Ca	ndidate	e Num	ber

You must tick in the boxes below which three Modules you have answered and also write your candidate number in the box provided on the cover of each Module

Α	В	С	D	Е



The Chartered Tax Adviser Examination

November 2008

PAPER I – GENERAL TAXATION

TIME ALLOWED - 3 HOURS

You should answer THREE out of the five following modules:

Module A – Personal Tax (Cream Section)

Module B – Business Tax (Grey Section)

Module C – Capital Taxes and Trusts (Blue Section)

Module D – VAT (Green Section)

Module E – Other Indirect Taxes (Pink Section)

- Each module consists of 20 questions and each question carries 6 marks.
- You must answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

Can	didate	e Nun	nber

You must tick the box below if you have answered this Module.



TAXATION

The Chartered Tax Adviser Examination

November 2008

PAPER I – GENERAL TAXATION

MODULE A - PERSONAL TAX

- Each question carries 6 marks.
- You must answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

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	3,400. She had no Income Tax liability for the previous year, 2006/07.	
Comp Janua	oute the amount of Income Tax payable by, or repayable to, Mrs Chardary 2009.	d (

		_	_			_	_			_	_	_		
You rete	are r	equire of reco	ed to ords fo	expla or 2006	ain (6/07 a	Corpo and 2	oral <i>F</i> :007/0	dlen's 8.	obli	gatio	ns in	rela	tion	tc

4. Mr Hitch, a UK resident, has a villa in Spain which is rented out for six months of the year and is available for his use for the rest of the year. He also has a number of rental properties in the UK. In 2007/08 he had the following expenses in relation to his villa in Spain: 1) Four return flights to visit the villa at £200 each; 2) Interest paid of £2,000 to finance the purchase of the Spanish villa. **Briefly explain:** whether the above expenses are tax deductible; a) b) how an excess of expenses over income on the villa rentals may be relieved.

_	o return to live in Switzerland, but has neve	
	h reasons whether he should declare h 08 tax return.	is Swiss dividends and int
5 5 20		

6.	Mr Dalton is a director of Bourne Ltd. He is paid a salary of £3,000 per month and is not contracted out of the State Second Pension.
	Calculate his liability to Class 1 primary National Insurance Contributions for 2007/08 for months 1 and 12 respectively, assuming that the director's method of calculation is used. You are NOT required to calculate the employer's contributions.

Har 200	ry Hook is a director of Schiess Ltd. He is provided with a company car throughout 7/08. The company also pays 50% of all the fuel costs.
£20	car is a 2,400cc 185g/km diesel, first registered October 2002 with a list price of ,000. A £450 stereo was fitted in October 2004. Hook is required to pay £500 p.a. a contribution towards private motoring running costs, which he does by payroll uction.
Cal	culate his total car and fuel benefits for 2007/08.

Surgeon Reynolds was born on 10 October 1934. He divorced his first wife on 1 June 2000, and on 10 October 2007 married Gabriella, who is 25 years old.
He pays maintenance under a 2001 court order to his ex-wife of £200 per month and a further £200 per month to his ex-wife for the maintenance of their 14 year old daughter.
In 2007/08 he had a total income of £18,720, and Gabriella had a total income of £10,200.
Calculate the personal allowances, and relief for maintenance payments (if any), available to Surgeon Reynolds for 2007/08.

9.	Ranger Ardendorf is domiciled in South Africa, but has worked in the UK through his personal service company since April 2007. He only has one contract, to provide IT support to Bush Ltd, working all year round at their premises. It is now November 2008, and neither he, nor his company, has yet paid any Income Tax or National Insurance Contributions.
	Explain briefly what he should already have done to comply with the personal service company (IR35) rules, and state the date from which interest will run on unpaid Income Tax.

the issuing company must be operating a "qualifying trade". Explain whether the following companies are likely to be regarded as carrying on a "qualifying trade": 1) A loss making company; 2) A company that is 20% trading in land and 80% trading in retail clothing.

In order for Income Tax relief under the Enterprise Investment Scheme to be available,

at the higher rate for several years.	
His tax adjusted profits and losses are:	
	Tax adjusted profit/(loss)
2227/22	£
2007/08	(7,600)
2008/09 (estimated)	(31,200)
Henry has no other sources of income.	
Without calculations, briefly explain how the I	osses may be relieved.

	ke, a single man aged 45, earned a salary of £50,000 in 2006/07 but only £20,000 007/08.
	h year he makes a £600 cash donation to the Royal British Legion, a registered rity, and signs a Gift Aid form.
1)	Explain why there is no tax saving for Rorke in 2007/08.
2)	Explain why there may still be a benefit if Rorke makes the donation in 2007/08.
3)	Calculate the tax saved if he elects for the donation to be treated as if made in the previous year 2006/07.

