

Tolley[®] Exam Training

CTA

AWARENESS PAPER

**MODULE E – UNINCORPORATED
BUSINESSES**

PRE REVISION QUESTION BANK

FA 2023 & F(No 2)A 2023

May and November 2024 Sitzings

PQ627E

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 E – UNINCORPORATED BUSINESSES

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.

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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

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 E – TEST 1

1. On 6 April 2023 Ronnie and Vonnie started trading in partnership, each contributing capital of £50,000. Ronnie funded his capital contribution with a bank loan which he took out on 6 April 2023 and on which he paid interest at 8% per annum.

For the year ended 5 April 2024, Ronnie's share of the partnership's trading profit was £120,000 and he had no other sources of income.

Calculate Ronnie's Income Tax liability for 2023/24.

2. Silva has been a sole trader for many years, preparing accounts on the accruals basis. From 1 October 2022 she decided to prepare accounts on the cash basis. The following information is available for the year ended 30 September 2023:

- 1) Cash receipts from customers included £5,000 received in respect of a credit sale on 28 September 2022.
- 2) Cash paid to suppliers included £3,000 paid in respect of an invoice dated 6 September 2022.
- 3) A laptop computer was purchased for £1,000 on 1 November 2022. Florence uses the computer 80% for business purposes.
- 4) Costs of £4,800 were incurred leasing a car with CO₂ emissions of 138g/km. The car is used 100% for business purposes.

Briefly explain the treatment of each of the four items under the cash basis of accounting.

3. Joe, a sole trader, had the following tax written down values for his plant and machinery at 1 July 2023:

	£
General pool	182,000
Special rate pool	222,000
Motor car	18,000

The motor car is used exclusively by Joe and has CO₂ emissions of 165g/km. Joe drove 20,000 miles during the period ended 31 March 2024 of which 5,000 miles were for private journeys.

On 31 August 2023 Joe incurred expenditure of £780,000 on a new heating and air conditioning system for the business premises.

Calculate the maximum capital allowances available for the nine-month period ended 31 March 2024.

4. William started to trade on 1 January 2024 and will make up his first accounts to 31 December 2024 and annually thereafter. His anticipated results are as follows:

	<u>Tax adjusted trading profits/(loss)</u> £
Year ended 31 December 2024	(10,000)
Year ended 31 December 2025	54,000

William's only other source of income is rental income of £18,000 per year from a property which he has owned for many years. He has never disposed of any chargeable assets.

Calculate William's trading income assessments for the first two tax years of trade and state the potential relief available for any loss(es) incurred.

5. Lucy started to trade as a florist on 1 September 2023. Her draft accounting profit for the period ended 31 March 2024 included deductions for the following items:

- 1) Legal fees of £9,000 incurred on the purchase of a shop with a duplex apartment above it. The apartment comprises two thirds of the total area of the building. Lucy now lives in the apartment.
- 2) £15,000 costs of redecorating the entire building during August 2023. The building was in a usable state when purchased.
- 3) Leasing costs of £2,000 for a car with CO₂ emissions of 169g/km which is used by Lucy 25% for private journeys.

Briefly explain, with supporting calculations where necessary, the treatment of each item in calculating Lucy's taxable trading income for the period ended 31 March 2024.

6. Rose has been trading for many years and her recent tax adjusted trading profits and losses are as follows:

	£
Year ended 5 April 2022	33,000
Year ended 5 April 2023	(52,000)
Year ended 5 April 2024	80,000

Her only other income is property income of £14,000 per annum.

Rose made a claim under s.64 ITA 2007 to relieve the 2022/23 trading loss against total income of 2021/22.

Calculate the National Insurance Contributions payable by Rose for 2023/24.

