

The Chartered Institute of Taxation

AWARENESS

May 2025

TIME ALLOWED – 3 HOURS 15 MINUTES

- All five Awareness Modules are contained in this document.
- You must only answer the modules you have already entered for, no other module answers will be marked. You cannot change your mind on the day of the exam.
- Type your answers between the correct question dividers and against the correct question number. Questions are numbered 1 – 60. **Do NOT delete any of the question dividers.**
- If you are answering Module A VAT including Stamp Taxes you may, where appropriate, answer by reference to Stamp Duty Land Tax or Land and Buildings Transaction Tax.
- Each module consists of 12 questions and each question carries 5 marks. To pass the exam you need to obtain a minimum of 21 marks (35%) out of the 60 available per module and achieve an overall pass mark of at least 50%.
- You should answer all the questions in each of the three modules.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You should make all calculations to the nearest month and pound unless stated otherwise.
- For Module B Inheritance Tax, Trusts & Estates, Module D Taxation of Individuals and Module E Taxation of Unincorporated Businesses please note that unless otherwise required by the question, candidates may answer the question using Scottish Income Tax rates or Income Tax rates applying elsewhere in the UK.
- Unless otherwise indicated by the provision of additional information in the question, you may assume that 2024/25 legislation (including rates and allowances) continues to apply for 2025/26 and future years. Candidates answering by reference to more recently enacted legislation or tax cases will not be penalised.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

Module A: VAT including Stamp Taxes

If you have entered for Module A you must answer Questions 1 – 12 and type your answers between the question dividers 1 – 12.

1. Deborah started trading on 1 May 2025 as a hairdresser. She expects her monthly VAT exclusive turnover for the foreseeable future to be:

	£
Standard-rated supplies	7,250
Exempt supplies – rent	750
	<u>£8,000</u>

- 1) Explain why Deborah is not required to register for VAT on a compulsory basis.
- 2) State what factors Deborah should take into account when deciding whether or not to register for VAT.

2. Stefan is a tax adviser. He has been asked by a client to confirm the VAT rating of the following supplies:

- 1) Chocolate biscuits.
- 2) Electronic newspapers.
- 3) The freehold sale of a dwelling built by the client.
- 4) Membership of a professional body.
- 5) Child car seat.

State whether each of the above supplies is standard-rated, reduced-rated, zero-rated or exempt for VAT purposes.

3. Doonkey Ltd is a VAT-registered company. The following information is available for the quarter ended 31 March 2025:

	£
Standard-rated supplies	200,000
Zero-rated supplies	20,000
Standard-rated purchases	50,000
Zero-rated purchases	2,000

Doonkey Ltd has the following outstanding debts due to it:

	<u>Due date for payment</u>	<u>Invoice</u>	<u>Amount paid</u>	<u>Date written off in accounts</u>
		£	£	
Fioona Ltd	30 August 2024	900	0	31 December 2024
Ohilio Ltd	30 September 2024	2,100	1,400	31 January 2025
Johnson	30 November 2024	650	0	31 March 2025

All amounts are VAT exclusive.

- 1) Calculate the VAT due for the quarter ended 31 March 2025.
- 2) State when any claim for bad debt relief must be made by Doonkey Ltd.

4. Jose has been registered for VAT since 2010. His taxable turnover for the year ending 30 June 2025 is expected to be less than £75,000 so he would like to voluntarily deregister for VAT.

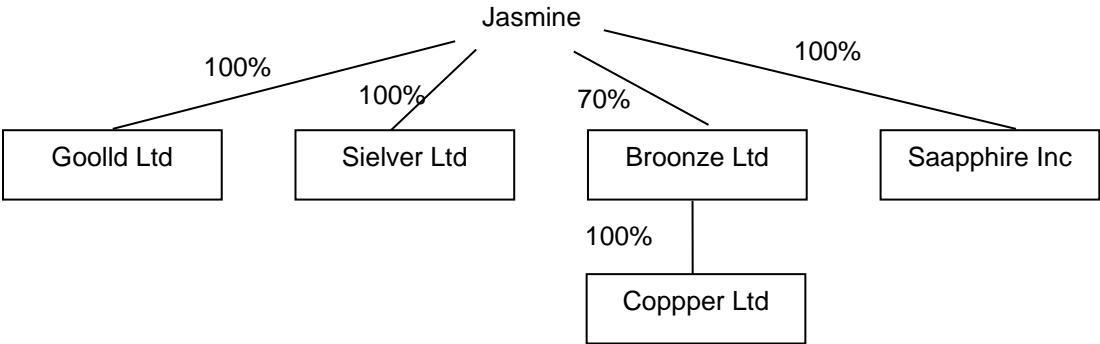
Explain whether Jose will be able to deregister voluntarily, and if so, what actions he must take in respect of goods on hand at deregistration.