Mrs Gresham, who has always lived in London, is 90 years old and her main source of 13. income is her state pension. She has £30,000 accumulated in her current account at a poor rate of interest and no other savings or investments. 1) Explain, with brief reasons, whether she may invest in an Individual Savings Account (an 'ISA'). Explain the tax consequences, if any, if Mrs Gresham changes her mind 2) and closes her ISA account after three months. Indicate two State investments she might also like to consider which give 3) a tax free return.

•	Edward has been letting out furnished property for many years. He has recently be told that 'furnished holiday lettings' have various Income Tax advantages over ot furnished lettings.
	State three Income Tax advantages that furnished holiday lettings have o other furnished lettings.
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15. Mr Broomhead purchased a buy to let property on 1 September 2006, and immediately started to incur costs on advertising for a tenant, insurance, light and heat, and other maintenance. He was unable to let it until 1 September 2007 when the first tenant moved in. For 2007/08 the rental income exceeded the expenses. Mr Broomhead has not previously been required to submit a tax return. State the date by which Mr Broomhead must notify HM Revenue & 1) Customs of his liability. Explain why he might be advised to notify earlier than the statutory date. 2) 3) State the penalty for failing to notify by the statutory date.

may rec	ne SIP tax exerverse eive more from the carded on the	ee shares	in the	company	than e	rectors omployee	of the con s, such s

The directors of William Roy Ltd wish to set up an approved share incentive plan (SIP)

plant a	nally by way of an extension to his home loan mortgage, to help the compand machinery. He expects to repay the loan in 2012.	·
Expla	in whether Joe will receive tax relief for mortgage interest paid.	

18. Mr Cetewayo, of South African domicile, has lived and been employed in the UK by a UK company since 1996 as a data entry clerk. He also spends two months each year in South Africa employed by a company there.

For 2007/08, his South African earnings were paid in US dollars into an account in the British Virgin Islands, where they are accumulated.

For 2007/08, his yearly UK earnings, by agreement, were paid in a lump sum, on 6 April 2008, into his bank account in South Africa.

Mr Cetewayo is not a director of any company.

RIPOTIN	OVN	Iain:
Briefly	CVD	ıaıı.

1)	Whether the South African earnings will be taxable in the UK;
2)	When the UK earnings will be taxable in the UK.

19. Mr Jones, a salesman who has been employed by Yellow Ltd for 26 years, received the following gifts, grants and awards for 2007/08: 1) From a customer: as a personal 'thank you', a gift hamper which had cost the customer £100; 2) From Yellow Ltd: a £2,500 award under a staff suggestion scheme for designing a new patented printing process, which should save £100,000 p.a; From Yellow Ltd: a £1,000 long service award. 3) Briefly explain whether each of the above items is taxable.

Total Income Tax liability Capital Gains Tax liability Class 4 National Insurance Contributions liability 2007/08 PAYE deducted Tax credits on UK dividends received Tax deducted from building society account	£ 10,664 3,222 198 5,740 400
savings	600
She had no tax liability for the previous year.	
Compute how much tax she will have to pay in which it will become payable.	a 2009, and state the due date(s) on

Victoria Cross completed her 2007/08 tax return online. This showed the following:

Candidate Number							

You must tick the box below if you have answered this Module.



The Chartered Tax Adviser Examination

November 2008

PAPER I – GENERAL TAXATION

MODULE B - BUSINESS TAX

- Each question carries 6 marks.
- You must answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

Andrea started her business on 1 August 2007 and prepared her first accounts for the period to 31 March 2008. She acquired the following assets for use in her business:									
1 August 2007 10 September 2007	Computer system Car for use by Andrea (40% private use)	£ 4,000 14,000							
The car is not a low purposes.	emission car. Andrea's business is small for cap	ital allowance							
Calculate the maxime 8 months ended 31 N	um capital allowances that can be claimed by A larch 2008.	ndrea for the							

2.	Barnabas has for many years run a business as a marketing consultant. He has recently incurred the following items of expenditure:
	Donation to a local hospital scanner appeal, paid under the gift aid 100 scheme
	Redecoration of newly acquired offices, which were acquired in a poor state of repair. The offices had been used by the previous owners up to the date of sale
	Lease premium paid on the acquisition of the 15 year lease for the new 10,000 offices
	Determine, with explanations, how each item will be treated in calculating the adjusted trading profit for Barnabas.

