input VAT on it) =  
£800

Input VAT £4,500

Outpout VTA payable = £3,111

Cannot claim the VAT on purchasaes under flat rate scheme.

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

An assurance visit is a check by HMRC on taxable persons. low risk traders are not prioritised. high risk traders can expect to have an assurance visit within a few years of trading. it is not an audit and does not give a clean bill of health. records are examined, usually at the trader's main place of business the taxable person can be penalised if they fail to provide documents., an assessment may be raised if there is an error in the vat calculation.

HMRC must raise an assessment by the later of  
i) 2 years from the end of the accounting period in question  
ii) one year after evidence justifying the raising of assessment came to light.

later of 30 June 2021  
and 10 March 2023

it was issued on 2 April 22 therefore within the time limits.

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

Failing to register for VAT results in a tax geared penalty. On the fact pattern it appears to be non-deliberate. The penalty for this 30\* VAT due. This can be mitigated to nil if she promptly informs HMRC within 1 year of the failure.

Also the registration is backdated to when it should have begun.

Also she must account for output tax on supplies for the period where she should have been registered.

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

500 new shares in Olio - this is not a stampable transaction because the issue of new shares by a company is exempt.

gift of shares to daughter - no stamp DUTY ON SHARES  
GIFTED

divorce shares - there is no stamp levied on transfers as a result of divorce proceedings.

Penalties for submitting more than 30 days late a stamping document is the lower of £300 and the amount payable on the instrument.

late by 12 months = 20% of the duty  
late by more than 24 months 30% of the duty.  
No penalty where under £20.  
Penalties rounded to nearest £5.

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-----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----  
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Answer-to-Question-\_12\_

Karl already has a main residence so the higher rate will apply.  
The 8 housees purchased are considered linked transactions, only 1 lot of stamp payable.

0-125K	3%	£3.75K		
125k-250k	5%	£6.25K		
250-925k	8%	£54k		
925k-1.5m	13%	£74.75k		
1.54m-925k	15%	£6k		
total stamp		£144.75		

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-----ANSWER-12-ABOVE-----  
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Part/Module: **Module B**

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

Hannah has domicile of origin in the UK (follows parents at birth)

Feb 1971 she took domicile of dependency in Canada

When she returns to the UK she is still planning on going back to Canada and not making UK permanent home therefore she retains Canadian domicile.

However because she was born in the UK and UK domiciled at birth and now UK resident she will be deemed UK domiciled whilst tax resident in the UK.

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

gift to discretionary trust	£100,000		
Annual exempt amount 21/22	(6)		
annual exempt amount 19/20	(6)		
Chargeable lifetime transfer	£96,000		
IHT @ 20%	£19,200		
Gross transfer value	£76,800		
gift to trust £500,000	£500,000		
Tax @ 2/8	£125,000		
gross transfer	£625,000		

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 -----ANSWER-14-ABOVE-----  
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-----ANSWER-15-BELOW-----  
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Answer-to-Question-\_15\_

Because she is non-domiciled only assets held in the UK are subject to IHT.

1)Debt is UK based because it is subject to CCJ in UK and legally enforceable in the UK. This will be subject to UK IHT.

2)ShARES IN Naruela SL - shares are deemed to be located where the share register is kept. Spain. These are not subject to IHT.

3)Although the savings account is held in London it is a foreign currency denomination therefore deemed excluded asset. will not suffer IHT in UK.

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

School fees for grandchild. This is exempt from IHT because the constitutes normal expenditure of income and it is habitual and you would say that becuae of his large income that he is left with sufficient income to maintain normal stanbdard of living.

No monetarty limit to this exemption.

There is a small gift exemptino with a limit of £250 per donee per year. aLL 60 of the donations are exempt from IHT because they are below the £250 limit.

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

Related party rules - antique sculptures

=A / (A+B) \* CV

value before gift	standalone	related property	higher	
2 sculptures	£300k			
3 sculptures (2/3*750K)		£500k	£500k	
value after gift				
1 sculpture		£150k	(150)K	
loss to donor			£450,000	

Shares

value before gift	standalone	related property	higher	
60%	£600k			
60% * £1.6m		£960K	£960K	
value AFTER GIFT				
	£0			
		£400K	£(400)k	
loss to donor			£560k	

Gift of shares	£560,000
Gift of sculptureees	£450,000
Annual exempt amount *2	(6,000)
Marriage exemption	£(5,000)
PET	£989,000

