

Tolley[®] Exam Training

CTA

AWARENESS PAPER

MODULE B – IHT, TRUSTS & ESTATES

PRE REVISION QUESTION BANK

FA 2023 & F(No 2)A 2023

May and November 2024 Sitzings

PQ627B

Tolley[®]

Tax intelligence
from LexisNexis[®]

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INTRODUCTION

This Pre Revision Question Bank for the Awareness paper contains two exam standard 12 question past paper tests with answers updated to Finance Act 2023 and Finance (No 2) Act 2023. This question bank forms an important part of your preparation for the examination - question practice is the key to passing exams.

As you answer the questions you may refer to either a hard copy or on-screen version of the **CTA Tax Tables 2024** and your own personalised version of the approved online legislation.

Using this question bank

In the real exam each of your three chosen Modules will have 12 questions and each question carries five marks. You must answer all 12 of the questions from the three Modules you are sitting.

You should use the tests in this question bank to consolidate your knowledge after you have worked through all of the study packs for your three chosen Modules. They will be a useful part of your preparation for the pre revision mock examination.

We recommend that you attempt each test in this bank as if you were in the real exam, ideally doing "Test 1" for this Module along with both the "Test 1" questions from the pre revision question banks for your other two Modules, allowing yourself three hours 15 minutes to answer all three Modules.

We suggest you **allocate five minutes per question** which allows for five minutes review time as you finish each of the three Modules.

Your final score out of 180 is turned into a percentage – the pass mark is 50% overall, but with a **minimum mark for each Module** set at 21 marks out of the 60 marks available ie 35%. Even if a pass mark in excess of 50% overall has been achieved, if the minimum mark of 35% has not been achieved in all three modules, then the entire Awareness paper would need to be re-sat.

You should try to avoid just reading the answers to questions - it is all too easy to nod as you read the model answer saying "yes I know those points" - the test is, would you have actually put those points in your answer? You won't find this out, unless you **type up the answers and we recommend you do this using the on-screen version of this QB**. Ensuring you type up "proper" answers also gives you a good idea of how long each Module will take you to work through.

Preparing your answers

Your answers should be **brief bullet points and/or summary computations** where appropriate. There are no presentation marks in this paper but bear in mind that the marker must be able to follow your answer and follow-through method marks cannot be awarded unless clear workings are shown.

You should make all calculations to the nearest month and pound unless stated otherwise.

Reviewing your answers

It is essential to read through your answers when you have finished typing them – **before** you look at the model answer.

You may be able to make some small corrections at the review stage – you may find you have missed out a vital word such as "not" or you may at this stage think of another point or two to add while reading through your answers. This approach could increase your marks much more effectively than carrying on with the point you were making before you stopped to do this final review.

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MODULE B – IHT, TRUSTS & ESTATES

Test 1

Test 2

Answers to Test 1

Answers to Test 2

INCOME TAX - RATES AND THRESHOLDS

	2023/24	2022/23
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	8.75	8.75
Dividend upper rate	33.75	33.75
Dividend additional rate and trust rate for dividends	39.35	39.35
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,700
Higher rate band	37,701 – 125,140	37,701 – 150,000
Dividend allowance	1,000	2,000
Savings allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	41
Top rate	47	46
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,162	1 – 2,162
Scottish basic rate	2,163 – 13,118	2,163 – 13,118
Intermediate rate	13,119 – 31,092	13,119 – 31,092
Higher rate	31,093 – 125,140	31,093 – 150,000
Top rate	125,140+	150,000 +

INCOME TAX - RELIEFS

	2023/24	2022/23
	£	£
Personal allowance ⁽²⁾	12,570	12,570
Married couple's allowance ⁽³⁾	10,375	9,415
– Maximum income before abatement of relief - £1 for £2	34,600	31,400
– Minimum allowance	4,010	3,640
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,260	1,260
Blind person's allowance	2,870	2,600
Enterprise investment scheme relief limit ⁽⁵⁾	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	200,000	100,000

- Notes:** (1) Scottish taxpayers pay Scottish income tax on non-savings income.
- (2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
- (3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
- (4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
- (5) The limit is £2 million, where over £1 million is invested in knowledge intensive companies.

CTA EXAMINATIONS

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ISA limits	2023/24 £	2022/23 £
Maximum subscription:		
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions	Annual allowance ⁽¹⁾ £	Minimum pension age
2022/23	40,000	55
2023/24	60,000	55

Basic amount qualifying for tax relief £3,600

Maximum tax-free lump sum £268,275

Note: (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 (FA 2022: £240,000) for individuals with threshold income above £200,000. It cannot be reduced below £10,000 (FA 2022: £4,000).

