

# Tolley<sup>®</sup> Exam Training

**CTA**

**AWARENESS PAPER**

**MODULE D – INDIVIDUALS**

**PRE REVISION QUESTION BANK**

**FA 2023 & F(No 2)A 2023**

May and November 2024 Sitzings

PQ627D

**Tolley<sup>®</sup>**

Tax intelligence  
from LexisNexis<sup>®</sup>

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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 D – INDIVIDUALS**

Test 1

Test 2

Answers to Test 1

Answers to Test 2

**INCOME TAX - RATES AND THRESHOLDS**

	2023/24	2022/23
<b>Rates</b>	%	%
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
<b>Thresholds</b>	£	£
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
<b>Scottish Tax Rates<sup>(1)</sup></b>	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	41
Top rate	47	46
<b>Scottish Tax Thresholds<sup>(1)</sup></b>	£	£
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 <sup>(2)</sup>	12,570	12,570
Married couple's allowance <sup>(3)</sup>	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 <sup>(4)</sup>	1,260	1,260
Blind person's allowance	2,870	2,600
Enterprise investment scheme relief limit <sup>(5)</sup>	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

2024

## TAX TABLES



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

Pension contributions	Annual allowance <sup>(1)</sup> £	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 <sup>(2)</sup>	£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 <sup>(3)</sup>	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 % <sup>(4)</sup>	
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%).

# CTA EXAMINATIONS

2024

## TAX TABLES



Fuel benefit base figure	2023/24	2022/23
	£	£
	27,800	25,300
Van benefits	2023/24	2022/23
	£	£
No CO <sub>2</sub> emissions	Nil	Nil
CO <sub>2</sub> 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) <sup>(1)</sup>	100%
WDA on plant and machinery in main pool <sup>(2)</sup>	18%
WDA on plant and machinery in special rate pool <sup>(3)</sup>	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) <sup>(4)</sup>	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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> (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 <sup>(5)</sup>	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

# CTA EXAMINATIONS

2024

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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 <sup>(1)</sup>	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
<b>Employment allowance</b>		
Per year, per employer	£5,000	£5,000
<b>Class 1A contributions</b>	13.8%	15.05%
<b>Class 1B contributions</b>	13.8%	15.05%
<b>Class 2 contributions</b>		
Normal rate	£3.45 pw	£3.15 pw
Small profits threshold (SPL) <sup>(2)</sup>	£6,725	£6,725 pa
Lower profits limit (LPL) <sup>(2)</sup>	£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.

<b>Class 3 contributions</b>	£17.45	£15.85 pw
<b>Class 4 contributions</b>		
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%



# CTA EXAMINATIONS

2024

## TAX TABLES



### 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%

# CTA EXAMINATIONS

2024

## TAX TABLES



### 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 <sup>(1)</sup> /investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band <sup>(2)</sup>	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates <sup>(3)</sup>	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) <sup>(4)</sup>	£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 <sup>(2)</sup>	Medium <sup>(2)</sup>	Extended definition for R&D expenditure
Employees <sup>(1)</sup>	< 50	< 250	<500
Turnover <sup>(1)</sup>	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets <sup>(1)</sup>	≤ €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**

	<b>Standard rate</b>	<b>VAT fraction</b>
Rate	20%	1/6

**Limits**

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

**Thresholds**

	<b>Cash accounting</b>	<b>Annual accounting</b>
	£	£
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**

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

**Tobacco products duty**

	<b>From 15.03.2023</b>	<b>From 27.10.2021</b>
Cigarettes	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes <sup>(2)</sup> )	16.5% x retail price + £262.90 per thousand cigarettes (or £347.86 per thousand cigarettes <sup>(2)</sup> )
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 (<sup>3</sup>/<sub>28</sub> for 12% rate and <sup>1</sup>/<sub>6</sub> 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% <sup>(3)</sup>	Lifetime rate	20%
------------	--------------------	---------------	-----

**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<sup>(4)</sup>**

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**

<b>Stamp duty<sup>(1)</sup></b>	- On shares transferred by physical stock transfer form	0.5%
<b>Stamp duty reserve tax<sup>(2)</sup></b>	- On agreements to transfer shares <sup>(2)</sup>	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 % <sup>(3)(4)(5)(6)</sup>	Residential <sup>(3)(4)(5)(6)</sup>	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 % <sup>(1)(2)(3)</sup>	Residential	Rate % <sup>(1)</sup>	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 <sup>(4)</sup>
	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 D – TEST 1**

1. For 2023/24, Wafiq had employment income of £7,570 and dividend income of £102,430.

**Calculate Wafiq's Income Tax liability for 2023/24.**

2. Fildes Ltd is an unquoted trading company with an issued share capital of 100,000 £1 ordinary shares which are held by Louise and her three brothers in unequal proportions. In 2023/24, Louise took out a bank loan of £50,000 on which interest of 4% per annum was charged. She used this to make a loan of £48,000 to the company and applied the balance of £2,000 in the purchase of computer equipment for use in her home office.

