

# The Chartered Institute of Taxation

## AWARENESS

**November 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. Liz started trading on 1 April 2024. Her VAT exclusive supplies for the first 18 months of trading, which accrued evenly over each relevant quarter, were as follows:

	<u>Standard rated</u>	<u>Zero rated</u>	<u>Exempt</u>
<u>2024/25</u>	£	£	£
April – June	7,000	5,000	600
July – September	10,000	8,000	1,000
October – December	16,000	8,000	1,100
January – March	<u>20,000</u>	<u>10,000</u>	<u>1,300</u>
	53,000	31,000	4,000
<u>2025/26</u>			
April – June	24,000	12,000	1,500
July – September	27,000	13,500	1,800

**Explain by what date Liz had to notify HMRC of her requirement to become VAT registered and the date from which registration was effective.**

2. Gonzalo is a VAT registered trader making wholly standard rated supplies. During the quarter ended 30 September 2025, he incurred the following expenditure, which was inclusive of standard rate VAT:

	£
Office equipment	6,000
Leasing costs of a BMW car for use by Gonzalo	4,800
Purchase of a new Ford car for use by an employee	18,000
Fuel for both cars	240
Entertaining overseas suppliers	4,500

The BMW car is being leased over three years. Both cars are used for business and private journeys. During the quarter, Gonzalo and the employee each drove 1,200 miles, of which 900 were for private journeys.

**Calculate the input VAT recoverable for the quarter ended 30 September 2025, showing your treatment of each item.**

3. Ruben is in the annual accounting scheme and has elected to make monthly interim payments of VAT. His VAT liability for the year ended 30 April 2024 was £55,000 and for the year ended 30 April 2025 was £57,000.

- 1) **Explain how Ruben's VAT liability for the year ended 30 April 2025 will be paid, stating the due dates of Ruben's first and last interim payments and the amount of the final balancing payment.**
- 2) **State the due date of the final balancing payment and the submission of the VAT return for the year ended 30 April 2025.**

4. During the quarter ended 30 September 2025, Cloudiah Ltd, a VAT registered company making wholly standard rated supplies of goods, had the following transactions:
- 1) Sales to the general public totalling £45,360 (VAT inclusive).
  - 2) Sales to Tardie Ltd for £20,000 (VAT exclusive) on 1 September 2025. Cloudiah Ltd offered an early payment discount of 2% if the invoice was paid within 21 days. Tardie Ltd paid the correct amount due on 17 September 2025.
  - 3) Sales to Suenodulce S.A for £30,000 (VAT exclusive). Suenodulce S.A is a company incorporated in and operating wholly in Mexico.
  - 4) Gifts of trade samples costing £85 (VAT exclusive) each to 12 potential new customers.
  - 5) Purchase of business consultancy services in Mexico of £15,000 for advice on potentially setting up a permanent establishment in Mexico City.

**Calculate the output VAT payable by Cloudiah Ltd for the quarter ended 30 September 2025, showing your treatment of each item.**

5. Sarah, who is VAT registered, has recently bought the following interests in land and buildings:
- 1) A 999-year lease on a newly-constructed house granted by the company that built it. Sarah intends to rent out the house to tenants.
  - 2) A plot of land from a local farmer. Sarah intends to rent out the land to a local horse-riding school.
  - 3) A 35-year lease on a newly-built retail shop, which Sarah intends to let to a local business.

**Explain the VAT rating of each of Sarah's acquisitions and whether an effective option to tax can be made by Sarah in each case.**

6. Ahmed has been VAT registered for many years. The following information relates to the year ended 31 March 2025:

	£
Standard rated supplies	99,000
Zero rated supplies	17,000
Exempt supplies	<u>8,000</u>
	<u>£124,000</u>

Input VAT:	
Directly attributable to standard rated supplies	9,000
Directly attributable to zero rated supplies	200
Directly attributable to exempt supplies	800
Residual input VAT	<u>5,000</u>
	<u>£15,000</u>

Input VAT recovered during the year totalled £12,225.