Employer Supported Childcare	2023/24	2022/23
Exemption – basic rate taxpayer ⁽²⁾	£55 per week	£55 per week

Note: (2) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van ⁽³⁾	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2023/24

Emissions	Electric range (miles)	Car benefit % ⁽⁴⁾	
0g/km	N/A	2%	
1-50g/km	>130	2%	
1-50g/km	70-129	5%	
1-50g/km	40-69	8%	
1-50g/km	30-39	12%	
1-50g/km	<30	14%	
51-54g/km		15%	
55-59g/km		16%	
60-64g/km		17%	
65-69g/km		18%	
70-74g/km		19%	
75g/km or more		20%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	

Note: (4) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

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Fuel benefit base figure	2023/24	2022/23
	£	£
	27,800	25,300
Van benefits	2023/24	2022/23
	£	£
No CO ₂ emissions	Nil	Nil
CO ₂ emissions > 0g/km	3,960	3,600
Fuel benefit for vans	757	688
Official rate of interest	2.25%	2%

INCOME TAX - CHARGES

Child benefit charge	Withdrawal rate
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) ⁽¹⁾	100%
WDA on plant and machinery in main pool ⁽²⁾	18%
WDA on plant and machinery in special rate pool ⁽³⁾	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) ⁽⁴⁾	3%

- Notes:** (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019.
(2) The main pool rate applies to cars with CO₂ emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).
(3) The special pool rate applies to cars with CO₂ emissions greater than 50g/km (prior to April 2021 greater than 110g/km).
(4) A 10% rate applies in respect of freeport tax site expenditure (until 30 September 2026) and on investment zone expenditure.

100% First year allowances (FYA) available to all businesses

Capital expenditure incurred by a person on research and development.
New zero-emission goods vehicles (until April 2025).
New cars which either emit 0 g/km of CO₂ (50g/km prior to April 2021) or are electric (until April 2025).
Electric vehicle charging points (until April 2025).

First year allowances (FYA) available to companies only

	Assets in main pool	Assets in special rate pool
Expenditure on new plant and machinery (other than cars) between 1 April 2023 and 31 March 2026 ⁽⁵⁾	100%	50%
Expenditure on new plant and machinery (other than cars) in a freeport tax site (until 30 September 2026)	100%	100%
Expenditure on new plant and machinery (other than cars) in an investment zone	100%	100%

Notes: (5) 130% for expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2023/24	2022/23
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

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Flat Rate Expenses for Unincorporated Businesses

Motoring expenses	First 10,000 business miles	45p per mile
	Additional business miles	25p per mile
Business use of home	25 – 50 hours use	£10 per month
	51 – 100 hours use	£18 per month
	101+ hours use	£26 per month
Private use of business premises	No of persons living there:	1 £350 per month
		2 £500 per month
		3+ £650 per month

Cash Basis for Unincorporated Businesses

Turnover threshold to join scheme	£150,000
Turnover threshold to leave scheme	£300,000

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits

	2023/24			2022/23		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£11,908	£1,048	£242
Secondary threshold (ST)	£9,100	£758	£175	£9,100	£758	£175
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,270	£4,189	£967
Upper secondary threshold for under 21 (UST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Apprentice upper secondary threshold for under 25 (AUST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Freeport upper secondary threshold (FUST)	£25,000	£2,083	£481	£25,000	£2,083	£481

Class 1 primary contribution rates

Earnings between PT and UEL	12%	13.25%
Earnings above UEL	2%	3.25%

Class 1 secondary contribution rates

Earnings above ST ⁽¹⁾	13.8%	15.05%
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Note: (1) Rate of secondary NICs between the ST and the UST, AUST & FUST is 0%.

	2023/24	2022/23
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions	13.8%	15.05%
Class 1B contributions	13.8%	15.05%
Class 2 contributions		
Normal rate	£3.45 pw	£3.15 pw
Small profits threshold (SPL) ⁽²⁾	£6,725	£6,725 pa
Lower profits limit (LPL) ⁽²⁾	£12,570	£11,908

Note: (2) From 2022/23, Class 2 NICs are only payable where profits exceed the LPL. However, where profits are between the SPL and the LPL, there will be an entitlement to contributory benefits.

Class 3 contributions	£17.45	£15.85 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£11,908
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	9%	9.73%
Percentage rate above UPL	2%	2.73%

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OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay First 6 weeks @ 90% of AWE
Next 33 weeks @ the lower of £172.48 and 90% of AWE

Statutory shared parental pay /paternity pay/parental bereavement pay For each qualifying week, the lower of 90% of AWE and £172.48

Statutory sick pay £109.40 per week

Student Loan

Plan 1:	9% of earnings exceeding £22,015 per year (£1,834.58 per month/ £423.36 per week)
Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
Plan 4:	9% of earnings exceeding £27,660 per year (£2,305 per month /£531.92 per week)

Postgraduate Loan 6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

National living/minimum wage (April 2023 onwards)

Category of Worker	Rate per hour £
Workers aged 23 and over	10.42
21–22 year olds	10.18
18–20 year olds	7.49
16–17 year olds	5.28
Apprentices	5.28

Accommodation Offset £9.10 per day

HMRC INTEREST RATES (assumed)

Late payment interest	6.50%
Interest on underpaid corporation tax instalments	5.00%
Repayment interest	3.00%
Interest on overpaid corporation tax instalments	3.75%

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CAPITAL GAINS TAX

	2023/24	2022/23
Annual exempt amount for individuals	£6,000	£12,300

CGT rates for individuals, trusts and estates

Gains qualifying for business asset disposal ⁽¹⁾ /investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band ⁽²⁾	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates ⁽³⁾	20%	20%

Notes: (1) Formerly called entrepreneurs' relief

(2) The rate is 18% if the gain is in respect of a residential property

(3) The rate is 28% if the gain is in respect of a residential property

Business Asset Disposal relief

	2023/24	2022/23
Relevant gains (lifetime maximum) ⁽⁴⁾	£1 million	£1 million

Investors' relief

	2023/24	2022/23
Relevant gains (lifetime maximum)	£10 million	£10 million

Note: (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	—	—	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