**Briefly explain the conditions that must be met in order for the interest payable on the bank loan to be treated as a deduction in computing Louise's taxable income for 2023/24.**

3. George's self-assessment tax return for 2021/22 was submitted to HM Revenue & Customs on 17 May 2023 and the resulting Income Tax liability paid on that same date. However, he omitted to declare a capital gain on the sale of some shares which would have resulted in a Capital Gains Tax liability of £22,000. On 24 July 2024, George received notice that HM Revenue & Customs were to raise a formal enquiry into his 2021/22 tax return.

**Briefly explain:**

- 1) **The latest date on which HM Revenue & Customs could raise a formal enquiry into George's tax return for 2021/22.**
  - 2) **The minimum and maximum penalties that could be imposed on George in relation to the undeclared capital gain.**
4. Thomas owned a furnished property which was rented out to tenants throughout 2023/24 at an annual rent of £17,400, payable monthly in advance on the first of the month. The payment due on 1 April 2024 was not received until 15 April 2024.

Insurance was payable in advance on 6 November each year. The premium paid on 6 November 2022 was £600 and on 6 November 2023 it was £660.

On 20 February 2024, the washing machine broke down. An equivalent washing machine would have cost £400, but Thomas replaced it with a washer-dryer costing £550. It cost £35 for a plumber to install the new washer-dryer. A part exchange allowance of £50 was given on the old washing machine.

**Calculate Thomas's net assessable property income for 2023/24.**

5. Nash Ltd owns a residential property which cost £96,000 in January 2009.

On 6 April 2020 Libby, an employee of Nash Ltd, moved into the property when its market value was £161,000. Its market value on 6 April 2023 was £185,000. The annual value of the property is £18,000.

On 6 April 2020 Nash Ltd also made an interest-free loan of £25,000 to Libby. She repaid £12,000 of this loan on 5 December 2023.

**Calculate the benefits in kind taxable on Libby for 2023/24.**

6. For 2023/24, Ryan was entitled to a personal allowance of £12,570. During that year, he was employed by Ayres Ltd at an annual salary of £72,000 and was also provided with a company car with a list price of £36,000 and CO<sub>2</sub> emissions of 63g/km. No private petrol was provided, but Ryan was provided with a parking space near the office at a cost to Ayres Ltd of £6,000 per annum. Ryan incurred annual expenses of £675 which were wholly, exclusively and necessarily incurred in the performance of his employment duties and he owed £800 Income Tax from 2021/22.

**Calculate Ryan's tax code for 2023/24.**

7. Harry (age 37) has been an employee of Scott Ltd for many years. In 2023/24, his annual salary was £50,000 and he drove 14,000 business miles in his own car for which the company paid him a mileage allowance of 60p per mile.

Scott Ltd held a Christmas party for all its employees on 17 December 2023 at a cost of £160 per head. Scott Ltd has agreed to meet any tax liabilities via a Pay As You Earn Settlement Agreement (PSA).

- 1) **Calculate the Class 1 Primary and Secondary National Insurance Contributions payable by Harry and Scott Ltd based on the information above.**
- 2) **Calculate the Class 1B National Insurance Contributions payable under the PSA by Scott Ltd in respect of Harry.**

8. Gerrard, a higher rate taxpayer, realised the following capital gains and losses in 2023/24:

	<u>Gain/(Loss)</u>
	£
A residential property which had always been let to tenants	130,000
A painting gifted to Gerrard's sister, Deborah	(2,500)
Shares in Mooson plc	20,000

Gerrard had capital losses brought forward at 6 April 2023 of £7,000.

**Calculate the Capital Gains Tax payable by Gerrard for 2023/24.**



9. Valentino lives in and is domiciled in Greece where he retired several years ago. In 2023/24 he visited the UK for the first time, spending 115 days here.

During this time he was employed on a temporary contract for three months working four hours every afternoon in a restaurant in Manchester. He spent most evenings with his ex-wife and their 14 year old daughter who are UK resident.

During his time in the UK, Valentino either stayed at his ex-wife's house, with friends or in a hotel.

**Briefly explain Valentino's residency status for 2023/24.**

10. On 1 February 2009, Pearl bought a house in Durham and immediately moved in. She lived there until 1 February 2015 when she was sent abroad by her employer to work in the Los Angeles office. On 1 August 2018, she returned to the UK to work in her employer's Birmingham office.

On 1 August 2021, she inherited a large sum of money and immediately resigned from her job to go travelling around the world.