5. Domanian Ltd submits VAT returns quarterly and always pays any liability on the same day it submits its return. Up to 31 March 2024, the company had always submitted VAT returns on time. More recent VAT returns and liabilities were submitted and paid late, with no reasonable excuse, as follows:

<u>VAT quarter</u>	<u>VAT liability</u> £	<u>Days late</u>
30 June 2024	40,000	10
30 September 2024	45,000	20
31 December 2024	(3,000)	20
31 March 2025	35,000	35

Calculate the total penalties and interest that will be due in relation to the 31 December 2024 and 31 March 2025 VAT returns.

6. Jasmine is an individual with the following share investments:



Saapphire Inc is based outside of the UK and is VAT registered.

All of the other companies are UK based and are VAT registered. . All of the companies make wholly standard-rated supplies, except Sielver Ltd, which makes wholly zero-rated supplies and completes monthly VAT returns.

Explain which companies are eligible to form a VAT group, and whether it would be beneficial for any of the companies not to join the group.

7. Glaadees Ltd is a retailer of both standard-rated and zero-rated goods.

The following information applies to the quarter ended 31 March 2025:

- 1) Gross sales £1.5 million.
- 2) Standard-rated goods bought for resale £900,000 (expected selling price £1.2 million).
- 3) Zero-rated goods bought for resale £300,000 (expected selling price £750,000).

The expected selling price of goods purchased in the 12 months ended 31 March 2025:

- 1) Standard rated goods £4 million.
- 2) Zero rated goods £2 million.

All amounts are inclusive of VAT.

Calculate the output VAT for the quarter ended 31 March 2025 under Apportionment Scheme 2.

8. Gannidy Ltd is a UK VAT-registered company which sells goods and provides marketing services to businesses in both the UK and Spain.

Gannidy Ltd can provide the necessary evidence that the goods sold in Spain have been exported.

Explain the VAT treatment of the goods and services which are supplied to businesses in Spain.

9. Nazeem provides computer repair services and is expecting to register for VAT with effect from 1 June 2025. He is considering using the flat rate scheme.

Nazeem estimates that his VAT-exclusive supplies and purchases for the year ended 31 May 2026 will be as follows:

	£
Standard rated services	95,000
Materials and consumables	20,000

The flat rate percentage which applies to computer repair services is 10.5%.

Calculate the saving for the year ended 31 March 2026 if Nazeem registers to use the flat rate scheme rather than the normal way of accounting for VAT.

10. Jane is a VAT registered sole trader. She plans to sell her business, together with all of the assets. The assets do not include any property. Jane is unsure whether the sale of the business will qualify as a transfer of going concern (TOGC).

State the conditions which need to be satisfied for the sale of the business to qualify as a TOGC.

11. Charlie transferred shares in Worthog Ltd to Averil on 1 February 2025.

The shares were valued at £120,000. Charlie accepted £100,000 plus a diamond necklace valued at £7,500.

Calculate the Stamp Duty payable on the transfer of the shares and state who is responsible for paying it.

12. Neewbuild Ltd is a property development company selling newbuild properties.

Sven bought a house from Neewbuild Ltd on 30 April 2025 for £600,000. This is the first residential property he has owned and it will be his main residence.

Stacey also bought a house from Neewbuild Ltd on 30 April 2025 for £600,000, which she will rent out. This is not the first residential property she has owned: she already has a main residence that she lives in.

- 1) Calculate the Stamp Duty Land Tax [Scots law – Land and Buildings Transaction Tax] payable by Sven on his house and state the due date for payment.**
- 2) Explain how the calculation would differ for Stacey.**

Module B: Inheritance Tax, Trusts & Estates

If you have entered for Module B you must answer Questions 13 – 24 and type your answers between the question dividers 13 – 24.

