

PRACTICE QUESTIONS

1 UK Tax System

Jackie received property income of £5,000 but accidentally entered the figure on her tax return as £500.
Michelle receives property income of £7,000 p.a. and deliberately declares £5,000 on her tax return.

Which of the above represents tax avoidance or tax evasion?

2 Kate

Kate has the following income and outgoings for 2021/22:

	£
Trading profit	38,000
Employment Income	8,000
Bank Deposit Interest (amount received)	3,500
Dividend income (amount received)	7,000
Qualifying interest (amount paid)	1,000
Gift aid (amount paid)	2,000

PAYE of £505 was deducted from the Employment Income.

Calculate the amount of income tax payable by Kate for 2021/22.

3 Jessica

Jessica had the following income and outgoings for 2021/22

Trading profit	£90,000
Bank interest received	£20,000
Gift aid (amount paid)	£1,600

Calculate the income tax liability of Jessica for 2021/22

4 Karl

Karl has the following income and outgoings for 2021/22

	£
Employment income	140,000
Dividends received	30,000
Qualifying interest (amount paid)	3,000
Gift aid (amount paid)	3,200

PAYE of £48,520 was deducted from the Employment income

Calculate the amount of income tax payable by Karl for 2021/22

5 Mr & Mrs Mature

Mr Mature receives property income of £35,000 which is his only source of income in the tax year 2021/22. His wife Mrs Mature has no income in 2021/22.

Calculate the income tax liability for Mr Mature for 2021/22 assuming any beneficial elections are made and recommend what course of action you would advise the couple to take to reduce this liability and compute the saving that would have been achieved from this action in 2021/22.

6 Michael

Michael received employment income of £116,000 and paid a personal pension contribution of £8,000 in 2021/22.

Calculate his income tax liability for 2021/22.

7 Peter

Peter acquired two properties on 1 June 2021 for purposes of letting that were first let from 1 July 2021.

Property A is let unfurnished for an annual rental of £4,000 payable quarterly in advance from 1 July 2021. Peter incurred the following expenditure in respect of this property during the period to 5 April 2022.

		£
20 June 2021	Repairs to roof following a violent storm on 15 June 2021	1,600
29 June 2021	Insurance for y/e 31/5/19	420
01 February 2022	Repainting exterior	810

Property B is let partly furnished for an annual rental of £5,000, payable quarterly in arrears. The tenants were late in paying the amount due on 31 March 2022, and this was not received until 15 April 2022. Peter incurred the following expenditure in respect of this property during the period to 5 April 2022.

		£
4 June 2021	Letting expenses paid to agent	40
29 June 2021	Insurance for y/e 31/5/19	585

In addition to the expenses incurred on property B, Peter purchased the following items during the tax year. June 2021

Carpets and curtains	£1,500
Fridge	£320
Washing machine	£240

In February 2022 Peter sold the fridge and the washing machine for £120 and £100 respectively, replacing these items with a new fridge freezer costing £500 although the price of the original fridge was now £350 and a new, but similar model washing machine for £250.

You are required to calculate Peter's Property Income assessment for the tax year 2021/22.

8 Matthew

Matthew owns three cottages that have no mortgages on them and that are let out. For the tax year 2021/22 the rent and allowable deductions for each cottage were as follows:

	<i>Rent</i>	<i>Deductions</i>
	£	£
Cottage 1	5,000	7,500
Cottage 2	4,000	2,000
Cottage 3	1,500	4,500

All the cottages are let unfurnished.

Calculate Matthew's Property loss for the tax year 2021/22 and discuss the options for its use. Advise on the tax implications if Cottage 1 was mortgaged, on which Matthew paid £5,000 interest in 2021/22 which figure is included in the deductions of £7,500.

9 Charlie

Charlie lets out a room in his residence to a lodger. The lodger pays rent of £100 per week throughout 2021/22, and the total allowable expenses are £6,100

Charlie had elected for rent a room relief to apply from 2019/20.

Advise Charlie whether or not he should withdraw the election.

