

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	36	140	174
Section 2	50	222	260
Section 3	62	248	307
Section 4	91	392	480
Section 5	0	0	0
Section 6	64	267	330
Section 7	0	0	0
Section 8	38	181	215
Section 9	0	0	0
Section 10	28	137	162
Section 11	19	86	103
Section 12	68	293	338

Answer-to-Question- _1_

VAT cannot be reclaimed

Input tax on the car cannot be recovered at all regardless of the business use.

VAT on only 23p for each mile can be reclaimed, ie. $0.23 \times 600 / 6 = \text{£}23$

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

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

1) The VAT threshold was breached in the month ending 29 February 2024. Reuben should have notified HMRC that he was required to register within 30 days of 29 February 2024, i.e. by 30 March 2024.

2)

	Sales	Purchases	VAT Due
	£	£	
Total	30,000	24,000	
VAT	6,000	(4,800)	1,200

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

- Olivia's VAT liability for the year ended 31 March 2025 will be paid by 9 monthly instalments, each instalment being 10% of the last year's VAT liability (i.e. £12,000 each) then a balancing payment is due on 31 May 2025
- The first payment is due on 1 July 2024
- The due date for the return is 31 May 2025

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

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

All references are to Group 1, Schedule 8, VATA 1994

- Sit in hot breakfast rolls - Standard rated as hot food, i.e. in course of catering
- Take away coffee - Zero rated as items overriding exceptions from general items
- Take away cold sandwiches - Zero rated as not hot and not in course of catering
- Take away ice cream - Standard rated as excepted (4) from general items
- Take away freshly baked cookies - Standard rated as excepted from general items. A cookie is a biscuit.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- 6

The VAT liability on the 25% deposit will arise when the box is booked.

The VAT liability on the 75% deposit arises on the date of the show - when the bx is used and the invoice given to the customer.

Theatertime is required to provide invoices but can only move to simplified invoices if the cost of the box does not exceed £250.

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question- 7

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question- 8

Output VAT

Sales: 100,000

Intergroup: Nil

Promotional sales (normal): $15,000 \times 70\% = 12,750$

Promotional sales (discount): $15,000 \times 30\% = 2,250 - (2,250 \times 10\%) = 2,025$

Total sales were £114,775 so VAT at 20% is £22,955.

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- 10

The amount understated is £6,000

The maximum penalty that HMRC can impose is 30% of the understated tax, i.e.£1,800

Maria can correct the return on the next return.

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question- _11_

Stamp duty payable: $£575,000 * 0.5\% = £2,875$

Interest: $2,875 * 6.5\% * 60/365 = £30$

Penalty: £300 maximum

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question- 12

	£	%	SDLT Due (£)
Premium	150,000	0	0
	100,000	2	2,000
	250,000	5	12,500
NPV	150,000	0	0
	125,880	1%	1,259
Total SDLT Due			15,759

The SDLT return is due within 14 days of completion, being by 15 November 2023 (on the basis that the contract was not substantially performed before this date).

An SDLT return can be amended for 12 months from the date of submission.

-----ANSWER-12-ABOVE-----

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Count (s)	Word(s)	Char (s)	Char (s) (WS)
Section 13	63	275	336
Section 14	34	153	184
Section 15	62	261	321
Section 16	0	0	0
Section 17	91	401	489
Section 18	0	0	0
Section 19	40	162	199
Section 20	0	0	0
Section 21	46	186	231
Section 22	0	0	0
Section 23	61	264	322
Section 24	24	103	119

-----ANSWER-13-BELOW-----

Answer-to-Question- 13

The disposal of the house, assuming it was made at arm's length, is not relevant for IHT.

The antique clock is a potentially exempt transfer. The value of the PET is £11,900 less £6,000 (2 x £3,000) = £5,900 but this is covered by Alice's nil rate band so nothing to pay. This will not become chargeable unless Alice dies within 7 years.

-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question- 14

Gift of capital of £3,000 is irrelevant.

Charity loss to Donor - £450,000 (Nil rate band used in full and 2 years annual exemptions)

Sarah - Value was £150,000 less 2,500 gift = £147,500

-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question- 15

The first transfer was a PET that used the nil rate band in full.

The apartment in Spain is excluded property because Jorge and his wife are not domiciled in the UK.