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-----ANSWER-17-ABOVE-----  
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-----ANSWER-18-BELOW-----  
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Answer-to-Question-18

Death estate	
Shares in Blaine	£600,000
BPR not available because board voted to wind up company	
House in CHeshire	£350,000
Repayment mortgage set against house	(200,000)
Residential nil band (	£(175,000)
House chargeable to IHT	£nil
(£25k of residence nil band wasted)	
Investments	£230,000
loan to buy car	£(30,000)
Vet bill	£(230)
total	£799,770

Death estate	£799,770
Nil band at death	£(325)K
No CLTS in the 7 years before death	
taxable	£474,770
IHT @ 40% =	£189,908

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

Death tax on transfers

NOP Trust

gross chargeable transfer		£386,250
nil band @death		£(325,000)
CLTs in 7 years prior to gift	0	(325,000)
taxable		£61,250
fall in value relief	386,000-250,000	max 61,250
		-61,250
taxable		nil

QRS trust

gross chargeable transfer		£817,500
nil band remaining		nil
IHT @ 40%		£327,000
taper relief	3-4 years = 20%	£(65,400)
IHT due		£261,600

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

Valuation of shares = lower of:

- 1) average MARKED BARGAINS =  $(310+320)/2 = 315$
- 2) 1/4 up on bid  $(320-316)/4 + 320 = 321$

Take  $£315 * 1,500 = £4,725$   
+ dividends  $£0.6 * 1,500 = £90$   
total value of shares  $£4,815$

Apartment  $£234,000$

Can allow 5% PROBATE FEES for foreign property  $(234k * 5%) =$   
 $£11,700$

IHT value of apartment  $£222,300$

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

1) Net gains

commercial property		£		
proceeds		75,000		
selling expenses		-5,000		
cost		-62,000		
gain		8,000		
Shares				
proceeds		32,000		
broker fees		-1,600		
cost		-95,000		
loss		-64,000		
Net chargeable loss		£56,000		

both gains/losses are added to give a net loss. This capital loss is carried forward to relieve futiure capital gains. no carry back.

2) the loss on the gain can be offset gaains the IHT>

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 -----ANSWER-21-ABOVE-----  
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 -----ANSWER-22-BELOW-----  
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Answer-to-Question-\_22\_

	£	rate		
rent	95,000	20%	£19,000	
interest	77,000	20%	£15,400	
dividends	30,000	7.5%	£2,250	
			£36,650	
Distributable	£	£	£	
	NSI	Savings income	dividend income	
gross	95k	77k	30k	
tax	-19K	-15.4K	-2.26k	
net	76k	61.6k	27.74k	
expenses			-4.625k	
distributable	76k	61.6k	23.115k	

R185 net £160,715  
 tax = 160K\*45/55= £128,000

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 -----ANSWER-22-ABOVE-----  
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-----ANSWER-23-BELOW-----  
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Answer-to-Question-\_23\_

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-----ANSWER-23-ABOVE-----  
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-----ANSWER-24-BELOW-----  
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Answer-to-Question-\_24\_

Due date for return on death is the 12 months from end of month the transfer took place.  
Should have been filed by 31 MArch 2022.

Initial penalty is £100 can increase to £60 per day by court order.  
More than 6 months late another £100 penalty applies

Because more than 1 year late £3,000 penalty.  
Penalty not charged if taxpayer has a reasonable excuse.

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-----ANSWER-24-ABOVE-----  
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Paper: **CTA Awareness**

Part/Module: **Module D**

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

	Non £savings income	dividend income£	£	£
PRoperty income	20,000			
dividend		8,000		
net income	20,000	8,000		
personal allowance	(12,570)			
taxable	7,250			
tax 20% (7.25k)	1,450			
tax at 0% dividend allowance (2k)	0			
tax at 7.5% (6k)	450			
total	£1,900			
married allowance (w1)	-251			
tax liability	£1,649			

(w1) marriage allowance is a reduction in tax liability at 20% of the transferred amount. The transferred amount is 10% of the personal allowance.

12.570 \*10% £1,257

tax reduction is 20% \* 1,257 =

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-----ANSWER-37-ABOVE-----  
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-----ANSWER-38-BELOW-----  
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Answer-to-Question- \_38\_

To give relief for charitable donations gift relief is claimed which essentially allows the donee to uplift the doantion by 20% tax already suffered by the donor. means the charity gets 120% of the doantion.

