UK taxation II

LEARNING OBJECTIVES

In Topic 3 we focused on income tax and National Insurance. In this topic our focus turns to other taxes, particularly capital gains tax and inheritance tax.

By the end of this topic you should have an understanding of:

- capital gains tax and the reliefs available;
- inheritance tax, potentially exempt transfers and chargeable lifetime transfers;
- how to calculate liability to capital gains tax and inheritance tax;
- value-added tax (VAT);
- the different forms of stamp duty;
- corporation tax;
- withholding tax.

This topic covers the Unit 1 syllabus learning outcomes U7.3–U7.6.

THINK . . .

Some of the taxes in this topic might be less familiar to you than income tax but you might already be aware of others.

For instance:

- You have paid VAT on goods and services. If you are self-employed, you might have had to register for VAT if your turnover is above the VAT threshold.
- If you have ever bought a property, you might have had to pay stamp duty land tax on the purchase.
- If you have ever sold a valuable item of personal property, you might have had to pay capital gains tax on it.
- You might have thought about inheritance tax and how to minimise any liabilities for it.

4.1 What is capital gains tax?

Capital gains tax (CGT) is payable on a gain made on the disposal of certain assets. Examples include:

- personal property (worth more than a certain amount);
- real estate or land that is not the individual's main home;
- the individual's main home if it has been let out or used for business, or if it is very large;
- the sale of shares, if they are not held in an ISA;
- business assets, such as land, buildings, machinery or registered trademarks.

The tax is payable on net gains made in the tax year, after deducting any allowable capital losses that were made in the same year or carried forward from previous years.

Each individual has an annual CGT allowance, referred to as the annual exempt amount; rather like the personal income tax allowances, this is the level of gains that can be made in the tax year before CGT starts to be payable.

The full CGT allowance also applies to a bare trust (which has a specified beneficiary who will have absolute entitlement to assets once they reach a particular age), trustees of a trust for a vulnerable beneficiary, and to personal representatives. A maximum of half the annual exempt amount applies to the trustees of most other types of trust. The annual exempt amount cannot be carried forward to subsequent years if it is unused in the year to which it applies.

DISPOSAL

For CGT purposes, a disposal can be the sale of an asset, transferring ownership to another party, giving it away, or receiving compensation for its loss or destruction.

'BED AND BREAKFASTING'

One constant source of complaint about the capital gains tax regime is that CGT is due on the whole gain in the year in which the gain is realised, even where that gain has actually been made over a longer period. This means that only one annual exempt amount can be set against what may be many years' worth of gain.

In the past, some holders of shares and unit trusts sought to minimise the effect of this by selling their holding each year and repurchasing it the following day, thus realising a smaller gain that could be covered by that year's allowance. This was known as 'bed and breakfasting'.

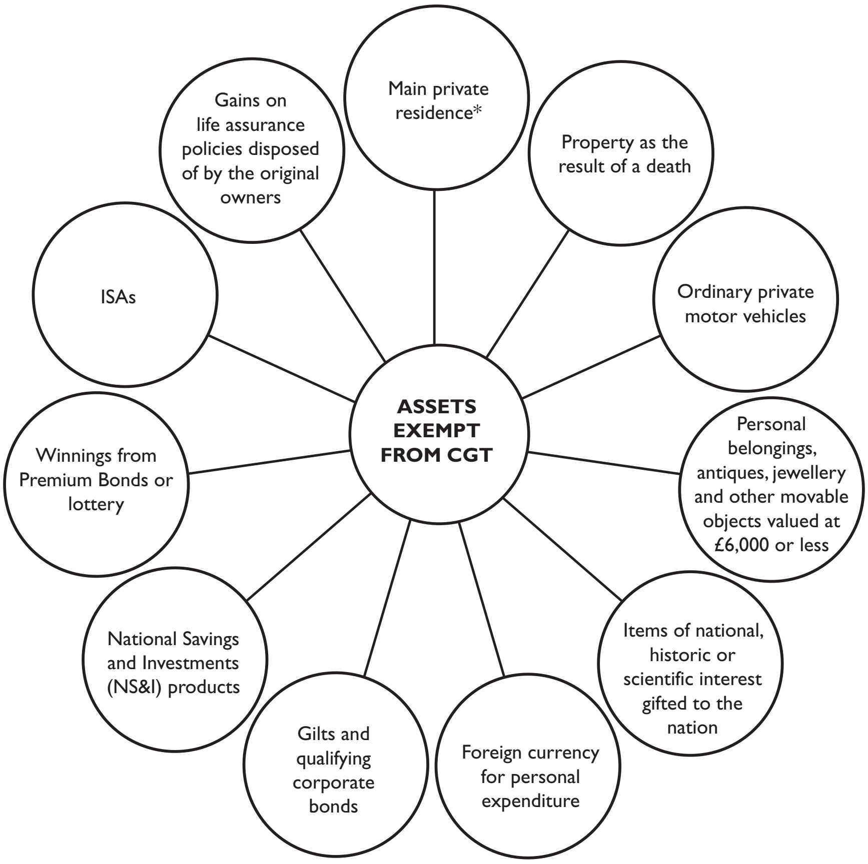
Bed and breakfasting was effectively outlawed in the 1998 Budget. Since then, any shares and unit trusts that are sold and repurchased within a 30-day period are treated, for CGT purposes, as if those two related transactions had not taken place.

