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Association of Taxation Technicians

Examination

November 2007

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 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 between two and four marks as indicated in brackets.
- 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.
- All workings should be shown and made to the nearest month and pound unless the question requires otherwise.

u fr	callum is 35 and is the beneficiary of a UK resident discretionary trust set up by his note. During $2006/07$ Callum received £2,760 from the trust. Other than the income from the trust he also received net rental income of £16,000 and bank interest of £780 net) in the tax year.
C	Calculate the Income Tax payable by Callum for 2006/07. (4)
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- Mark receives his 2006/07 personal tax return from HM Revenue & Customs on 30 April 2007. He completes it quickly and pays all the tax due on 15 October 2007. However, he forgets to file his tax return until 15 March 2008.
 Outline the penalties and interest payments Mark will incur due to his
 - Outline the penalties and interest payments Mark will incur due to his forgetfulness. (There is no need for calculations.)
 - 2) In the absence of fraud, negligence or discovery, until what date is HM Revenue & Customs entitled to raise an enquiry into Mark's 2006/07 tax return?

Give reasons for your answers.	(2)

3. Tom is domiciled in Scotland and owns some land in England. This land is let to a fellow Scot and they have agreed that the contract between them should be governed by Scottish law.

The law of which country is relevant in determining:

- How disputes between the parties are resolved? How security for a loan over the property may validly be given? 2)
- 3) How the property can be transferred?

Explain the reasons for your answers.	(3)

4.	Nick and Heather are living together with their three children, aged two, eight and twelve. Nick works 20 hours a week and earns £18,000 a year. Heather works seven hours a week and earns £3,000 a year. They also earned £400 interest (gross) on a joint bank account. Their youngest child is in registered child care at a cost of £120 per week.
	Calculate their WTC and CTC entitlement for 2006/07. (4)

	shella owns 1,000 shares in Wolverine Ltd, an unquoted trading company. Fishareholding represents 8% of the company's voting rights. She bought these share for £5,000 on 6 February 1998 when she was an employee of Wolverine Ltd. (27 July 2006 she transferred the shares to Wendy, her civil partner. On 5 October 20 Wendy sold the shares for £28,000. Wendy has never worked for Wolverine Ltd a holds no other shares in the company.
	What capital gain does Wendy make on her disposal, after taper relief?
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- 6. Justine made a capital gain, after taper relief, of £16,000 in 2005/06. Maximum business asset taper relief was available on the gain. No other gains or losses were made in 2005/06 and there were no brought forward losses as at 6 April 2005.
 - On 1 October 2006 Justine subscribed £20,000 at par for shares in an Enterprise Investment Scheme (EIS) company. The company had only recently been incorporated and began trading immediately.
 - 1) What tax relief is available to Justine as a result of the EIS investment?
 - 2) Assuming she makes all available claims, calculate her revised gain after taper relief for 2005/06.
 - 3) If Justine sells her EIS shares for £500,000 in 2010, what capital gain will crystallise at that time?
 (4)

(You should assume that both Justine and the company satisfy all the necessary conditions for all EIS reliefs to be available at all relevant times.)

2006, dorma	I subscribed for shares in Phoenix Ltd many years ago for £50,000. In October she discovered that the shares are now worthless and that the company is ant. Isobel made a large capital gain on 12 September 2005 and wonders if it is ble to claim relief for the money spent on the Phoenix Ltd shares against that gain.
share	conditions need to be satisfied concerning the value of the Phoenix Ltd es for such relief to be available and by what date would Isobel need to make ecessary claim? (2)

8.	James earns £100,000. On 16 February 2007 he made a capital gain (before taper relief) of £60,000 on the disposal of a property. He had bought the property on 2 June 2004 and throughout the period of ownership it was let as a furnished holiday let. During 2006/07 he also made a loss of £2,000 on the disposal of some shares in a small unquoted trading company. He had subscribed for these shares in 2002.
	What options are available to James for the relief of his capital loss, which is the most tax efficient and why? (3)
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ays int	September 2005 Lucy bought £20,000 5.75% Treasury Stock at par. This stock erest on 5 May and 5 November each year. On 5 September 2006 she sold units of this stock for £5,500 cum-div.
On wha nolding	t amount of interest will Lucy be subject to Income Tax in relation to this in 2006/07? (3)

10.	Natasha, aged 28, bought a painting in May 1993 for £10,000. In July 2006 she sold to painting at auction for £120,000. Auction house commission of £5,000 was incurred the sale. Her taxable income for 2006/07 was £22,965.	the on
	Calculate Natasha's Capital Gains Tax liability for 2006/07.	(4)

11.	Grace has run a furnished holiday letting business for many years. All properties are furnished and located in the UK.
	What are the conditions that her properties need to satisfy in 2006/07 for them to continue to be treated as furnished holiday lets? (2)
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13.	HM Revenue & Customs cannot raise a discovery assessment if they could have been reasonably expected, on the basis of the information made available to them, to be aware of the situation giving rise to the loss of tax.										
	For these purposes, under what circumstances is information to be regarded as "made available"? (2)										
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