The Chartered Tax Adviser Examination

May 2018

Taxation of Individuals

Suggested solutions

1. MARINA AND KENNY

Marina	Workings	Non-Savings	Savings	Dividends
		£	£	£
Salary	1	36,500		
Car benefit	2	3,607		
UK rental income (1/2)		2,000		
M & D Ltd dividend	3			13,000
Bank interest			1,000	
Loan interest (1/2)	4	(1,500)		
Net income (1)		40,607	1,000	13,000
Less personal allowance (1)	5	(7,107)	(500)	(3,893)
Taxable income		33,500	500	9,107

Tax on taxable income	£
Tax on non-savings income: 33,500 x 20%	6,700
Tax on savings income: £500 x 0% (1/2)	0
Tax on dividend income: 5,000 x 0% (1/2)	0
4,107 x 32.5%	1,335
Income tax liability (1/2)	8,035
Less tax deducted at source	(5,600)
Tax payable (1/2)	2,435

Tax payable 31 January 2019 £2,435 – 2 x £750 = £935 (1). 2018/19 Payments on account of £1,217 and £1,218 due on 31 January 2019 and 31 July 2019. (1/2)

Workings

1. The payment on 10 April 2017 will have been taxable in 2016/17 as she was contractually entitled to the payment in that tax year. (1/2)

2. The car benefit is calculated as follows:

List price £18,000 less £5,000 (1/2) (capped) capital contribution = £13,000

£13,000 x 37% (1/2) = £4,810 x 9 months/12 months = £3,607 (1)

3. Marina holds 5 shares and the total dividend she received is therefore 5 x £2,600 = £13,000 (1)

4. The loan interest is deductible as it was a loan taken out to invest in a close company and Marina owns over 5% of the shares in the company. (1)

5. Marina's personal allowance is allocated to non-savings first to reduce to the basic rate limit. £500 is then allocated to savings income leaving the £500 covered by the savings allowance. The balance is allocated to dividends saving 32.5% tax.

6. The two overseas properties are treated as one rental business separate to the UK rental business (1). The net loss of £1,650 after deducting the foreign tax (as foreign tax credit relief is not beneficial) (1/2) can be carried forward to be offset against future overseas rental profits. (1/2)

Kenny	Workings	Non-Savings	Savings	Dividends
		£	£	£
Offshore income gain (1)		3,000		
Chargeable event gain			2,500	
Interest			1,500	
Loan stock interest	7		4,167	
UK dividends				12,000
Net income (1)		3,000	8,167	12,000
Less personal allowance (1)		(3,000)	(2,167)	(6,333)
Taxable income		0	6,000	5,667

Tax on taxable income	£
£5,000 x 0% (1/2)	0
Tax on savings income: £1,000 x 0% (1/2)	0
Tax on dividends: £5,000 x 0%	0
667 x 7.5%	50
Income tax liability (1/2)	50
Plus additional tax payable on gift aid donation	
£250 - £50	200
Tax payable (1)	£250

Workings

7. Kenny is taxable on the interest payment received in respect of the 5% loan notes paid on 1 December 2017 less the accrued income relief in respect of the previous payment on 1 June 2017

£5,000 (£200,000 x 5%/2) less accrued interest on 5% loan notes (£5,000 x 1/6) = £5,000 - £833 (1/2) = £4,167 (1/2)

8. Kenny could transfer the marriage allowance to Marina but she will not qualify as she is a higher rate taxpayer for the year. (1/2)

MARKING GUIDE

TOPIC	**MARKS**
Marina	
Rental Income	½
Loan interest	½
Net income	1
Allocation of personal allowance	1
Tax on savings income	½
Tax on dividend income	½
Income tax liability	½
Tax payable	½
Tax payable 31 January 2019	1
2018/19 payments on account	½
Late payment taxable in 2016/17	½
Contribution to car capped at £5,000	½
Car benefit rate 37%	½
Car benefit	1
Dividend	1
Loan interest deductible as investment in close company and holding exceeds 5%	1
Single overseas rental business	1
Net overseas rental loss	½
Rental loss carried forward	½
Kenny	
Offshore income gain	1
Net income	1
Allocation of personal allowance	1
Tax on savings income	1
Income tax liability	½
Tax payable	1
Accrued income relief on 5% loan notes	½
Total Loan note interest	½
Could transfer marriage allowance	½
TOTAL	**20**

2. HARRIOT WALTON

To: harriotwalton@employer.co.uk
From: taxadviser@accountants.com
Date: May 2018
Subject: Annual Allowance Charge

Dear Harriot

Further to our recent meeting I have now reviewed the position with regard to the large increase in the value of your rights in your employer's pension scheme.