CORPORATION TAX

Financial year	2023	2022
Main rate	25%	19%
Standard small profits rate	19%	N/A
Augmented profit limit for standard small profits rate	£50,000	N/A
Augmented profit limit for marginal relief	£250,000	N/A
Standard marginal relief fraction	3/200	N/A
Marginal rate	26.5%	N/A
Patent rate	10%	10%

EU definition of small and medium sized enterprises

	Small ⁽²⁾	Medium ⁽²⁾	Extended definition for R&D expenditure
Employees ⁽¹⁾	< 50	< 250	<500
Turnover ⁽¹⁾	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets ⁽¹⁾	≤ €10m	≤ €43m	≤ €86m

Notes: (1) Must meet employees criteria and either turnover or balance sheet assets criteria.

(2) Thresholds apply for transfer pricing and distributions received by small companies.

Research and development expenditure

Financial year	2023	2022
Total relief for Small & medium enterprises (SMEs)	186%	230%
R&D tax credit for SME losses	10%	14.5%
Large companies – RDEC	20%	13%

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6

Limits

	£
Annual registration limit	85,000
De-registration limit	83,000

Thresholds

	Cash accounting	Annual accounting
	£	£
Turnover threshold to join scheme	1,350,000	1,350,000
Turnover threshold to leave scheme	1,600,000	1,600,000

ADVISORY FUEL RATES (as at 1 March 2023)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	10p	1600cc or less	13p
1401cc to 2000cc	15p	11p	1601cc to 2000cc	15p
Over 2000cc	23p	17p	Over 2000cc	20p

Electricity rate 9p

OTHER INDIRECT TAXES

	2023/24	2022/23
Insurance premium tax⁽¹⁾		
Standard rate	12%	12%
Higher rate	20%	20%

Tobacco products duty

	From 15.03.2023	From 27.10.2021
Cigarettes	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes ⁽²⁾)	16.5% x retail price + £262.90 per thousand cigarettes (or £347.86 per thousand cigarettes ⁽²⁾)
Cigars	£367.61 per kg	£327.92 per kg
Hand-rolling tobacco	£351.03 per kg	£302.34 per kg
Other smoking/chewing tobacco	£161.62 per kg	£144.17 per kg
Tobacco for heating	£302.93 per kg	£270.22 per kg

Notes: (1) Premium is tax inclusive (³/₂₈ for 12% rate and ¹/₆ for 20% rate).

(2) The £393.45/£347.86 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

INHERITANCE TAX

Death rate	40% ⁽³⁾	Lifetime rate	20%
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Note: (3) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2026	£325,000

Residence nil rate bands⁽⁴⁾

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2026	£175,000

Note: (4) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

Taper relief

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick Succession relief

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

Lifetime exemptions

Lifetime exemptions		
Annual exemption		£3,000
Small gifts		£250
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	From 1.4.23	From 1.4.22
>£0.5m - ≤ 1m	£4,150	£3,800
> £1m - ≤ 2m	£8,450	£7,700
> £2m - ≤ 5m	£28,650	£26,050
> £5m - ≤ 10m	£67,050	£60,900
> £10m - ≤ 20m	£134,550	£122,250
> £20m	£269,450	£244,750

STAMP DUTY/SDRT

Stamp duty⁽¹⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax⁽²⁾	- On agreements to transfer shares ⁽²⁾	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes: (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).

(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

CTA EXAMINATIONS

2024

TAX TABLES



STAMP DUTY LAND TAX

Qualifying purchases in a Freeport receive full SDLT relief

Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI

Basic Rate % ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Residential ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	Rate %	Non-Residential
0	£0 - £250,000	0	£0 - £150,000
5	£250,001 - £925,000	2	£150,001 - £250,000
10	£925,001 - £1,500,000	5	£250,001 +
12	£1,500,001+		

- Notes:** (3) The basic rates are increased by 3% (the 'higher rates') where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 4 below.
- (4) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).
- (5) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £425,000. For homes between £425,000 and £625,000, SDLT will be payable at 5% on the amount above the £425,000 threshold. Homes bought for more than £625,000 will incur the rates as per column 1 in above table.
- (6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property. This is in addition to the basic rate, the higher rate (where applicable, in Note 3), and the 15% rate (where applicable, in Note 4).

New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent	
	Residential	Non-residential
0	Up to £250,000	Up to £150,000
1	Excess over £250,000	£150,001-£5m
2	N/A	Over £5m

Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate % ⁽¹⁾⁽²⁾⁽³⁾	Residential	Rate % ⁽¹⁾	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

- Notes:** (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.
- (2) The 'Additional Dwelling Supplement' of 6% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & other trusts.
- (3) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

New leases – Land and Buildings Transaction Tax (LBTT) on lease rentals - Scotland

Rate (%)	Net present value of rent ⁽⁴⁾
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

- Note:** (4) Residential leases are generally exempt

MODULE B – TEST 1

1. Petra was born in Canada to parents with Canadian domicile. Petra moved to the UK with her parents at the age of 14 and has remained in the UK for the last ten years. She is married to Jack, who is domiciled in the UK and of ill health.