3. Carlos has been in business as a sole trader for many years. He is considering incorporating his business. Indicate how the treatment of the following items would differ following the incorporation of Carlos' business, as compared to the position when Carlos was operating as a sole trader: 1) Provision of a fully expensed car with both business and private use by Carlos; National Insurance Contributions payable by Carlos on his earnings. 2) You are NOT required to perform any calculations.

4.	Declan,	а	sole	trader	who	has	been	in	business	for	many	years,	has	the	following
	income a	and	d gaiı	ns:											

	<u>2006/07</u>	<u>2007/08</u>	2008/09
	£	£	£
Trade profit/loss	3,000	(50,000)	40,000
Bank interest (gross)	2,000	2,000	2,000
Chargeable gains	90,000	9,000	10,000
(no taper relief available)			

Identify, with explanations, the most beneficial use of the trading loss assuming Declan wishes to minimise his tax liability.

You are not required to calculate the tax payable.			

Salary (pa) Profit share	<u>Edgar</u> £5,000 2/6	<u>Flavia</u> Nil 3/6	<u>Guy</u> £15,000 1/6
In the year end £40,000.	ded 31 August 20	008, the partnership ma	ade an adjusted trading loss
Calculate the 31 August 200	trading profit/lo	oss of each individual	partner for the year end

6.	Mikey commenced trading on 1 Deca 31 March. He is preparing his return for accounts under option 1 or option 2 belo	[.] 2007/08 and is un	decided whether to draw up
		Option 1 Adjusted profits £	Option 2 Adjusted profits £
	16 months ended 31 March 2008 4 months ended 31 March 2007 Year ended 31 March 2008	<u>52,128</u>	5,010 <u>47,118</u> <u>52,128</u>
	Assuming that Mikey aims to pay as of the options achieves his objective Income Tax liability.	little Income Tax a . You are NOT rec	as possible, identify which quired to calculate Mikey's

the	count that he opened on 10 January 2008, and used some of the money to function of the foundation of the company commenced trading on 1 March 2008. Big Timedraw up its accounts to 31 May 2009 and annually thereafter.
	te, with brief explanations, the dates of the first THREE accounting perio

8.	You are required to briefly explain when the Restrictions on Buying Losses anti- avoidance provisions may apply to prevent a qualifying loss being deductible from chargeable gains.

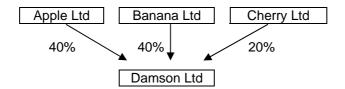
9.	Kathreya is a full-time working director of Scissors Ltd. She also owns 95% of the ordinary share capital of the company. On 1 August 2007, Scissors Ltd made a loan to her of £50,000, on which she pays interest at a rate of 3% per annum. Kathreya repaid £30,000 of the loan on 1 April 2008 and anticipates repaying the remainder on 1 July 2009.
	Scissors Ltd prepares accounts to 31 March each year and does not pay tax at the full rate.
	Explain the tax implications for the company of the loan to Kathreya.

results for the period are:		
Adjusted trade profit before capital allowances Chargeable gains/losses Two gift aid payments of £300 each	10 May 2007 2 February 2008 25 September 2007 & 25 January 2008	£ 120,000 20,000 (3,000 (600
ENT Ltd, a small company for capital allowance £20,000 in January 2008. It had previously only l Calculate the profits chargeable to Corporation 15 months to 31 March 2008.	eased assets.	

ENT Ltd prepared accounts for the 15 months to 31 March 2008. The company's

S	Samsy Ltd prepared its latest accounts for the year ended 31 March 2008 aubmitted its Corporation Tax return on 3 November 2008.
B 3	riefly explain for how long Samsy Ltd must retain its records for the year end 1 March 2008 and the consequences of not doing so.
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12. Damson Ltd is owned:



All companies are UK resident and the percentages shown above represent the holdings of ordinary share capital. The companies' results for the year ended 31 March 2008 are.

	Apple Ltd	Banana Ltd	Cherry Ltd	Damson Ltd
	£	£	£	£
Trade profit/(loss)	52,000	15,000	21,000	(98,000)
Chargeable gain				12,000

- 1) Determine the maximum loss relief that can be surrendered by Damson Ltd to Cherry Ltd.
- 2) Explain how your answer would differ, if the shareholdings were instead Apple Ltd 80%, Banana Ltd 10% and Cherry Ltd 10%.

13.		mist Ltd sold two intangible fixed assets, for £176,000 each, during its year ended une 2008, as follows:
	1)	Registered design acquired in October 2005 as an investment. It had a balance sheet value of £215,000 at the date of disposal;
	2)	Goodwill relating to a part of the trade acquired in May 1996 for £60,000.
		e the Corporation Tax treatment of each of these disposals, including the f available for any deficits.