The growth in the value of your rights during the year was £60,800 (W1). A tax charge arises on the amount by which this growth exceeds your annual allowance.

The standard annual allowance for the 2017/18 tax year was £40,000, but this is tapered where a taxpayer is classed as a high income individual for this purpose. The minimum amount that the allowance can be reduced to is £10,000.

A high income individual for 2017/18 is one who meets the following criteria:

1) threshold income exceeds £110,000 and
2) adjusted income is over £150,000.

Your threshold income for the year is £148,990 and your adjusted income is £209,790 (W2).

You are therefore a high income individual and the annual allowance will be reduced by £1 for every £2 of adjusted income over £150,000. This gives you an annual allowance of £10,105 for 2017/18. (W2)

You can also make use of your unused annual allowances from the previous three tax years, which my files show total £43,200.

My calculation of your annual allowance and the tax charge arising on the growth in your pension rights is attached.

The chargeable amount is £7,495 and your annual allowance charge for 2017/18 will be £3,322 (W3).

The charge will need to be declared on your 2017/18 tax return and paid to HM Revenue & Customs with your balancing payment for that year, which will be due on 31 January 2019. Alternatively, because your annual allowance charge exceeds £2,000, you are able to make an election for the charge to be paid from your pension scheme (with your benefits in the scheme being reduced accordingly.) For 2017/18 this election would need to be made by 31 July 2019.

If you have any queries please do not hesitate to contact me.

Kind regards
Tax Adviser

Attachment

Working 1

Increase in Value of Rights

At 6 April 2017: 11 years' service £48,000 salary

Value of rights therefore 11/60 x 48,000 x 16 = £140,800

At 5 April 2018: 12 years' service £63,000 salary

Value of rights therefore 12/60 x 63,000 x 16 = £201,600

Increase: 140,800-201,600 = £60,800

Working 2

Annual Allowance for 2017/18

Adjusted income:

	£
Salary	56,750
Benefits in kind	14,240
Investment income	78,000
Threshold income	148,990
Pension input (note 1)	60,800
Adjusted income	209,790

Restriction: (209,790–150,000)/2 = 29,895

Annual allowance: 40,000-29,895 = £10,105

Note 1

When calculating the adjusted income figure for the member of a defined benefit scheme it is the pension input amount that is used rather than the amount of any employer contributions.

Total Available Annual Allowance for 2017/18

	£
2017/18	10,105
2014/15	17,600
2015/16	9,067
2016/17	16,533
Total:	53,305

Working 3

Annual Allowance Charge

60,800-53,305 = 7,495

Balance of higher rate band: 150,000-148,990 = 1,010

Charge due:

	£
1,010 x 40%	404
(7,495-1,010) x 45%	2,918
	3,322

MARKING GUIDE

TOPIC	**MARKS**
Presentation and higher skills	1
Calculate value of rights at 6 April 2017	1
Calculate value of rights at 5 April 2018	1
Calculate increase in value of rights	1
Calculate threshold income	1
Calculate adjusted income	1
Explain to Harriot why she is a high income individual	1
Explain to Harriot how Annual Allowance is tapered	1
Minimum allowance is £10,000	½
Calculated restricted Annual Allowance for 2017/18	1
Calculate total available Annual Allowance for 2017/18	1
Calculate available higher rate band	1
Calculate Annual Allowance Charge	1
Payment deadline	½
s.237B, FA2004 election and deadline	1
Inform Harriot that benefits in the scheme will be reduced accordingly if she makes election	1
TOTAL	**15**

3. BRIAN WILLIAMS

Our address

Your address

May 2018

Dear Brian

Thank you for your recent email.

Sale of Vintage Car and Warehouse

I am pleased to be able to advise you that no tax will be payable on the sale of your car. This is because cars are exempt from capital gains tax (CGT).

I have calculated the capital gain arising on the sale of your warehouse and my calculation is attached at Appendix A.

Your full annual exemption of £11,300 is available to set against this gain, leaving a taxable amount of £316,707. This will be taxable at 20% and the tax due will therefore be £63,341.

The tax will be payable on 31 January 2019.