13. The 10,000 issued share capital in Mountbatter Ltd had been owned for many years as follows:

	<u>Number of shares</u>
Victoria	6,000
Albert (Victoria's husband)	2,000
Edward (Victoria's son)	<u>2,000</u>
	<u>10,000</u>

On 3 May 2025, Victoria gave her shareholding to her son, Edward. At that date the shareholdings were valued as follows:

<u>% holding</u>	<u>Market Value</u> £
100	1,000,000
80	780,000
60	500,000
20	160,000

Mountbatter Ltd is a trading company but 15% of its assets is surplus cash.

Victoria's only other lifetime gifts were gifts out of capital of £3,000 to her niece every year on 9 April.

Calculate the value of the potentially exempt transfer to Edward.

14. On 1 July 2022, Emily made a gross chargeable transfer of £275,000.

On 14 March 2025, Emily transferred £450,000 in cash to a discretionary trust. Emily will pay the Inheritance Tax due.

These are the only two transfers of value that Emily has made.

- 1) **Calculate the Inheritance Tax payable by Emily on the transfer into the trust and state the due date for payment.**
- 2) **State the date by which Emily must submit an IHT 100 form in respect of the transfer.**

15. Matilda's husband, Seth, died on 10 April 2017. Under his Will, his estate was left:

- 1) Family home, which was in his sole name and valued at £55,000, to their son, Lucas.
- 2) Remainder to Matilda.

On 14 February 2018, Matilda married Richard. Richard died on 22 February 2020. Under his Will, his estate was left:

- 1) Family home which was in his sole name and valued at £60,000, to his daughter, Isabella.
- 2) Remainder to Matilda.

Matilda died on 17 January 2025, leaving her estate, including her home, to Lucas, her son from an earlier relationship.

Seth, Richard and Matilda each left assets worth less than £2 million.

Explain the maximum residence nil rate band available on Matilda's death.

16. On 18 May 2016, Mary made a gross chargeable transfer of £152,250.

On 15 July 2019, Mary gave a necklace to her daughter, Catherine. The value of the potentially exempt transfer was £194,000.

Mary died on 28 February 2025.

- 1) Calculate the Inheritance Tax due on the necklace as a result of Mary's death.
- 2) State by whom and by when the Inheritance Tax is due for payment.

17. William, who was domiciled in the UK, died on 22 May 2024. He left his entire estate, valued at £8.5 million, to his wife Margrethe.

Margrethe is domiciled in Denmark and has been resident in the UK since marrying William in 2020. She intends to return to Denmark on 5 April 2026, after which she will not spend any time in the UK.

Explain:

- 1) The spouse exemption available on William's death.
- 2) Any election Margrethe could make and the effects of such an election.
- 3) The Inheritance Tax consequences of Margrethe returning to Denmark on 5 April 2026.

18. On 17 October 2018, Philip transferred farmland into a trust, the details of which were as follows:

	£
Market value at 17 October 2018	960,000
Agricultural value at 17 October 2018	500,000
Inheritance Tax paid by Philip on the transfer	33,750
Gross chargeable transfer	493,750

Philip had owned the farmland since 1999 and had always let it to tenant farmers.

The trustees sold the farmland on 5 December 2023 and invested the proceeds in shares in a quoted investment company.

Philip died on 28 March 2025. He had made no other lifetime gifts other than to use his annual exemption on 6 April each year.

Calculate the Inheritance Tax payable on the farmland as a result of Philip's death.

19. Diana died on 31 July 2024, leaving a death estate valued at £895,000. Included in her death estate was an apartment in Spain valued at £275,000.

Diana had inherited the apartment on the death of her brother on 18 August 2022 when it was valued at £240,000. The Inheritance Tax on the apartment of £46,000 was paid by Diana.

Diana had made no lifetime gifts and her entire estate was left to her cousin.

Calculate the Inheritance Tax payable on Diana's death estate.

20. Elizabeth died on 20 December 2024. Her death estate was as follows:

	£	£
House in Cheshire		1,450,000
Unquoted trading company shares	100,000	
Less business property relief	<u>(100,000)</u>	
		Nil
Cash and personal chattels		690,000
Allowable debts and funeral expenses		<u>(120,000)</u>
		2,020,000
Charitable legacy (note)		<u>(500,000)</u>
Gross chargeable estate		<u>£1,520,000</u>

It has already been established that due to the size of the charitable legacy, the reduced rate of Inheritance Tax applies to the death estate.

Elizabeth had made a gross chargeable transfer of £260,000 in 2022. She left her entire estate to her son, Henry.

Calculate the Inheritance Tax payable on Elizabeth's death estate.