You are required to briefly explain:

- 1) **How Petra's domicile would be determined for Inheritance Tax purposes.**
- 2) **The consequences of electing to be UK domiciled if Jack were to die next year.**

2. Paul made a gift of £450,000 to a discretionary trust on 10 April 2023 and agreed that he would pay any tax due. Paul had made previous lifetime transfers on 18 September 2017 of £50,000 to his sister and on 14 June 2020 of £100,000 to another discretionary trust.

Calculate the gross chargeable value of the transfer made on 10 April 2023.

3. Jean died on 31 March 2024 leaving an estate valued at £700,000. Jean's will states that £44,000 is to be left to charity and the rest of the estate is to pass to her nephew, Peter. Jean never married and had made no lifetime gifts.

Calculate how much Peter will inherit from the estate.

4. The Stork discretionary trust, the only trust created by the settlor, received the following income for the year ended 5 April 2024:

	£
Rental income	15,000
Interest	4,000
Dividends	5,000

Trustees' expenses (met from income) for the year amounted to £1,825.

Calculate the Income Tax payable by the trustees for the year ended 5 April 2024.

5. Bill is UK resident and made the following transfers during 2023/24:
- 1) Shares in an unlisted trading company representing a 10% shareholding to his UK resident niece.
 - 2) An investment property to the family discretionary trust.
 - 3) Shares in a quoted trading company representing an 8% shareholding to his non-UK resident nephew.

Briefly explain whether each of the assets transferred will qualify for Capital Gains Tax gift relief.

6. On 10 April 2013 Lucy created a discretionary trust with £1 million in cash. The trustees paid the Inheritance Tax due on this transfer. The only other lifetime gifts made by Lucy were £3,000 per annum to her niece, which have used up the annual exemptions each year. On 10 April 2023 the value of the assets held in the trust was £2 million.

You are required to calculate:

- 1) **The Inheritance Tax payable by the trustees on Lucy's transfer into the trust; and**
 - 2) **The principal charge for the trustees arising on 10 April 2023.**
7. Chris gifted 10,000 ordinary shares in Glassman Ltd, an unquoted trading company, to a discretionary trust on 1 July 2024. The shares were valued at £400,000 and had originally been purchased by Chris ten years ago for £220,000.

The value of the assets held by Glassman Ltd on 1 July 2024 were:

	£
Surplus cash held for investment	520,000
Other assets	<u>2,080,000</u>
Total value	<u>2,600,000</u>

Briefly explain how much Business Property Relief is available on the transfer.

8. Derek died on 1 November 2023. At the date of his death he held a 30% shareholding in an investment company worth £180,000. His wife also held a 30% shareholding in the same company. Their joint 60% shareholding was valued at £420,000.

The executors of the estate sold Derek's shareholding on 14 April 2024 for £175,000 to an unconnected person.

Briefly explain whether any post-mortem relief will apply to the sale and the effect of any such claim.

9. Josie owned 100% of the ordinary shares of Delta Ltd until January 2021 when she gifted some shares, after which the shares in the company were owned as follows:

Josie	5,000
Paul (Josie's husband)	3,500
Tim (Josie's son)	1,000
A charity	500
	<u>10,000</u>

Josie gifted 2,000 shares to her daughter on 1 March 2024 on her 18th birthday. The shares in the company were valued as follows on that date:

<u>% shareholding</u>	<u>Value per share</u>
	£
100%	120
95%	110
90%	100
85%	90
70%	76
65%	58
50%	50
20%	15

Calculate the value of the gift to Josie's daughter on 1 March 2024.

10. Jake died on 14 December 2023, with an estate including the following assets:
- 40,000 shares in a quoted investment company valued at 124 - 138p per share with bargains on that date of 125p, 129p and 134p.
 - An overseas villa valued at £125,000. Administration fees were paid overseas of £8,000.
 - A life assurance policy on Jake's own life with a market value of £80,000. Proceeds were subsequently received by the executors of £88,000.

In addition, Jake had debts of £15,000 on a personal bank loan and £2,000 which he had verbally agreed to pay on behalf of his friend to settle a student loan.

Briefly explain, with supporting calculations, how each of these will be dealt with in the death estate.

11. Barry died on 31 August 2023. Between 1 September 2023 and 5 April 2024, the estate received the following income:

	£
Interest (including £250 from an ISA held by Barry)	4,000
Dividends	8,000
Property income	12,000

The executors' expenses (met from income) for the period amounted to £1,200.

Calculate the Income Tax payable by the executors for the 2023/24 tax year and state when this will be payable.

12. Nate made a transfer into a discretionary trust on 14 June 2022 and also made a gift to his son on 12 September 2022. No Inheritance Tax returns were submitted at the time, but having taken professional advice his affairs were brought up to date in February 2024.

Briefly explain how any applicable penalties for late filing will have been determined.

MODULE B – TEST 2

1. Bob died on 1 February 2024. He left an estate valued at £1 million, which included his main residence valued at £200,000.

Bob was divorced and had three children. His will states that his estate is to be left equally to his children, except for £80,000 which is left to a charity.

Bob had made no gifts during his lifetime.

Calculate the Inheritance Tax payable on the estate.

2. Paul sold his shares in Argo Ltd on 15 January 2024. The shares were relevant business property for the purposes of Business Property Relief.