7. Freddie is a sole trader. He requires additional help in order to help to grow his business and has approached his cousin, Tom, to work with him on a freelance basis. Freddie has suggested the following terms:
- 1 Tom will work at Freddie's office on Monday, Wednesday and Friday mornings, 9am until 1pm.
 - 2) Tom will be paid £500 for every new client that he obtains.
 - 3) Freddie will provide Tom with a laptop computer and a mobile phone in order for him to carry out the work as required.
 - 4) Tom will use his own car to visit potential new clients. Freddie will not reimburse Tom for his travel costs.
- 1) **Briefly explain for each term, whether Tom is likely to be considered as self-employed or as an employee of Freddie.**
 - 2) **Suggest changes that could be made in order to increase the likelihood of Tom being treated as self-employed.**
8. Art, Ben and Lou had been in partnership for many years. On 31 July 2023 Lou left the partnership. The partnership profits and losses are shared as follows:

	<u>Art</u>	<u>Ben</u>	<u>Lou</u>
Up to 31 July 2023	£	£	£
Salary (per annum)	9,000	6,000	2,000
Balance shared	20%	30%	50%
From 1 August 2023			
Profits and losses shared	40%	60%	N/A

The partnership's tax adjusted trading profit for the year ended 31 January 2024 was £120,000.

Lou's overlap profits on commencement were £2,750.

Calculate Lou's trading income assessment for 2023/24.

9. On 1 March 2024, Nasim retired and disposed of his entire business to Peter. The business's assets were as follows:

	<u>Proceeds of sale</u>	<u>Cost</u>
	£	£
Business premises (constructed in 2010)	120,000	170,000
Goodwill	85,000	Nil
Plant and machinery (cost and proceeds < £6,000)	30,000	50,000
Net current assets	10,000	10,000

Nasim is a higher rate taxpayer and had run the business since 2008. This was his first disposal of business assets.

Nasim's only other capital disposal during 2023/24 was a painting, on which a capital gain of £4,000 arose.

Calculate Nasim's Capital Gains Tax liability for 2023/24 on the assumption that all available claims are made.

10. On 20 February 2024, Lucas, a sole trader, sold an office building used in his trade for £360,000, incurring a capital gain of £210,000.

On 31 December 2023, he had acquired a 55 year lease on business premises, also for use in his trade, paying a premium of £400,000. Lucas intends to assign the lease in five years' time.

Briefly explain:

- 1) **The conditions to be met for a rollover relief claim to be made.**
- 2) **The effect if a claim for maximum rollover relief is made.**

11. Ted and Alice have been in partnership for many years, sharing all profits and losses equally. On 20 July 2012 the partnership purchased a building for £180,000.

On 1 May 2022 the building was revalued to £450,000 and Esther joined the partnership, after which all profits and losses were shared 40% to Ted, 40% to Alice and 20% to Esther.

On 20 March 2024 the partners sold the building for £500,000.

Calculate the capital gains arising in 2022/23 and 2023/24.

12. Stephanie's recent Tax and Class 4 National Insurance liabilities were as follows:

	<u>2022/23</u>	<u>2023/24</u>
	£	£
Income Tax payable	49,637	60,227
Capital Gains Tax payable (on sale of shares)	4,200	2,800
Class 4 National Insurance	3,785	4,255

State the due dates and amounts of Tax and Class 4 National Insurance Contributions due in respect of 2023/24.

MODULE E – TEST 2

1. In September 2023, Sunil bought a sofa from a charity shop with the intention of reupholstering and selling it for a profit. He sold the sofa in January 2024 at a loss having spent more than anticipated on materials. Sunil intends to buy another sofa to reupholster and sell in the future.

With reference to the badges of trade, briefly explain five relevant factors which suggest that Sunil is carrying on a trade.

2. Jasmine has been trading for many years. Recent results have been as follows:

	£
Year ended 31 December 2022	36,000
Year ended 31 December 2023	48,000
Year ended 31 December 2024	40,000

Overlap profits on commencement were £3,000.

Calculate Jasmine's assessable trading profits for 2023/24, assuming no elections are made.

3. Erin began trading as a wedding photographer on 1 October 2022. On 12 October 2022, she bought a car under a hire purchase contract. Erin's motor expenses for the year ended 30 September 2023 were as follows:

	£
Petrol	4,800
Road tax, servicing and maintenance	320
Parking (business journeys only)	96
Fine (business journey)	60
Interest paid on the hire purchase contract	400

Erin drove 12,000 business miles during the year ended 30 September 2023. Her total mileage was 15,000 miles.

Calculate Erin's allowable deduction for her motor expenses assuming that she claims flat rate expenses.

4. Peter runs a successful hairdressing salon: PCutz. In May 2023, Peter held an event at his salon to celebrate his first 10 years in business. Approximately 100 customers attended and the cost of food and drink for the evening was £1,800.