On 1 February 2024, she sold the house which resulted in a gain of £180,000. The house had been unoccupied since 1 February 2015.

**Calculate the chargeable gain arising on the sale of the house in 2023/24, giving brief explanations of any Private Residence Relief available.**

11. On 18 May 2013, Mahari subscribed for 34,000 £1 ordinary shares (a 34% holding) in Soopersky Ltd. The remaining 66,000 shares are owned equally by her two cousins. On 20 February 2024, Soopersky Ltd agreed to buy back 25,000 shares from Mahari.

**Briefly explain whether or not Mahari satisfies the conditions relating to the reduction in the level of shareholding in order for the company purchase of own shares to qualify for the capital treatment.**

12. On 20 July 2008, Betty inherited a painting with a probate value of £600,000. On 5 November 2023, it was damaged in a fire and Betty received compensation of £250,000. The value of the unrestored painting was £500,000.

On 17 January 2024, Betty invested £250,000 in shares qualifying under the Seed Enterprise Investment Scheme (SEIS). Her only taxable income for 2023/24 was employment income of £290,000 on which Income Tax of £116,703 was due. Betty claimed all available reliefs.

**1) Calculate Betty's Capital Gains Tax liability for 2023/24.**

**2) Calculate Betty's Income Tax liability for 2023/24.**

**MODULE D – TEST 2**

1. On 1 January 2019, Pete was provided with accommodation by his employer who had originally purchased the house on 1 June 2006 at a cost of £135,000. The house was valued at £210,000 on 1 January 2019 and its annual value is £3,200.

On 1 January 2019, his employer paid £8,000 to furnish the house. Gas and electricity bills paid by his employer for the year to 5 April 2024 totalled £1,800.

Pete's annual salary is £22,000 (paid monthly) and he pays rent of £100 per month to his employer for the house.

**Calculate Pete's employment income for 2023/24.**

2. Jasmine's income and personal allowance for 2023/24 was as follows:

	£
Employment income	52,000
Interest	1,400
Dividends	1,750
Personal allowance	(12,570)
	<u>42,580</u>

**Calculate Jasmine's Income Tax liability for 2023/24.**

3. Nigel is employed by Smog plc, earning a basic salary of £54,000 per annum. In addition to this, Nigel was paid a bonus in May 2023 of £4,400.

Nigel uses his own car for business journeys and each month, in addition to his basic salary, he claims a mileage allowance from Smog plc of 60p per business mile. Nigel averages 500 business miles per month but for May 2023 he claimed for 600 business miles.

Smog plc pays for medical insurance for Nigel and his family at a cost of £120 per month.

**Calculate the National Insurance payable by Nigel for the month of May 2023.**

4. On 1 June 2023, Helle purchased a run-down investment property. She spent most of the following two months getting it ready for occupation by her new tenants. The costs incurred are summarised as follows:

	£
Repairs necessary to make it habitable	1,600
Decorating costs	800
Furniture	<u>1,200</u>
	<u>3,600</u>

The property was let from 1 August 2023 at a rate of £1,000 per month but the tenant fell behind with the payments and at 5 April 2024 still owed rent for the months of February and March 2024.

Helle paid letting agent's fees of 8% of the rental income due each month (including when the rent was not received). She also incurred finance costs of £3,400 during 2023/24 in respect of a loan used to purchase the property.

Helle has elected to use the accruals basis.

**Calculate Helle's taxable property income for 2023/24, clearly showing the treatment of each item of expenditure.**

5. Scott made the following payments during the 2023/24 tax year which he thinks may qualify for Income Tax relief:

- 1) £300 interest costs on a personal loan. This was taken out to purchase necessary office machinery costing £2,500 for use solely in his employment and personal electrical equipment costing £1,000 for his personal use.
- 2) £960 pension contributions paid monthly into his employer's occupational pension scheme.
- 3) £8,000 invested in a qualifying EIS company.

**Briefly explain what, if any, Income Tax relief is available on each of these payments, describing how any such relief will be given.**

6. Targo plc entered into a PAYE settlement arrangement (PSA) in relation to a £300 benefit provided to each of its 100 employees during 2023/24. Half of the employees are basic rate taxpayers and the other half higher rate taxpayers.

**Calculate the total amount payable by Targo plc under the PSA and state when this will be payable.**

7. On 1 November 2023, Pat sold an apartment realising a gain of £200,000. Pat had purchased the apartment on 1 June 2009 to live in but did not live there for his entire period of ownership.