Paul is considering spending the full proceeds from the sale on acquiring one of the following investments:

- 1) 30% shareholding in Biglo Ltd, an unquoted trading company
- 2) 10% shareholding in Carnie Ltd, an unquoted investment company
- 3) 3% shareholding in Delma plc, a quoted trading company

Briefly explain whether or not these potential investments would qualify as replacement property for the purposes of Business Property Relief and any further conditions that would need to be satisfied.

3. Since 2020, Jackie has had an income of £150,000 per annum which is significantly in excess of her needs. She has recently made various gifts to friends and family as follows:

14 February 2024	£10,000 to her son on his marriage
1 April 2024	£3,000 to her friend Kate
15 April 2024	£200 to each of her six grandchildren

Jackie has made no previous gifts apart from paying £1,500 each term (three times a year) towards one of her grandson's school fees.

Briefly explain any exemptions available for Inheritance Tax purposes in relation to her gifts.

4. Jacob died on 31 March 2024. His only lifetime gift was on 1 July 2021 when he transferred cash of £440,000 into a discretionary trust for the benefit of his grandchildren. Jacob paid the Inheritance Tax due.

Calculate the Inheritance Tax payable by the Trustees as a result of Jacob's death.

5. In 2023/24 the Gamma Discretionary Trust received property income of £16,000 and dividend income of £4,000. The Trustees incurred management expenses of £1,460, which were met from income.

On 15 August 2023 income distributions totalling £11,000 were made to the beneficiaries.

The balance brought forward on the tax pool at 6 April 2023 was £500.

Calculate the total Income Tax payable by the Trustees for 2023/24.

6. Nadia died on 18 December 2023 leaving assets totalling £800,000. The Executors made the following payments from estate funds:

- 1) £12,800 to settle the hire purchase liability outstanding on her car.
- 2) £2,900 to a Spanish solicitor in relation to a villa in Spain owned by Nadia at death. The villa is valued at £45,000.
- 3) £500 to a family friend to whom Nadia had verbally promised to make a gift shortly before her death.
- 4) £3,400 to the funeral directors for the cost of the funeral.

Briefly explain the extent to which each of these payments can be deducted in the death estate for Inheritance Tax purposes.

7. Ismail died in August 2021 leaving his entire estate to his wife, Karina. He had made no lifetime gifts.

Ismail was born in London to UK domiciled parents and had lived in the UK all his life.

Karina was born overseas to non-UK domiciled parents but had moved to the UK and become UK resident when she married Ismail in July 2007.

Karina remained UK resident after Ismail's death and did not remarry before her death in February 2024.

Briefly explain how Karina's domicile would be determined in August 2021 and February 2024 and the effect thereof for Inheritance Tax purposes.

8. Michael died on 10 March 2024.

Michael had made just one lifetime gift which was a cottage in Cornwall to his son in 2019 when its market value was £450,000.

Michael and his son agreed that Michael would continue to use the cottage for two months a year without paying any rent.

Michael took his last holiday in the cottage in August 2021 after which he became too ill to travel. At this time the cottage had increased in value to £600,000.

Briefly explain how the gift of the cottage will be treated for Inheritance Tax purposes. You are not required to calculate any Inheritance Tax payable.

9. Petra gifted 1,500 ordinary £1 shares in McGoggle Ltd (an investment company) to her niece on 15 January 2024. Before making the gift, the shares were owned as follows:

<u>Shareholder</u>	<u>Number of shares</u>
Petra	4,000
John, Petra's husband	3,000
Clara, Petra and John's daughter	<u>3,000</u>
Total issued shares	<u>10,000</u>

The shares in the company were valued on 15 January 2024 as follows:

<u>% Shareholding</u>	<u>Value per share</u>
	£
15%	80
25%	85
40%	95
55%	110
70%	125
85%	135
100%	150

Briefly explain, with supporting calculations, how the shares gifted on 15 January 2024 are valued for Inheritance Tax purposes.

10. The Monza Trust sold two properties during 2023/24.

Property One was a commercial warehouse sold on 1 September 2023 for £400,000. The property was originally purchased by the Trust for £280,000 in July 2005.

Property Two was a house sold on 1 December 2023 for £210,000. It had been commercially let to a third party throughout the Trust's ownership. This property was the main residence of the settlor until it was transferred into the Trust in February 2001. The property was originally purchased for £40,000 by the settlor and had a market value at February 2001 of £85,000. The gain of £45,000 on the transfer into trust was entirely exempt as a result of the private residence relief available.

The Monza Trust had unused capital losses at 6 April 2023 of £8,900. This was the only Trust created by the settlor.

Calculate the Capital Gains Tax payable by the Trustees on the two disposals made during 2023/24.

11. In January 2022 Jean made a gift to her nephew and in August 2022 she made a transfer into a discretionary trust. At the time she did not realise that there might be inheritance tax implications, so no returns have yet been submitted or payments made of inheritance tax.

Jean has recently realised that this is incorrect and is planning to submit any necessary returns in June 2024. She has been advised that inheritance tax of £7,800 is payable in respect of the transfer to the discretionary trust.

Briefly explain, with supporting calculations, the penalties Jean will be liable for in respect of the late filing of any necessary returns.