**Explain whether the simplified de minimis tests apply and calculate the partial exemption annual adjustment for the year ended 31 March 2025.**

7. G&S Traders is a trading partnership which owns 80% of the ordinary shares in Yunoe Ltd. Yunoe Ltd owns 80% of the ordinary shares in Duea Ltd which in turn owns 60% of the ordinary shares in Treay SpA.

G&S Traders, Yunoe Ltd, Duea Ltd and Treay SpA are all VAT registered. All are based in the UK except Treay SpA, which is based in Italy.

Giulia, the senior partner of G&S Traders, currently prepares the VAT returns for all the business entities but is tired of the administration involved and is wondering whether a VAT group registration is possible.

**Explain whether G&S Traders and the three companies are eligible to form a VAT group and state one administrative advantage of such a group.**

8. Suzanna, a partially exempt trader, bought a newly-constructed warehouse on 1 January 2022 for £600,000 plus VAT of £120,000.

Suzanna sold the warehouse on 1 March 2025 for £750,000. Taxable use throughout her period of ownership was 70%.

Suzanna has a VAT year end of 31 March. No option to tax was made on the warehouse.

**Calculate the initial amount of input VAT recoverable and any adjustments required under the Capital Goods Scheme for each VAT year from the date of acquisition to the date of sale.**

9. Nadim is the sales director of Nour Ltd, a VAT registered company based in the north of England.

During September 2025, Nour Ltd paid for a flight for Nadim to attend a sales conference in Barcelona, Spain. The price of the flight, which included an in-flight meal, was paid directly by Nour Ltd.

The night before his flight to Barcelona, Nadim stayed at a hotel near Manchester airport and paid for his room and meal from a round sum expense allowance given to him by Nour Ltd. On returning to the UK, Nadim gave the VAT receipts for these expenses to the company's accounting department.

**Explain:**

- 1) **The VAT treatment that should be applied by the airline on the flight and in-flight meal.**
- 2) **Whether Nour Ltd can reclaim the input VAT on the expenses incurred by Nadim.**

10. Rosa is a sole trader running a café. She has been registered for VAT for many years and uses the Flat Rate Scheme (12.5% rate). Her turnover for the quarter ended 31 August 2025 was as follows:

	£
Standard rated supplies	29,500
Zero rated supplies	1,000

On 1 July 2025 Rosa bought a new coffee machine for £2,500. This replaced the old coffee machine which had cost £1,750 several years ago and which was sold for £200 on 1 July 2025.

All figures are stated exclusive of VAT.

Rosa's total input VAT on other purchases and expenses for the quarter was £14,000.

**Calculate the VAT payable by Rosa for the quarter ended 31 August 2025.**

11. Siebzehn Ltd owns 80% of the ordinary shares in Achtzehn Ltd and 60% of the ordinary shares in Neunzehn Ltd.

On 1 November 2022, Siebzehn Ltd sold a freehold office building to Achtzehn Ltd for £600,000.

On 1 February 2023, Siebzehn Ltd sold a freehold warehouse to Neunzehn Ltd for £180,000.

On 1 April 2025, Siebzehn Ltd sold half its shareholding in Achtzehn Ltd to an unconnected company. At that date, Achtzehn Ltd still owned the freehold office building transferred to it by Siebzehn.

**Explain the Stamp Duty Land Tax (*Scots Law – Land and Buildings Transaction Tax*) implications of these transactions. Calculations are not required.**

12. Keith is resident in the UK and has recently acquired shares as follows:

	<u>Cost/Value</u>
	£
Bought newly-issued shares in Newnuovo Ltd	20,000
Bought shares in Potterr Ltd from a friend	96,250
Bought shares in Farringzingo S.L, a company quoted on the Madrid Stock Exchange	53,750
Inherited shares in Oldviejo Ltd on the death of his grandfather	25,000

**Explain the Stamp Duty payable on each of Keith’s acquisitions of shares.**

## 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. In 2024/25, Adele made the following gifts:

15 September 2024	£2,500 to her nephew on his wedding day.
31 December 2024	£400,000 to a discretionary trust for the benefit of her grandchildren.