4.1.1 What kinds of asset are exempt from CGT?

There are some circumstances in which CGT is not due (see Figure 4.1). In particular, it is not payable when property changes hands as the result of a death (although there may be inheritance tax to pay – see section 4.2).

There is a deemed disposal of assets on death when the assets are deemed to be acquired by the personal representatives at their market value at the time of death. This is to establish the cost of acquisition, so that if the person who inherits the asset later decides to dispose of it, it is possible to work out the gain since the time of inheritance, and thus calculate the CGT due at that point.

FIGURE 4.1 ASSETS EXEMPT FROM CGT



* Subject to private residence relief

CGT applies to gains made since 6 April 2015 by individuals or trustees who are not UK resident on residential property located in the UK. Gains made during ownership prior to this date are ignored.

Gains that accrue to non-UK residents on non-residential property have been subject to tax since 6 April 2019.

A non-resident individual might still be able to claim private residence relief (see section 4.1.4) if they live in the property for at least 90 days during a tax year.

4.1.2 What happens if a loss is made on disposal of an asset?

If an individual makes a loss on disposal of an asset, the loss can generally be offset against gains made elsewhere. It must be offset first against gains in the year the loss occurred. Residual losses may then be carried forward to future years. A capital loss cannot, however, be carried back to a previous year.

Given that capital losses can be carried forward but the annual exempt amount cannot, capital losses brought forward are used only to the extent necessary to reduce gains to the level of the annual exempt amount. Residual losses are then carried forward.

4.1.3 How is CGT calculated?

The rules relating to calculation of taxable gains include the following:

- The costs of purchase can be added to the purchase price and selling costs can be deducted from the sale price (thus reducing the size of the gain).
- The cost of improvements to an asset can be treated as part of its purchase price (but costs of maintenance and repair cannot).
- Capital gains made prior to 31 March 1982 are not taxed so, for an asset acquired before that date, its value on that date must be substituted for the actual purchase price.
- CGT is charged on gains arising from disposals in the period 6 April in the current tax year to 5 April in the following year.
- It is normally payable on 31 January following the end of the tax year in which the gain is realised.
- Details of chargeable assets disposed of during the tax year must be included in an individual's tax return.

IN BRIEF

Calculating CGT liability involves the following:

1) Calculate the amount of the gain.
2) Deduct the CGT annual exempt amount (if this has not been used against other gains in the same tax year).
3) Deduct any losses that can be offset against the gain.
4) What remains is the taxable gain.
5) Add taxable gain to taxable income to establish what rate(s) of CGT should be paid.
6) Apply tax at appropriate rates. There may be different rates for taxable gains that fall in the basic-rate income tax band and those that fall outside it. There may also be a supplement where the gain results from the sale of property not subject to private residence relief.

Check the current tax rates and allowances at: www.gov.uk/capital-gains-tax.

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CAPITAL GAINS TAX

Vanessa, who earns £15,000 per year and is a basic-rate taxpayer, bought units in a unit trust for £49,900 in May 2012 and sold them for £80,900 in May 2022. At the same time, she sold some shares for £10,000 that she had bought for £12,000.

What capital gains tax will she pay? Assume an annual exempt amount of £12,300 and a basic-rate CGT rate of 10%.