His occupation of the apartment was follows:

<u>Period</u>	<u>Number of months</u>	<u>Description</u>
1 June 2009 – 31 May 2011	24	Lived in the apartment
1 June 2011 – 31 May 2014	36	Worked overseas for two years then went travelling for one year. The flat was let during this period.
1 June 2014 – 30 November 2017	42	Lived in the apartment
1 December 2017 – 1 November 2023	71	Moved into his girlfriend's house. The flat was let during this period.
	<u>173</u>	

**Briefly explain any relevant relief to exempt all or part of the capital gain arising on the sale of the apartment.**

8. Matt had the following tax payable under self assessment for the last two tax years:

	<u>2022/23</u>	<u>2023/24</u>
	£	£
Income Tax payable	8,400	9,200
Capital Gains Tax payable	10,200	1,280

Matt sold some shares on 30 April 2024 and so he will have significantly lower income for 2024/25. He anticipates that his 2024/25 Income Tax liability will be £4,000 and his Capital Gains Tax liability will be £5,000.

**Briefly explain when Matt's payments of tax in respect of 2023/24 and 2024/25 will be due and state the tax amounts payable.**

9. On 20 April 2016, Katie was granted 5,000 share options in her employer's Enterprise Management Incentive (EMI) scheme. The shares had a market value at that date of £6 per share with an exercise price stated in the options of £5 per share.

On 30 April 2023, Katie exercised her options in full when the market value per share was £10. She sold the shares on 31 August 2023 for £12 each.

**Briefly explain any amounts subject to tax in respect of her EMI options.**

10. Hayley sold two properties during 2023/24:

- 1) On 1 November 2023 she sold a freehold commercial property for £200,000 which was originally purchased for £115,000.
- 2) On 1 February 2024 she sold a freehold residential property for £180,000 which was originally purchased for £105,000. Hayley had never lived in this property.

Hayley had taxable income (after the deduction of her personal allowance) of £18,350 in 2023/24.

**Calculate the Capital Gains Tax payable for 2023/24 as a result of the two disposals.**

11. In 2023/24 Rose received the following income in addition to her normal employment income:

- 1) A scholarship award of £1,500.
- 2) Dividends of £400 from a venture capital trust investment and £1,000 from a seed enterprise investment scheme investment.
- 3) An income distribution of £1,850 from a discretionary trust set up by her grandparents.

**Briefly explain how each source of income will be treated in Rose's Income Tax computation for 2023/24.**

12. Elijah has annual taxable income of £275,000. He started making payments into his personal pension in 2023/24 of £20,000 (gross) per annum.

**Calculate the maximum annual allowance for pension purposes available to Elijah for 2024/25.**

## ANSWERS TO MODULE D – TEST 1

**Examiner's report:**

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General Comments

Overall, a less than satisfactory performance by the majority of candidates. Particular areas of difficulty were the treatment of qualifying loans and the CGT aspects of the Seed Enterprise Investment Scheme.

1.

	Total £	Non Savings £	Dividends £	£	
Employment income	7,570	7,570			
Dividends	<u>102,430</u>		<u>102,430</u>		
Net income	110,000	7,570	102,430		
Personal Allowance (W)	<u>(7,570)</u>	<u>(7,570)</u>			[1]
Taxable income	<u>102,430</u>	<u>Nil</u>	<u>102,430</u>		
Income tax					
Dividends					
Dividend Allowance (0%) on	1,000			0	[1]
Tax at basic rate (8.75%) on	<u>36,700</u>			3,211	[1]
	37,700				
Tax at higher rate (33.75%) on	<u>64,730</u>			<u>21,846</u>	[1]
Income Tax liability	<u>102,430</u>			<u>25,057</u>	
(W) PA					
Adjusted net income	110,000	12,570			
Threshold	<u>(100,000)</u>				
	<u>10,000</u>				
Withdrawal of allowance (£10,000/2)		<u>(5,000)</u>			
		<u>7,570</u>			[1]

**Examiner's report:**

Most candidates performed well on this question, however some candidates made very basic errors, such as failing to deduct any personal allowance, deducting the dividend allowance against taxable income rather than it being part of the tax bands and in some cases, using incorrect tax bands.

2. The conditions that must be met are that the loan must be used for a 'qualifying purpose'. [1]

Using the loan to lend money to a close company will meet this definition if Louise owns at least 5% of the shares in the company [1] or owns some shares and works for the company. [1]

Using the loan to purchase computer equipment will meet this definition for the year that the loan is taken out and for the following three years [1] if it is used by Louise for the purposes of her employment. [1]

**Tutorial Note:**

ITA 2007, s.383(2) lists the different types of qualifying loans.

s.390 & s.391 contain the conditions for a loan taken out to purchase plant and machinery for the purposes of an employment and s.392 and s.393 contain the conditions for a loan to purchase an interest in a close company.

**Examiner's report:**

This question on qualifying loans was the most omitted question on the paper, and where it was attempted, for the most part it was not very well done with some candidates doing a lot of writing but gaining no marks. Lack of clarity of explanation was the biggest problem, followed by confusion over the deductibility of the interest on the part of the loan, used to make a loan to the company, with many candidates under the impression that the company could claim the deduction.