In addition, Peter gave the following gifts:

- 1) His best customers each received a glass vase with the PCutz logo embossed on the side at a cost of £75 per vase.
- 2) His other regular customers each received a bottle of wine with the PCutz logo on the label at a cost of £10 per bottle.
- 3) The remaining customers on his database were provided with samples of the hairdressing products sold by PCutz at a cost of £5 per gift.

In August 2023, Peter gave one of his employees a bouquet of flowers to celebrate her engagement. The flowers cost £60.

Briefly explain whether Peter is able to deduct the cost of the entertainment and gifts in calculating his taxable trading profit.

5. Roman runs a recruitment consultancy. He incurred the following capital expenditure during the year to 30 April 2024:

	<u>Cost</u> £
Electric Car (CO ₂ emissions: 0g/km)	22,000
Diesel Van (CO ₂ emissions: 120g/km)	16,000
Petrol Car (CO ₂ emissions: 155g/km)	29,000

All of the vehicles were newly-registered. Roman bought the petrol car for the exclusive use of a new employee. It was used 30% for business purposes. The electric car and the van were available to all staff for business use only.

The value of Roman's general pool at 1 May 2023 was £32,000 and the special rate pool £4,000.

Calculate the maximum capital allowances available for the year ended 30 April 2024.

6. Imogen carries on a trade from a freehold building that she bought in 2010. In calculating her taxable trading profit for the year ended 31 March 2024, Imogen has included the following receipts as income of her trade:

	£
Proceeds from insurance claim	3,000
Rent received	1,200

The insurance claim relates to expenditure incurred by Imogen in June 2023 in making repairs to the building as a result of storm damage. This expenditure was a revenue expense.

The rent received relates to a small part of the building which Imogen began to let to an unconnected party on 1 February 2024. The agreement is for 12 months with rent payable of £600 per month. When the agreement ends, Imogen will again occupy the entire building for the purposes of her trade.

Briefly explain whether Imogen should include the insurance proceeds and the rent in calculating her taxable trading profit.

7. Annette, Barbara and Carla have traded in partnership for a number of years. For the year ended 31 March 2024, the partnership had a tax-adjusted trading profit of £40,000.

The partnership agreement states that profits are to be shared as follows:

	<u>Salary</u>	<u>Profit share</u>
	£	
Annette	25,000	40%
Barbara	25,000	40%
Carla	nil	20%

Calculate:

- 1) **The share of trading profit or loss for each partner for the year ended 31 March 2024.**
 - 2) **The National Insurance Contributions payable by Annette for 2023/24.**
8. Lyra has traded for a number of years, preparing accounts to 31 December. She ceased trading on 31 May 2023. Her results for recent years were as follows:

	£
Year ended 31 December 2022	48,000
Period ended 31 May 2023	(30,000)

She had overlap profits of £14,000.

- 1) **Calculate Lyra's terminal loss.**
- 2) **State the date by which Lyra must make a claim for terminal loss relief.**

9. On 30 April 2023, Carla sold her entire shareholding in Carlz Ltd, realising a chargeable gain of £400,000. The sale of the shares was a material disposal for the purposes of business asset disposal relief.

On the same day, Carla sold a commercial building, realising a chargeable gain of £210,000. The sale of the building was an associated disposal for the purposes of business asset disposal relief.

Carla had bought the building on 1 May 2016 and used it as follows:

<u>Period</u>	<u>Number of years</u>	<u>Use</u>
1 May 2016 to 30 April 2018	2	Let to an unconnected party
1 May 2018 to 30 April 2020	2	Used by Carlz Ltd in its trade – no rent paid
1 May 2020 to 30 April 2023	3	Used by Carlz Ltd in its trade – rent paid equal to 50% market rate
	<u>7</u>	

Carla was an additional rate taxpayer for 2023/24. She did not dispose of any other chargeable assets in 2023/24.

Calculate Carla's Capital Gains Tax liability for 2023/24.

10. Joe is considering transferring his sole trade business, including all of the assets of the business, to a newly-formed limited company. In exchange, Joe will receive shares in the company and loan stock. The market value of the business is £480,000. The disposal would result in total gains of £230,000.