12. Arthur made the following lifetime gifts:

14 February 2018	£200,000 cash to his son
18 November 2019	£100,000 cash to the Miles Discretionary Trust
14 February 2020	£500,000 cash to the Yard Discretionary Trust

Arthur paid any Inheritance Tax arising as a result of these gifts.

On 1 May 2024, the Yard Discretionary Trust made a capital distribution to one of the beneficiaries. On that date, the relevant property held in the Miles Discretionary Trust was valued at £310,000 and the relevant property held in the Yard Discretionary Trust was valued at £640,000.

Calculate the actual rate of tax to be used by the trustees in calculating the exit charge for the capital distribution on 1 May 2024. You should ignore annual exemptions.

ANSWERS TO MODULE B – TEST 1

Examiner's report:

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Comments on Module B

Generally, the paper seems to have been well received and was well attempted with most attempting all questions. There are only a few questions requiring comment.

1. Petra's domicile would be taken at birth, from her father, giving her a Canadian domicile of origin. [1]

If her father's domicile changed when the family moved to the UK, her domicile would have changed along with his, as she was under 16 (domicile of dependency). [1]

Alternatively, Petra could have changed her domicile by choice, by severing ties with her home country and demonstrating a clear intention to remain permanently in the new country. [1]

[No marks for deemed domicile as Petra only in UK for 10 years.]

If Petra were to elect to be UK domiciled on Jack's death, the restriction to the spouse exemption would be lifted, so Jack's assets could all pass to her tax free. [1]

However, Petra would then be liable to UK IHT on her worldwide assets. [1]

2.

		£	£	
10 April 2023	Gift		450,000	
	Less: AEs 2023/24 & 2022/23		(6,000)	[1]
	CLT		444,000	
	NRB	325,000		
	Less: CLT 2020 (100,000 – 6,000)	(94,000)		[1]
			(231,000)	[1]
			<u>213,000</u>	
	IHT @ 20/80 or 25%		<u>53,250</u>	[1]
Gross CLT	(444,000 + 53,250)		<u>497,250</u>	[1]

3.

		£		
Estate		700,000		
Less: Charitable legacy		(44,000)		
		656,000		
Less: NRB		(325,000)		
Taxable		<u>331,000</u>		[1]
Charitable tax rate check:	331,000 + 44,000 = 375,000 @ 10%			[1]
	36% rate applies as legacy > £37,500			
IHT @ 36%			<u>119,160</u>	[1]
Inherited by Peter	700,000 – 44,000 – 119,160		<u>536,840</u>	[1]

4.

	Rents £	Interest £	Dividends £	
Rental income	15,000			
Interest		4,000		
Dividends			5,000	
Less: Expenses (1,825 x 100/91.25)			(2,000)	[1]
	<u>15,000</u>	<u>4,000</u>	<u>3,000</u>	
£1,000 x 20%			200	[1]
(£14,000 + £4,000) x 45%			8,100	[1]
£3,000 x 39.35%			1,181	[1]
£2,000 x 8.75%			<u>175</u>	[1]
Total payable			<u>9,656</u>	

5.

- 1) Business asset qualifying for gift relief under s.165. Unquoted company so no need to have 5% of shares. [1]
- 2) No s.165 relief as property not used in a trade. [1]
 However, as gift is immediately chargeable to IHT, gift relief available under s.260. [1]
 No gift relief if trust is settlor interested, ie if Bill or his spouse/civil partner or minor children are beneficiaries. [1]
- 3) This asset would qualify under s.165 as Bill has ≥5% of the shares. [1]
 However, as the donee is non-UK resident, gift relief is denied. [1]

Max 5**Examiner's comment:**

A significant number of candidates discussed the availability of BPR for each of the gifts and others wasted time explaining why a chargeable gain may arise.

6.

		£	
10 April 2013	Transfer into trust	1,000,000	
	Less: NRB 2013/14	<u>(325,000)</u>	
		<u>675,000</u>	
	IHT at 20%	<u>135,000</u>	[1]
10 April 2023	Current value of relevant property	2,000,000	
	Less: NRB	<u>(325,000)</u>	[1]
		<u>1,675,000</u>	
	Notional tax at 20%	<u>335,000</u>	[1]
	Effective rate: 335,000 / 2,000,000 x 100	<u>16.75%</u>	
	Actual rate: 16.75 x 30%	<u>5.025%</u>	[1]
	Principal charge: £2 million x 5.025%	<u>100,500</u>	[1]

Examiner's report:

This question on a relevant property trust was notably answered better than is usual for a question on this topic.

7. Shares in an unquoted trading company are relevant business property (percentage shareholding irrelevant). [1]

The shares have been held for more than two years. [1]

The rate of relief is 100%. [1]

The company has excepted assets which restrict the BPR available. [1]

The BPR is therefore:

$$£400,000 \times 100\% \times (£2,600,000 - £520,000) / £2,600,000 = \underline{£320,000} \quad [1]$$

8. Provided certain conditions are met, the value of the shares can be restated to their stand-alone value, but no account is taken of the loss realised on the sale. [2]

The conditions are: [3]

- The asset sold was originally valued along with other assets.
- The sale takes place within three years of death to an unconnected party on arm's length terms.
- The gross proceeds on sale are less than the amount charged to IHT in the original estate calculations.

9.

