

November 2019

Awareness Module D: Taxation of Individuals

1. For 2018/19, Rick's taxable income was as follows:

	£
Savings income	33,500
Dividend income	<u>170,000</u>
Taxable income	<u>£203,500</u>

**Calculate Rick's Income Tax liability for 2018/19.**

2. Maggie (age 87) and Glen (age 62) have been married since 2001. For 2018/19, Maggie had total income of £48,000 and Glen had total income of £42,000.

**Briefly explain, with supporting calculations, the amount of the married couples allowance available to Maggie and Glen for 2018/19.**

3. On 1 October 2015, Daryl paid a premium of £80,000 on the grant of a 40 year lease on an investment property.

On 6 October 2018, Daryl granted a 10 year sub-lease to Carol, charging a premium of £35,000 and an annual rent of £24,000. Daryl has made the election to use the accruals basis to calculate his property income.

Daryl's brother, Merle, lives near a busy sports stadium which has limited parking facilities. He rented out his driveway, on an ad-hoc daily basis, to visitors to the stadium, at the rate of £5 per day. The driveway was rented out for 175 days during 2018/19.

**Calculate, with brief explanations where necessary, Daryl and Merle's assessable property income for 2018/19.**

4. Rosita is employed by Xoombie Ltd. She is provided with a company car with CO<sub>2</sub> emissions of 113g/km and a list price of £32,000. The car was purchased in 2016 with Rosita making a contribution of £7,000 towards the purchase price. Petrol for private journeys was not provided.

On 6 May 2018, the car developed a fault and was taken to the garage for repairs. The car was repaired and returned to Rosita on 1 June 2018.

On 6 November 2018, Rosita transferred from the Birmingham branch of Xoombie Ltd to the Edinburgh branch. The company paid Rosita's qualifying relocation expenses of £11,500.

**You are required to:**

- 1) **Calculate Rosita's assessable benefits for 2018/19.**
- 2) **Calculate the Class 1A National Insurance Contributions payable by Xoombie Ltd based on the information provided above.**

5. Lori had been employed by Hershelle Ltd since 2007. For 2018/19 her monthly gross salary was £4,000.

On 2 January 2019, Lori resigned from Hershelle Ltd and was asked to leave immediately, although her employment contract required a notice period of two months.

On 25 January 2019, Lori received a termination payment of £33,000 from Hershelle Ltd.

**Briefly explain, with supporting calculations, the taxation treatment of Lori's termination payment.**

6. Dale and Andrea are a married couple with three young children.

Dale has been employed by Shaene Ltd since 5 May 2009 and joined its employer supported childcare scheme on that date. For 2018/19, he received childcare vouchers to the value of £85 per week in addition to his annual salary of £54,000.

For 2018/19, Dale's wife Andrea received child benefit of £2,501. She is self-employed and had trading income of £12,000 for 2018/19.

Neither Dale nor Andrea had any other sources of income for 2018/19.

**Calculate Dale's Income Tax liability for 2018/19.**

7. Ezekiel (age 37) is domiciled in Canada and has been resident in the UK since 2015. During 2018/19, he received dividends of £24,500 on shares held in Canadian companies. The dividends were paid into his Canadian bank account.

On 20 February 2019, while on holiday in Canada, he withdrew funds of £23,000 from his Canadian bank account to buy a gold watch. He brought the watch back to the UK on 25 February 2019. No other withdrawals were made from this account during 2018/19.

**Briefly explain the basis and amounts on which Ezekiel will be taxed in the UK on his overseas income.**

8. On 5 September 2016, Carl subscribed for £100,000 of newly issued shares in Soley Ltd, a qualifying Enterprise Investment Scheme (EIS) company and claimed EIS Income Tax relief of £30,000 (£100,000 x 30%) in 2016/17.

On 10 October 2018, Carl sold the shares for £25,000, incurring selling costs of £500.

Carl elected to offset the loss on the disposal of the EIS shares against his 2017/18 income, which was income from employment of £260,000.

**You are required to calculate:**

- 1) **The Income Tax relief withdrawn on the disposal of the shares.**
- 2) **The Income Tax relief obtained in 2017/18 for the loss on the disposal of the shares.**

9. On 1 October 2014, Tara acquired a freehold property for £800,000. On 1 July 2018, she granted a 30 year lease to Denise for a premium of £50,000. Legal and professional fees incurred on the grant of the lease were £1,000. The freehold reversion was valued at £950,000.

**Calculate the chargeable gain arising on the grant of the lease in 2018/19.**

10. On 10 February 2019, Gabriel sold 10,000 shares in Scopper plc for £45,000. The shares had been purchased as follows:

	<u>Number</u>	£
11 April 2014	2,000	2,200
14 September 2017	6,000	7,500
1 March 2019	1,000	1,200

On 19 November 2018, Scopper plc made a 1 for 2 bonus issue.

**Calculate the chargeable gain arising on the sale of the shares in 2018/19.**

11. On 17 September 2011, Eugene purchased a 100% holding in Neagan Ltd, a trading company, for £350,000. He worked full-time for the company until 2 December 2017 when he sold his entire shareholding.

The consideration for the sale was cash of £720,000 to be received immediately plus an amount contingent on the company's results for the year ended 31 December 2018. The contingent amount was valued at £25,000 on 2 December 2017. Eugene received £38,500 on 5 March 2019.

Eugene was a higher rate taxpayer for both years.

**Calculate the Capital Gains Tax payable by Eugene for 2017/18 and 2018/19.**

12. On 3 January 2016, Dwight, who had always been UK resident, became non-UK tax resident when he started work in his employer's New York office. He returned to the UK and resumed his UK tax residence on 22 December 2018.

Dwight realised the following gains on capital assets disposed of between 3 January 2016 and 22 December 2018:

	<u>Purchased</u>	<u>Sold</u>	<u>Gain</u> £
Quoted shares	1 September 2010	5 March 2017	25,000
Painting	10 April 2017	12 May 2018	10,000

**Briefly explain Dwight's liability to UK Capital Gains Tax on the disposals made during his period of non-UK residence.**