- 1) **Briefly explain the conditions which must be met for incorporation relief to apply to the transfer.**
- 2) **Calculate the amount of loan stock Joe should receive to give a taxable capital gain equal to the annual exempt amount, assuming that incorporation relief applies.**

11. Aryan and Paul have been in partnership for many years, sharing income and capital profits equally.

On 1 June 2023, a building was transferred to Aryan, which the partnership had bought for £310,000 in 2007. The market value of the building on 1 June 2023 was £180,000.

On 1 May 2024, Aryan sold the building for £205,000.

Calculate Aryan's chargeable gain/allowable loss on the sale of the building on 1 May 2024.

12. On 1 August 2021, James began to take on self-employed work in the evenings and weekends. James was not aware that he needed to notify HMRC of his new source of income, nor that he needed to complete a tax return. He became aware of his error in March 2023.

In April 2023, James submitted a 2021/22 tax return showing a trading profit of £2,100 and he paid the Income Tax liability of £420.

Prior to submitting his return, James had no reason to believe that HMRC were aware of his error.

- 1) **State the deadline by which James should have notified HMRC of his new source of income.**
- 2) **Briefly explain how the penalty for late notification will be calculated.**

ANSWERS TO MODULE E – TEST 1

Examiner's report:

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General Comments

Performance in this module was generally good with most candidates being able to cope well with the range of topics examined.

1. Income Tax liability 2023/24

	£	
Trading income	120,000	
Less: Qualifying loan interest (£50,000 x 8%)	<u>(4,000)</u>	[1]
Net income	116,000	
Less: Personal allowance (W)	<u>(4,570)</u>	[1]
	<u>111,430</u>	
Income Tax		
£37,700 x 20%	7,540	[1]
<u>£73,730</u> x 40%	<u>29,492</u>	[1]
<u>£111,430</u>	<u>37,032</u>	

Working

Personal allowance = £12,570 – [$\frac{1}{2}$] ((116,000 – 100,000)/2) 4,570 [1]

Examiner's report:

Most candidates scored very well on this income tax question. However, despite the question clearly stating that Ronnie's share of the partnership profit was £120,000, a common error was to only tax half of this amount which resulted in a loss of a subsequent mark for restricting the personal allowance.

Max 5

2.

- 1) Cash receipts from customers of £5,000 were included on the accruals basis in the year ended 30 September 2022, [1] therefore, an 'adjustment expense' of £5,000 is needed in the year ended 30 September 2023 to avoid double counting. [1]
- 2) Similarly, cash paid to suppliers of £3,000 will result in 'adjustment income' in the year ended 30 September 2023. [1]
- 3) Under the cash basis, expenditure on capital items is allowable, but only the business use proportion, therefore £1,000 x 80% = £800 is an allowable expense. [1]
- 4) The 15% disallowance for leasing costs of cars emitting more than 50g/km does not apply under the cash basis, therefore the full amount of £4,800 is an allowable expense. [1]

Examiner's report:

Performance on this question on the cash basis of accounting was often poor, with several candidates clearly unfamiliar with the rules and others being unable to adequately explain the adjustments required on the change from the accruals basis to the cash basis.

3. 9 month period ended 31 March 2024

	General pool £	Special rate pool £	Motor car £	Allowances £	
Tax written down value brought forward	182,000	222,000	18,000		
Additions – AIA		780,000			[1]
AIA (W)		(750,000)		750,000	[1]
	<u>182,000</u>	<u>252,000</u>	<u>18,000</u>		
WDA 18% x 9/12	(24,570)			24,570	[1]*
WDA 6% x 9/12		(11,340)		11,340	[1]*
x 15,000/20,000			(810)	608	[1]**
Tax written down value carried forward	<u>157,430</u>	<u>240,660</u>	<u>17,190</u>	<u>786,518</u>	

Working

$$\text{AIA } (1,000,000 \times 9/12) = 750,000$$

[* lose 1 of these marks if no prorating of the WDA]

[** lose 1 if no private use restriction]

Examiner's report:

This question on capital allowances was generally very well done, with most candidates scoring highly. A common error was the failure to time apportion the allowances to reflect the 9 month accounting period.

4.