- 3.
- 1) George's self-assessment return for 2021/22 was due on 31 January 2023. As it was submitted late, the latest date that HMRC could raise a formal enquiry is 31 July 2024, being the quarter date next following the anniversary of the actual submission date of 17 May 2023. [1]
  - 2) The penalties depend on whether omission was careless, deliberate but not concealed, or deliberate and concealed. [1]  
  
George's disclosure of the error now would be treated as prompted as HMRC has initiated an enquiry into his return. [1]  
  
The minimum penalty for a prompted, careless error is 15% of potential lost revenue. [1]  
  
The maximum penalty for a prompted, deliberate and concealed error is 100% of potential lost revenue. [1]

**Examiner's report:**

This wording of this question was deliberately vague, requiring candidates to consider the two extreme possibilities; either the omission of the gain was careless or it was deliberate and concealed. However, several candidates failed to consider these possibilities, stated assumptions and then proceeded to answer the question on that basis. Some candidates wrote about penalties in general terms without considering the specific circumstances of the question, in particular that the disclosure of the error would be treated as 'prompted' as notice of a formal enquiry had been received from HMRC.

4. Thomas's net assessable property income for 2023/24 is:

	£	£	
Rental income received ((17,400/12) x 11)		15,950	[1]
Insurance paid 6.11.23		(660)	[1]
Washing machine (equivalent cost)		(400)	[1]
Part exchange allowance		50	[1]
Cost of installing washer-dryer		(35)	[1]
Net assessable property income for 2023/24		<u>14,905</u>	

**Examiner's report:**

There were some excellent answers to this question on property income, with many candidates scoring full marks. A common error was to disallow the total cost of the replacement washing machine or to just allow the difference in cost of £150. The treatment of the part exchange allowance and the installation costs was often incorrect, with some candidates simply ignoring them.

- 5.

	£	£	
Living accommodation:			
Annual value		18,000	
Additional yearly rent:			
Market value on 6 April 2020 ('6 year rule')	161,000		[1]
Less threshold	<u>(75,000)</u>		
	<u>86,000</u>		
Therefore, £86,000 x 2.25%		<u>1,935</u>	[1]
		19,935	
Average method:			
£(25,000 + 13,000)/2 = £19,000 x 2.25%	<u>427</u>	427	[1]+[1]
Strict method:			
6 April 2023 – 5 December 2023			
£25,000 x 2.25% x 8/12	375		
6 December 2023 – 5 April 2024			
£13,000 x 2.25% x 4/12	<u>97</u>		
	472		[1]

HMRC are unlikely to elect for the strict method here.

**Examiner's report:**

Most candidates performed well in this question. Common errors were to calculate the further charge on the accommodation benefit at 20% rather than at the official rate of interest and to only consider the average method of calculating the loan benefit.



6.

	£	£	
Personal allowance		12,570	
Expenses		675	[1]
Car benefit (£36,000 x 17%)	6,120		[1]
Parking space exempt	-		[1]
Underpaid tax (£800 x 100/40)	<u>2,000</u>		[1]
		<u>(8,120)</u>	
Net allowance		<u>5,125</u>	
Ryan's tax code for 2023/24 is therefore 512L			[1]

**Examiner's report:**

The main problem with this question was the failure to answer the question set, with many candidates simply doing an income tax calculation on the employment income. Of those candidates who attempted to calculate the tax code, many did not include the allowable expenses stating that they were exempt. Some candidates included the salary. The income tax owing was often incorrectly grossed up.

7.

1)		£	£	
<u>Class 1 Primary NICs payable by Harry</u>				
Salary	50,000			
Excess mileage allowance payments				
14,000 x (60p – 45p)	<u>2,100</u>			[1]
	<u>52,100</u>			
£(50,270 – 12,570) x 12%	4,524			[1]
£(52,100 – 50,270) x 2%	<u>37</u>			[1]
			<u>4,561</u>	
<u>Class 1 Secondary NICs payable by Scott Ltd</u>				
£(52,100 – 9,100) x 13.8%			<u>5,934</u>	[1]
2)				
Class 1B NIC payable by Scott Ltd				
£160 x 100/60 x 13.8%			<u>37</u>	[1]

**Examiner's report:**

The most common error in this question was the incorrect calculation of the excess mileage allowance for NIC purposes, with most candidates failing to appreciate that there was no reduction in the authorised rates to 25p after the first 10,000 miles. Apart from that the calculation of Class 1 NICs was generally well done, but unfortunately the same cannot be said of the calculation of Class 1B NICs which was rarely correct as a result of several candidates exempting the first £150 and/or incorrectly grossing up the benefit.

8.