Adele had not made any previous lifetime gifts and agreed to pay any tax due on the gifts.

**Explain the immediate Inheritance Tax treatment of each gift.**

14. Billy died on 31 January 2025. He left his house which was valued at £240,000, and cash and quoted shares which were valued at £530,000, to his brother.

Billy had made substantial lifetime transfers which had used up all his nil rate band.

- 1) **Calculate the Inheritance Tax liability on Billy's death estate.**
- 2) **Explain why any of the liability can be paid in instalments, the amount of each instalment, and whether they would be interest-bearing.**

15. Molly died on 1 June 2016, leaving an estate valued at £2.3 million. £1 million in cash was left to her son John, and the remainder of her estate to her husband Justin. Molly had not made any lifetime transfers.

Justin died on 20 March 2025, leaving an estate valued at £750,000, which included the family home valued at £225,000, to his son John.

On 1 June 2020, Justin had made a gross chargeable transfer of £250,000.

**Calculate the Inheritance Tax payable on Justin's death, assuming all beneficial elections are made, and state the due date for payment.**

16. Thato was born in South Africa on 1 January 1975 to married parents. His father was domiciled in France and his mother was domiciled in the UK.

On 30 April 1980, his parents moved to and became domiciled in Germany.

On 1 March 2010, Thato came to the UK for the first time and became UK resident from 2010/11. His intention is to return to Germany when he retires in 20 years' time.

**Explain Thato's domicile status for Inheritance Tax purposes in 1974/75, 1980/81 and 2024/25.**

17. Zander died on 31 March 2025. His only lifetime transfers have been to a trust as follows:

	<u>Gross Chargeable</u> <u>Transfer</u>	<u>Inheritance</u> <u>Tax Paid</u>
	£	£
31 March 2013	110,000	Nil
30 September 2019	205,000	Nil
1 January 2022	300,000	36,000

**Calculate any Inheritance Tax payable on the lifetime transfers as a result of Zander's death.**

18. Hugo died on 1 January 2022.

His death estate included six buildings, five of which were sold by the executors at various stages throughout the administration period as follows:

	<u>Probate value</u>	<u>Sale date</u>	<u>Gross sale proceeds</u>
	£		£
Flat in London	650,000	1 January 2023	680,000
Flat in Manchester	120,000	1 January 2024	119,500
House in Manchester	420,000	1 December 2024	380,000
House in Liverpool	220,000	1 February 2025	240,000
Flat in Liverpool	133,000	1 March 2025	125,000

On 5 April 2025, the executors bought a plot of land for £150,000 in connection with the remaining property that was held.

**Calculate the reduction in the value of Hugo's death estate as a result of the above transactions, showing your treatment of each item.**

19. Emmett died on 1 April 2024 and left his entire estate to his wife Darcy. Included in his death estate was land which he had bought in 2014, most of which had always been used by Emmett in his farming business. Some of the land had always been used for fishing, shooting and other sporting rights which Emmett had run as a separate business.

Before his death, Emmett had obtained planning permission to build a small housing development on part of the farmland used in his farming business.

On 31 January 2025 Darcy transferred all of the land to a discretionary trust when its market value was significantly higher than its agricultural value.

**Explain the Inheritance Tax reliefs potentially available on the transfer of the land to the discretionary trust.**

20. On 1 April 2015, Nicola transferred £530,000 into a newly created discretionary trust and agreed to pay the tax due.

Nicola's only previous lifetime transfer was a gross chargeable transfer of £150,000 on 30 June 2013.

On 1 September 2020, the trustees made a capital distribution of £75,000 to one of the beneficiaries, who agreed to pay the tax due.

On 1 April 2025, the value of the assets held in the trust was £880,000.