		£	£	
2023/24	1.1.24 – 5.4.24 3/12 x (10,000)	(2,500)	Nil	[1]
2024/25	6.4.24 – 5.4.25 9/12 x (10,000) 3/12 x 54,000	(7,500) <u>13,500</u>	6,000	[1]

The loss of 2023/24 could be:

- offset against the net income of 2023/24 or 2022/23; or [1]
- carried forward to offset against the trading income in 2024/25; or [1]
- offset against the net income of 2020/21 (under an early trade loss relief claim) [1]

Examiner's report:

N/A as question replaced.

5.

- 1) Legal fees of £9,000 on the purchase of the premises are added back in the adjustment to profits calculation **[1]** as they are capital in nature. **[1]**
- 2) The redecoration costs are allowable, but only the proportion that relate to the shop, **[1]** therefore the two-thirds relating to the flat are added back ($\frac{2}{3} \times £15,000 = £10,000$). **[1]**
- 3) As the car has CO₂ emissions of more than 50g/km, 15% of the leasing costs is added back ($15\% \times £2,000 = £300$). **[1]**

As the car is used by Lucy for private journeys, a further £425 (the private use proportion of the balance) is added back ($£(2,000 - 300) \times 25\%$). **[1]**

Max 5**Examiner's report:**

The main error made by candidates in this question was disallowing only 2/3 of the legal expenses in relation to the acquisition of the building. However, lack of clarity of explanation throughout most answers resulted in marks being lost.

6.

Loss of 2022/23 available in 2023/24 to offset against profits for Class 4 NICs purposes:

	£	
Loss of 2022/23	(52,000)	
Offset against trading profits in 2021/22	<u>33,000</u>	
	<u>(19,000)</u>	[1]

Trading profits subject to Class 4 NICs in 2023/24 $£(80,000 - 19,000) = £61,000$ **[1]**

	£	
9% x (50,270 – 12,570)	3,393	[1]
2% x (61,000 – 50,270)	<u>215</u>	[1]
	<u>3,608</u>	

Class 2		
52 x £3.45	<u>179</u>	[1]

Tutorial Note:

Where a trading loss is offset against non-trading income it remains available to offset against trading profits for Class 4 NICs purposes. Therefore the loss of 2022/23 is only reduced by the amount set against the trading profits in 2021/22 when calculating the Class 4 NICs for 2023/24.

Examiner's report:

N/A as question replaced

7.

- 1) Terms indicating that Tom will be treated as an employee of Freddie:
- Tom must attend Freddie's offices on set days and on set hours [1]
 - Tom will be provided with equipment (i.e. a laptop and mobile phone) by Freddie in order for Tom to carry out the work required. [1]
- Terms indicating that Tom will be treated as self-employed:
- Tom will only get paid if he obtains new clients for Freddie. [1]
 - Tom will use his own car to visit potential clients. [1]
- 2) Suggested changes to increase the likelihood of Tom being treated as self-employed:
- Tom should provide his own laptop and mobile phone. [1]
 - Tom should be allowed to work from home and/or to have more flexible working hours. [1]

Max 5**Examiner's report:**

Most candidates gave excellent answers to this question, with many scoring full marks, however once again, lack of clarity of explanation resulted in some candidates losing what would otherwise have been easy marks.

8.

<u>Year ended 31 January 2024</u>	Total £	Art £	Ben £	Lou £	
1 February - 31 July 2023					
6/12 x £120,000	60,000				[1]
Salaries (x 6/12)	(8,500)	4,500	3,000	1,000	[1+1]
	51,500				
Balance shared (50% to Lou)	(51,500)			25,750	[1]
	<u>Nil</u>			<u>26,750</u>	
<u>2023/24</u>					
Lou ceases to trade					
1 February – 31 July 2023				26,750	
Less: Overlap profits				(2,750)	[1]
				<u>24,000</u>	

Examiner's report:

This partnership question was generally well done, although common errors revolved around the salaries paid to the partners, including failure to time apportion, failure to deduct from the partnership profit to arrive at the balance to be shared and in some cases the inclusion of Lou's salary as 'employment income' in the calculation of his trading income.

9.