Enterprise Investment Scheme (EIS)

Income Tax

Income Tax relief is available if you subscribe for shares in a qualifying EIS company. You must not be connected with the company in the period beginning two years before you subscribe for the shares and ending three years after.

You would be connected with the company if you or an associate is an employee of the company. Employee includes a director unless they are unpaid (other than reimbursed expenses.) An individual who was unconnected prior to their subscription can become a paid director of the company after the share issue provided that any income received is reasonable.

You would also be connected with the company if you owned more than 30% of the ordinary shares, as your holding will only be 5% you will not be caught by this rule.

The fact that you previously let your warehouse to the company in which you are now looking to invest does not constitute a connection for this purpose.

The available relief is 30% of the lower of the amount subscribed or £1,000,000.

A claim for EIS relief must be made by the 5th anniversary of 31 January following the end of the tax year in which the subscription was made.

It is possible to elect for some or all of an EIS subscription to be carried back to the preceding tax year, subject to the EIS limits for that year.

If you invest £125,000 as suggested by Jane you will get Income Tax relief of up to £37,500.

You should be aware that investing under the EIS scheme is usually high risk, which is the reason for the generous tax reliefs available. Please note that if, within the three year period following the date you subscribe for the shares, you sell them or give them away or if any of the qualifying conditions cease to be met, the Income Tax relief will be withdrawn either in part or in full.

Capital Gains Tax

If an individual sells an asset and uses some or all of the sale proceeds to acquire qualifying EIS shares, then EIS reinvestment relief can be claimed. The relief acts to defer all or part of the chargeable gain arising.

In order to claim EIS reinvestment relief certain conditions must be met:

1) You must be subscribing for shares in a qualifying EIS company

2) You must be UK resident at the time when the capital gain arises and at the time when the investment is made

3) The investment must be made within the period 12 months before to 36 months after the disposal of the original asset

4) The claim for relief must be made no later than 5 years after 31 January following the end of the tax year in which the shares are issued

The amount of the gain that can be deferred is the lower of the gain, the amount reinvested or a specific amount claimed.

If you claimed to defer the full £125,000 cost of the 50 shares, the CGT payable in January 2019 would be reduced by £25,000 (£125,000 x 20%).

The amount deferred would be frozen and would crystallise in the tax year when a “chargeable event” occurs. A chargeable event will be any of the following:

1) A sale of the EIS shares

2) A gift of the EIS shares (other than to your spouse or civil partner)

3) You becoming non-UK resident within three years of the issue of the shares (unless you are going abroad to work full-time and you return to live in the UK within three years.)

4) The shares ceasing to be eligible shares i.e. if the company changes trade to a non-qualifying activity

The frozen gain crystallises in the year of the chargeable event and not when the original disposal took place.

Any gain on the EIS shares themselves will be exempt from CGT if the following conditions are satisfied:

1) The shares are sold more than three years after they were issued.

2) You obtained Income Tax relief on the subscription.

If the shares are sold at a loss, the loss will always be an allowable loss regardless of when the shares are sold. Any Income Tax relief obtained on the subscription reduces the base cost of the shares. The capital loss can be offset against other gains arising in the year or carried forward against future gains if there are no other gains in the year of sale. Alternatively, you could make a claim to offset the loss against your taxable income in the year of sale or the preceding year.

I look forward to hearing whether you decide to make the investment, but if you have any queries please do not hesitate to contact me.

Yours sincerely

Tax Adviser

Appendix A

	£
Proceeds	976,500
Less:	
Agent’s fees	(19,530)
Solicitor’s fees	(3,500)
Cost (W1)	(451,863)
Improvements (W2)	(173,600)
Net gain	328,007

Working 1

This is a part disposal. The allowable cost is as follows:

Cost = A/(A+B)

A = sale proceeds
B = value of land retained

Therefore

Allowable cost = 475,000 x 976,500/(976,500+50,000) = = £451,863

Note: The base cost of the land retained will be (£475,000-451,863) = £23,137

Working 2

No part of the extension has been retained, therefore this cost is allowable in full.