**Calculate the principal charge arising in 2024/25.**

21. Terrance died on 1 April 2025. His death estate included the following assets:

- 1) A 40% shareholding in Leeng plc, a quoted trading company in which his wife Katy also owned a 30% holding. Terrance and Katy had owned the shares since 2018.
- 2) A 10% holding of preference shares in an investment company, which Terrance had owned since 2020.

**Explain whether any Business Property Relief is available on Terrance's death estate.**

22. For 2024/25, the income of the Tooper Interest in Possession Trust was as follows:

	£
Property income	37,000
Interest income	10,000
Dividend income	7,000

The trustees had letting expenses of £15,000 and charged management expenses of £3,000 which were paid out of trust income.

**Calculate the Income Tax payable by the trustees for 2024/25.**

23. On 6 April 2007, Anish created the Anslat Discretionary Trust. Anish had previously created five other discretionary trusts.

During 2024/25, the trustees realised the following gains and losses:

		<u>Gain/(Loss)</u>
		£
30 April 2024	Sale of a painting	10,000
30 June 2024	Sale of quoted shares	(3,250)
31 October 2024	Sale of a residential property	35,000

Capital Gains Tax of £7,680 was paid during the year on the sale of the residential property.

**Calculate the Capital Gains Tax payable by the trustees on 31 January 2026.**

24. Matilda died on 20 July 2024. She owned a residential property which was let to tenants at a monthly rent of £1,125 from 6 April 2024. The rent was paid in advance on the sixth day of the month. The property was let for the whole of 2024/25.

Between 21 July 2024 and 5 April 2025, the Executors received £2,000 of dividends from shares held by Matilda in a company with a 31 December 2024 year end.

During 2024/25, the Executors' paid interest of £3,000 on a loan taken out to pay the Inheritance Tax due on Matilda's death.

**Calculate the Income Tax payable by the Executors for 2024/25 and state the date that the tax is payable.**



## 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. Barathion Ltd's draft tax adjusted trading profits for the year ended 31 March 2025 were £220,000. This figure included the following costs which all relate to its trade:

	£
Cost of Christmas party for 10 employees	1,700
Legal fees for renewing a 55-year lease on a warehouse	12,000
Cost of repairing the roof on a new retail shop (Note)	48,000
Interest on a loan taken out to buy the shop	8,000
Fine for breach of GDPR regulations	20,000

Note: The retail shop was bought on 1 July 2024. The roof was badly damaged in a storm on 18 May 2024 and the purchase price of the shop was reduced to reflect the repairs that were necessary in order for the shop to be useable.

**Calculate Barathion Ltd's tax adjusted trading profits for the year ended 31 March 2025. Show your treatment of each item.**

26. Lannester Ltd prepared accounts for the 15-month period ended 31 December 2024.

On 1 October 2023, the tax written down values for capital allowances purposes were £1,100 on the main pool and £990,000 on the special rate pool.

The only disposal during the period was a car with CO<sub>2</sub> emissions of 44g/km which was sold on 15 January 2024 for £750. The company had a lift installed in the office building on 17 November 2024 at a cost of £1.2 million.

**Calculate Lannester Ltd's capital allowances for the 15-month period ended 31 December 2024.**

27. On 1 October 2023, Theonne Ltd purchased land and signed contracts with a builder to construct a new warehouse. The warehouse was completed and brought into use by Theonne Ltd in its trade on 1 July 2024. The costs relating to the warehouse were:

	£
Land	850,000
Architect's fees	95,000
Planning permission	25,000
Construction of warehouse	700,000
Electrical and water systems	250,000
	<u>£1,920,000</u>

Theonne Ltd is part of a large group and the annual investment allowance has already been allocated to another group member.

**Explain the tax relief available, if any, for the year ended 31 March 2025 for the costs relating to the warehouse.**

28. For the year ended 30 September 2024, Jeor Ltd, a trading company, had the following income and expenses relating to the letting of three properties:

	<u>UK</u> <u>commercial</u> <u>property</u> £	<u>UK</u> <u>residential</u> <u>property</u> £	<u>Overseas</u> <u>commercial</u> <u>property</u> £
Income	150,000	24,000	82,000
Expenses:			
- Maintenance costs (Note)	5,000	26,000	6,000
- Loan interest	22,000	12,000	-

Note: The maintenance costs of £26,000 for the UK residential property included £15,000 for a loft conversion and £4,000 for a new sofa. The new sofa was a leather sofa which replaced a fabric sofa that had been damaged. The cost of an equivalent fabric sofa would have been £1,500.