Gain on unit trust	£31,000
£80,900 sale price – £49,900 purchase price	
Deduct loss on shares	(£2,000)
	£29,000
Deduct annual exempt amount	(£12,300)
Taxable gain	£16,700
Tax @ 10%	£1,670

4.1.4 What reliefs are available?

Private residence relief

Private residence relief is available when someone sells the property they have lived in as their main or only residence. The 'main residence' does not have to be a house or flat – it could be a houseboat, or a fixed caravan. If someone has more than one property and shares their time between each, they may nominate the property on which they want to claim private residence relief.

There are rules relating to how long an individual may spend away from the property and still be eligible for the full relief. For example, if someone owns a house but spends part of the year living away in accommodation provided with their job, the house is treated as their main residence for private residence relief purposes.

There are also rules relating to the use of the property for business purposes and to the size of the garden on which full relief can be claimed.

FACTFIND

To find out more about private residence relief, go to:

www.gov.uk/government/publications/private-residence-relief-hs283-self-assessment-helpsheet/hs283-private-residence-relief-2020

Business asset disposal relief

Business owners are required to pay capital gains tax when they sell (dispose of) trading businesses and from certain disposals of shares in trading companies. However, they may be able to pay a lower rate of tax on gains on qualifying assets if they meet certain conditions. This is commonly known as business asset disposal relief (previously entrepreneurs' relief). In order to claim this relief, the individual must generally own at least 5 per cent of the ordinary share capital of the business, which enables them to exercise at least 5 per cent of the voting rights in that company. In addition, they must also be entitled to at least 5 per cent of the distributable profits and net assets of the company. Most property letting businesses do not qualify for this relief. Business asset disposal relief also applies to gains resulting from investment into unlisted companies.

FACTFIND

Research the eligibility criteria for business asset disposal relief, the current tax rates and other exemptions that are available at: www.gov.uk/business-asset-disposal-relief.

Roll-over relief

Business assets are chargeable to CGT. However, roll-over relief may be claimed if the assets disposed of are replaced by other business assets. This means that, instead of CGT falling due on the original disposal, it is deferred until a final disposal is made.

The replacement asset must be bought within a period of one year before and three years after the sale of the original asset.

Relief can be claimed up to the lower of either the gain or the amount reinvested.

Hold-over relief

Similarly, CGT on any gain arising on the gift of certain assets can normally be deferred until the recipient disposes of it.

Gains may be wholly or partly passed on to the recipient in the case of gifts (or sale at under value) of the following broad categories of assets:

- assets used by the donor in their trade or the trade of their family company or group;
- shares in the transferor's personal company or in an unlisted trading company;
- agricultural property that would attract relief from inheritance tax;
- assets on which there is an immediate charge to inheritance tax.

FACTFIND

To find out more about gift hold-over relief, go to: www.gov.uk/gift-holdover-relief.

4.2 What is inheritance tax?

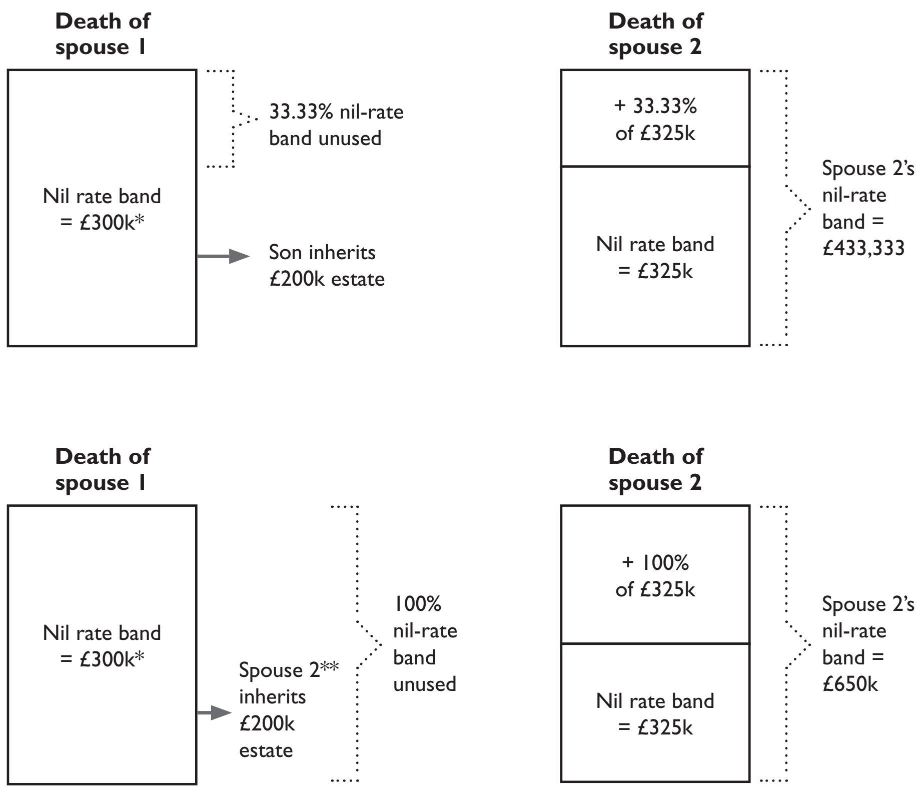
Inheritance tax (IHT), as its name suggests, is levied mainly on the estates of deceased persons and is charged following an individual's death. The tax is charged on the amount by which the value of the estate exceeds the available nil-rate band at the date of death.