MARKING GUIDE

TOPIC	**MARKS**
Presentation and higher skills	1
No Capital Gains Tax on sale of car	½
Allowable cost of property – part disposal calculation	1
Advise Brian of base cost of land retained	½
Claim improvements in full	1
Use of annual exemption	½
Calculation of Capital Gains Tax due	½
Due date for Capital Gains Tax	½
Must not be connected with company	½
Definition of connected	1
Warehouse previously let to company does not constitute a connection	½
Maximum amount of Income Tax Relief	½
Deadline for claim	½
Carry back provision	½
Amount of relief on £125,000 subscription	½
Income Tax Relief may be withdrawn	½
Conditions for EIS reinvestment relief claim	2
Gain is frozen	½
Amount of claim permitted & effect on liability for Brian	1
Four events that crystallise gain	2
Gain arises in year of crystallising event	½
When a gain on the sale of the EIS shares is exempt	1
Loss is always allowable on sale of EIS shares	1
Can claim loss against income	1
Income tax relief on subscription reduces base cost	1
TOTAL	**20**

4. PAUL TEALSMITH

To: Tax Partner

Re: Briefing notes re implications of Transfers of Assets Abroad legislation

Legislation

S.714 ITA 2007 onwards aims to prevent UK resident individuals from obtaining a tax advantage as a result of a transfer of assets to non-UK residents.(1)

The charge will not apply if it can be proved that tax avoidance was not a motive for the transfer. (1)

As the trustees are relatives of Paul's grandmother who were resident in Spain prior to the trust being created and the investments are in Spain there is an argument tax avoidance was not a motive. However, there may have been other trustees that could have been chosen (such as Paul's parents) who were not chosen to ensure the trust was not UK resident. (1)

Therefore, there does not appear to be sufficient evidence to prove there was not a tax avoidance motive. (1)

Income Tax consequences

As Paul's grandmother cannot benefit from the trust, there will be no charge on her. However, a charge can arise on the UK resident beneficiaries under s.731 ITA 2007. (1)

As a UK resident beneficiary, Paul will be taxed on the lower of the benefit he receives, in a given tax year, and the relevant income of the trust during that tax year. (1) Any unallocated income in a tax year will be carried forward to be matched with future benefits. (1)

The term benefit is wide ranging and can include income distributions, capital distributions and the use of assets. (1)

This benefit is assessable as trust income and taxed as non-savings income (1/2)

From 6 April 2016 Paul has been liable to Income Tax on the benefit of the rent-free accommodation. He should therefore have disclosed and been taxable on £10,000 for the 2016/17 tax year. (1)

As shown below, due to the level of relevant income brought forward, for the 2017/18 tax year Paul will be liable to Income Tax on the rental value to 6 June 2017, being £1,667 (£10,000 x 2/12)(1/2), plus the value of the property being transferred to him of £750,000. (1)

Total trust income to 6 June 2017	17 x £50,000 + £50,000 x 2/12	858,333
Less allocated to Paul	£10,000 + £10,000 x 2/12	(11,667)
Balance of relevant income as at 6 June 2017		£846,666

2018/19 Income Tax liability	£	
Employment income	50,305	
Rental Income (11 x £700 - £7,500)	200	(1)
Trust income	10,000	
Less personal allowance	(11,500)	
Taxable income	49,005	(1)
Basic rate tax £33,500 + £2,500 (Note 1) (1) x 20%	7,200	(1/2)
Higher rate tax (£49,005 - £36,000) x 40%	5,202	(1/2)
Income tax liability	12,402	

Note 1

Tax relief is available in respect of the pension contribution made by Paul's father. The net contribution of £2,000 is grossed up to include the basic rate tax reclaimed by the pension provider. £2,000 x 10/80 = £2,500.

Note 2

Paul can claim rent-room relief as the house is his main residence. There is no restriction due to the room only being let for part of the tax year.

MARKING GUIDE

TOPIC	MARKS
Transfer of Assets Abroad legislation	
S.714 ITA 2007 aims to prevent tax avoidance by transferring assets to non-UK residents	1
Not applicable if no tax avoidance motive	1
Explanation as to evidence why legislation may or may not apply	1
Not sufficient evidence to prove no tax avoidance motive	1
Income Tax consequences	
No charge on settlor. Charge on UK resident beneficiaries only under S.731 ITA 2007	1
Taxed on lower of benefit and relevant trust income	1
Unallocated income carried forward to match future benefits	1
Benefits include income and capital distributions and the use of assets	1
Assessed as non-savings trust income	½
From April 2016 taxable on £10,000 per year	1
Taxable on £1,667 rental value in 2017/18	½
Also taxable on value of property £750,000 in 2017/18	1
Paul's income tax liability	
Taxable rental income	1
Taxable income	1
Extension to basic rate band re third party contribution	1
Basic rate tax	½
Higher rate tax	½
TOTAL	**15**

5. STEVE FORD

Briefing Note to Tax Manager ahead of meeting with Steve Ford

HMRC can issue an Accelerated Payment Notice (APN) and require the payment of tax when all of the following conditions are met:

1. The taxpayer's return is under enquiry;
2. The taxpayer has obtained a tax advantage from "tax arrangements"; and
3. The arrangements are notifiable under DOTAS (or other specific circumstances not relevant here).