As a higher rate payer the basic rate band will be extended so that more of his income is taxed at 20% making total RELIEF WITH GIFT AID 40%.

basic rate band  $£37,700 + £1,280 * 100/80 = £39,300$ .

as he is an addtional rate payer the higher rate band should be extended by the same amount.

$£150,000 + £1,280 * 100/80 = £151,600$

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

Flowers £60 - exceeds the limit of £50, these will not be considered a trivial benefit

Chocolates on performance appraisal £30 - yes allow as a trivial expense. not taxable income. below £50 and work related. tax exempt

Cash - birthday. This is taxable. Cash is considered employment income and not a trivial benefit.

Hamper on wedding anniversary - below £50 this is a non-taxable trivial expense

Directors cannot receive more than £300 annually if it is a close company. There will be no tax payable on her benefits totalling £270.

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

Class 1 primary - payable by michelle	salary	BONUS	total	
11 *	5,000			
(4,189-797) *12%		407		
(5000-4,189) *2%		16.22	423	
*11			£4,655	
+ 1 MONTH	5000	10000		
(4,189-797) *12%		407		
(15,000 - 4,189) *2%		216		
		623	£623	
TOTAL CLASS 1 payable by Michelle			£5,728	

Class 1 secondary payable by employer

salary	12*10,000		£120,000	
bonus			£10,000	
			£120,000	
(120,000-8,840) *13.8%			£15,340	
total Class 1 secondary payable by Dock Ltd			£15,340	

Medical insurance is a not a readily convertible asset  
therefore the employer only pays class 1 A NIC  
 $= \text{£}1,400 * 13.8\% = 193.2$

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

loan 1

amount O/S at start of period 15,000 + 2,000 =17,000  
repayment before year end (3,000)  
MOUNT OUTSGTANDING AT END OF YEAR £14,000

AVERAGE METHOD (17,000+14,000)/2 15,500  
amount of benefit = 15,500\*2% £310 \* 6/12 = £155  
less contributions (£53+7)  
Total taxable benefit = £95

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

Annual allowance is £40,000 (maximum contributions)  
other cap is 100% of relevant earnings:

Christopjher  
Employment inc                   18,000  
Furnished holiday let         £2,000  
Total allowable contributions £20,000  
NB dividends are not relevant earnings

Kimberly  
Employment income £2,500  
NB - this is below the annual allowable amount for everyone  
(£3,600)  
Therefore Kimberly can contribute £3,600

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

	ground	first	total	
rents	9,600	400	10,000	
premium treated as rent	1,140		1,140	
boiler		-2,100	-2,100	
net property income	10,740	-1,700	9,040	

net property income £9,040

Interest not allowable when calculating net property income.  
It is taken as a tax reducer instead.

part of premium on short lease chargeable to income tax as rent.

capital element =  $2\% (20-1) * 3000$

£1,140

dewposit from tenant - ignore this is not income

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

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

s105 pool

	event	no of shares	cost£	
Dec 09	purchase	8,000	8,000	
june 13	purchase	12,000	18,000	
august 14	binus issue	2,000	4,000	
september 20	bonus	4,400	0	
		26,400	30,000	
sale		-20,000	-17,727	

Proceeds		£40,000
cost (part disposal 20/26.4*£30,000)		(22,727)
gain	£17,727	

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 -----ANSWER-45-ABOVE-----  
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 -----ANSWER-46-BELOW-----  
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Answer-to-Question-\_46\_

proceeds		190,000		
cost of disposal		-1,500		
cost		-80,000		
gain		108,500		
PPR see below		-90,250		
gain taxable	* 28%	£2,720		

CGT £25,720

this is her main residence to principal private residence relief exempts part of the gain when she is in actual occupation

ownership period = 16 years  
 actual occupation = 8 years  
 did not reoccupy after period of absence therefore do not allow the full deemed period.

PPR = 8/16

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

		£		
Net gain		60,000		
capital loss brought forward		-4,500		
annual exempt amount		-12,300		
taxABLE		43,200		
cgt AT 18%		£7,760		

DUE Dte for payment on gains is 31 jan following year of  
gain is 31 January 2023.

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

He has 12 months from the date he submitted to amend the return (by May 2023)

penalties for incorrect returns  
this is a careless error the maximum penalty is 30% of tax due  $(3,000 * 45% * 30%) = \text{£}405$

this can be mitigated if he discloses to HMRC unprompted then the error can be reduced to nil

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