NIL-RATE BAND

The amount on which a nil rate of IHT applies; in other words, the amount is liable to tax but the rate that applies is 0 per cent.

Surviving spouses and civil partners can increase their own nil-rate band by the proportion of unused nil-rate band from the earlier death of their spouse/civil partner.

FIGURE 4.2 TRANSFERRING UNUSED PORTIONS OF THE NIL-RATE BAND



* In the example above the nil-rate band was £300,000 when spouse 1 died and £325,000 when spouse 2 died.

**Transfers between spouses and civil partners are exempt from IHT.

In order to prevent avoidance of tax by 'death-bed' gifts or transfers, the figure on which tax is based includes not only the amount of the estate on death but also the value of any money or assets that have been given away in the seven years prior to death.

4.2.1 Residence nil-rate band

If part of the estate includes a residence that is being left to a direct descendant, then since 2017/18 an additional residence nil-rate band (RNRB) has been applied.

The RNRB can be used on death against the value of a property owner's interest in property that, at some point, they occupied as a residence and where the interest in the property is bequeathed to a direct descendant. The property need not have been the individual's main residence.

Where the RNRB is unused, in full or in part on death, the unused balance can be carried forward for use upon the death of a surviving spouse or civil partner. As with the main nil-rate band, it is the unused percentage that is carried forward rather than the unused value. For example, a married man dies and leaves his share in the residence he co-owns with his wife to his children. His share in the residence is valued at £125,000. The balance of his estate is left to his wife. The RNRB can be used in respect of the share of the property left to the children. Only 71.43 per cent of the RNRB has been used at this stage (£125,000 ÷ £175,000), so 28.57 per cent is available to potentially be used on the widow's subsequent death. Carrying forward the percentage of the RNRB unused on the first death is allowed even if the spouse or civil partner of the individual died before the introduction of the RNRB.

This means that the maximum amount exempt from IHT between married couples or civil partners is effectively £1m (ie £175,000 × 2RNRB and £325,000 × 2NRB).

For example, Samir dies in July 2020 leaving an estate of £1m which is made up of the house he lived in, valued at £650,000, and investments with a value of £350,000. Samir was pre-deceased by his civil partner, Jamal, who died in 2014; he did not use any of his IHT allowances.

100 per cent of the RNRB was unused when Jamal died so a total RNRB of £350,000 is available on his death: £175,000 in respect of Jamal and £175,000 in respect of Samir.

The RNRB is used against the property, leaving £300,000 (£650,000 less £350,000) within the estate. The total remaining estate is therefore £700,000 and the NRB of £650,000, £325,000 from Jamal and £325,000 from Samir, can be offset against this to leave just £50,000 subject to IHT.

If Samir had been single and leaving his property to lineal descendants, the calculation would be £1m estate less £175,000 RNRB (deducted from the property value) and £325,000 NRB resulting in a taxable estate of £500,000.

Where the total value of the estate, less liabilities, exceeds £2m, the value of the RNRB is tapered away at a rate of £1 for every £2 in excess.

If the RNRB is not used in full against the value of property, any unused portion cannot then be used against other assets in the estate. It can, however, be carried forward as in the example.

4.2.2 What is a potentially exempt transfer?

IHT is also payable in certain circumstances when assets are transferred from a person's estate during their lifetime (usually in the form of gifts). Most gifts made during a person's lifetime are potentially exempt transfers (PETs) and are not subject to tax at the time of the transfer.