1 £	Corporation Tax liability to be £111,250. This amount was paid on 1 June 2008. September 2008 Packing Ltd submitted an amended return reducing the liability 282,000. The repayment of £29,250 was made to the company on 31 October 20 Packing Ltd does not pay Corporation Tax at the full rate.
f	Calculate the interest payable by and receivable by Packing Ltd, as a result of acts stated above. Assume interest rates of 7.5% per annum on underpaid tand 4% per annum on overpaid tax.
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15.	Hole Ltd, a trading company, received bank deposit interest of £1,500 and paid interest of £20,000 on a loan to acquire a subsidiary during its year ended 31 March 2008.
	State all possible methods of obtaining relief for the interest paid of £20,000. Identify whether relief can be restricted under any of the methods.

16. Mod Ltd has the following results:

Trading profit//lass)	Year ended 30 June 2006 £	9 months ended 31 March 2007 £	Year ended 31 March 2008 £
Trading profit/(loss) Schedule A Chargeable gains/ allowable losses	40,000 3,000 (2,000)	30,000 2,000 10,000	(90,000) 4,000
Gift aid	(1,000)	(1,500)	(2,000)
Assuming that Mod Le calculate the trading lo	td claims relief fo	or trading losses a rward at 31 March 2	as early as possible, 2008.

Creed Ltd has 20 employees and an annual turnover of £12 million. The follo esults relate to the company for the year ended 31 March 2008:		
Trading loss	£ (100,000)	
Schedule A	5,000	
PAYE and NIC due	14,600	
Expenditure on research and development: Laboratory staff costs and consumables	81,000	
Laboratory equipment	19,500	
Calculate the research and development tax cr year ended 31 March 2008.	redit available to Creed Ltd fo	

Leit Ltd has the following income and expenditure in relation to property ended 31 December 2007:	for the y
	£
Lump sum received as an inducement to take out a five year lease on new premises to be used as the company's new headquarters	40,000
Premium received from a 10 year lease on a new investment property on 30 December 2007	34,000
Interest payable on a loan to acquire the investment property	2,500
State how these items will be treated for Corporation Tax purposes.	

19.	Sonic Ltd prepared accounts for the results were as follows:	10 months to 31 March 2008. The company's
		£
	Schedule D I	140,000
	Schedule D III	20,000
	Dividend received from Hedge Ltd	36,000
	Sonic Ltd has a 60% investment in the	ordinary share capital of Hedge Ltd.
	Calculate the Corporation Tax liabilit 2008.	ty of Sonic Ltd for the period ended 31 March

20.	Mario has been in partnership with Lisa for many years. His share of partnership trading profits for the year ended 31 December 2007 was £50,000. In the year ended 31 December 2006 he had a trading loss of £10,000 which Mario elected to set against non-trading income in 2006/07.
	During 2007/08 Mario paid £2,000 interest on a loan to purchase his share in the partnership.
	Calculate Mario's Class 4 National Insurance Contributions for 2007/08.

Ca	ndidate	e Num	ber

You must tick the box below if you have answered this Module.



The Chartered Tax Adviser Examination

November 2008

PAPER I – GENERAL TAXATION

MODULE C – CAPITAL TAXES AND TRUSTS

- Each question carries 6 marks.
- You must answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

1.	Hamish sold an investment property to his brother Arnold for £210,000 on 10 October 2007. The house had cost Hamish £75,000 in November 1980. The house had a market value at 31 March 1982 of £95,000 and a market value at 10 October 2007 of £265,000.
	Hamish had made improvements to the property as follows:
	May 1981 an extension at a cost of £10,000 July 1999 a loft conversion at a cost of £18,000
	Calculate the chargeable gain arising on the disposal of the property by Hamish in October 2007.

2. Jiao sold her house in March 2008 realising an indexed gain of £140,000. Jiao had purchased the house in March 1990. She lived there until March 1993 when she went to work overseas on a two year secondment until March 1995. She then spent time travelling before returning to live in her house in the UK in March 1996. In March 2003 Jiao got married and moved into a new home with her husband and elected for this to be her Principal Private Residence from that date. The original house was then empty until she sold it. Calculate the chargeable gain before taper relief on the sale of the house by Jiao in March 2008, clearly showing your workings.