	£	BADR gains £	Non BADR gains £	
<u>Business premises</u>				
Proceeds	120,000			
Cost	<u>(170,000)</u>			
Loss	<u>(50,000)</u>			
		(50,000)		[1]
<u>Goodwill</u>				
Proceeds	85,000			
Cost	<u>(Nil)</u>			
Gain	<u>85,000</u>			
		85,000		[1]
Plant and Machinery – exempt				[1]
Net current assets – not chargeable assets				
Painting			<u>4,000</u>	
		35,000	4,000	
Annual exempt amount		<u>(2,000)</u>	<u>(4,000)</u>	[1]
		<u>33,000</u>	<u>Nil</u>	
CGT at 10% x £33,000		<u>3,300</u>		[1]

Examiner's report:

Performance on this question was very mixed, with some candidates producing excellent answers while others were poor. Some candidates completely missed that business asset disposal relief was available on the disposal of the business. Common errors included the belief that the goodwill was not a chargeable asset and that the disposal of the business premises at a loss resulted in nil. Of those candidates who correctly calculated the gain and the loss and recognised that business asset disposal relief was available, the loss was frequently not offset against the gain on the goodwill to find the net gain on the disposal of the business, but instead treated as an unrelated loss and offset initially against the gain on the painting.

10.

- 1) The conditions to be met for a rollover relief claim to be made are:
 - The asset being disposed of and the asset being acquired [1] must be qualifying assets used in a trade; [1]
 - The new asset must be purchased within 12 months before to within 36 months after the disposal of the old asset. [1]
- 2) The base cost of the lease is not reduced by the £210,000 gain as the lease is a depreciating asset. [1]

Instead, the gain will be deferred until Lucas assigns the lease in five years' time. [1]

Examiner's report:

Candidates generally performed well on this question on rollover relief, however a common error was to deduct the deferred gain on the office building against the cost of the leasehold premises, despite the fact that the lease was for 55 years and therefore a depreciating asset.

11.

<u>2022/23</u>	Ted £	Alice £	Esther £	
Deemed proceeds (10% x £450,000)	45,000	45,000		[1]
Cost (10% x £180,000)	<u>(18,000)</u>	<u>(18,000)</u>		[1]
Gains	<u>27,000</u>	<u>27,000</u>		
<u>2023/24</u>				
Proceeds (£500,000 x 40%/40%/20%)	200,000	200,000	100,000	[1]
Cost				
Ted and Alice: 40% x £180,000	(72,000)	(72,000)		[1]
Esther: 20% x £450,000			<u>(90,000)</u>	[1]
Gains	<u>128,000</u>	<u>128,000</u>	<u>10,000</u>	

Examiner's report:

When this question was done well, it was done extremely well with some candidates scoring full marks.

12.

	£	
First payment on account for 2023/24 is due on 31 January 2024*		[1]*
£(49,637 + £3,785) = £53,422 x 50%	<u>26,711</u>	[1]**
Second payment on account for 2023/24 is due on 31 July 2024*	<u>26,711</u>	[1]***
Balancing payment for 2023/24 is due on 31 January 2025*		
Income Tax payable for 2023/24	60,227	
CGT payable for 2023/24	2,800	
Class 4 NIC payable for 2023/24	<u>4,255</u>	[1]
	67,282	
Less: Payments on account	<u>(53,422)</u>	[1]
Balancing payment	<u>13,860</u>	

[* 1 for all three correct dates]

[** 1 for excluding CGT]

[*** 1 for the POAs being the same amount]

Examiner's report:

Almost all candidates performed well on this income tax self-assessment question, indicating that they were prepared for a question of this nature. However a common error was either to exclude Class 4 NICs from the payments on account or to include all NICs, including Class 2.

ANSWERS TO MODULE E – TEST 2

Examiner's report:

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General Comments

Most candidates performed well in this paper. Some candidates did display a lack of knowledge in some areas; for example, overlap profits. In some cases, marks were lost due to simple errors; for example, forgetting to take into account the annual exempt amount when calculating the CGT liability.

1. Profit seeking motive – Sunil intended to make a profit; it does not matter that the transaction resulted in a loss for Sunil. [1]
- Frequency and number of transactions – not a one-off transaction. [1]
- Modification of the asset – Sunil worked on the asset to increase its value. [1]
- Length of ownership – sofa bought and sold in a short period of time. [1]
- Reason for purchase – bought for re-sale, not for his personal use. [1]

[1 awarded for any valid point up to Max 5]

Examiner's report:

Some candidates lost marks by not referring to the badges of trade, as requested in the requirement. This would have helped them to structure their answers, ensuring that enough points were made to pick up all 5 marks.