	Residential property £	Non residential property £	
Residential property	130,000		
Gain on shares		20,000	
Loss on painting (see Note)	-		
Annual exempt amount	(6,000)		[1]+[1]*
Capital losses brought forward	<u>(7,000)</u>		[1]
	<u>117,000</u>	<u>20,000</u>	
Capital gains tax at 28%/20% (total = £36,760)	<u>32,760</u>	<u>4,000</u>	[1]

Note:

The loss on the disposal of the painting to his sister can only be offset against gains (current or future) realised on later transactions with that same sister. [1]\*\*

**[\* 1 mark for correctly allocating both the brought forward loss and the AEA against the gain on the residential property.]**

**[\*\* Mark given as long as the loss on the disposal to Gerrard's sister is not included in the calculations.]**

**Examiner's report:**

This question was generally well done. However, several candidates did not separate the gains into residential property gains and other gains, resulting in a loss of marks in correctly allocating the annual exempt amount and brought forward losses. Most candidates recognised that there was a restriction in the use of the loss on the disposal to the sister, but several did not.

9. Valentino is not automatically overseas resident in 2023/24 as he spent more than 45 days in the UK. [1]

Valentino is not automatically UK resident in 2023/24 as he spent fewer than 183 days in the UK. [1]

**Tutorial Note:**

Credit would also be given for identifying that the 'home' and 'full time work' tests are not met.

Valentino spent 115 days in the UK in 2023/24, which means that he would need to satisfy at least three ties to be UK resident. He has met the following ties: [1]

1) Family tie – UK resident child under 18 years old [1]

2) Work tie – more than three hours of work per day in the UK on at least 40 days [1]

As Valentino only has two ties, he will not be UK resident in 2023/24. [1]

**Tutorial Note:**

Credit would also be given for identifying that if the ex-wife's or friend's accommodation had been available for 91 continuous days, an accommodation tie would have existed.

**Max 5**

**Examiner's report:**

Most candidates managed to score well on this question, but several simply quoted the rules without application to the specific scenario given. The main problem was, again, lack of clarity of explanation which resulted in loss of marks.

10.

Gain	£	
	180,000	
Less PRR (W) $123/180 \times £180,000$	(123,000)	[1]
Chargeable gain	<u>57,000</u>	

WorkingPRR

Period of ownership: 1 February 2009 – 1 February 2024 = 180 months

		Exempt	Other	
1/2/09 – 1/2/15	Actual occupation	72		[1]
1/2/15 – 1/8/18	Employed in LA (unlimited period employed overseas) (Note)	42		
1/8/18 – 1/8/21	Employed in Birmingham (Note)		36	
1/8/21 – 1/5/23	House empty		21	
1/5/23 – 1/2/24	Last 9 months of ownership	<u>9</u>	<u>—</u>	[1]
		<u>123</u>	<u>57</u>	

Note:

The time spent in LA qualifies as deemed occupation as Pearl was unable to reoccupy the property due to the terms of her employment. [1] However, the time spent employed in Birmingham and the time spent travelling do not qualify as deemed occupation as Pearl chose not to reoccupy the property before sale. [1]

**Examiner's report:**

This question on Private Residence relief was generally well done computationally, but once again the lack of clarity in explanation resulted in some candidates not scoring as highly as they might have.

11. After the purchase of own shares, Mahari's shareholding must have been reduced by at least 25% [1] and she must not be connected to the company (i.e. own more than 30%). [1]

Prior to the purchase, Mahari owns 34% of the company, therefore her post sale holding cannot exceed  $34\% \times 75\% = 25.5\%$ . [1]

After the purchase, Mahari owns 9,000 shares ( $34,000 - 25,000$ ) which represents a holding of 12% ( $9,000/75,000$ ), [1] therefore the conditions are satisfied. [1]

**Examiner's report:**

There was some confusion over the rules applicable to the scenario. The question specifically asked whether or not the conditions relating to the reduction in the level of shareholding were satisfied in order for the company purchase of own shares to qualify for the capital treatment, but several candidates wasted time listing all the conditions and speculating as to whether they would be satisfied. For those who correctly addressed the requirement of the question, the main error was thinking that the shareholding needed to be reduced by 75% rather than 25%.

12.

1)

	£	
Proceeds	250,000	
Less: Cost: $250,000 / (250,000 + 500,000) \times £600,000$	<u>(200,000)</u>	[1]
Gain	50,000	
Less: SEIS exemption (max 50% x £50,000 gain)	<u>(25,000)</u>	[1]
Chargeable gain	25,000	
Annual exempt amount	<u>(6,000)</u>	[1]
Taxable gain	19,000	
Capital Gains Tax @ 20%	<u>3,800</u>	[1]

2)

Income Tax liability		
Income tax due on employment income	115,460	
Less: SEIS relief (max 50% x £200,000)	<u>(100,000)</u>	[1]
Income Tax liability	<u>15,460</u>	

**Examiner's report:**

There were very mixed answers to this question on the Seed Enterprise Investment Scheme. Several candidates applied the EIS treatment rather than the SEIS treatment for both the CGT and the IT elements of the question. Where the SEIS treatment was applied, many candidates treated the IT element correctly but not the CGT element, and some simply ignored the CGT element completely.