3. OB Ltd sold an office building on 26 September 2007 for £1,700,000 giving rise to an indexed gain of £438,600. It had been bought in June 1989 and had been used as the company head office since that date. On 1 July 2007 OB Ltd had purchased a new five storey building for £1,850,000. The building was used as the new head office for OB Ltd with the exception of one floor which was rented out to an unrelated company. OB Ltd prepared accounts for the year ended 31 March 2008 and had a capital loss brought forward at 1 April 2007 of £35,000. OB Ltd made no other chargeable disposals in the year ended 31 March 2008. Calculate the chargeable gains for OB Ltd for the year ended 31 March 2008 assuming all beneficial elections are made and stating the time limit for any elections.

Olivia made the following disposals during January 2008:
She sold a painting for £8,500 (net of fees and commission of £600). She had boug the painting at auction for £5,200 in July 2002. Fees and commission paid at the time purchase were a further £350.
She sold an antique for £3,700 that had cost her £7,500 in October 2004.
Calculate the chargeable gain or allowable loss for each of the disposals made by Olivia in 2007/08.

5. Nina Ltd has owned 18% of the shares in Neurons Ltd since 2001. Both companies are trading companies.

On 1 March 2008 Nina Ltd sold a 10% stake in the company at a profit. The directors of Nina Ltd are now considering selling the remaining 8% shareholding.

Briefly advise the directors as to:

1)	The tax consequences of the sale of the shares in March 2008;
2)	The tax consequences of the sale of the remaining 8% stake in Neurons Ltd, considering both the possibility that the sale gives rise to a gain and to a loss.

Fr re:	292. On 22 November 2007 the building was damaged by flooding. As a recedule received £46,000 of insurance proceeds. Of this amount, £38,000 was use store the warehouse. The market value of the warehouse after restoration 102,000.
of	alculate the chargeable gain before taper on the restoration, and the base the warehouse for a future disposal. Ignore indexation and assume Freakes any beneficial election to minimise the capital gain.

He sold a 2 had bought was £40,00	20% shareholding in CD Ltd (a trading company) to his son for £7,000. He the shares for £2,000 in June 1999. The value of the shares in May 200 $^{\circ}$ 0.
Jeff settled cost £180,0 company.	a rental property worth £350,000 into a discretionary trust. The property ha 000 in March 1995. The property is rented to a property investmen
wishes to	the chargeable gain, before taper, for each disposal. Assume Je minimise the tax payable in 2007/08 and makes any beneficia stating clearly the elections required. Ignore indexation.

Jeff made the following disposals in May 2007:

8.	Manjit is a newsagent. He owned his own shop which he had purchased in May 2002. The shop had a flat above which had always been let out to his elderly aunt. In January 2008 Manjit sold the entire property for £390,000, giving rise to an indexed gain of £190,000. The flat represented one third of the total area and value of the property.
	Manjit had trading profits of £33,000 in 2007/08. He made no other chargeable disposals during the tax year, had no other sources of income, and was entitled to no reliefs or deductions other than the personal allowance.
	Calculate the Capital Gains Tax payable by Manjit for 2007/08.

- 9. During 2007/08 Elizabeth made a number of disposals as follows:
 - 1) Gave each of her seven grandchildren £1,000 cash.
 - 2) Gave her vintage motor car, worth £4,000, to her youngest grandson who intends to renovate it.
 - 3) Sold listed shares for £12,000 realising an indexed gain of £5,350.

Elizabeth had capital losses brought forward of £3,000.

1)	State briefly, with reasons, whether each of the above disposals are chargeable to Capital Gains Tax.
2)	Compute the chargeable gain for 2007/08 and state the amount of any allowable loss carried forward.

only Octo char	Ciaran and Joseph were in partnership sharing capital profits and losses 60:40. The poly partnership asset was a property that had cost £160,000 in June 2000. On October 2004 Thomas joined the partnership and the capital profit sharing rational changed to 40:40:20 (Ciaran:Joseph:Thomas). The partnership sold the building in December 2007 for £260,000.	
1)	Explain with regards to the property, the consequence of the introduction of Thomas to the partnership in October 2004.	
2)	Calculate the chargeable gain before taper relief for Ciaran on the disposa of the property in December 2007.	

11. The Izbister trust was set up several years ago. The trust deed stipulates that the income is to be distributed or accumulated as the trustees deem fit. During 2007/08 the trust bank account showed the following receipts and payments: £ UK bank interest received 1,040 Dividends from quoted UK companies (including tax credits) 3,100 Rents received and receivable 9,600 450 Trustees' management expenses paid Calculate the total Income Tax liability of the trustees for 2007/08.

	On 6 June 2008 the trustees made a distribution of $\pounds 40,000$ to a beneficiary, subject payment of tax out of that amount.	
Compute the exit charge payable on the distribution on 6 June 2008.		distribution on 6 June 2008.