The IHT due on the cash is fully taxable save that the amount is reduced by £6,000 (being two unused annual exemptions). IHT due is $850,000 \times 25\% = £212,500$

-----ANSWER-15-ABOVE-----

-----ANSWER-16-BELOW-----

Answer-to-Question- 16

-----ANSWER-16-ABOVE-----

-----ANSWER-17-BELOW-----

Answer-to-Question- 17

The share in the trading partnership is available for 100% BPR relief because she inherited it from her husband who had an interest in the partnership for a number of years so it does not matter that Lorraine only held it for less than 6 months.

The building used in the partnership is eligible for 50% BPR relief because it was used by the partnership for over 2 years between George and Lorraine.

The shares are not eligible for BPR at all because they are not shares in a trading company.

-----ANSWER-17-ABOVE-----

-----ANSWER-18-BELOW-----

Answer-to-Question- _18_

-----ANSWER-18-ABOVE-----

-----ANSWER-19-BELOW-----

Answer-to-Question- _19_

Only 5% of value of villa can be deducted in calculation of IHT.

The villa value is therefore $(495,000 - 24,750) / 1.10 = \text{£}427,500$

Lucas has a specific legacy so he will be liable for IHT on the villa.

-----ANSWER-19-ABOVE-----

-----ANSWER-20-BELOW-----

Answer-to-Question- 20

-----ANSWER-20-ABOVE-----

-----ANSWER-21-BELOW-----

Answer-to-Question- 21 _

The value of the shares and land have all fallen in value so there will be capital losses.
However, Sudha can make a fall in value claim for the sale proceeds to be substituted for
hte market value to obtain a refund of the IHT paid.

-----ANSWER-21-ABOVE-----

-----ANSWER-22-BELOW-----

Answer-to-Question- 22

-----ANSWER-22-ABOVE-----

-----ANSWER-23-BELOW-----

Answer-to-Question- 23

Jane - A UK domicile since birth as followed her parents

Francine - Her parents gave up their French domicile when she was a child so her domicile changed to a UK domicile when her parents' domicile changed

Zoya - Zoya has been resident in the UK for over 15 years so is deemed domicile under the long term non-resident rule

-----ANSWER-23-ABOVE-----

-----ANSWER-24-BELOW-----

Answer-to-Question- 24

Input into the trust £1,030,000 less nil rate band = £705,000 at 20% = £141,000

Gain is:

	£		
Proceeds	975,000		
Cost			
IHT paid			
Gain			

-----ANSWER-24-ABOVE-----

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Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 25	42	202	234
Section 26	35	170	189
Section 27	61	322	348
Section 28	27	144	154
Section 29	67	310	375
Section 30	68	313	334
Section 31	73	322	390
Section 32	109	448	553
Section 33	50	284	302
Section 34	53	247	298
Section 35	0	0	0
Section 36	15	66	79

-----ANSWER-25-BELOW-----

Answer-to-Question- 25

Upper threshold - $250,000 \times 9/12 = 187,500$

Lower threshold - $50,000 \times 9/12 = 37,500$

Augmented profits = 170,000 - marginal relief

	£		
155,000 @ 25%	38,750		
Less: Marginal relief	(239)	$3/200 \times (187,500 - 170,000) \times (155,000/170,000)$	
Tax Due	38,511		

-----ANSWER-25-ABOVE-----

-----ANSWER-26-BELOW-----

Answer-to-Question- 26

	£	£	
Net profit as per accounts		420,000	
Add back:			
Pension paid in July	2,500		
Loss on disposal of fixed asset	4,700		
Leasing costs	1,200		
Theft by employee	700		
Depreciation	12,500		
		21,600	
Trade Profits		441,600	

-----ANSWER-26-ABOVE-----

 -----ANSWER-27-BELOW-----

Answer-to-Question- 27

9m ending 30/09/2024	FYA (100%)	AIA (100%)	General pool (13.5%)	Special rate pool (4.5%)	CA Claim
TWDV B/F			120,000	62,000	
Add Additions:					
Integral Features		30,000		10,000	
Goods vehicle	25,000				
Less: Disposal			(12,000)		
Total	25,000	30,000	108,000	72,000	
WDA @ 100%	(25,000)	(30,000)			55,000
WDA @ 13.5%			(14,580)		14,580
WDA @ 4.5%				(3,240)	3,240
TWDV C/F			93,420	68,760	
Total CA Claim					72,820