## ANSWERS TO MODULE D – TEST 2

**Examiner's report:**

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General Comments

Generally, the paper seems to have been well received with most candidates attempting all questions.

1.

		£	£	
Salary			22,000	
Accommodation benefit:				
Basic charge		3,200		
Further charge	(210,000 – 75,000) x			
	2.25%	<u>3,037</u>		[2] *
		6,237		
Rent paid by Pete	12 months x 100	<u>(1,200)</u>		[1]
			5,037	
Use of furniture	20% x £8,000	1,600		[1]
Gas and electricity bills paid		<u>1,800</u>		
			3,400	
Total employment income			<u>30,437</u>	[1] **

[\*1 for including a further charge, using correct calculation, 1 for using MV rather than cost (purchased >6years before being made available)]

[\*\*For including salary, basic charge and household bills correctly]

**Examiner's report:**

Candidates often made errors in relation to the provision of furniture by including the £8,000 cost as part of the cost of the property itself for the further charge calculation.

2.

	£		
Non savings (£52,000 – £12,570)		[PA deduction/use of BR band]	[1]
£37,700 x 20%	7,540		
<u>£1,730</u> x 40%	692		[1]
£39,430			
Interest:			
£500 x 0%	0		[1]
<u>£900</u> x 40%	360		[1]
£1,400			
Dividends:	0		
£1,000 x 0%	0		[1]
£750 x 33.75%	253		
Income Tax liability	<u>8,845</u>		

**Examiner's report:**

No comment

3.

Earnings for Class 1:		£	
Monthly basic pay	£54,000 / 12	4,500	
Bonus		4,400	[1]
Mileage claim	600 miles x (60p-45p)	90	[1]
		<u>8,990</u>	[1]*
£4,189 - £1,048 = £3,141	12%	377	[1]
£8,990 - £4,189 = £4,801	2%	96	[1]
		<u>473</u>	

[\*For excluding the medical insurance]

**Examiner's report:**

No comment

4.

	£	
Rental income receivable (8 months x £1,000)	8,000	[1]
Agent letting fees (8% x £8,000)	(640)	[1]
Decorating costs	(800)	[1]
Initial repairs and furniture (capital expenditure)	Nil	[1]
Finance costs (relief as a tax reducer)	<u>Nil</u>	[1]
	<u>6,560</u>	

**Examiner's report:**

No comment.

5. A deduction from total income can be made for interest on borrowings for a qualifying purpose. The £300 loan interest must be apportioned between the office machinery for use in his employment and equipment for personal use, giving a deduction from total income of £214 (£300 x £2,500/£(2,500+1,000)). [2]

**Tutorial Note:**

Relief is available for interest paid in the year the loan is taken out and the next 3 years.

Employee contributions to an occupational scheme are deducted from employment income to reduce the amount of employment income subject to Income Tax. [1]

A qualifying EIS investment will give Scott a potential Income Tax reducer of £2,400 (£8,000 x 30%).

This can be set against his Income Tax liability for the 2023/24 and/or the 2022/23 tax years, but cannot create a repayment; i.e. there must be a high enough Income Tax liability to set the credit against. [2]

**Examiner's report:**

This question was surprisingly poorly answered – a number of candidates lost marks for giving vague answers such as “it is deductible” without stating what it should be deducted from. The pension was rarely dealt with correctly and no candidates mentioned the possibility of setting the EIS tax reducer against the previous year's liability.

6.

	£	
Tax due on net benefit provided:		
BR employees (300 x 50) x 20/80	3,750	[1]
HR employees (300 x 50) x 40/60	<u>10,000</u>	[1]
	<u>13,750</u>	
Gross value of benefit (300 x 100) + 13,750	<u>43,750</u>	[1]
Class 1B National Insurance (13.8% x 43,750)	<u>6038</u>	[1]
Total payable 22 October 2024 (electronically) (13,750 + 6,038)	<u>19,788</u>	[1]

**Examiner's report:**

Few candidates knew the correct date for payment to be made by.