13.	Raphael was born in Italy, which is his home country. He has lived in the UK since 1986.
	Raphael intended to return to live in Italy when he retired. He had a flat in Rome which he used on a regular basis. He also owned UK property and assets.
	Raphael died suddenly on 12 April 2008, having made no lifetime transfers.
	Explain the incidence of Inheritance Tax as a result of Raphael's death.

14. Maria, who was domiciled in Spain, was married to John, who is UK domiciled. Maria died on 10 August 2007. Maria had lived in the UK since 1 April 2000 having previously always lived in Spain.

Maria had made no lifetime transfers and owned the following assets at her death:

	Value at August 07
Villa in Seville, Spain Diamond ring and necklace held in bank safety deposit box in	£ 200,000
Madrid, Spain Cash held in bank accounts with UK bank:	5,300
London branch Madrid branch	87,000 24,000
10,000 £1 shares in Ubit plc, quoted on the London Stock Exchange at 160p-168p with recorded bargains at 164p, 169p and 166p	
Maria left her estate to be divided equally between her three children.	
Calculate the value of the chargeable estate for Inheritance Tax Maria's death, giving brief reasons for the treatment of each item.	as a result of

- 15. The following occurred in June 2007:
 - 1) Alice died owning shares in Dib Ltd, a trading company, worth £63,000. She had inherited the shares seven months earlier from her husband Alfred. He had acquired the shares in 1992.
 - 2) Diana died owning 20% of the shares in Stick Ltd and the freehold of the building used by the company as its head office. The building was worth £284,000. Diana's husband owned a further 20% of the shares in Stick Ltd with the remainder owned equally by her three brothers. Stick Ltd is a trading company.

Briefly explain, in each case, the entitlement to Business Property Relief.		

2008.	
On 1 May 2007, Faheem gave 1,000 shares in Abacus Ltd, a sm his son, on occasion of his marriage. Prior to the gift the shares v	
	Number
	of shares
Faheem	2,000
Faheem's wife, Haafil	1,800
Faheem's cousin	1,000
FJY – a charity to which Faheem's wife had given shares two	
years previously	<u>200</u>
	5,000
The shares were valued as follows:	
	Value per
	share
	£
Holding of between 75 and 100%	300
Holding of between 51 and 74%	180
Holding of 50% or less	140
Abacus Ltd is a trading company with net assets valued at £1,3 this is a rental property worth £260,000.	00,000. Included within
Faheem had made no previous lifetime gifts.	
·	

Faheem was UK domiciled, resident and ordinarily resident until his death in January

17.	Ailish died on 14 February 2008 leaving an estate worth £550,000. She left her estate to be split equally between her three children. Ailish's husband of many years had died in December 2006.
	Alternative 1 Her husband died leaving all of his estate worth £310,000 to Ailish.
	Alternative 2 Her husband died leaving £114,000 of his estate to his children with the balance going to Ailish.
	Compute the Inheritance Tax payable as a result of the death of Ailish under each alternative. Assume that neither Ailish nor her husband had made any lifetime transfers.

18. Richard died on 1 May 2007 owning a freehold house and land valued at £350,000. This property was owned jointly by Richard and his wife (who survived him) as joint tenant. He also owned other personal chattels and assets, worth £117,000 at the date of his death, which he left to his granddaughter. Richard had a qualifying interest in possession in a trust created in 1995 by his father. The trust assets were worth £210,000 in May 2007. The trust funds were payable to Richard's son on his death. Richard had made no lifetime transfers. Calculate the Inheritance Tax payable on the death of Richard stating who is accountable for the payment.

19. Oscar died on 10 September 2007. He had made a gift to a Discretionary Trust in June 1998 which gave rise to a gross chargeable transfer of £160,000. In March 2002 he gave his cottage in Cornwall to his granddaughter when it was worth £236,000. Due to the increased danger of coastal erosion the cottage was only worth £185,000 by September 2007. These were the only lifetime gifts made by Oscar. Oscar had no chargeable estate at his death. Calculate the Inheritance Tax payable on the death of Oscar.

1) Family home (owned only by Noah) 2) A 60% shareholding in Astmag Ltd, an investment company 3) A 1% shareholding in BG plc, quoted on the London Stock Exchange State, for each of the above, whether any Inheritance Tax due could be paid by instalments. Give a brief reason for your answer in each case.

The following items appeared in the death estate of Noah:

Ca	ndidate	e Num	ber

You must tick the box below if you have answered this Module.