 -----ANSWER-27-ABOVE-----

-----ANSWER-28-BELOW-----

Answer-to-Question- 28

YE 30/06/24	£	£	Note
Income		24,000	Accruals basis
Less Expenses			
Letting agent fee	3,600		
Replacement boiler	-		Capital
Dishwasher	600		
Interest	-		NTLR
		(4,200)	
Profits		39,800	

-----ANSWER-28-ABOVE-----

-----ANSWER-29-BELOW-----

Answer-to-Question- 29

There has been a change in ownership followed by a major change in the nature or conduct of the business. The customers, outlets and markets have changed - the shop was selling direct to the public in person whereas online is anyone anywhere.

The trade losses cannot be used against the profits for the year ended 31 December 2024 because it ends after the change in ownership.

-----ANSWER-29-ABOVE-----

 -----ANSWER-30-BELOW-----

Answer-to-Question- 30

	YE 30/09/22	YE 30/09/23	YE 30/09/24	Trade loss	Overseas property business loss	Capital loss
	£	£	£	£	£	£
Trading profit	180,000	-	30,000	80,000		
UK Property	10,000	12,000	14,000			
Overseas Property	0	0	-		6,000	
Capital	-		25,000			22,000
Capital loss			(22,000)			(22,000)
CY Trade Loss		(12,000)		(12,000)		
CB Trade Loss	(68,000)			(68,000)		
QCB		- Wasted				
TTP	122,000	0	47,000			
Loss to C/F				0	6,000	0

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-----ANSWER-30-ABOVE-----

-----ANSWER-31-BELOW-----

Answer-to-Question- 31

So much of the trading loss attributable to the period after Tweeed Ltd acquired 80% is group relievable - Loss of period 1 January 2024 to 30 June 2024 is:

$$90,000 \times 6/10 = 54,000 \text{ loss}$$

This is available for utilisation against Tweeed's profits for the period 1 January 2024 to 30 June 2024:

$$120,000 \times 6/12 = 60,000 \text{ profits}$$

Ayevon can group relieve £54,000 of its loss against the TTP of Tweeed.

-----ANSWER-31-ABOVE-----

-----ANSWER-32-BELOW-----

Answer-to-Question- 32

Mrs Edn

Loan made in year ended 31 December 2023. CT due date was 1 October 2024.

So much of the loan outstanding on 1 October 2024 is subject to s.455 tax at 33.75%.
Loan outstanding on 1 October 2024 was £25,000 (50,000 - 10,000 - 15,000) therefore s.
44 tax due of £8,438. The repayment on 1 November 2024 is irrelevant for the year ended
31 December 2023.

Mr Dee

Loan made in year ended 31 December 2023. CT due date was 1 October 2024.

As there was only £8,000 outstanding at 1 October 2024 and Mr Dee has no shares in the
company, no s.455 tax is due.

-----ANSWER-32-ABOVE-----

 -----ANSWER-33-BELOW-----

Answer-to-Question- 33

	£	£	£
	Total	Trading	Non-Trading
Proceeds	1,400,000	1,050,000	
Cost	(560,000)		
Unindexed gain	840,000		
Less: Indexation	(84,000)		
Total gain	756,000	567,000	189,000
Less: Rollover relief		(117,000)	
Gain	639,000	450,000	189,000
Base cost	600,000		
Rolled over gain	(117,000)		
Revised base cost	483,000		

$(278.1 - 241.8) / 241.8 = 0.150 \times 560,000$

 -----ANSWER-33-ABOVE-----

-----ANSWER-34-BELOW-----

Answer-to-Question- 34

Substantial shareholding exemption does not apply as Donnn is not a trading company so the gain on the sale of the shares will be calculated in the normal way (sale proceeds less cost).

However, the gain on the transfer of the property is also added to the sale proceeds used to calculate Teemm's gain.

-----ANSWER-34-ABOVE-----

-----ANSWER-35-BELOW-----

Answer-to-Question- 35

-----ANSWER-35-ABOVE-----

-----ANSWER-36-BELOW-----

Answer-to-Question- 36

Each instalment is £480,000 and is due as follows:
14 July 2024
14 November 2024

-----ANSWER-36-ABOVE-----