7. PRR will be available for periods when Pat was actually living in the apartment, and also for any periods of deemed occupation. This means that 111 months of the 173 months of ownership will qualify for PRR as follows:

Period	Number of months	Description	
1 June 2009 – 31 May 2011	24	Lived there so covered by PRR	[1]*
1 June 2011 – 31 May 2014	36	Any period working overseas covered by PRR under deemed occupation periods provided owner returns to the property afterwards (which he does). The year travelling can also be treated as though he lived there under the "3 years for any reason" rule, which again is dependent on him returning to the property	[1+1]
1 June 2014 – 30 November 2017	42	Lived there so covered by PRR	
1 December 2017 – 1 November 2023	<u>9</u>	No "conditional" forms of deemed occupation available as doesn't return to the property but can claim the final 9 months of ownership	[1]
	<u>111</u>		

Lettings relief is not available as Pat did not share occupation with the tenant. [1]

**[\*Mark given provided both periods of actual occupation identified]**

**Examiner's report:**

No comment



8. 2023/24

Matt will have made the first payment on account for 2023/24 of £4,200 on 31 January 2024 and will be due to make the second payment on 31 July 2024, with each instalment being based on 50% of the Income Tax payable for 2022/23. [2]

The balancing payment of income tax of £800 will be payable on 31 January 2025. [1]

The Capital Gains Tax of £1,280 will be payable in full on 31 January 2025 as payments on account are not required in respect of this. [1]

2024/25

Matt will be required to make payments on account of £4,600 each for the year on 31 January 2025 and 31 July 2025 with each instalment based on 50% of the income tax for 2023/24 but these can be reduced based on his forecast of the tax which will be due for the year as this is expected to be lower. [1]

**Tutorial Note:**

If the payments on account are reduced to £2,000 each, and if the estimates for 2024/25 are correct, only the capital gains tax of £5,000 will be payable on 31 January 2026. This information was not required to gain full marks on this question.

**Examiner's report:**

No comment

## 9. When the options were granted on 20 April 2016 no tax would be payable. [1]

Normally where options are granted under a tax advantaged scheme like EMI, no tax would be payable at the date of exercise. However, where the options are granted at a discount, a charge to Income Tax arises at the date of exercise. This is calculated as the lower of the market value at grant or exercise, less the amount paid for the shares.

Therefore, Katie will have employment income subject to Income Tax for 2023/24 of £5,000 ( $5,000 \times (£6 - £5)$ ) based on the discount given. [2]

On sale of the shares on 31 August 2023, Katie will realise a capital gain and pay Capital Gains Tax based on the difference between the sale price of £12 and the market value at the date of grant of £6. This will result in a gain of £30,000. [2]

**Tutorial Note:**

The CGT base cost is the amount actually paid for the shares plus any amount charged to income tax on exercise. Where the charge on exercise is based on the market value at grant, the CGT base cost will effectively be the market value at grant.

**Examiner's report:**

No comment

10.

	Commercial £	Residential £	
Proceeds	200,000	180,000	
Base cost	(115,000)	(105,000)	
Gain	85,000	75,000	[1]
Annual exempt amount	(0)	(6,000)	[1]*
Taxable gains	<u>85,000</u>	<u>69,000</u>	
£			
19,350 (W) x 18%		3,483	
49,650 x 28%		<u>13,902</u>	
85,000 x 20%	<u>17,000</u>	<u>17,385</u>	[2]**
Total Capital Gains Tax payable		<u>34,385</u>	

Working

Basic rate band available (37,700 – 18,350) £19,350 [1]

**[\*For using against residential rather than commercial property gain]  
 [\*\*Can be calculated by using the BR band against the commercial property instead and get to the same answer. These two marks are for using the BR band at 10/18% accordingly and recognising that the residential property is taxed at different rates]**

**Examiner's report:**

No comment

11. The scholarship award of £1,500 is exempt so will not be included as taxable income. [1]

The dividends from the VCT are exempt from Income Tax, but the dividends from the SEIS investment are taxable dividends. However, Rose will have the dividend allowance of £1,000 such that these are taxed at 0%. [2]

The income distribution from the trust has been paid to Rose net of an additional rate tax credit. The £1,850 needs to be grossed up for this giving gross income to be included in her tax calculation of £3,364 (£1,850 x 100/55). [1]

Tax will be calculated at Rose's relevant rate but the tax credit of £1,514 will be set against this and may result in a tax repayment due to Rose. [1]

**Examiner's report:**

No comment

12.

	£	£	
2024/25 Usual annual allowance (AA)	60,000		[1]
Abatement as threshold income > £200,000 and adjusted income > £260,000			[1]
Restriction £(275,000-260,000) / 2	<u>(7,500)</u>		[1]
		52,500	
2023/24 Unused AA b/f:			
Restricted AA per year	52,500		
Actual contributions (gross)	<u>(20,000)</u>		
Unused	32,500	<u>32,500</u>	[2]
Maximum AA available for 2024/25		<u>85,000</u>	

**Examiner's report:**

Candidates generally did poorly on this question although some did make a reasonable attempt at some calculations.