		Before	After	
Josie's shareholding		5,000	3,000	
Related property:	Husband	3,500	3,500	
	Charity	<u>500</u>	<u>500</u>	[1]
Relevant holding		<u>9,000</u>	<u>7,000</u>	[1]
		£	£	
Value per share		100	76	
Josie's shares	5,000 x 100	<u>500,000</u>		[1]
	3,000 x 76		<u>228,000</u>	[1]
Value of transfer	£500,000 – £228,000 = <u>£272,000</u>			[1]

10. Quoted shares valued at the lower of:

Average bargain	125p + 134p / 2 = 129.50p	
¼ up	124p + 1/4 (138p-124p) = 127.50p	
Value for estate	40,000 x 127.50p = <u>£51,000</u>	[2]

The overseas villa will be valued at £125,000 but the expenses can be deducted, restricted to a maximum of £6,250 (5% x £125,000) [1]

The life assurance proceeds of £88,000 will be included as an asset of the estate. [1]

Liabilities can be deducted from the estate but only if legally enforceable. The bank loan will reduce the value of the estate, but student loan would not be enforceable without a written agreement and would not be deducted. [1]

Examiner's comment:

The most common error on this question was to take an average across all three bargain values. A slight surprise was the number of candidates who did not know how to deal with the life assurance policy, with many stating this would be exempt.

11.

	Rents £	Interest £	Dividends £	
Rental income	12,000			
Interest (excluding ISA)		3,750		[1]
Dividends			<u>8,000</u>	
	<u>12,000</u>	<u>3,750</u>	<u>8,000</u>	[1]
£12,000 x 20%			2,400	
£3,750 x 20%			750	
£8,000 x 8.75%			<u>700</u>	
Total payable 31 January 2025	[1]		<u>3,850</u>	[2]

12. The IHT return for the CLT on 14 June 2022 was due to be filed 12 months from the end of the month of transfer, ie 30 June 2023. [1]

An initial late filing penalty of £100 would apply. [1]

Assuming that a £60 daily penalty has not been declared by a court or tribunal, a further penalty of £100 will be charged if the return is more than six months late. [1]

Assuming the return was filed in February 2024 (and is therefore seven to eight months late), the total penalty will be £100 x 2 = £200. [1]

There is no requirement to report the PET (unless it later fails) so no penalties apply in relation to this transfer. [1]

Examiner's comment:

Despite being a topic not often examined on this module, this question on penalties for late filing of an IHT return was answered well in most cases.

ANSWERS TO MODULE B – TEST 2

Examiner's report:

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General Comments on Module B

Overall, the module seemed to have been well received by candidates, although there were a number who didn't attempt all questions.

1.

	£	
Estate value	1,000,000	
Less: Charitable legacy	(80,000)	
Chargeable estate	920,000	
Less: RNRB	(175,000)	
Less: NRB	(325,000)	
Taxable	<u>420,000</u>	[1]
 IHT: 36% (W) x £420,000	 <u>151,200</u>	 [1]

Working:

Taxable estate	420,000	
Add: Charitable legacy	80,000	[1]
Add: RNRB	<u>175,000</u>	[1]
Baseline amount	<u>675,000</u>	
 @ 10% (36% rate applies as legacy > £67,500)	 <u>67,500</u>	 [1]

Tutorial Note:

The following alternative calculation of the baseline amount would be acceptable:

Estate	1,000,000
Less: NRB	(325,000)
Baseline amount	<u>675,000</u>

Examiner's comment:

This was well attempted by most, with the most common error being a failure to adjust for the residence nil rate band when calculating the baseline amount.

2. Any shareholding in an unquoted trading company is relevant business property so the investment in Biglo Ltd would qualify. [2]

The investment in Carnie Ltd would not qualify as it is an investment (ie not a trading) company. [1]

Only controlling holdings of shares in quoted trading companies qualify for BPR, so an investment in a 3% holding of Delma plc would not qualify. [1]

Further condition: the combined period of ownership of the original and the replacement asset must be at least two of the five years preceding a transfer. [1]

Examiner's comment:

This was well answered, but candidates lost marks for the "two of five years" point.

3.

14 Feb 2024:	Gift to son on marriage: Marriage exemption £5,000	[1]
	AE 2023/24 £3,000	
	AE 2022/23 b/f (unused) £2,000	[1]
1 April 2024:	Gift to friend: Remainder of 2022/23 AE £1,000	[1]
15 April 2024:	£200 to each grandchild: Covered by small gifts exemption as < £250	[1]
School fees	Covered by normal expenditure out of income exemption as income is considerably higher than the amount regularly paid	[1]

4.

<u>Lifetime</u>	£	
Gift 1 July 2021	440,000	
Less: AEs x 2	(6,000)	
	434,000	
Less: NRB 2021/22	(325,000)	
Chargeable	109,000	[1]
IHT @ 20/80 or 25%	27,250	[1]
<u>Death:</u>		
Gross chargeable transfer (434,000 + 27,250)	461,250	[1]
Less: NRB at death	(325,000)	
Chargeable	136,250	
IHT @ 40%	54,500	[1]
Less: Lifetime IHT	(27,250)	[1]
Payable by Trustees	27,250	

5.