21. Giorgios is domiciled in Greece and has been resident in the UK since 6 April 2009. He intends to return to Greece in 10 years' time.

He owns the following assets:

- 1) A share of a trading partnership based in Greece.
- 2) An investment property in London.
- 3) Shares in an investment company. The company is resident in Canada and is quoted on the New York Stock Exchange.

Explain:

- 1) **The location of Giorgios' assets for Inheritance Tax purposes.**
- 2) **The UK Inheritance Tax implications if Giorgios dies during 2025/26.**

22. In 2024/25, the Windsor discretionary trust received dividend income of £250,000. The trustees incurred management expenses of £5,475 which were met from income.

The balance brought forward on the tax pool at 6 April 2024 was £500.

Income distributions totalling £33,000 were made to beneficiaries during the year.

Calculate:

- 1) **The Income Tax payable by the trustees for 2024/25.**
- 2) **The balance to carry forward on the tax pool at 5 April 2025.**

23. On 25 January 2025, the trustees of the Middleton discretionary trust sold six acres of land to a third party for £950,000, incurring selling costs of £12,500.

The land was part of a plot of 10 acres which had been bought by the trustees on 15 September 2023 for £1.3 million. The remaining four acres were valued at £600,000 on 25 January 2025.

There were no other capital disposals by the trustees in 2024/25.

Calculate the Capital Gains Tax payable by the trustees for 2024/25.

24. Ishaq gave his house to his daughter Maryam on 8 February 2022. He continued to live alone in the house until his death on 7 August 2024. Ishaq did not pay rent to Maryam.

Ishaq had made no other lifetime gifts, other than to use his annual exemption on 6 April each year. In his Will he left his entire estate to Maryam.

Explain the Inheritance Tax charge on the house as a result of Ishaq's death.

Module C: Corporation Tax

If you have entered for Module C you must answer Questions 25 – 36 and type your answers between the question dividers 25 – 36.

25. Ganimeed Ltd has a wholly-owned subsidiary, Uropah Ltd. The companies' results for the year ended 31 March 2025 are as follows:

	<u>Ganimeed Ltd</u>	<u>Uropah Ltd</u>
	£	£
Trade profits	300,000	40,000
Profits from foreign trade	70,000	-

The profits from the foreign trade are after the deduction of foreign tax of £30,000.

Calculate the Corporation Tax payable by both companies for the year ended 31 March 2025.

26. Plutoe Ltd, a trading company, deducted the following amounts in arriving at its accounting profit of £2.4 million for the year ended 31 March 2025:

	<u>Amount</u>
	£
Amortisation of goodwill acquired in 2018 for £100,000	5,300
Interest payable on a loan to acquire shares in a subsidiary company	13,000
Pension contributions (includes £8,000 paid in April 2025)	100,000
Finance lease depreciation relating to an item of machinery	20,000

Staff bonuses of £200,000 accrued at 31 March 2024 were paid as follows: £80,000 in November 2024 and £120,000 in February 2025.

Calculate the company's trade profit for the year ended 31 March 2025.

27. Merkuri Ltd carries on a manufacturing trade, preparing accounts to 31 December.

On 1 November 2024, it purchased and took delivery of a second-hand machine with an estimated useful life of 20 years from that point. The total cost of £40,000 was paid as follows:

<u>Date</u>	<u>Amount</u>
	£
1 November 2024	20,000
1 February 2025	15,000
1 May 2025	5,000

On 18 December 2024, it sold computer equipment for proceeds of £3,800. The equipment had cost £10,000.

The balance on the general pool at 1 January 2024 was £42,000.

Explain when the expenditure on the machine is treated as incurred for capital allowances purposes and calculate the maximum amount of capital allowances that may be claimed for the year ended 31 December 2024.

28. Neptune Ltd carries on a large property rental business, preparing accounts to 30 April. It incurred the following expenditure:

<u>Date</u>	<u>Description</u>	<u>Amount</u> £
1 August 2024	Purchase of a warehouse	450,000
1 September 2024	Construction of student accommodation	1,300,000
1 January 2025	Purchase of an office	800,000

Both the warehouse and the office were constructed by the previous owner. The warehouse had been constructed in 2016 for £220,000 and the office in 2021 for £600,000.

Calculate with explanations the amount of structures and buildings allowances (SBAs) that may be claimed in respect of the expenditure for the year ended 30 April 2025.

