

Institution **CIOT - ATT**  
 Course **ATT Paper 1 Personal Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID **40713**

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>42</b>	<b>225</b>	<b>245</b>
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Section 6	<b>52</b>	<b>239</b>	<b>262</b>
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Section 15	<b>69</b>	<b>298</b>	<b>367</b>
Section 16	<b>62</b>	<b>285</b>	<b>344</b>
Total	<b>1129</b>	<b>5216</b>	<b>6107</b>

Answer-to-Question-\_1\_

1.

	£				
rent 2,000 x4	8,000				
rent 2,200 x 8	17,600				
Less: expenses					
sofa	(500)				
bathroom	(2,250)				
fridge rep (capital expenditure - not deductible)	(capital expenditure)				
Fridge sold	(not included for IT purposes)				
Car 2,250/9,800 x 5,000	(1,148)				
Property income profit	21,702				

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 -----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question-\_2\_

2.

Domicile of origin - Leslie was not UK domicile at birth as her father was non-UK Domiciled when she was born.

Domicile of dependence - Leslie's parents became UK domicile when Leslie turned 16 but because she was not under the age of 16, she did not become UK domicile.

Domicile of choice - Leslie can become UK domicile by choice but she must sever all ties with the old country and permanently settle in the UK.

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-----ANSWER-2-ABOVE-----  
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 -----ANSWER-3-BELOW-----  
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Answer-to-Question-\_3\_

3.

	S	D		
	£	£		
Int	12,000			
Div				
net income	12,000	4,000		
Less: expenses	(1,500)			
total	10,500	4,000		
Distribution	(8,000)			
taxable inc	2,500	4,000		

As Floyd left the residue of his estate to Priya, she will receive the capital of the residue with any income generated by the asset. Whilst the estate is in administration, Priya will only be taxed on distributions actually made to her by the Executors.

The R185 form is used by the executors.

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 -----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question-\_4\_

4.

Howard cannot claim deductions against their employment income for travel cost because it counts as ordinary commuting (home to work).

Bernadette can claim deductions because it is to a client's site (home to temporary workplace).

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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question-\_5\_

5.

The tax relief Bert can benefit is the SEIS reinvestment relief. It will be available when he sells the shares and claims SEIS income tax relief in respect of the same tax year.

The gain relieved is exempt from CGT and is 50% of the available SEIS expenditure. This is the lowest of the gain, amount invested on which SEIS income tax relief is claimed and the amount specified.

The maximum SEIS expenditure eligible for relief is 100,000. If sold within three years, the relieved gain becomes chargeable and is charged to tax in the tax year the shares were issued.

Bert anticipates to sell after four years and if sold at a gain, the gain is exempt. If loss, the share is always allowable but restricted by the amount of income tax relief given and not withdrawn.

Personal income tax reducer is 50% of the amount subscribed.

The reducer can only reduce income tax liability to nil.

Bert can carry back the SEIS subscription to the previous tax year.

There will be no withdrawal of income tax reducer if sold after three years (Bert may sell after four years). The clawback is the lower of original income tax reducer or 50% of sale proceeds received (if sold for a loss).

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-----ANSWER-5-ABOVE-----  
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 -----ANSWER-6-BELOW-----  
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Answer-to-Question-\_6\_

6.

	NS	D			
	£	£			
Employment inc	58,000				
Div		900			
Net inc	58,000	900			
Net income	58,900				
Less: gift aid 1,400 x 100/80	(1,750)				
ANI	57,150				
Less: Child benefit charge threshold	(50,000)				
Excess	7,150				
Child benefit (21.80 + 14.45) x 52	1,882				
Charge 7,150/100 x 1%	72%				
Child benefit charge 1,882 @72%	1,335				

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 -----ANSWER-6-ABOVE-----  
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-----ANSWER-7-BELOW-----  
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Answer-to-Question-\_7\_

7.

1) Amendment should be made so that the options can be exercised between 3 to 10 years from grant so no income tax charge arises.

2) No amendment needed as CSOP should reward key employees.

3) Employees can only be given right to acquire up to 6,000 shares if market value of the shares at date of grant is £5.

4) Ensure that the maximum value at grant is £30,000.

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-----ANSWER-7-ABOVE-----  
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 -----ANSWER-8-BELOW-----  
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Answer-to-Question-\_8\_

8.

	NS				
	£				
Salary 24,000/4 months	6,000				
Car	N/A for NIC Class 1				
Bonus March 2023	5,000				
(6,000 - 4,189) x 13.25% x 4 months	960				
NIC payable	960				

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 -----ANSWER-8-ABOVE-----  
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-----ANSWER-9-BELOW-----  
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Answer-to-Question-\_9\_

9.