Property business losses brought forward at 1 October 2023 were £8,000 in relation to the company's UK property business and £10,000 in relation to the overseas property business.

**Calculate Jeor Ltd's total property business income for the year ended 30 September 2024.**

29. For the year ended 31 March 2025, Tyrelle Ltd had a draft tax adjusted trading profit of £860,000 and draft non-trade loan relationship income of £6,200. However, no entries have yet been made in respect of the following items:

- 1) On 1 July 2024, Tyrelle Ltd borrowed £50,000 from a bank to buy a copyright for use in its trade. Interest on the loan was at 8% per annum and the copyright was to be amortised over 10 years.
- 2) On 1 February 2025, Tyrelle Ltd paid interest of £2,450 on overdue Corporation Tax.
- 3) On 31 March 2025, Tyrelle Ltd sold some government stock for £8,750. The stock cost Tyrelle Ltd £10,000 in 2023 and paid interest at 3% per annum.

**Calculate Tyrelle Ltd's final taxable trading profit and non-trade loan relationship income for the year ended 31 March 2025.**

30. Samwell Ltd had the following recent and forecast results:

	<u>Year ended</u> <u>30 June 2023</u> £million	<u>Nine-month</u> <u>period ended</u> <u>31 March 2024</u> £million	<u>Year ended</u> <u>31 March 2025</u> £million	<u>Year ended</u> <u>31 March 2026</u> <u>(forecast)</u> £million
Trading profit/(loss)	15	9	(24)	11
Capital gain/(loss)	1	(1.5)	2	1

**Calculate the taxable total profits for each chargeable accounting period, assuming the company claims loss relief as early as possible, clearly showing your treatment of the losses.**

31. Arrinne Ltd owns 100% of the ordinary shares in Pycelle Ltd and Rickonn Ltd.

The results of the three companies for the year ended 31 March 2025 were as follows:

	<u>Arrinne Ltd</u>	<u>Pycelle Ltd</u>	<u>Rickonn Ltd</u>
	£	£	£
Trading profit/(loss)	28,000	(54,000)	17,000
Property income/(loss)	(12,000)	8,000	Nil
NTLR deficit	Nil	(10,000)	Nil
Chargeable gain/(allowable loss)	Nil	Nil	(6,000)
Qualifying charitable donations	(7,000)	Nil	Nil

**Explain the maximum amounts that each of the companies has available for surrender within the group in the year ended 31 March 2025.**

32. On 14 March 2019, Vyserys Ltd purchased 100% of the ordinary shares in Danerys Ltd, an investment company.

On 20 February 2021, Vyserys Ltd sold a building to Danerys Ltd for less than its market value at that time.

On 1 November 2024, Vyserys Ltd sold its shareholding in Danerys Ltd.

Both the shares and the building have decreased in value over time.

**Explain the chargeable gains implications of the disposal of the shareholding in Danerys Ltd.**

33. For the year ended 31 December 2024, Jorrah Ltd had a tax adjusted trading profit of £220,000.

The company had an overseas gain of £25,000 on which overseas tax of £5,000 has been paid. It also received dividends of £7,000 from a UK company in which it had an 8% holding.

**Calculate the Corporation Tax payable for the year ended 31 December 2024.**

34. Aemonn Ltd is a trading company which prepares accounts to 31 March each year. On 17 January 2010, the company sold a warehouse used in its trade for £750,000. The chargeable gain arising was £200,000.

On 22 July 2010, the company bought an office building for £800,000 which it used in its trade. The building was sold on 12 October 2024 for £1.1 million.