29. Veygha Ltd incurred the following expenditure on a research and development (R&D) project for the year ended 31 March 2025:

	£
Rent paid for laboratory (used 100% of the time for R&D)	16,000
Gas and electricity costs relating to the laboratory	2,000
Cost of acquiring plant and machinery used in the laboratory	8,000
Salary of staff member 85% engaged in R&D	22,000
Dividends paid to director/shareholder 50% engaged in R&D	50,000

Calculate the maximum amount of expenditure that may qualify for the R&D expenditure credit (RDEC) for the accounting period ended 31 March 2025.

30. On 1 August 2015, Thermisto Ltd sold a factory for £800,000, realising a gain of £450,000. It made a claim for rollover relief, having bought a warehouse for £600,000 on 1 May 2016.

On 18 March 2022, the company extended the warehouse at a cost of £120,000.

On 1 February 2025, it sold the warehouse for £1,100,000, incurring legal fees of £4,500.

Calculate the company's capital gain on the sale of the warehouse.

31. Narvee Ltd is a close company. It prepares accounts to 30 June. It has made the following loans to full-time employees:

<u>Date</u>	<u>Employee</u>	<u>Amount borrowed</u> £
1 March 2024	Ms Hubble	30,000
18 June 2024	Mr Newton	12,000
28 March 2025	Ms Hubble	10,000

Ms Hubble made repayments of £16,000 on 1 January 2025 and £10,000 on 25 March 2025.

Ms Hubble owns 10% of the company's issued share capital, and Mr Newton owns 3%.

Ms Hubble and Mr Newton are not connected with each other outside of their employment with Narvee Ltd.

Explain how the company's liability to tax under s.455 CTA 2010 is calculated for the year ended 30 June 2024.

32. Hypeerion Ltd has the following results:

	<u>Year ended</u> <u>31 March 2023</u>	<u>Year ended</u> <u>31 March 2024</u>	<u>Year ended</u> <u>31 March 2025</u>
	£	£	£
Trade profit	5,000	16,000	13,000
UK property business profit/(loss)	6,000	(40,000)	8,000
Overseas property business profit/(loss)	3,000	(10,000)	4,000
Charitable donations made	-	500	-

Calculate the company's taxable total profits for all years showing your treatment of all items.

33. Althair Ltd owns 100% of Belatricks Ltd and 90% of Canopuz Ltd. Canopuz Ltd owns 80% of Denbowla Ltd. Althair Ltd's only activity is to hold shares in its subsidiaries.

The subsidiary companies' results are as follows:

	<u>Belatricks Ltd</u> <u>Year ended</u> <u>31 December 2024</u>	<u>Canopuz Ltd</u> <u>Year ended</u> <u>30 April 2025</u>	<u>Denbowla Ltd</u> <u>Year ended</u> <u>30 April 2025</u>
	£	£	£
Trade profit/(loss)	90,000	(60,000)	(7,000)
Non-trading deficit (loan relationships)	-	(13,000)	-
Qualifying charitable donations	-	(2,000)	-
Capital gain/(loss)	30,000	(42,000)	-

Calculate Belatricks Ltd's taxable total profits for the year ended 31 December 2024 assuming that all beneficial claims are made.

34. Sartrn Ltd carries on a manufacturing trade and has two 100% subsidiary companies: Adharra Ltd, an investment company, and Promeetheus Ltd, a property development company.

In October 2024, Sartrn Ltd sold its shareholding in Adharra Ltd, for £2,000,000. The shares had cost £800,000 in March 2019, plus legal costs of £10,000. Adharra Ltd continues to own an office building transferred to it by Sartrn Ltd in May 2021 when the market value was £600,000. Sartrn Ltd had paid £720,000 for the building in May 2019.

In December 2024, Sartrn Ltd sold a property used as a warehouse for £750,000. It had acquired the property from Promeetheus Ltd in September 2022 when the market value was £500,000. Promeetheus Ltd had bought the building for £400,000 in December 2019 and had held it as trading stock throughout its period of ownership.

Calculate the chargeable gains arising for Sartrn Ltd on the sale of the shares and the warehouse.

35. Kalipsew is a controlled foreign company. It is owned by two unconnected UK-resident companies: Tietn Ltd (80%) and Tellesto Ltd (20%). Both Tietn Ltd and Tellesto Ltd prepare accounts to 31 December.