	Non-savings £	Dividends £	
Income	16,000	4,000	
Less: Expenses (1,460 x 100/91.25)	<u>16,000</u>	(1,600)	[1]
		2,400	
Tax:			
£1,000 @ 20%		200	
£15,000 @ 45%		6,750	
£1,600 @ 8.75%		140	
£2,400 @ 39.35%		944	
Total due on income		8,034	[1]
Add: Tax pool deficit (W)		606	[1]
Total payable		8,640	
<u>Working:</u>			
Tax pool b/fwd		500	
Tax paid by trust in year (8,034 – 140)		7,894	[1]
Less: Tax credit to beneficiaries: 11,000 x 45/55		(9,000)	[1]
Deficit (ie shortfall)		(606)	

6. The hire purchase liability is legally enforceable and is deductible in full, from the value of the car in the estate. [1]

Additional administration costs in relation to overseas property can be deducted from the value of the property in the estate, but only up to a maximum of 5% of the value of the property. Therefore, the maximum deduction is £2,250 (5% x £45,000). [2]

As the gift to the friend was only verbally agreed, it is not legally enforceable and is not deductible. [1]

Reasonable funeral costs are an allowable deduction. [1]

7. In August 2021, unless Karina had acquired a UK domicile of choice, she would not be deemed domiciled as she was not UK resident for 15 of the previous 20 tax years. [2]

At Ismail's death, his legacy was to a non-UK domiciled spouse and the spouse exemption would have been capped at £325,000. [1]

This cap could have been avoided if Karina had made an election to be treated as UK domiciled for IHT. [1]

In February 2024, as Karina has been UK resident since July 2007, she would be deemed UK domiciled. [1]

A UK domiciled individual is subject to IHT on worldwide assets, whereas a non-UK domiciled individual is only subject to IHT on assets situated in the UK. [1]

Max 5

- 8.
- The original gift was a PET.
 - As Michael can use the cottage rent-free, this is a gift with reservation of benefit.
 - The cottage would therefore remain in his estate for IHT.
 - When Michael stopped using the cottage, he released his reservation. This is treated as a PET.
 - As he died within seven years, both PETs are chargeable to IHT, although HMRC will only tax whichever gives the higher IHT liability.

[1 mark for each point]

9.

The only related party is her spouse (not her daughter). [1]

The loss to donor principle means we consider the value of Petra's shares before and after the gift based on the related property holding. [1]

	<u>Before</u>	<u>After</u>	
Petra	4,000	2,500	
John	<u>3,000</u>	<u>3,000</u>	
Combined shareholding	<u>7,000</u>	<u>5,500</u>	
	70%	55%	[1]

	Stand-alone value £	Related property value £	Higher value £	
Value before gift:				
4,000 x £95 (40%)	380,000			
4,000 x £125 (70%)		500,000	500,000	[1]
Value after gift:				
2,500 x £85 (25%)	212,500			
2,500 x £110 (55%)		275,000	<u>(275,000)</u>	[1]
			<u>225,000</u>	

10.

	£	Residential £	Non-Residential £	
<u>Commercial property</u>				
Proceeds	400,000			
Less: Cost	<u>(280,000)</u>			
Gain	<u>120,000</u>		120,000	[1]
<u>Residential property</u>				
Proceeds	210,000			
Less: Cost = MV Feb 2000	<u>(85,000)</u>			
Gain	<u>125,000</u>	125,000		[1]
Less: AEA		(3,000)		[1]
Less: Capital loss b/fwd		<u>(8,900)</u>		[1]
Taxable gain		113,100	<u>120,000</u>	
CGT @ 28% / 20%		<u>31,668</u>	<u>24,000</u>	[1]

Examiner's comment:

A surprising number of candidates deducted indexation allowance when calculating the gains arising on the disposals, but otherwise it was generally well answered.

11. The transfer to Jean's nephew is a PET – as no IHT is due, no return needs to be submitted. [1]

The transfer to the trust should have been reported on form IHT100 within 12 months of the end of the month of transfer, ie by 31 August 2023. [1]

An initial late filing penalty will be due of £100. [1]

Assuming that a £60 daily penalty has not been declared by a court or tribunal, a further penalty of £100 will be charged if the return is more than six months late. [1]

Assuming the return is filed in June 2024 (and is therefore nine to ten months late), the penalties will be £100 x 2 = £200 resulting in a settlement to HMRC of £8,000 (plus interest on late paid tax). [1]

Examiner's comment:

When commenting on the penalties, a number of candidates failed to gain marks because their response was too imprecise.

12.

		£	
Initial value of relevant property		500,000	
Initial value of relevant property of related trust (N)		<u>Nil</u>	
		500,000	[1]
Nil rate band 1 May 2024	325,000		
Less: CLTs in seven years before 14 Feb 2020	<u>(100,000)</u>		[1]
		<u>(225,000)</u>	
		<u>275,000</u>	
Notional IHT at 20%		<u>55,000</u>	[1]
Effective rate:	$\text{£}55,000/\text{£}500,000 \times 100$	<u>11%</u>	[1]
Actual rate:	$11\% \times 30\% \times 16/40$	<u>1.32%</u>	[1]

Tutorial note:

The Miles Trust is not a related trust as it was not set up on the same day. The gift to his son, although it was in the seven years before 14 Feb 2020, was a PET and not a CLT so did not use the nil rate band.

Examiner's comment:

Although a significant number were unable to correctly deal with the first part of the calculation, most made a good attempt at gaining the last three marks.