On 15 December 2024, the company bought a machine for £900,000. The machine is very large and is bolted to the floor of the factory.

Aemonn Ltd always makes any elections available to reduce its liability to Corporation Tax.

**Calculate the chargeable gain arising in the year ended 31 March 2025 and state the base cost of the machine.**

35. On 1 February 2017, Gendry Ltd bought 12,000 ordinary shares (a 12% holding) in Cersey Ltd. Cersey Ltd is a trading company.

On 28 October 2019, Gendry Ltd sold half its shareholding in Cersey Ltd. It sold the remaining half on 14 March 2025.

**Explain whether the disposals of the Cersey Ltd shares in 2019 and 2025 qualify for the substantial shareholding exemption.**

36. Sansabran Ltd had augmented profits of £1.4 million for the year ended 31 March 2024 and £1.2 million for the nine month period ended 31 December 2024.
- 1) **State the due date for payment of Corporation Tax for the year ended 31 March 2024.**
  - 2) **Explain whether the Corporation Tax for the nine month period ended 31 December 2024 is payable in instalments and state the due date(s) for payment.**

## 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, Richard had employment income of £64,000 and bank interest of £1,000. He received child benefit of £1,248.

**Calculate Richard's Income Tax liability for 2024/25.**

38. For 2024/25, Sunita received pension income of £5,000 and dividend income of £105,000. She made Gift Aid donations totalling £750 (gross).

**Calculate Sunita's Income Tax liability for 2024/25.**

39. For 2024/25, Em-ploy Ltd incurred the following costs in respect of its two employees, Beatrice and Laura:

- 1) Monthly salaries of £2,000 for Beatrice and £5,000 for Laura.
- 2) A £250 voucher for a high street store given to Beatrice in December 2024.
- 3) A bonus of £10,000 paid to Laura in March 2025.
- 4) £1,200 relating to private medical cover for Laura.

Laura is a director of Em-ploy Ltd.

**Calculate Em-ploy Ltd's liability to Class 1 Secondary and Class 1A National Insurance Contributions for 2024/25.**

40. Zohan is employed by Whirkr Ltd.

In 2023/24, the company made a loan to Zohan of £15,000. No repayments have been made.

Zohan paid interest of £100 on the loan for 2024/25.

On 6 December 2024, the company provided Zohan with the use of a petrol car with a list price of £42,000 and CO<sub>2</sub> emissions of 108g/km. Zohan made a one-off payment of £6,000 to the company on the purchase of the car in order to secure a better vehicle. The company paid for all fuel costs for 2024/25, totalling £2,000.

**Calculate the cash equivalent of all benefits provided to Zohan for 2024/25.**

41. Theo, an accountant, is employed by Bukkeep Ltd. He is required to work at his employer's premises Monday to Friday. However, between May and November 2024, his employer required him to work one day per week at the offices of a client operating a nursery.

He incurred the following costs in connection with his employment for 2024/25:

	£
Travel costs from home to Bukkeep Ltd premises	1,800
Travel costs from home to the client	700
Cost of sweets and small toys given to the children at the nursery	240

**Explain whether the costs are allowable deductions in calculating Theo's net taxable earnings for 2024/25.**

42. Alice wants to buy an investment property and is deciding between two disused buildings. The first building would be let on a long-term contract for residential use (option one). The second building would be let for commercial use (option two).

Alice will pay interest on the loan to buy the property and incur expenditure on replacing the boiler under both options. She will either buy furniture for use in the building under option one or incur expenditure on installing fixtures and fittings in the building under option two.

Alice will use the accruals basis to calculate her property income.

**Explain whether Alice can claim relief for the expenses in calculating the taxable income from her property business.**

43. Ben has always been UK resident. On 6 April 2024, he began a new employment in France, working 37.5 hours per week. He lived and worked in France for the remainder of 2024/25, returning to the UK for 21 days for his annual leave to visit friends and family, and for five days to work at his employer's UK office.

