

Module D
Taxation of Individuals

1. On 1 January 2016, Pete was provided with accommodation by his employer who had originally purchased the house on 1 June 2003 at a cost of £135,000. The house was valued at £210,000 on 1 January 2016 and its annual value is £3,200.

On 1 January 2016 his employer paid £8,000 to furnish the house. Gas and electricity bills paid by his employer for the year to 5 April 2019 totalled £1,800.

Pete's annual salary is £22,000 (paid monthly) and he pays rent of £100 per month to his employer for the house.

Calculate Pete's employment income for 2018/19.

2. Jasmine's income and personal allowance for 2018/19 was as follows:

	£
Employment income	48,000
Interest	1,400
Dividends	1,750
Personal allowance	<u>(11,850)</u>
	<u>£39,300</u>

Calculate Jasmine's Income Tax liability for 2018/19.

3. Nigel is employed by Smog plc, earning a basic salary of £54,000 per annum. In addition to this, Nigel was paid a bonus in May 2018 of £4,400.

Nigel uses his own car for business journeys and each month, in addition to his basic salary, he claims a mileage allowance from Smog plc of 60p per business mile. Nigel averages 500 business miles per month but for May 2018 he claimed for 600 business miles.

Smog plc pays for medical insurance for Nigel and his family at a cost of £120 per month.

Calculate the National Insurance payable by Nigel for the month of May 2018.

4. On 1 June 2018, Harry purchased a run-down investment property. He spent most of the following two months getting it ready for occupation by his new tenants. The costs incurred are summarised as follows:

	£
Repairs necessary to make it habitable	1,600
Decorating costs	800
Furniture	<u>1,200</u>
	<u>£3,600</u>

The property was let from 1 August 2018 at a rate of £600 per month but the tenant fell behind with the payments and at 5 April 2019 still owed rent for the months of February and March 2019.

Harry paid letting agent's fees of 8% of the rental income due each month (including when the rent was not received). He also incurred finance costs of £3,400 during 2018/19 in respect of a loan used to purchase the property.

Harry has not elected to use the cash basis.

Calculate Harry's taxable property income for 2018/19.

5. Scott made the following payments during the 2018/19 tax year which he thinks may qualify for Income Tax relief:
- 1) £300 interest costs on a personal loan. This was taken out to purchase necessary office machinery costing £2,500 for use solely in his employment and personal electrical equipment costing £1,000 for his personal use.
 - 2) £960 pension contributions paid monthly into his employer's occupational pension scheme.
 - 3) £8,000 invested in a qualifying EIS company.

Briefly explain what, if any, Income Tax relief is available on each of these payments, describing how any such relief will be given.

6. Targo plc entered into a PAYE settlement arrangement (PSA) in relation to a £300 benefit provided to each of its 100 employees during 2018/19. Half of the employees are basic rate taxpayers and the other half higher rate taxpayers.

Calculate the total amount payable by Targo plc under the PSA and state when this will be payable.

7. On 1 November 2018, Pat sold an apartment realising a gain of £200,000. Pat had purchased the apartment on 1 June 2004 to live in but did not live there for his entire period of ownership.

His occupation of the apartment was follows:

<u>Period</u>	<u>Number of months</u>	<u>Description</u>
1 June 2004 – 31 May 2006	24	Lived in the apartment
1 June 2006 – 31 May 2009	36	Worked overseas for two years then went travelling for one year. The flat was let during this period.
1 June 2009 – 30 November 2012	42	Lived in the apartment
1 December 2012 – 1 November 2018	<u>71</u>	Moved into his girlfriend's house. The flat was let during this period.
	<u>173</u>	

Briefly explain any relevant relief to exempt all or part of the capital gain arising on the sale of the apartment.

8. Matt had the following tax payable under self assessment for the last two tax years:

	<u>2017/18</u>	<u>2018/19</u>
	£	£
Income Tax payable	8,400	9,200
Capital Gains Tax payable	10,200	1,280

Matt sold some investments on 30 April 2019 and so he will have significantly lower income for 2019/20. He anticipates that his 2019/20 Income Tax liability will be £4,000 and his Capital Gains Tax liability will be £5,000.

Briefly explain when Matt's payments of tax in respect of 2018/19 and 2019/20 will be due and state the tax amounts payable.

9. On 20 April 2012, Katie was granted 5,000 share options in her employer's Enterprise Management Incentive (EMI) scheme. The shares had a market value at that date of £6 per share with an exercise price stated in the options of £5 per share.

On 30 April 2018, Katie exercised her options in full when the market value per share was £10. She sold the shares on 31 August 2018 for £12 each.

Briefly explain any amounts subject to tax in respect of her EMI options.

10. Hayley sold two properties during 2018/19:
- 1) On 1 November 2018 she sold a freehold commercial property for £200,000 which was originally purchased for £115,000.
 - 2) On 1 February 2019 she sold a freehold residential property for £180,000 which was originally purchased for £105,000. Hayley had never lived in this property.

Hayley had taxable income (after the deduction of her personal allowance) of £18,150 in 2018/19.

Calculate the Capital Gains Tax payable for 2018/19 as a result of the two disposals.

11. In 2018/19 Rose received the following income in addition to her normal employment income:

- 1) A scholarship award of £1,500.
- 2) Dividends of £400 from a venture capital trust investment and £1,000 from a seed enterprise investment scheme investment.
- 3) An income distribution of £1,850 from a discretionary trust set up by her grandparents.

Briefly explain how each source of income will be treated in Rose's Income Tax computation for 2018/19.

12. Alfred has annual taxable income of £185,000. He has made personal pension contributions of £20,000 (gross) per annum up to and including 2018/19.

Calculate the maximum annual allowance for pension purposes available to Alfred for 2019/20.