If the donor survives for seven years after making the gift, these transactions become fully exempt and no tax is payable.

If the donor dies within seven years of making the gift, and the value of the estate (including the value of any gifts made in the preceding seven years) exceeds the nil-rate band, inheritance tax becomes due.

The gifts are offset against the nil-rate band first and, if there is any nil-rate band left, this is offset against the remainder of the estate, the balance being subject to tax. If the value of the gifts alone exceeds the nil-rate band, the portion of the gifts that exceeds the threshold is taxed along with the remainder of the estate (although the amount of tax on the gifts is scaled down by taper relief over the final four years of the seven).

TABLE 4.1 PETs AND TAPER RELIEF

Death within	Tax due on gift
1 year of gift	100% of the tax
2 years of gift	100% of the tax
3 years of gift	100% of the tax
3–4 years of gift	80% of the tax
4–5 years of gift	60% of the tax
5–6 years of gift	40% of the tax
6–7 years of gift	20% of the tax
7+ years	no tax

CHECK YOUR UNDERSTANDING

In July 2016, Joan made a gift to her daughter of £350,000. She has made no other gifts in her lifetime. Joan died in October 2020 leaving a total estate worth £420,000. Let's say the full rate of IHT is 40 per cent on estates over the nil-rate band of £325,000. How much IHT is applied to the value of the gift that is in excess of the nil-rate band?

a) £5,000

b) £6,000

c) £8,000

d) £10,000

4.2.3 What is a chargeable lifetime transfer?

Some lifetime gifts – notably those to companies, other organisations and certain trusts – are not PETs but chargeable lifetime transfers, on which tax at a reduced rate is immediately due. This 'lifetime' tax is only payable if the value of the chargeable lifetime transfer, when added to the cumulative total of chargeable lifetime transfers over the previous seven years, exceeds the nil-rate band at the time the transfer is made. The reduced rate of tax is only applied to the excess over the nil-rate band. As with PETs, the full amount of tax is due if the donor dies within seven years (subject to the same taper relief).

4.2.4 What gifts and transfers are exempt from inheritance tax?

There are a number of important exemptions from inheritance tax:

- transfers between spouses and between civil partners both during their lifetime and on death, provided that the receiving spouse/civil partner is UK domiciled;
- small gifts of up to £250 (cash or value) per recipient in each tax year;
- donations to charity, to political parties and to the nation;
- wedding gifts of up to £1,000 (increased to £5,000 for gifts from parents or £2,500 from grandparents);
- gifts that are made on a regular basis out of income and which do not affect the donor's standard of living;
- up to £3,000 per tax year for gifts not covered by other exemptions. Any part of the £3,000 that is not used in a given tax year can be carried forward for one tax year, but no further.

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ASSESSING AN ESTATE FOR INHERITANCE TAX

The following example demonstrates how different types of lifetime gifts are treated and how an estate is assessed for inheritance tax. Let's assume IHT is 40 per cent on anything over the nil-rate band of £325,000. It is assumed that, at outset, no gifts had previously been made.

Year 1 – gift of £20,000 to daughter	£20,000
Annual exemption (current tax year)	(£3,000)
Annual exemption (previous tax year)	(£3,000)
Value of transfer for IHT purposes	**£14,000 (PET)**

Year 2 – gift of £40,000 to son on wedding day	£40,000
Annual exemption (current tax year)	(£3,000)
Marriage exemption	(£5,000)
Value of transfer for IHT purposes	**£32,000 (PET)**

Year 4 – gift of £5,000 to the Macmillan cancer charity	
Exempt as gift to a registered charity	0
Year 6 – gift of £20,000 to daughter on wedding day	£20,000
Annual exemption (current tax year)	(£3,000)
Annual exemption (previous tax year)	(£3,000)
Marriage exemption	(£5,000)
Value of transfer for IHT	**£9,000**
Year 7 – 2 x £250 gifts to grandchildren	
Exempt as 'small gifts'	0
Year 8 – year 1 gift now fully exempt as donor has survived 7 years	
Year 9 – year 2 gift now fully exempt as donor has survived 7 years	
Year 11 – donor dies leaving an estate of £600,000, of which £200,000 goes to his wife with remainder (which does not include a residence) to children	
Transfer to wife is exempt leaving taxable estate of £400,000	
Year 6 gift is added into estate as made less than 7 years before death; no tax is payable but this gift uses £9,000 of nil-rate band	
Nil-rate band: £325,000 – £9,000	£316,000
Inheritance tax: £400,000 – £316,000	£84,000
Tax @ 40%	**£33,600**

FACTFIND

If you would like to find out more about IHT, go to:

www.gov.uk/browse/tax/inheritance-tax

4.3 Value added tax

Value added tax (VAT) is an indirect tax levied on the sale of most goods and the supply of most services in the UK. Some goods and services are exempt from VAT, including certain financial transactions such as loans and insurance. The supply of financial advice is not exempt and advisers who charge a fee for their service are subject to VAT in the same way as solicitors or accountants.