2.

<u>Step 1: Profit of the standard part</u>		
This is the profit of the year ended 31 December 2023	<u>48,000</u>	
 <u>Step 2: Profit of the transition part</u>		
This is the profit for the period ended 5 April 2024		
3/12 x 40,000	<u>10,000</u>	[1]
 <u>Step 3: Step 2 less overlap profit</u>		
10,000 – 3,000	<u>7,000</u>	[1]
 <u>Step 4: Step 1 plus Step 3</u>		
48,000 + 7,000	<u>55,000</u>	[1]
 <u>Step 5: Lower of Step 3 and Step 4</u>		
Lower of 55,000 or 7,000	7,000	[1]
Transition profits = £7,000. Spread over 5 years ie £1,400 per year		
 <u>Step 6: Step 1 plus appropriate proportion of transition profits</u>		
48,000 + 1,400	<u>49,400</u>	[1]
Assessable 2023/24		

Alternative calculation:		
<u>2023/24</u>	£	£
Normal CYB profit – y/e 31.12.23		48,000
<u>Profit to 5.4.24:</u>		
3/12 x 40,000	10,000	
Less: overlap profit b/f	<u>(3,000)</u>	
'Transition profit'		<u>7,000</u>
Total profit		<u>55,000</u>
Lower of:		
Total profit: 55,000		
Transition profit: 7,000	<u>7,000</u>	
Spread over 5 years, ie £1,400 per year		
<u>Assessable profits:</u>		
Normal CYB profit	48,000	
Spread transition profit	<u>1,400</u>	
Assessable in 2023/24		<u>49,400</u>

Examiner's report:

N/A as question replaced

3.

	£	£	
10,000 miles at 45p per mile	4,500		[1]
2,000 miles at 25p per mile	<u>500</u>		[1]
		5,000	
Parking		96	[1]
Business proportion of interest ((12,000/15,000) x £400)		<u>320</u>	[1]
		<u>5,416</u>	[1]*

[*Mark awarded for not including any other costs]

Examiner's report:

No comment

4. The cost of the event is disallowed as it is business entertaining. [1]
- The gift of the vase is disallowed because the total cost per person exceeds £50. [1]
- The gift of wine to the regular customers is disallowed because it is a gift of alcohol. [1]
- The gift of samples is allowed as this is the gift of items which it is Peter's trade to provide. [1]
- The gift of flowers is allowable as this is to a staff member. [1]

Examiner's report:

Many candidates confused the rules for allowing relief against trading profits for staff gifts with the PAYE and BIK rules.

5.

	£	General pool £	Special rate pool £	Allowances £	
B/fwd		32,000	4,000		
Electric car	22,000				
100% FYA	(22,000)			22,000	[1]
		nil			
Van	16,000				
AIA	(16,000)			16,000	[1]
		nil			
Petrol car			<u>29,000</u>		[1]
		<u>32,000</u>	<u>33,000</u>		
WDA at 18%		(5,760)		5,760	[1]
WDA at 6% (no PU adj)			<u>(1,980)</u>	1,980	[1]
WDV cfwd		<u>26,240</u>	<u>31,020</u>		
Maximum capital allowances				<u>45,740</u>	

Examiner's report:

A common error was to make a private use adjustment in calculating the capital allowances in respect of the car provided to an employee.

6. The compensation should be included in calculating trading income as it relates to revenue expenditure incurred wholly and exclusively for the purposes of the trade. [1]

The general rule is that Imogen should not include the rent in calculating her trading profit - instead, the rent should be deducted in the adjustment of profit calculation and then brought into account as income of a property business. [1]

However, Imogen may treat the rent as trading income if she meets all of the following conditions: [1]

- 1) The let part of the premises is temporarily surplus to requirements.
- 2) Another part of the building is being used for Imogen's trade.
- 3) The receipts are relatively small. [2*]

This would appear to be the case here and so Imogen may include the rent in calculating her trading income.

[*1 given for any conditions set out in the legislation up to Max 2]

Examiner's report:

Many candidates were unaware of the rules allowing rental receipts to be taken into account in calculating trade income in some circumstances.