**Explain whether Ben meets any of the Automatic Overseas Tests for 2024/25.**

44. On 28 March 2025, Asha subscribed for £220,000 of shares in a company qualifying under the Seed Enterprise Investment Scheme. Due to a delay in the company beginning to trade and spending the money raised, the SEIS3 certificate has not yet been issued and may not be for some time to come.

Asha had employment income of £370,000 for 2024/25 in respect of which tax of £152,703 was deducted at source.

**Explain how Income Tax relief is given for the subscription for 2024/25 and the process for making a claim.**

45. Claire has been employed by EemEye Ltd for many years.

On 17 May 2021, Claire was granted an Enterprise Management Incentive option over 1,000 shares in EemEye Ltd with an exercise price of £90 per share. The market value at this time was £100 per share.

On 12 August 2024, Claire exercised the option when the market value was £180 per share.

On 8 January 2025, Claire sold the shares for £200 per share.

**Calculate the amounts chargeable to Income Tax and Capital Gains Tax (if any) on the grant and exercise of the option and on the sale of the shares.**

46. Rajesh made the following disposals during 2024/25:

<u>Asset</u>	<u>Proceeds</u>	<u>Cost</u>
	£	£
Car	18,000	34,000
Rental property	90,000	60,000
Painting	5,000	9,000
Jewellery	7,500	2,000

All of the assets were sold to unconnected parties except for the rental property, which Rajesh sold to his daughter. The market value of the property at that time was £180,000.

**Calculate the chargeable gain or allowable loss in respect of each disposal.**

47. Minal sold a house for £670,000 on 31 December 2024. She had bought the house on 1 January 2015 for £320,000 and had lived in it until 31 December 2022, at which point she moved in with her parents and the house was let to a tenant.

Minal had employment and property business income totalling £48,000 for 2024/25.

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

48. Donald submitted his tax return for 2023/24 exactly six months late. The return included employed income of £200,000 and dividend income of £40,000. Due to an error which was deliberate but not concealed, the return understated Donald's dividend income by £20,000.

**Calculate the late filing penalty and the maximum and minimum penalty which may be charged assuming that Donald informs HMRC of his error.**

## 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. For the year ended 31 March 2025, Stuart's trading profit was £80,000. This was after deducting the following amounts:

- 1) Leasing costs of £4,800 relating to a car with CO<sub>2</sub> emissions of 60g/km used 100% for business purposes.
- 2) A fine of £1,500 for a breach of health and safety rules.
- 3) A premium of £20,000 paid on entering into a 10-year lease on a new warehouse on 1 July 2024.

Stuart has elected to calculate his profits using the accruals basis.

**Calculate Stuart's taxable trading profit for the year ended 31 March 2025.**

50. Lulu prepares her accounts to 31 March each year. On 1 April 2024, she bought a car with CO<sub>2</sub> emissions of 120g/km for £22,000.

In the year ended 31 March 2025, she drove 18,000 miles of which 12,000 were on business. Fuel costs for business journeys were £2,100 and parking charges incurred on business journeys were £320.

**Calculate the allowable deduction in respect of the car for the year ended 31 March 2025 if Lulu makes a claim for:**

- 1) Actual expenses; and
- 2) Flat rate expenses.

51. Nimra has traded for a number of years, preparing accounts to 31 March each year and using the cash basis to calculate her trade profits. Her results for the year ended 31 March 2025 are as follows:

	£
Sales invoiced during the year (includes £600 outstanding at 31 March 2025)	37,000
Purchases (includes £200 for goods taken for own use, which have a selling price of £300)	8,000
Purchase of a laptop (used 30% for personal purposes)	1,200

Nimra works from home for around 30 hours per week.

Nimra's sister, Minal, started trading on 1 April 2024. In the year ended 31 March 2025, she received sales income of £1,900 and paid allowable costs of £750.

**Calculate Nimra and Minal's taxable trading profits for the year ended 31 March 2025, assuming any beneficial elections are made.**

52. Rajesh runs a successful business manufacturing toys. He prepares accounts to 31 March each year using the accruals basis.