10 John

For the past five years John has run a business importing electrical goods from the Far East which he then sells to wholesalers in the UK. His statement of profit or loss for the year ended 31 December 2021 is as follows:

	£	£
Sales		325,000
Cost of sales		(172,500)
Gross profit		152,500
Rent received (Note 1)		9,500
		<u>162,000</u>
Wages and salaries	50,200	
Rent and rates (Note 1)	12,900	
Light and heat (Note 1)	5,250	
Depreciation of fixtures and fittings	1,500	
Insurance	3,550	
Travelling and entertaining (Note 2)	10,750	
Irrecoverable debts (Note 3)	6,750	
Depreciation of vehicles	7,500	
Motor car expenses (Note 4)	4,500	
Sundry expenses (Note 5)	750	
Legal and professional charges (Note 6)	4,750	
Interest on bank overdraft	1,500	
Van expenses	9,300	
Telephone	3,350	
Repairs and renewals (Note 7)	<u>3,500</u>	
		<u>126,050</u>
Net profit		<u>35,950</u>

Notes

1 Rent received is in respect of a flat above John's business premises that is rented out. John estimates that a tenth of the rent and rates, and a seventh of the light and heat is in respect of this flat.

2 Travelling and entertaining expenses:

John's business travelling expenses	5,175
Christmas presents for staff	250
Entertaining UK customers	5,050
Gifts to customers that carry the business name:	
Boxes of chocolate costing £5.00 each	125
Calendars costing £1.50 each	150
	<u>10,750</u>

3 Irrecoverable Debts

Trading debts written off	5,250
Increase in allowance against specific debtors	1,750
Non trading loan written off	200
A trade debt recovered which had been written off the previous year	(450)
	<u>6,750</u>

4 Motor car expenses

John's motor car expenses	3,300
Salesman's motor car expenses	1,200
	<u>4,500</u>

John's total mileage for the year was 12,000 miles. During the year he drove 2,000 miles on a touring holiday and estimates that the balance of his mileage is 20% private and 80% business.

5 Sundry expenses

Donation to national charity	50
Donation to local political party	100
Subscription to chamber of commerce	25
A gift to a member of staff upon marriage	45
John's squash club subscription	250
Advertising in trade press	280
	<u>750</u>

John often uses his squash club as a place to take customers since several of them are keen squash players.

6 Legal and professional charges

The cost of renewing a 21 year lease in respect of the business premises	250
Accountancy	3,050
Debt collection	300
Legal fees in connection with an action by an employee for unfair dismissal	1,150
	<u>4,750</u>

Included in John's accountancy fee is £950 for taxation services. Of this, £200 is for the normal taxation work involved in submitting accounts to the HMRC. The balance is in respect of calculating John's capital gains tax liability following the disposal of some shares that he had owned.

7 Repairs and renewals

Repairs to the office photocopier	175
A new printer for the office computer	650
The installation of new central heating for the office	2,200
Decorating the office	475
	<u>3,500</u>

During the year ended 31 December 2021 John took various electrical goods out of stock for his own and his family's use without paying for them. These goods cost £450 and would have normally been sold at a mark up of 30%.

John has a room in his private house that he uses as an office as he often works at home. The allowable amount for the use of the office is £250 and appears to be a fair estimate. Also, John makes business calls from his private telephone and he estimates the business use as two fifths. The total of his private telephone calls for the year was £450.

Calculate John's adjusted profit (before capital allowances) for the year ended 31 December 2021.

You should indicate by the use of zero any items in the statement of profit or loss for which no adjustment is required.

11 Carl

Carl prepares accounts to 31 March.

The written down value on the main pool as at 1 April 2021 was £23,500.

In the two years ended 31 March 2023 the following transactions took place.

Year ended 31 March 2022

1 Nov 2021	Purchased machinery costing £176,000.
10 Nov 2021	Sold two lorries (purchased for £8,450 each) for £2,500 each. Purchased two replacement lorries for £15,250 each.
1 Dec 2021	Purchased a motor car with CO ₂ emissions of 70 g/km for £16,600 for use by the sales manager.