The APN is simply a method of obtaining payment up front. The issue of an APN is not an indication that HMRC have reached a conclusion, and payment of the tax is an interim payment on a "without prejudice" basis of any tax that may become due if HMRC are successful in their challenge.

The tax demanded should be the amount of tax "saved" by the use of the avoidance scheme, calculated to the best of HMRC's information and belief

Payment of the tax demanded by an APN will not close the matter.

There is no statutory right of appeal against the APN itself, as this would only bring up the same arguments which are already ongoing in connection with the case itself.

However, within 90 days of issue, Steve can make representations to HMRC in writing either objecting to the circumstances in which the APN has been issued (for example if it does not meet all of the above conditions) or disputing the calculation of the tax due if he believes it to be incorrect.

HMRC must then consider the representations and either confirm the APN or withdraw it.

If the issue of the APN is valid, the tax demanded must be paid within 90 days and will prevent further interest accruing. The tax paid will be deducted from any final liability once the case is decided. Any overpayments will also be repaid to the taxpayer with repayment supplement.

There are penalties for late payment of tax demanded by an APN which are a percentage of the amount due. 5% will be charged if the tax is not paid by the due date. A further 5% will be added after 5 months, and if the tax is still outstanding after 11 months, another 5% is added.

There is no interest charge for late payment of an APN, however interest will continue to accrue on the underlying tax due from the enquiry until the APN tax is settled.

If Steve wants to settle his tax affairs he can request this, and HMRC will work with him to settle the case. It may be worth contacting the scheme promotors to see how the enquiry is progressing and what the current position is to determine whether he should continue with their appeal or whether he may be best advised to try to negotiate an early settlement with HMRC and bring an end to the matter.

MARKING GUIDE

TOPIC	MARKS
APN conditions – tax return under enquiry	½
Taxpayer obtains an advantage from tax arrangements	½
Arrangements notifiable under DOTAS	½
APN secures payment of tax upfront	1
Does not indicate that HMRC have reached a conclusion	½
Payment is an interim payment “without prejudice”	1
Payment of the tax does not close the matter	1
No statutory right of appeal against an APN	1
Can query circumstances under which APN is issued within 90 days	½
Can query the calculation of tax due	½
Tax must be paid within 90 days of issue	½
Any overpayments will be refunded with repayment interest	½
Penalties for late payment	½
Prevents further interest arising on the final tax due	½
Can request an early settlement	1
TOTAL	**10**

6. PETER AND DAVID WOOD

1) Calculation of liabilities

Qualification as Furnished Holiday Lets (FHLs)

The cottages will qualify as FHLs in 2017/18 if they were available for let for 210 days during the year and actually let for 105 days. In addition, there must be no more than 155 days of longer term occupation (where the accommodation is in the same occupation for more than 31 days).

Cottages 1 and 3 qualify. Cottages 2 and 4 were not let for 105 days during the year so neither immediately qualify as FHLs in 2017/18.

Averaging Election

Where a business comprises more than one property, an averaging election can be made if the properties included in the election are let for 105 days on average.

The properties were let out for a total of 394 days during the year. This gives an average of 98 days across the four properties, which is still below the required amount to qualify as FHLs.

Averaging cottages 1 – 3 however, we have total days let of 359 during the year, giving an average for these 3 properties of 119 days. An averaging election should therefore be made for cottage 2 when compared with cottages 1 and 3.

This election must be made by 31 January 2020.

Period of Grace Election

Where a property qualifies as an FHL in year 1, but in year 2 or 3 is not actually let for the full 105 days, as long as the taxpayer had a "genuine intention" to meet the letting condition, a period of grace election can be made. Peter and David should therefore submit a period of grace election for cottage 4 as they had intended to let it out for the required time but were unable to do so for reasons beyond their control.

A period of grace election will not be available for cottage 2 as it has not been let for 105 days in any of the last 3 tax years.

Again, this election must be made by 31 January 2020.

