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### **Association of Taxation Technicians**

# **Examination**

November 2004

## PAPER 1 - PART I

#### **PERSONAL TAXATION**

TIME ALLOWED - 3 HOURS (for Part I and Part II)

You are required to answer **all** questions in Part I and any **three** out of five questions in Part II (printed separately).

#### Part I

You must write your answers in this booklet using the space provided under each question and complete your candidate number at the top of this page.

Each question carries two marks. It is expected that your answers will be in brief bullet point format or summary computations. It is not expected that you will require all of the space provided.

А	nn is 68 and	had the follow	ing sources	of income for	or 2003/04	:		
		State pension UK company Bank interest	dividends (ı	net)	£ 3,640 1,800 2,560			
Y 2	ou are requ 003/04.	ired to show	your calcu	ılation of th	ne tax rep	ayment du	ie to Ann	for
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2.	John Walker wishes to reduce his Income Tax liability for 2003/04. On 5 September 2004 he made a gift aid donation of £5,000 and paid a personal pension premium of £4,000. He wishes to obtain tax relief for both against his income for 2003/04. His tax return for 2003/04 was submitted on 30 September 2004.
	You are required to show the latest dates by which the claims for carry back must be made.

3.	Jack earns £25,000 per annum and is provided by his employer with a telephone in his home for business use. The employer is the subscriber. During 2003/04 the total telephone charges paid by the employer was £400 of which £160 was in respect of line rental. Private calls on the line totalled £50. Jack paid his employer £100 for the private use of the telephone for the year.
	You are required to show the amount assessable in respect of the benefit of the private use of the telephone for 2003/04.

	16,000.
Y	ou are required to show the Income Tax chargeable on Tom for 2003/04.

You are req the UK Inco	uired to show to	he amount able thereo	of overseas	s bank intere	est chargeable

You are	required	l to sho	w the	entitlen	nent to	working	and ch	nild tax	credi
2003/04.	roquirou	10 3110	** (110	Citticii	ionic to	Working	una oi	ilia tax	orca

provid	ar has a petrol engine with emissions of 195g/km. Fuel for private mileage ed.
You a the ca	re required to show the amount assessable in respect of the private user for 2003/04.

	ou are required to show the amount of rental income assessable for 2003/0 che basis that any beneficial elections/claims are made.
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return.	required to s	snow the lat	e ming pe	naities due	in respect o	1 tile 2001/0

Helen purchased a house in March 1990 for £40,000. She used it as her main residence until March 1998 when she married and went to live with her husband. The house was let as residential accommodation until March 2004 when it was sold for £500,000.
You are required to show the chargeable gain before taper relief and annual exemption.

11.	On 5 January 2004, Eric sold a 2% shareholding in his family's company for £50,000. He had inherited the shares in April 1980 from the estate of his late uncle at a value at the time of death of £25,000. The shareholding was valued at £20,000 on 31 March 1982. No election under s.35 TCGA 1992 has been made.
	You are required to show the amount chargeable to Capital Gains Tax for 2003/04.

UK domiciled. In April 2002 Michael purchased a house in France for £30,000. September 2003 he transferred one half of the house to Donatella at which time t house was valued at £60,000. The house was sold in December 2003 for £70,000 a Donatella's share of the proceeds was invested in a high interest bank account France.
You are required to show the chargeable gain before annual exemption assessable on both Michael and Donatella.
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13.	In January 2004 Finlay Walsh sold a business asset qualifying for 75% taper relief realising a gain before taper relief of £50,000. He had capital losses brought forward at 6 April 2003 of £10,000.		
	You are required to show the net amount assessable to Capital Gains Tax for 2003/04.		

14.	In January 2003 Henry Middleton gave 3,000 shares in Lostalot plc to his son, Jack, realising a capital loss of £5,000. In March 2003 Henry realised a gain of £10,000 on the sale of shares in Peachtree plc. In February 2004 he gave Jack an investment property which he had held for two years realising a gain of £20,000. Henry had no other chargeable disposals during 2003/04
	You are required to show the net amount assessable to Capital Gains Tax for 2003/04.

On 5 September 2003, William Hills sold 10,000 shares in Hilltop Ltd (an unquoted 15. trading company) to his daughter realising a chargeable gain after indexation of £10,000. William had purchased the shares for £2,500 and sold them to his daughter for £5,000. On 5 December 2003 he gave 5,000 shares in Bluetop plc (quoted on the UK stock exchange) to the Happyhip party (a recognised political party) realising a chargeable gain of £10,000. William wishes to claim gift relief where available. You are required to show the total gift relief available.

16.	Maisie Wimbledon is 45. Her only source of income for 2003/04 was dividends from UK companies of £4,500 (net). She also realised chargeable gains after taper relief of £38,900.
	You are required to show the total Capital Gains Tax chargeable for 2003/04.

You are required to show the cost to be used in the computation of the chargeable gain arising on the disposal in November 2003. Ignore indexation.

18.	In May 2002 Ethel Baker gave her son £500,000. Ethel died in June 2003. She had made no other gifts during her lifetime.
	You are required to show the amount of Inheritance Tax payable by Ethel's son following her death.
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19.	On 4 April 2003 George Freeman made a gift of £400,000 into a discretionary trust. George died on 20 January 2004.
	You are required to show the filing dates for the Inheritance Tax returns due on the lifetime gift and on death.

20.	Keith Spinner made the following gifts during 2003/04 having already utilised his annual exemption for the previous and current year:		
	May 2003 September 2003	£10,000 to his son on the occasion of his son's marriage £100,000 to his wife.	
	Keith married Nicole i domicile.	n June 2003. Nicole is French and has retained her French	
	In May 2004 Keith died		
	account in Keith's est		