In May 2024, Rajesh spent £24,000 replacing the roof on his factory after it was damaged in a storm and installed air conditioning costing £16,000.

In June 2024, he bought a plot of land for £80,000 to build a warehouse. The warehouse was completed on 30 September 2024 at an additional cost of £140,000. He started to use the warehouse for the purposes of his trade on 1 November 2024.

**Explain how Rajesh may claim relief for the above expenditure in calculating his taxable trading profit for the year ended 31 March 2025.**



53. Adam, Malcolm and Travis have been in partnership for many years, sharing profits in the ratio 20:40:40 after salaries for Malcolm and Travis of £55,000 and £45,000 per annum respectively. The partnership's taxable trading profit for the year ended 31 March 2025 was £80,000.

**Calculate the Class 4 National Insurance Contributions payable by Travis for 2024/25.**

54. Jina started trading on 6 April 2024. She made a loss of £135,000 in the year to 5 April 2025. Her only income in previous years was as follows:

	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>
	£	£	£	£
Employment income	39,000	45,000	60,000	42,000

**Show how relief is given for the loss assuming a claim for early trade loss relief is made and state the date by which the claim must be made.**

55. Claire has traded for many years. She made a profit of £8,000 for the year ended 31 March 2024, and a loss of £50,000 for the year ended 31 March 2025.

Claire also has a property business from which she makes a profit of £10,000 each year.

In 2023/24, she made a capital gain on the sale of a property of £26,000. She had a capital loss of £7,000 brought forward from 2022/23.

**Calculate the trading loss remaining after all beneficial claims have been made.**

56. On 31 July 2024, Agnes gave a building to her daughter Hannah when its market value was £200,000. Agnes had bought the building on 1 August 2004 for £40,000. She had always used three of the building's five floors in her trade and had let the remaining two floors to tenants.

**Calculate Agnes' chargeable gain on the gift of the building and the base cost of the building for Hannah assuming any beneficial claims are made. State the date by which any claim for relief must be made and by whom it must be made.**

57. On 1 May 2024, Kellan sold a warehouse for £400,000 which he had used in his trade. He had bought the warehouse for £82,000 in 2002, incurring legal fees of £2,000. In 2008, he spent £38,000 building an extension to the warehouse.

On 8 March 2025, Kellan bought a factory for £320,000 for use in his trade.

**Calculate Kellan's chargeable gain on the disposal of the warehouse and the base cost of the new factory, assuming any beneficial claims are made.**

58. Joseph and David have traded in partnership for a number of years. On 1 September 2024, Debbie joined the partnership and from that date income and capital profits were to be shared 40% to Joseph, 40% to David and 20% to Debbie.

On joining the partnership, Debbie introduced cash of £50,000 and a building valued at £200,000. The cash was funded by a bank loan taken out by Debbie, on which interest is payable at the rate of 8% per annum. Debbie acquired the building several years ago for £110,000.

Debbie has a capital loss of £12,000 brought forward on a previous disposal of shares to her daughter.

**Explain the Capital Gains Tax implications for Debbie of the above events and whether she can claim Income Tax relief for the interest payable on the loan.**

59. Ben is employed full-time. At weekends, he buys clothes from charity shops, modifies them and sells them on an online marketplace. So far, his sales only cover his costs but he hopes to make a profit in the future.

Ben's brother, Jason, has found out that a pair of trainers he bought to wear several years ago are now worth more than he paid for them. He recently sold them at a significant profit.

**With reference to the badges of trade tests, give three tests which indicate that Ben is trading, and two different tests which indicate that Jason is not trading.**

60. Kathy commenced trading on 6 April 2023. She has no other sources of income. Her tax liabilities were as follows:

	<u>2023/24</u>	<u>2024/25</u>
	£	£
Income Tax	1,486	2,486
Class 4 National Insurance Contributions	594	994
Capital Gains Tax	3,800	-

The amount payable to HMRC on 31 January 2025 was not paid until 18 March 2025.

**Calculate the amount payable on 31 January 2025 and any penalty for late payment.**