With these elections in place, all four cottages can be treated as FHLs for 2017/18.

Tax calculations for Peter and David

		Peter		David
	£	£	£	£
Employment income		75,000		110,000
Rental Income (w1)		8,850		8,850
		83,850		118,850
Personal allowance (w2)		(11,500)		(2,075)
Taxable income		£72,350		£116,775
Tax due at 20%	33,500	6,700	33,500	6,700
Tax due at 40%	38,850	15,540	83,275	33,310
		22,240		40,010
PAYE deducted		(20,000)		(38,000)
Tax payable		£2,240		£2,010

Neither Peter nor David will be required to make payments on account as the tax payable is less than 20% of their total liabilities. They could either elect to have this tax collected via their 2019/20 coding if the returns are submitted by 30 December 2018, or settle in full by 31 January 2019.

Workings

W1) Rental Accounts

	£	£
Rental income	19,800 + 8,400 + 14,000 + 4,500	46,700
Allowable running costs	4,000 + 2,000 + 3,000 + 2,000	(11,000)
Loan interest (note)	4,000 + 2,000 + 2,000 + 4,000	(12,000)
Allowable repair costs		(20,000)
Insurance proceeds		18,000
		21,700
Less capital allowances	AIA on 3,000 +1,000	(4,000)
		£17,700

Rental profit
Divisible equally £8,850

Note: Loan interest is not subject to restriction in FHL calculations

W2) restriction of PA for David

Personal allowance

£11,500 – (£118,850 - £100,000) / 2 = £2,075

2) Notes for meeting regarding exchange of interest in cottages

If Peter and David swap properties, this will be a chargeable disposable and a capital gain will crystallise even if no money changes hands. Peter and David are “connected persons” for capital gains tax (CGT) purposes. Any disposal between them will therefore be deemed to be at market value.

Peter and David could pay the CGT on these gains when they arise. As the properties have qualified as FHLs, they are business assets. As the FHL business is now ceasing with the properties used for long term lets in the future, they should be eligible for entrepreneurs’ relief on these gains as they are disposing of assets used in the business at the time it ceased, giving a tax rate of just 10%.

Alternatively, they could elect to roll the gains over under the joint interests in land rules. These rules can apply where co-owners of land dispose of an interest in part of their holding in return for an interest in one of the other jointly owned properties, such that each owner ends up being the sole owner of part of the joint interest.

The gain on disposal reduces the base cost of the property acquired effectively deferring the gain until this property is sold.

The deemed disposal proceeds for each of them will be the market value of the property disposed of. If the property received in exchange is lower in value, the difference is “excess consideration” and will be immediately chargeable to CGT. As the properties are all of a similar value, any such gain may well be small and covered by the annual exemption.

There is an exception to this rule where the interest is “excluded land”. This is land which becomes the taxpayer’s principal private residence within six years of the swap. As David plans to move into cottage 4, he will not be able to claim the relief in connection with this transfer and will have to pay CGT on the disposal of one of the cottages.

Peter could elect to roll over either or both of the gains, meaning that he could defer half or all of the tax payable at this stage if he wanted to.

If the gains are rolled over, then when the properties are ultimately sold, entrepreneurs' relief will not be available as the properties will no longer qualify as FHLs. The brothers therefore need to consider whether it is better to pay some tax now at 10%, even though no cash has been released with which to pay it, or roll over the gain now and probably pay tax at 18%/28% on the whole gain in the future.

MARKING GUIDE

TOPIC	MARKS
Conditions for qualifying as an FHL	1
Correct treatment of cottage 1 as FHL	½
Correct treatment of cottage 3 as FHL	½
Apply averaging election to cottages 1 – 3 by 31 January 2020	1
Conditions for period of grace election	1
Apply period of grace election to cottage 4 by 31 January 2020	1
Calculation of rental profit	1
Interest allowable in full for an FHL	1
Capital allowances	1
Restriction of David's personal allowance	1
Tax payable by Peter	1
Tax payable by David	1
Tax payable by 31 January 2019 or could code out	1
Sub total	12
Swapping the properties will crystallise a capital gain	1
Peter and David are connected persons	1
Deemed proceeds at market value	1
Entrepreneurs' relief could apply	1
Could roll gains over under joint interest in land rules	1
Excess consideration would be immediately chargeable	1
Exchange of interest in land rules can't apply to cottage 4	1
Pay 10% now or 18%/28% in the future	1
Sub total	8
TOTAL	**20**