Kalipsew's recent results are as follows:

	<u>Year ended</u> <u>31 March 2024</u>	<u>Year ended</u> <u>31 March 2025</u>
	£	£
Taxable profits	200,000	280,000
Foreign tax paid	20,000	28,000

Explain how the controlled foreign company charge will be made on Tietn Ltd and Tellesto Ltd for the year ended 31 December 2024 assuming that none of the exemptions from charge apply and that all of Kalipsew's profits fall within a gateway.

36. Urydome Ltd prepares accounts to 31 March. On 1 April 2024, it borrowed £200,000 from a shareholder, Mr Hally, with interest to be paid annually in arrears at the rate of 5%. It paid Mr Hally interest of £10,000 on 7 April 2025.

On 4 April 2025, the company received patent royalties of £3,000 from Mr Hubll.

Explain the tax compliance obligations for Urydome Ltd in respect of the interest payable to Mr Hally.

Module D: Taxation of Individuals

If you have entered for Module D you must answer Questions 37 – 48 and type your answers between the question dividers 37 – 48.

37. For 2024/25, Harry had the following income:

	£
Employment income	35,000
Interest	1,500
Dividends	7,500

Harry's wife, Loretta, had employment income of £10,000 per annum. An election has been made in respect of the marriage allowance.

Calculate Harry's Income Tax liability for 2024/25.

38. Leoni is a director of Buutelin Ltd. For 2024/25 her annual salary was £90,000.

Leoni's recent bonuses have been as follows:

<u>Based on company's results for</u>	<u>Board meeting held</u>	<u>Bonus</u> £	<u>Date paid</u>
Year ended 31 January 2024	4 March 2024	18,000	30 April 2024
Year ended 31 January 2025	3 March 2025	20,000	30 April 2025

For 2024/25, Leoni contributed 5% of her salary into Buutelin Ltd's occupational pension scheme and £20 per month to charity under the payroll giving scheme. Buutelin Ltd contributed 10% of Leoni's salary into the occupational pension scheme.

On 6 April 2024, Leoni was provided with a new laptop which cost Buutelin Ltd £3,000. She has significant private use of the laptop.

Calculate Leoni's employment income for 2024/25, clearly showing your treatment of each item.

39. Philippe is an employee of Kadunsk Ltd. On 1 October 2024, Kadunsk Ltd provided him with an electric car which had CO₂ emissions of 48g/km and an electric range of 65 miles.

The list price of the car was £53,000 but Kadunsk Ltd paid a discounted price of £50,000. Optional leather seats costing £1,000 were added at the time of purchase.

Philippe contributed £7,000 towards the total cost of the car. He also contributes £50 a month towards the private use of the car.

Calculate Philippe's benefit in kind in respect of the car for 2024/25.

40. Reomee Ltd has two employees, Juliet and Roman.

Juliet is a director of the company. During 2024/25 she received an annual salary of £12,000 and dividends of £58,000.

Roman is an employee of the company. During 2024/25 he received an annual salary of £55,000.

Calculate the Class 1 National Insurance Contributions payable by Juliet, Roman and Reomee Ltd for 2024/25.

41. On 31 January 2025, Kace was made redundant by Roosel Ltd after being employed for many years. Her redundancy package included statutory redundancy pay of £10,000, an ex-gratia payment of £18,000 and a payment for a restrictive covenant of £25,000 so that Kace does not take up employment with a competitor within 12 months.

Kace was also allowed to keep her company car, which had a market value of £9,000 on 31 January 2025.

Roosel Ltd also paid £900 for Kace to attend a retraining course.

Calculate the taxable amount of Kace's redundancy package, clearly showing your treatment of each item.

42. Dominic is an employee of LJJK Ltd, with an annual salary of £205,000. He has been a member of a personal pension scheme since 2015. For 2024/25, LJJK Ltd contributed £50,000 into the scheme and Dominic contributed £15,000 (gross).

Dominic has £20,000 unused annual allowance brought forward from 2023/24.

Explain, with supporting calculations, the amount of Dominic's annual allowance for 2024/25, and whether there will be an annual allowance charge.

43. Caroline is a Scottish taxpayer.

For 2024/25 her only income was from employment. This included her salary of £125,140 and the provision of a parking space near her employer's office at a cost to her employer of £2,000 for the year.

Calculate Caroline's Income Tax liability for 2024/25.