On the takeover, Amy received cash which means a gain will arise and she will be taxed immediately. This gain is calculated using the part disposal rules.

Calculated as follows: Cash received on takeover add market value of the new shares received, divided by cash received on takeover multiplied by original cost.

Where the old shares are swapped for new shares, there is no disposal for capital gains purposes. The new shares have the same base cost and acquisition cost as the original shares.

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-----ANSWER-9-ABOVE-----  
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 -----ANSWER-10-BELOW-----  
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Answer-to-Question-\_10\_

10.

Asset	£			
Statue				
Sale	55,000			
Less: cost	(12,000)			
Less: fees 5% x 55,000	(2,750)			
Gain	40,250			
Painting				
Sale	6,000			
Less: cost	(10,000)			
Loss	(4,000)	Loss is restricted by deeming gross proceeds to be 6,000 if cost more than 6,000 but proceeds less than 6,000		
Vase				
Sale	7,500			
Less: Cost (2,200)	N/A			
Gain 5/3 x (7,500 - 6,000)	2,500	Gain is restricted to 5/3 of gross proceeds less 6,000.		
Chargable gain	38,750			

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 -----ANSWER-10-ABOVE-----  
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 -----ANSWER-11-BELOW-----  
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Answer-to-Question-\_11\_

11.

	£	£			
UK prop	67,000				
Rurit prop		20,000			
Less: OS tax suffered		(7,000)			
chargable gain					
Less: AEA	(12,300)				
taxable gain	54,700	13,000			
Tax	Other gains	Res gain			
13,000 @ 20%	2,600				
54,700 @ 28%		15,316			
Total CGT liability	17,916				

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 -----ANSWER-11-ABOVE-----  
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-----ANSWER-12-BELOW-----  
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Answer-to-Question-\_12\_

12.

Elon is connected with Stanley Ltd for Capital Gains Tax purposes because he is Brent's brother which means he is a connected person.

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-----ANSWER-12-ABOVE-----  
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 -----ANSWER-13-BELOW-----  
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Answer-to-Question-\_13\_

13.

1)

Zeena	NS	S	D		
SP	9,600				
PP	11,475				
15,300 x 25% 3,825 - 15,300 (retirement benefit 25% is tax free)					
Rent inc	13,750				
Less: replacement	(800)				
rent inc split 12,950/2	6,475				
Bank interest		2,200			
Dividend			14,700		
Net income	27,550				
Less: PA	(12,570)				
Taxable inc	14,980	2,200	14,700	31,880 total	BR TP
14,980 @20%	2,996				
1,000@ 0%	Nil				
1,200 @ 20%	240				
2,000 @0%	Nil				
12,700 @ 8.75%	1,111				
Income tax liability	4,347				

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Less: PAYE	(2,400)				
tax payable	1,947				

2) Zeena and Keith did not give permission for their photo to be displayed publicly.

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-----ANSWER-13-ABOVE-----  
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 -----ANSWER-14-BELOW-----  
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Answer-to-Question-\_14\_

14.

	Res prop				
	£				
Sale (MV)	250,000				
Less: cost	(105,000)				
Loss	(145,000)				
		Vase			
		£			
Sale		45,000			
Less: cost		(31,000)			
Less: fees		(500)			
Gain		13,500			
Total	(145,000)	13,500			
Less: Loss b/f		(13,500)			
Chargable gain		Nil			
Less: AEA		Wasted as current year losses used first			
Total		1,200			
Losses c/f (145,000 - 13,500)	(131,500)				

Alice's losses exceed the gains so they can be carried forward for use against future gains. Please note that this cannot be used against income.

2)



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	£				
Proceeds (MV)	370,000				
Less: Cost	(105,000)				
	265,000				

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-----ANSWER-14-ABOVE-----  
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-----ANSWER-15-BELOW-----  
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Answer-to-Question-\_15\_

15.

I agree with Mark to an extent that he should dispose of capital assets he owns overseas while Ayman is non-UK resident as he will not be chargeable to CGT in respect of the US apartment.

However as Mark stated, non-UK residents are chargeable to CGT for disposals of UK land.

Ashley is incorrect as Ayman will have UK capital gains tax to pay on the UK disposals.

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-----ANSWER-15-ABOVE-----  
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-----ANSWER-16-BELOW-----  
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Answer-to-Question-\_16\_

16.

1) Rita may be able to claim damages in relation to her previous employment because her employer demanded at short notice that she worked long hours most days and at weekends. This goes against her contract stating that her working hours were 37.5 hours a week Monday to Friday.

2) The taxable amount of the benefit is its cash equivalent.

3)