

Awareness

Module D: Taxation of Individuals

November 2024

Suggested answers

Answer 37

	Total £	NS £	S £	
Employment income	14,750	14,750		
Interest income	16,000		16,000	
Total income	30,750	14,750	16,000	
Personal Allowance	(12,570)	(12,570)		
Taxable income	<u>£18,180</u>	<u>£2,180</u>	<u>£16,000</u>	1

Income Tax:				
£2,180 x 20%			436	1
<u>£2,820 x 0%</u>			0	1
£5,000				
£1,000 x 0%			0	1
<u>£12,180 x 20%</u>			2,436	1
<u>£18,180</u>				

Income Tax liability		<u>£2,872</u>		
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Answer 38

	£	£	
Rents received:			
9 months x £1,500		13,500	
4 months x £1,750		<u>7,000</u>	
		20,500	1
Expenses paid:			
Management service charge: 12 months x £120	1,440		1
Lease extension (capital)	0)1
Legal fees (capital)	0)
Interest paid	0		1
Replacement window	<u>2,000</u>		1
		<u>(3,440)</u>	
Property income 2023/24		<u>£17,060</u>	

Answer 39

Graham will be treated as receiving his bonus on <u>the earliest of:</u>		1
- Date of receipt of the bonus (31 May 2024);)1
- The date he became entitled to the bonus (31 May 2024);)
- The date that the bonus is credited in the company's accounts;		1
- The end of the company's accounting period, if the bonus was determined before then;		1
- The date the bonus was determined, if this was after the end of the company's accounting period (25 February 2024).		1

Answer 40

In addition to her salary, Pearl will be taxed on the following amounts:

Relocation expenses: the excess of amount received over £8,000 exemption, so £750.	1
Optional remuneration arrangements: the taxable amount is the <u>higher of</u> the amount of the benefit and the cash sacrificed.	1
Car benefit: $28\% \times £35,000 = £9,800$ or £9,000, so £9,800.	1
Fuel benefit: $28\% \times £27,800 = £7,784$ or £8,500, so £8,500.	1
Use of a mobile phone: £Nil (exempt benefit) or £360, so £360.	1

Answer 41

Annual value	£	£	
Additional yearly rent		12,000	1
Market value on 1 January 2017	225,000		1+1*
Less threshold	(75,000)		1
	<u>£150,000</u>		
x 2.25%		3,375	1
Accommodation benefit 2023/24		<u>£15,375</u>	

* For not adding in the cost of the loft conversion.

Answer 42

<u>Average method</u>	£	
$£(50,000 + 35,000)/2 = £42,500 \times 2.25\%*$	<u>956</u>	1
<u>Strict method</u>		
6/4/23 – 5/11/23 (7 months): $7/12 \times £50,000 \times 2.25\%*$	656	1
6/11/23 – 5/4/24 (5 months): $5/12 \times £35,000 \times 2.25\%*$	328	1+1*
	<u>£984</u>	
Average method applies, so	956	
Less interest actually paid by Kelly	<u>(600)</u>	
Loan benefit 2023/24	<u>£356</u>	1

* For using an interest rate of 2.25% per annum throughout.

Answer 43

1) <u>Alex – Class 1 Primary</u>	£	
$£(1,500 - 1,048) \times 12\% = £54 \times 12 \text{ months}$	<u>£648</u>	1
<u>Waleed – Class 1 Primary</u>		
As Waleed is a director, his NICs are calculated on an annual basis. $(£4,000 \times 9) + (£4,750 \times 3) = £50,250 \text{ per annum}$		1
$£(50,250 - 12,570) \times 12\%$	<u>£4,522</u>	1
2) <u>Mallicke Ltd - Class 1 Secondary</u>		
<i>Alex</i> No Class 1 Secondary due as age < 21 and earnings are below £50,270 pa.	Nil	1
<i>Waleed</i> $£(50,250 - 9,100) \times 13.8\%$	<u>£5,679</u>	1

Answer 44

	£	
Personal allowance	12,570	
Allowable expenses – professional subscription	850	1
Taxable benefits	(16,500)	1
Untaxed interest income (£23,000 – £500)	(22,500)	1+1
Negative allowance	<u>£(25,580)</u>	
Tax code = K2557		1

Answer 45

The gains on the shares do not qualify for Investor's Relief because:

- The P Ltd shares were subscribed for before 17 March 2016. 1
- Q plc is a listed company. 1
- The R Ltd shares have not been held for the required three years. 1
- S Ltd is not a trading company. 1
- The T Ltd shares were not subscribed for by Teresa. 1

Answer 46

	<i>Residential property gains £</i>	<i>Other gains £</i>	
Residential property	52,300		
Painting		15,600	
Annual exempt amount	(6,000)		1
Taxable gains	£46,300	£15,600	
Capital Gains Tax @	28%	20%	1+1
	£12,964	£3,120	
Due dates:	31 July 2023	31 January 2025	1+1

Answer 47

	<i>Next 30 days £</i>	<i>Bitcoin pool £</i>	
Number of Bitcoin	(2,000)	(3,000)	
Proceeds: £150,000 in the ratio 2,000:3,000	60,000	90,000	1
Cost: 1 November 2023	(45,000)		
Cost: From pool (working)		(67,200)	
Chargeable gain (total £37,800)	£15,000	£22,800	1

<i>Working</i>	<u>Number</u>	<u>Cost £</u>	
16 July 2013: bought	1,500	19,200	
20 February 2018: bought	7,500	182,400	
	9,000	201,600	1
22 October 2023: disposal	(3,000)	(67,200)	1+1
Pool carried forward	6,000	134,400	

Answer 48

The consequences of Celine claiming the remittance basis in 2023/24 are as follows:

The dividends remitted of £60,000 will be taxed as non-savings income in Celine's Income Tax computation. 1

The full gain on disposal of £44,000 on the flat in Paris will be taxable in the UK as the gain element is deemed to be remitted first. 1

As a remittance basis user, Celine will not be entitled to the Income Tax personal allowance or the Capital Gains Tax annual exempt amount. 1

Celine will not suffer a remittance basis charge as she has not been resident in the UK for at least seven years. 1
1