44. Callie and Arman are married and have both always been UK resident. During 2024/25 Callie accepted an offer of full-time employment in Australia. On 1 November 2024, Callie and Arman left the UK for Australia and moved into a rented house. Callie started work on 1 December 2024. They do not plan to return to the UK for the duration of Callie's employment contract, which is initially for three years.

Explain Callie and Arman's UK residence status for 2024/25.

45. On 31 January 2019, Teensay Ltd granted an option over 100,000 shares under an Enterprise Management Incentive scheme to Javier, a full-time employee. The exercise price was 90% of the market value of the shares at the time of granting the option.

On 28 February 2025, Javier exercised the option when the market value of the shares was double the value at the time of granting the options. On 31 March 2025, he sold the shares for a large gain.

Explain the tax consequences for Javier on the grant and exercise of the option and on the sale of the shares.

46. On 31 March 2025, Caitlin sold 5,000 shares in Haamil Ltd for £20,000.

Caitlin had acquired the shares as follows:

30 June 2015	Bought 3,000 shares for £6,000
30 September 2018	Haamil Ltd made a 1 for 2 bonus issue
31 December 2020	Bought 1,000 shares for £2,300
31 March 2024	Took up a 1 for 2 rights issue at £1.50 per share

Calculate the chargeable gain on the disposal of the shares.

47. Alessandro is UK resident and domiciled. He is a higher rate taxpayer.

On 22 June 2024 he sold a necklace in the UK which resulted in a chargeable gain of £25,000.

On 17 November 2024, Alessandro sold his 3% shareholding in Doontello Ltd, a company resident in Italy, which resulted in a chargeable gain of £28,000. Italian tax of £4,200 was paid on this gain.

Alessandro had capital losses brought forward at 6 April 2024 of £10,000.

Calculate Alessandro's UK Capital Gains Tax liability for 2024/25.

48. Daryll submitted her self-assessment tax return and paid her Income Tax liability for 2023/24 on 1 May 2025. However, Daryll later realised that she had accidentally omitted a chargeable gain that would have resulted in a Capital Gains Tax liability.

Daryll plans to notify HMRC of this omission but not until she submits her 2024/25 tax return. She has been late submitting her tax return for two of the last three years because she has had to wait for information from a third party.

Explain the maximum and minimum penalties that could be imposed on Daryll in relation to the unreported chargeable gain, assuming that HMRC do not initiate an enquiry.

Module E: Taxation of Unincorporated Businesses

If you have entered for Module E you must answer Questions 49 – 60 and type your answers between the question dividers 49 – 60.

49. Until 28 March 2025, Claire was employed by Filedes Ltd as a cleaner.

On 31 March 2025, Claire started a sole trader cleaning business. Her only client is Filedes Ltd and she personally carries out cleaning duties for the company from 7am to 1pm five days per week with all equipment provided by Filedes Ltd.

This arrangement is to continue indefinitely, subject to either party giving six months' notice.

Claire invoices Filedes Ltd at the end of each month for her hours worked and is paid gross, without the deduction of Income Tax or National Insurance Contributions.

Explain why HMRC is likely to continue to treat Claire as an employee from 31 March 2025.

50. Florence, who lives in England, has been trading for many years making significant profits. She is an additional rate taxpayer.

When filing her Income Tax return for 2022/23 on 31 January 2024, she deliberately understated her taxable trading profits by £50,000, although she made no attempt to conceal this.

On 5 December 2024, HMRC issued a formal notice of enquiry into Florence's 2022/23 tax return.

Florence immediately made an amendment to her 2022/23 Income Tax return to disclose the missing profits.

- 1) **Explain the potential penalty that could be imposed by HMRC in respect of Florence's error.**
- 2) **State by when Florence must pay any penalties imposed by HMRC.**

51. Caleb started trading on 6 April 2024. In the year ended 5 April 2025, Caleb had no income other than a taxable trading profit of £42,500.

Capital Gains Tax of £5,970 was due on Caleb's disposals during 2024/25. Caleb is not a Scottish taxpayer.

Calculate the total amount payable to HMRC by Caleb on 31 January 2026.

52. Giovanni has been a sole trader for many years. For the year ended 5 April 2025 he has elected to use the accruals basis. The following items have been included in his trading profit of £56,000:

	£
Interest received from an ISA	250
Donation made (under the gift aid scheme) to a local hospice	800
Parking fine paid on behalf of an employee incurred while visiting a client.	100
Car leasing charges paid in respect of a car with CO ₂ emissions of 142g/km	3,750

The car was used 60% for private journeys by Giovanni.