Year ended 31 March 2023

1 July 2022	Purchased thermal insulation for a business building of £120,000
1 Nov 2022	Purchased a motor car with CO ₂ emissions of 30 g/km for £7,500.
1 Dec 2022	Sold the motor car purchased on 1 December 2021 for £12,000.

Calculate the capital allowances available to Carl for the years ended 31 March 2022 and 31 March 2023.

12 Jason

Jason commenced trading on 1 July 2020 drawing up accounts to 31 May each year.

Trading profit for each accounting period is as follows:

	£
1 July 2020 to 31 May 2021	33,000
Year ended 31 May 2022	24,000
Year ended 31 May 2023	36,000

Calculate the trading profit assessments for the relevant tax years and any overlap profits arising.

13 Stephen

Stephen started to trade on 1 February 2017 and ceased trading on 31 October 2022. His accounts show the following trading income.

	£
P/e 30 April 2018	30,000
Y/e 30 April 2019	10,000
Y/e 30 April 2020	12,000
Y/e 30 April 2021	15,000
Y/e 30 April 2022	18,000
P/e 31 October 2022	7,000

Calculate the trading profit assessments for all relevant tax years.

14 Grace

Grace starts a trade on 1 May 2021, and has the following results (before capital allowances).

Period of account	Profit
	£
1 May 2021 – 31 July 2022	128,360
1 August 2022 – 31 July 2023	88,013
1 August 2023 – 31 July 2024	75,727

Plant is bought as follows:

Date	Cost
	£
1 May 2021 Plant	69,500
1 Dec 2021 Car (45g /km)	21,600
1 Oct 2022 Machinery	40,000
1 Feb 2024 Plant	25,000

On 1 May 2024, the car purchased on 1 December 2021 was sold for £13,000. The car was used by the sales manager of the business throughout the period of ownership with 60% business use and 40% private use.

Calculate the trading profit assessments for the opening tax years as far as the available information permits, assuming maximum capital allowances are claimed.

Assume that the capital allowance rates applicable to the 2021/22 tax year apply throughout.

15 David

David traded for many years preparing accounts to 5 April when he ceased trading at 30 June 2023. Trading profits (before capital allowances) have been as follows:

Year ended	£
5 April 2022	25,000
5 April 2023	27,000
Period to 30 June 2023	14,000

Expenditure on plant had been as follows:

Date	Cost
	£
1 June 2021	2,800
1 October 2022	4,600

All items of plant were sold on 30 June 2023 for £4,000 (no item was sold for more than cost).

The written down value of the main pool as at 6 April 2021 was £14,800. Overlap profit from commencement was £2,000

Calculate the trading profit assessments for the final three tax years of assessment.

Assume that the capital allowance rates applicable to the 2021/22 tax year apply throughout

16 Max

Max began trading on 1 January 2021. He prepares accounts to 31 December annually, with results as follows:

	<i>Trading profit</i> £
Year ended 31 December 2021 Loss	(12,000)
Year ended 31 December 2022 Loss (estimated)	(4,000)
Year ended 31 December 2023 Profit (estimated)	8,000
Year ended 31 December 2024 Profit (estimated)	11,500

Prior to commencing self-employment, Max had the following income from employment:

2017/18	19,200
2018/19	23,800
2019/20	20,100
2020/21	11,400

- (a) **Calculate the trading profit assessments for relevant tax years assuming loss relief is carried forward.**
- (b) **Show how the losses incurred in the first years of trading can be relieved under special opening years loss relief, by showing the net income of each year affected by the loss relief.**

17 Elliot

Elliot has been in business many years producing accounts to 31 December.

His recent trading profit results are as follows:

y/e 31 Dec 2019	£60,000
y/e 31 Dec 2020	£30,000
y/e 31 Dec 2021	£40,000
y/e 31 Dec 2022	(£60,000)

Elliot's only other income is property income of £6,000 in each relevant tax year.