The supply of health and education services is exempt, as are e-books, and a number of related goods and services are currently zero-rated. This is not technically the same as being exempt: zero-rated goods and services are theoretically subject to VAT but the rate of tax applied is currently 0 per cent (although this could change). Zero-rated items include food, books, children's clothes, domestic water supply and medicines. Domestic heating is charged at a reduced rate.

FACTFIND

For current VAT rates and thresholds, go to:

www.gov.uk/topic/business-tax/vat

Businesses, including the self-employed, are required to register for VAT if their annual turnover (not profit) is above a certain figure. Businesses with turnover below this figure can choose to register for VAT if they wish, but are not obliged to.

An advantage of registering is that VAT paid out on business expenses can be reclaimed. Two disadvantages are:

- the fact that the firm's goods or services are more expensive to customers (by the amount of the VAT that the firm must charge);
- the additional administration involved in collecting, accounting for and paying VAT.

If a business is registered for VAT but its turnover has fallen below a certain threshold, it can apply to HMRC to be deregistered.

4.4 Stamp duty

Certain transactions, notably purchases of securities and of land, are liable to stamp duty. Stamp duty is actually a tax imposed on the documents that give effect to the transaction – for example, conveyances of property or stock transfer forms.

4.4.1 Stamp duty and stamp duty reserve tax

Stamp duty is payable on paper documents that transfer the ownership of financial assets, such as shares and bearer instruments over a certain amount. It is important to ensure that the documents are stamped by HMRC within the permitted time period.

Stamp duty reserve tax (SDRT) is charged on transfers that are completed electronically. If the transaction is carried out through CREST, which is an electronic settlement and registration system, SDRT is deducted automatically and passed to HMRC. For other transactions, the buyer has to notify HMRC and make the payment.

There are some exemptions from stamp duty and stamp duty reserve tax. For example, it is not chargeable on transactions in eligible securities on the London Stock Exchange's AIM and High Growth Segment. No stamp duty is payable on a transfer of shares in a property authorised investment fund (PAIF) and there is no stamp duty reserve tax payable on surrenders of units. Real Estate Investment Trusts (REITs), on the other hand, pay stamp duty or stamp duty reserve tax at the usual rates.

FACTFIND

For more information about stamp duty and details of current rates, go to:

www.gov.uk/guidance/stamp-duty-on-shares

For more information on SDRT, go to:

www.gov.uk/tax-buy-shares/overview

4.4.2 Stamp duty land tax

Stamp duty land tax (SDLT) is paid by the purchaser of property and there are different rates of SDLT which apply to different portions of the purchase price. For example, the purchaser will not be charged any SDLT below a certain threshold, but any portion of the purchase price above that threshold will be subject to SDLT (eg if the lower threshold was £100,000 and the purchase price was £125,000, the purchaser would only be charged SDLT on the £25,000 that is above the lower threshold of £100,000). The SDLT rates charged on any portion of the purchase price that falls between the lower and upper thresholds increases with the purchase price.

For certain types of purchaser, including corporate bodies, different purchase price thresholds and SDLT rates apply.

For residential purchases, a supplementary rate applies where the purchase means that the purchaser will own more than one residential property.

Note: SDLT does not apply to the purchase of properties in Scotland or Wales, which are subject to Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT) respectively.

STAMP DUTY LAND TAX RELIEF FOR FIRST-TIME BUYERS

First-time buyers can claim a discount (relief), which is tapered depending on the price of the residential property. For properties below a certain amount, first-time buyers will not be liable for any SDLT and for properties in excess of a certain amount, the relief is not applicable.

The relief was extended to qualifying shared-ownership property purchasers in the 2018 Budget.