Calculate Giovanni's tax adjusted trading profit for the year ended 5 April 2025, showing your treatment of each item.

53. Archie has been trading for many years and elects to use the accruals basis. Archie's tax written down values brought forward on 1 January 2024 for capital allowances purposes were:

	£
Main pool	12,000
Special rate pool	8,000

During the 15-month period ended 31 March 2025 Archie bought and sold the following assets:

		<u>Cost/(Proceeds)</u>
		£
17 January 2024	Sold main pool items.	(10,800)
1 June 2024	Installed electric car charging points in the staff car park.	7,000
8 March 2025	Bought a car with CO ₂ emissions of 75g/km.	33,000

Calculate Archie's maximum capital allowances for the period ended 31 March 2025, showing your treatment of each item.

54. Rohan has been trading for many years, making up accounts to 30 September each year. On 28 February 2025 he ceased trading. For the 17 month period to 28 February 2025 his tax adjusted trading loss before capital allowances was £9,700.

His only capital asset was a car with CO₂ emissions of 85g/km which had been used by Rohan 80% of the time for business journeys. The car had a written down value of £4,400 on 1 October 2023 and a market value of £5,900 on 28 February 2025. Rohan decided to keep this car after the business had ceased.

Calculate Rohan's tax adjusted trading loss for 2024/25, clearly stating the basis period.

55. Until 31 October 2022 Birthe was employed by Cramen Ltd on an annual salary in excess of £100,000. She began trading as a sole trader on 1 November 2022 and although the business was profitable in 2022/23 and 2023/24, it made a loss of £30,000 in 2024/25. The business is expected to be profitable again in 2025/26.

Birthe has no other sources of income.

Explain the options available for Birthe to relieve the trading loss arising in 2024/25.

56. Axel had been a sole trader for many years when he ceased trading on 30 April 2025. His recent trading results have been as follows:

	<u>Profit/(Loss)</u>
	£
Year ended 31 December 2022	36,000
Year ended 31 December 2023	30,000
Year ended 31 December 2024	24,000
Period ended 30 April 2025	(8,000)

Calculate the amount of trading loss that can be relieved under s.89 ITA 2007 and state the date by which the claim should be made.

57. Will and Ben had been in partnership for many years, sharing profits equally after an annual salary to Will of £20,000. On 1 July 2024 George joined the partnership after which the annual salary to Will increased to £24,000 and remaining profits continued to be shared equally between all partners.

The partnership's trading profits for the year ended 30 September 2024 were £165,000.

Show the allocation of the partnership's profits for the year ended 30 September 2024.

58. On 22 July 2002, Farooq bought 20 acres of land for use in his trade for £150,000. On 17 June 2023 he sold two acres of this land for £18,000 when the market value of the remaining 18 acres was £190,000.

On 23 January 2025, Farooq sold the remaining 18 acres for £225,000.

Farooq is a higher rate taxpayer and uses his annual exemption every year on disposals of quoted investments.

Farooq always makes any claims available to reduce his tax liabilities.

Explain the Capital Gains Tax consequences of the part disposal of land in 2023/24 and the disposal of the remaining land in 2024/25.

59. Simon has been a sole trader for many years. On 30 September 2024 he retired and sold his business to his sister Linda.

The details of the business's assets were as follows:

	<u>Cost</u>	<u>Market Value on 30</u> <u>September 2024</u>
	£	£
Workshop used in the trade	885,000	850,000
Retail premises used in the trade	280,000	1,200,000
Goodwill	N/A	175,000
Plant and machinery (note)	24,000	17,000
Stock	2,500	2,500
Debtors	-	3,300

No individual item of plant or machinery had a cost or market value of more than £6,000.

Simon has already used his 2024/25 annual exemption and will make any claims available to reduce his tax liabilities. He has not previously sold any business assets.

Calculate Simon's Capital Gains Tax liability for 2024/25.

60. On 17 May 2024, Sven sold 10,000 shares in Svolv Ltd, a trading company, to his daughter Kirsten for £75,000 when they were worth £100,000. Sven had paid the full market value of £60,000 for the shares several years earlier when he had become a director of the company.

On 25 March 2025, Kirsten sold 5,000 of the shares for £58,000.

Calculate the chargeable gains arising on Sven and Kirsten in 2024/25 assuming any available claims are made.