Assuming Elliot wants to claim relief for the trading loss as soon as possible calculate the taxable income for each relevant tax year.

If Elliot ceased trading at 31 December 2022 state what alternative loss relief would be available. Assume the 2021/22 personal allowance applies in all years.

18 Anne and Betty

- (a) Briefly explain the basis by which partners are assessed in respect of their share of a partnership's trading profit.
- (b) Anne and Betty have been in partnership since 1 January 1997 sharing profits and losses equally. On 30 June 2021 Betty resigned as a partner, and was replaced on 1 July 2021 by Chloe. The profits were then split in the ratio of 2:1 between Anne and Chloe. The partnership's trading profit is as follows:

	£
Year ended 31 December 2021	60,000
Year ended 31 December 2022	72,000

Anne and Betty each have unrelieved overlap profits of £3,000.

Calculate the trading profit assessments of Anne, Betty and Chloe for 2021/22 and 2022/23.

- (c) Daniel and Elvis have been in partnership since 6 April 1995, making up accounts to 5 April. On 31 December 2021 Elvis resigned as a partner, and was replaced on 1 January 2022 by Frank. For 2021/22 the partnership made a trading loss of £40,000, and this has been allocated between the partners as follows:

	£
Daniel	(20,000)
Elvis	(15,000)
Frank	(5,000)

Each of the partners has investment income. None of them have any capital gains.

State the possible ways in which Daniel, Elvis and Frank can relieve their Trading losses for 2021/22.

19 Renner

Renner is employed by C Ltd, a small family company, in which he holds 20,000 £1 ordinary shares; the remaining 80% are held by the other senior employees.

The company accounts show the following information:

Year to 30 November	2021	2022
	£	£
Salary to Renner (paid at the end of each month)	28,500	33,000
Bonus to Renner (paid in the following February)	4,200	2,700

The following information is provided in respect of 2021/22.

- The senior employees have been able to use the company yacht moored on the south coast for two weeks each year since its purchase. Renner spent his fortnight on the boat along with his family. The yacht cost the company £42,000 in 2016 (current value £33,000) and running and maintenance expenses amounted to £6,000 during the year.
- Renner belongs to a private medical scheme and the company paid the required premium of £270 (including £50 for his family),
- Renner took meals in the fully-subsidised executive canteen; the cost for the year being £735. Another fully subsidised canteen was available for the other staff.
- When at the company premises Renner has use of a 3,500 cc Range Rover car owned by the company which emits 268 g/km of CO₂. It had a list price of £62,000 when new in 2016 and costs £4,800 a year to run. It is garaged at the company's head office and is also used by all the directors for business purposes. Renner is also provided with a new Mini (list price £26,500) with CO₂ emissions of 149 g/km. Renner is provided with private fuel. Both cars run on petrol, and the list price includes delivery and number plates.
- He pays 3% of his basic salary into the company's occupational pension scheme. The company contributes an amount equal to 7% of his salary.
- Renner is provided with a 2% interest rate loan from his employer of £20,000 which was granted three years ago to assist with the purchase of his daughter's residence. He has no other loans and has paid interest only on a monthly basis.
- The company also loaned Renner one of its personal computers, with a printer, for use at home so that he could improve his IT skills. The equipment had cost the company £2,800 (including £350 for the printer) in June 2019. The market value of the equipment when it was first provided to Renner on the 6 April 2021 was £2,010.
- From 6 June 2021 he lived in Southampton in a house owned by the company which cost £80,000 in 1995. Its market value on 6 June 2021 was £138,000. The annual value for the period from 6 June 2021 to 5 April 2022 can be taken as £900. The company paid the following expenses in connection with the house during his period of residence in 2021/22.

	£
Council tax	550
Electricity	260
Telephone	110
Cleaning	130

The furniture in the house is estimated to have cost £7,200.

- Renner received a dividend of 40p per share in May 2021.

Compute Renner's income tax liability for 2021/22

Assume the official rate of interest for 2021/22 is 2.25%.