The Chartered Tax Adviser Examination

November 2008

PAPER I – GENERAL TAXATION

MODULE D - VAT

- Each question carries 6 marks.
- You must answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

1.	You	are required to:
	1)	explain the circumstances in which a business that has ceased to be registered for VAT, can claim Input Tax;
	2)	explain how it should make such a claim; and
	3)	state the time limits that apply to such a claim.

what d	on to land and building fferences there may b supply of a licence an	e for VAT pur	poses between	the supply of a

means of transpo	ort.			

4. There have been several appeals to the VAT Tribunal recently over the VAT liability of manufactured food products, one of which was over the VAT liability of a fruit drink preparation of a type generally known as "fruit smoothies". The product was "Hartley's Extra Thick Smoothies" which contained 96% pureed fruit and was packaged in a sachet and consumed by squeezing the contents through a nozzle. HM Revenue & Customs had assessed the taxpayer for Output Tax due, which the taxpayer had not charged on sales of the product, but withdrew their assessment less than a week before the Tribunal was due to hear the appeal, and the case was therefore not argued. You are required to give your own view of the VAT liability issues involved here, why you think HM Revenue & Customs raised the assessment and why they withdrew it.

5

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	businesses are now able to submit claims for repayments of VAT, which was no previously reclaimed.
i	You are required to give a brief explanation of the Fleming decision, including th issues and principles tested in that case.
ı	

6

are required to determine whether the sale of the widget manufacturiness to Beta Ltd qualifies as a Transfer of a Going Concern. Your answer uld include relevant references to legislation.

7

- 7. In the tax year ended 31 March 2008, Omega Construction Ltd ("Omega") had the following transactions:
 - 1) Construction & sale of new dwellings;
 - 2) Construction of student halls of residence for a University;
 - 3) Construction of a new prison for the Home Office Prison Service;
 - 4) Freehold purchase of a dilapidated factory site. Omega immediately demolished the old factory and intended to build a new office block and sell the freehold on completion to a third party. After demolition had been completed but before any construction had commenced, Omega was refused planning permission. As a result, it sold the land to a private individual who intended to build his own house on the site.

Omega's solicitors charged the company £50,000 plus VAT for dealing with all of the above transactions.

VAT incurred

You have extracted the following information from Omega's records:

Supplies made

(excluding VAT)

General expenses Legal fees Freehold sale of new dwellings	£1,500,000	£17,500 £8,750 £8,000 (all of which was VAT on kitchen electrical equipment such as fridges, cookers and dishwashers)
Construction of student halls of residence	£5,000,000	£175,000
Construction of a new prison	£5,000,000	£175,000
Sale of land	£3,000,000	£2,750 (VAT on demolition costs)
2008, and to determagreed any partial e	mine how much VA exemption method w	ecovery rate for the year ended 31 March T Omega can recover. Omega has not ith HM Revenue & Customs. You should any provisional recovery of Input Tax.

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Your client, Delta Ltd, is already VAT registered and has just acquired a portfolio o small to medium sized hotels, in order to fulfil its contractual obligations under a contract with the Government's Immigration Service to provide non-secure hotel-type accommodation to asylum seekers. They will stay in the hotels for periods of betweer seven days and six months, whilst their requests for asylum are being considered.
The contract allows Delta Ltd to submit weekly invoices to the Government's Immigration Service.
You are required to explain to Delta Ltd what VAT it has to charge on its invoices.

9.	A sports club is entitled to exemption from VAT, on the subscription fees and othe income it receives from members for the supply of sporting services, if it meets fou conditions.
	You are required to state those conditions.

10.	In respect of implementing the requirements of the EC VAT Directive 2006/112, the UK enjoys a number of Derogations.
	You are required to explain what a Derogation is, why it may be granted, and to state three current Derogations implemented by the UK.

Your client, Gamma Ltd, is a prime contractor in a PFI project to provide a fully managed 11. and serviced facility to a public authority. When the facility was completed, Gamma Ltd expected to be making supplies of standard rated services for the next 25 years, for which they received monthly payments. The public authority decided to terminate Gamma Ltd's contract and Gamma Ltd's lawyers have advised that under the terms of the contract, Gamma Ltd will be entitled to a compensation payment for the loss of its assets, as the contract entitles the public authority, or any third party nominated by them, to take title to and ownership of the PFI project facilities owned by your client. Gamma Ltd's lawyers have concluded that because the payment is a compensation payment as a result of the public authority terminating the contract, it will not be liable to VAT. You are required to draft brief bullet point notes for a meeting with Gamma Ltd to explain whether the lawyers are right.

You are	required to state five of the required pieces	of information which mu
shown o	on a less detailed VAT invoice, and also a less detailed VAT invoice must not be use	to state for which class
supplies	a less detailed VAT IIIVOICE must not be use	·u.