7. Part 1

	Total £	Annette £	Barbara £	Carla £	
Profit	40,000				
Salaries	(50,000)	25,000	25,000		[1]
Residual loss 40/40/20	(10,000)	(4,000)	(4,000)	(2,000)	[1]
		21,000	21,000	(2,000)	
21,000/ (21,000 + 21,000)		(1,000)	(1,000)	2,000	[1]
Trading profit/loss		<u>20,000</u>	<u>20,000</u>	<u>nil</u>	

Part 2

Class 2 NICs

$$52 \times £3.45 = \underline{£179} \quad [1]$$

Class 4 NICs

$$(20,000 - 12,570) @ 9\% = \underline{£669} \quad [1]$$

Examiner's report:

Some candidates applied Class 1 NICs to the salaries drawn by the partners.

8. Part 1

	£	£	
<u>2023/24</u>			
6.4.23 – 31.5.24			
2/5 x (£30,000)	(12,000)		[1]
Overlap relief	<u>(14,000)</u>	(26,000)	[1]
<u>2022/23</u>			
1.1.23 – 5.4.23			
3/5 x (£30,000)	(18,000)		
1.6.22 – 31.12.22			
7/12 x £48,000	<u>28,000</u>		[1]
	10,000		
Profit ignored in calculating terminal loss		<u>Nil</u>	[1]
		(26,000)	

Part 2

Deadline is 4 years from end of tax year of cessation – 5 April 2028 [1]

Examiner's report:

Some candidates struggled with the overlap profits, treating them as profits and so reducing the amount of the terminal loss.

9.

	BADR £	Non-BADR £	
Material disposal	400,000		
Associated disposal:			
Non-business use (2/7 x £210,000)		60,000	[1]
Business use – no rent (2/7 x £210,000)	60,000		
Business use - rent (3/7 x £210,000 x 50%)	<u>45,000</u>	<u>45,000</u>	[1+1]
	505,000	105,000	
Annual exempt amount		<u>(6,000)</u>	[1]
Taxable gains	<u>505,000</u>	<u>99,000</u>	
CGT at 10%	50,500		
CGT at 20%		19,800	[1]
Total CGT payable	<u>70,300</u>		

Tutorial Note:

As the question does not refer to any previous disposals by Carla, it has been assumed that none of the lifetime limit for business asset disposal relief has been utilised.

Examiner's report:

Most candidates scored well in this question although some were unaware of the restriction applying where rent has been paid. A common error was to forget to take into account the annual exempt amount.

10. Part 1

The conditions are as follows:

The business must be transferred as a going concern [1]

All of the assets must be transferred (apart from cash) [1]

The consideration must be wholly or partly shares in the company [1]

[Max 2 for Part 1]

Part 2

	£	
Gains	230,000	
Incorporation relief (balancing figure)	<u>(224,000)</u>	[1]
Taxable gain	<u>6,000</u>	
$£230,000 \times (\text{shares}/£480,000) = £224,000$		[1]
Shares = £467,478		
Loan stock (£480,000 - £467,478)	<u>12,522</u>	[1]

Examiner's report:

Many candidates did not attempt part 2 of the question. Those that did generally scored full marks.

11.

Sale of the building	£	£	
Proceeds		205,000	
Market value at transfer	180,000		[1+1]
Add: Notional loss (W)	<u>65,000</u>		[1]
		(245,000)	
Allowable loss for Aryan		<u>(40,000)</u>	
<u>Working</u>			
Market value (£180,000 x 50%)		90,000	[1]
Cost (£310,000 x 50%)		<u>(155,000)</u>	[1]
Notional loss		<u>(65,000)</u>	

Examiner's report:

No comment

12. Part 1

5 October 2022 (ie 6 months from the end of the tax year in which he became chargeable) [1]

Part 2

The penalty will be calculated as a percentage of potential lost revenue (PLR). The percentage will be determined by James' behaviour.

PLR is the amount of Income Tax outstanding at 31.1.23 as a result of the failure to notify - £420. [1]

The failure was neither deliberate nor concealed. Therefore, the maximum penalty is 30%. [1]

The penalty may be **reduced** to as low as 0% as:

- 1) disclosure was unprompted, and [1]
- 2) the tax was paid within 12 months of the due date (31.1.23). [1]

Examiner's report:

A common error was to answer the question based on the penalties for submitting a tax return late. This may have been due to a lack of familiarity with the penalties for late notification.