20 George

- (a) George is employed by Exchequer plc earning an annual salary of £100,000 and has made the following gross personal pension contributions since first joining a scheme in June 2019:

2019/20	£28,000
2020/21	£23,000

During 2021/22 he made a cash payment of £48,000 into the pension scheme and wishes to know whether tax relief will be available in full on this amount and what will be the maximum contribution he will be able to make in 2022/23 for which tax relief will be available without incurring any charges.

- (b) Osbourne is an employee of Chancellor plc with an annual salary of £170,000. He has made regular annual gross personal pension contributions of £60,000pa other than in 2020/21 when his gross contributions were only £10,000. In 2021/22 Osbourne has made gross personal pension contributions of £90,000.

Assume the AA limits for 2021/22 also applied in 2020/21

Compute Osbourne's Income Tax liability for 2021/22.

21 Tony

Tony is in business as a baker, and prepares accounts to 31 March each year. He has given you the following information:

- (1) His trading income for the year ended 31 March 2022 was £18,479.
- (2) Tony employed Jack and Jill during 2021/22. Their gross wages were £18,200 and £12,480 respectively.

Jack's and Jill's wages and employer's NIC are already accounted in the profit figure which Tony has given you.

You are required to calculate the following:

- (a) ***The total Class 1 NICs payable for 2021/22.***
- (b) ***The Class 2 and Class 4 NICs payable by Tony for 2021/22.***

22 Chorley Ltd

You are presented with the accounts of Chorley Ltd for the year to 31 December 2021 (see below). Chorley Ltd runs a small printing business and the managing director wishes to know the amount of the companies' Adjusted trading profit for the year ended 31 December 2021.

	£	£
Gross profit from trading		25,620
Profit on sale of business premises (1)		<u>1,750</u>
		27,370
Advertising	642	
Irrecoverable Debts	75	
Depreciation	2,381	
Light and heat	372	
Miscellaneous expenses (2)	347	
Motor car expenses (3)	555	
Rates	1,057	
Repairs and renewals (4)	2,598	
Staff wages (5)	12,124	
Telephone	<u>351</u>	
		<u>20,502</u>
Profit before tax		<u>6,868</u>

Notes

(1) The profit on the sale of premises relates to the sale of a small freehold industrial unit in which the company stored paper before building the extension.

(2) Miscellaneous expenses included:

	£
Subscription to Printers' Association	45
Contribution to local Enterprise Agency	50
Gifts to customers	
Company calendars costing £7.50 each	75
Two food hampers	95

(3) A director uses the motor car 75% for business purposes and 25% for private purposes.

(4) Repairs and renewals comprises the following expenditure:

	£
Refurbishing second hand press before it could be used in the business	522
Redecorating administration offices	429
Building extension to enlarge paper store in February 2021	<u>1,647</u>
	<u>2,598</u>

(5) Staff wages includes an amount of £182 for a staff Christmas lunch.

Calculate Chorley Ltd's Adjusted trading profit for year ended 31 December 2021.

You should indicate by the use of zero any items in the accounts for which no adjustment is required.

23 Sail Ltd

Sail Ltd has the following results for the year ended 31 March 2022. It has one wholly owned subsidiary company.

	£
Trading profit	380,000
Interest receivable	9,000
Property Income	12,000
Chargeable gains	21,000
Dividends received from non subsidiary UK companies	50,000
Qualifying charitable donations	22,000

Calculate the amount of corporation tax payable by Sail Ltd for the year ended 31 March 2022 and state giving reasons the due date for payment.