FACTFIND

For more information on SDLT and to view the current rates, go to:

www.gov.uk/stamp-duty-land-tax/overview

4.5 Corporation tax

Corporation tax is paid by limited companies on their profits. It is also payable by clubs, societies and associations, by trade associations and housing associations, and by co-operatives. It is not, however, paid by either conventional business partnerships or limited liability partnerships, or by self-employed individuals: these are all subject to income tax.

Companies are taxed on all their profits arising in a given accounting period, which is normally their financial year. Companies resident in the UK pay corporation tax on their worldwide profits, whereas companies resident elsewhere pay only on their profits from their UK-based business.

PROFITS

For corporation tax purposes, profits include: trading profits (less allowable expenses such as labour and raw materials); capital gains; income from letting; interest on deposits.

For companies with profits up to a set threshold, corporation tax is normally due nine months after the end of the relevant accounting period. For those with profits over the threshold, corporation tax is due in quarterly instalments beginning approximately halfway through the accounting period.

FACTFIND

For corporation tax rates, go to:

www.gov.uk/corporation-tax-rates

4.6 Withholding tax

The phrase 'withholding tax' refers to any tax on income that is levied at source before that income is received. So, technically, income tax paid by UK employees is a withholding tax.

However, the phrase is normally understood to apply to tax that is levied in a particular country on income received in that country by those who are non-resident in that country (eg non-resident entertainers and professional sportspeople); this could be earned income or investment income.

The aim is to ensure that the income does not leave the country without being taxed. The UK has reciprocal tax treaties (double taxation agreements) with over 100 other countries to prevent the same income from being taxed twice.

THINK AGAIN . . .

Now that you have completed this topic, how has your knowledge and understanding improved?

For instance, can you:

- explain how capital gains tax is calculated?
- describe what is meant by 'private residence relief'?
- explain the difference between a potentially exempt transfer and a chargeable lifetime transfer?
- list gifts and transactions that are exempt from inheritance tax?
- explain the difference between stamp duty, stamp duty reserve tax and stamp duty land tax?

Go back over any points you don't understand and make notes to help you revise.

Test your knowledge before moving on to the next topic.

Test your knowledge

?

Use these questions to assess your learning for Topic 4. Review the text if necessary.

Answers can be found at the end of this book.

1) Melanie bought a painting in a charity shop for £40. It turned out to be by a well-known artist, and she sold it three years later for £2,000. She had to pay CGT on the gain she made. True or false?

2) For how many years can the annual exempt amount for CGT be carried forward?

3) To qualify for roll-over relief, a business must replace an asset not more than five years from the date of disposal. True or false?

4) Inheritance tax would be charged on which of the following?

   a) The total value of the deceased's estate.

   b) The total value of the estate above the available nil-rate band.

   c) The value of the estate less any gifts that have been made in the previous seven years.

5) Tax on a chargeable lifetime transfer in excess of the available nil-rate band is payable:

   a) immediately, at the full rate.

   b) only if the transferor dies within seven years of the transfer.

   c) immediately, at a reduced rate.

6) What kind of tax is payable when shares are purchased electronically?

7) Sanjay, a basic-rate taxpayer with taxable income of £12,000, purchased UK listed company shares for £11,300 in May 2015. He sold them for £25,400 in August 2021. He has no other gains or losses (current or carried forward) in the tax year 2021/22. Ignoring any costs, calculate his capital gains tax liability assuming an annual exempt amount of £12,300 and a basic rate of 10%.

8) Sarah, a basic-rate taxpayer with taxable income of £17,000, bought some shares in May 2016 for £15,000 and sold them in October 2016 for £10,100, making her a loss of £4,900 in the tax year 2016/17. She made no gains in the same tax year. In the

current tax year she sold her holiday flat in Devon, which made her a profit of £47,600. She had spent £14,000 on renovations, and it cost her £3,500 in estate agent's commission to sell it. Calculate the capital gains tax due for the current tax year assuming an annual exempt amount of £12,300 and a rate of 18% for gains on residential property.

9) Luis sold his house, which has been his main residence since he bought the house in 2020, and downsized to a one-bedroom flat, making a gain of £325,000. Is the capital gain made from this sale eligible for private residence relief?

   a) Yes, because the house was Luis's main residence the gain from the property's sale will be eligible for private residence relief.

   b) No, because Luis has not lived in the house long enough to qualify for private residence relief.

   c) We do not have enough information to decide if the gain is eligible for private residence relief or not.

10) A company makes an annual profit of £1.2m. When would the company's corporation tax normally be payable?