You are requown goods t	uired to state o another Men	the VAT imnber State.	plications	of a UK bu	siness trans	ferrinç

You are	required to explain in bullet	point format what the concession is,	why
Revenu	& Customs have withdra	nwn it and what it will mean for st	taff
busines	ses when the concession is	no longer available to them.	

You are r brief desc	equired to cription of e	list the cach.	currently	available	retail so	chemes,	and to	prov

the Salesman of the Year wins a week's residential cookery course for to starred hotel & restaurant in the UK, valued at £7,500.
equired to draft brief notes for a meeting with your client to explain ications for Theta Ltd of the incentive scheme.

17. Supplies of fuel and power are supplies within the scope of VAT. You are required to state, giving any relevant legal references: 1) whether supplies of fuel and power are supplies of goods, services or both; 2) what VAT liability attaches to supplies of fuel and power. Note: in answering part 2, you should ignore any ancillary charges made by suppliers in relation to supplies of fuel and power, and consider only the actual supplies of fuel and power.

guidanc		on of twhen th				annoi	unce	these,	and	give	busine
	s prosp ses to a	ectively apply ch	with no nanges	correc	tion of p	oast err	ors, bu	ut som	etime	s they	will red
prospe	ctively	and wl	hich re	trosped	ctively,	and to					
				no correction of past errors, but sometimes they will recess retrospectively, and therefore past VAT accounting errors which changes HM Revenue & Customs usually a retrospectively, and to state HM Revenue & Custog between the two.							

When HM Revenue & Customs decide to implement changes in policy, and changes in

18.

19. Your client is a developer of commercial property who has the opportunity to undertake a small development of 12 houses. The planning permission requires that half of the houses must be leased as affordable housing to key workers, on 15 year leases, and your client intends to sell the remaining houses by means of freehold sale. Your client usually recovers all of the VAT incurred on fitting out their commercial buildings, and has heard that VAT incurred on domestic appliances and carpets, installed in the houses, is not recoverable. You are required to prepare brief notes, confirming whether or not the VAT on these items is recoverable and explaining why, giving the appropriate legal references.

VAT purp	oses.			
				 _

Ca	ndidate	e Num	ber

You must tick the box below if you have answered this Module.



TAXATION

The Chartered Tax Adviser Examination

November 2008

PAPER I – GENERAL TAXATION

MODULE E – OTHER INDIRECT TAXES

- Each question carries 6 marks.
- You must answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

1)	6001
1) 2)	sea; air;
2) 3)	road, rail or inland waterway;
4)	post.
•,	post.
	·

3.

You	are required to briefly state the steps your client should follow	/ to appea
deci	ision as far as lodging an appeal with the Tribunal.	

provisions	s for Insura	ance P	remium	Тах.			

6.	Your client is just starting to provide insurance services and wishes to understand when Insurance Premium Tax is due.
	You are required to explain, briefly, the basic tax points for Insurance Premium Tax.

1)	State the eligibility criteria for group treatment; and
1) 2)	State the eligibility criteria for group treatment; and State the conditions that will be applied once group treatment is applied.
,	

7.

8.	Diffe insu	rent rates of Insurance Premium Tax are applicable depending on the risk being red.
	State Prer	e the Insurance Premium Tax rate applicable and calculate the Insurance nium Tax charge within the following:
	1) 2) 3)	£800 tax inclusive premium for fully comprehensive motor insurance; £180 tax inclusive premium for central heating cover; £500 tax inclusive premium for life insurance.

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9.	The weight of an aggregate has to be determined for the purposes of Aggregates Levy.
	You are required to explain the rules for adjusting the weight to allow for the presence of water in certain circumstances.

You	are required to explain the meaning of the term 'originating site'.
	·
	/

illay be ell	may be entitled to credit from Aggregates Levy.				
	·				
	_				

purposes	ite Operators have two options for calculating tax points for of Landfill Tax. You are required to state these options and applying to their use.
	·
	

You are required from Landfill	six situation	ns where wa	ste will qualify	for exemp

You are required to state six of the requirements for information needed of invoice for it to be regarded as a 'landfill invoice'.						
						

waste transfetonne.	er note wou	id be char	ged at the	e lower rat	e Landiiii	IAX OI Z

exempt ii	om cim	ate Chan	ge Levy.					
(You are rates.)	not req	uired to	consider	excluded	uses, o	r uses	subject 1	to red

resident in	the UK.			

electricity	You are required to explain the three options for splitting the consumption electricity and gas across a CCL rate change that the supplier can elect to us					
	·					

commoditie	es must keep	for Climate	Change L	evy purpos	es.	