24 Swish Ltd

Swish Ltd has the following results for the year ended 31 March 2022

	£
Net loss per Accounts (Note (1))	(116,500)
Interest receivable	3,500
Chargeable gain	44,500

Notes

- (1) Net loss is after charging:
- | | |
|------------------------|----------|
| Depreciation | £ 10,800 |
| Entertaining customers | 1,200 |
- (2) All other expenses are allowable for corporation tax.
- (3) The written down value of plant and machinery on the main pool at 1 April 2021 was £20,000. There were no purchases or sales during the year ended 31 March 2022.
- (4) Swish Ltd has the following results for the previous year:

	31/3/18
Trading profit	40,000
Interest receivable	2,000
Chargeable gain	—
	<u>42,000</u>

- (a) **To compute the trading loss for the year ended 31 March 2022.**
- (b) **To show how the trading loss is relieved assuming relief is taken as soon as possible.**

25 Trunk Limited

Trunk Limited acquired 1,000 shares in Branch Limited on 17th July 1994 costing £10,000. A further 500 shares in this company were acquired on 20th February 1996 costing £6,000. In September 1997 there was a 1 for 2 Bonus issue and in October 1998 a 1 for 3 Rights issue at £9 per share by Branch Limited.

On 15th October 2021 Trunk Limited acquired a further 1,000 shares in Branch Limited costing £15,000 and on 20th October 2021 sold 2,500 shares in Branch Limited for £40,000

Calculate the chargeable gain arising on the sale of the Branch Limited shares in October 2021

Indexation factors are as follows:

July 1994 to February 1996	0.048
February 1996 to September 1997	0.061
February 1996 to October 1998	0.090
September 1997 to October 1998	0.023
October 1998 to December 2017	0.703

26 Granger Limited

Granger Limited bought a piece of land in January 1991 for £5,000. In January 2022 the company sold part of the land for £4,500 at which time the remaining part was valued at £20,500.

In addition the company sold some antique furniture for £5,000 in March 2022. It had originally purchased the furniture in August 1996 for £8,000.

It also sold a painting for £6,600 in October 2022. It was purchased in July 1996 for £2,000.

Calculate the net chargeable gains arising on the above transactions

Indexation factors are as follows:

January 1991 to December 2017	1.194
August 1996 to December 2017	0.871
July 1996 to December 2017	0.875

27 Westcroft Limited

Westcroft Ltd purchased a painting in February 2016 for £100,000. In December 2021 it was stolen and never recovered. In December 2021 the company received insurance proceeds of £500,000 and immediately acquired a replacement painting for £450,000.

Calculate the chargeable gain arising and the base cost of the replacement painting.

Indexation factors are as follows:

February 2016 to December 2017	0.338
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28 Mighty Ltd

Mighty Ltd has been offered £160,000 for a freehold factory that it owns, and is now considering disposing of the factory. The company acquired the factory on 15 March 1984 and it now has an indexed cost of £120,000. The factory has always been used by Mighty Ltd for business purposes.

Explain the chargeable gains implications of each of the following alternative courses of action that Mighty Ltd is considering taking to replace the factory if sold:

- (a) Acquiring a larger freehold factory for £170,000.
- (b) Acquiring a smaller freehold factory for £155,000 and using the remainder of the proceeds as working capital.
- (c) Using the proceeds to pay a premium of £180,000 for a 40-year lease of a new factory (it is possible that a freehold warehouse will also be bought in the next two or three years for an estimated cost of £200,000).

29 Claude

For 2021/22 Claude has made the following gains and capital losses:

- a gain of £31,000
- a gain of £24,000
- a capital loss of £7,000
- a capital loss brought forward of £10,000

All three assets were purchased during May 2019 and were sold during September 2021. None of the assets are residential property

Calculate the CGT in 2021/22 assuming his taxable income is £48,000

30 Cheryl

Cheryl disposed of various assets, none of which were residential property in 2021/22, resulting in chargeable gains of £40,300. Her taxable income was £31,000 and she made a gift aid payment of £1,600 in the tax year.

Calculate Cheryl's capital gains tax for 2021/22 and state the due date for payment

31 Shamus

Shamus acquired a commercial property in October 2020 for £124,000. This was damaged by flooding in December 2021. In January 2022 the insurance company made a payment of £50,000. In February 2022 Shamus spent £60,000 restoring the property. The property was worth £160,000 prior to the restoration. He made an election to deduct the proceeds from the cost of the property on a future disposal.

Calculate any capital gain arising on the receipt of the insurance proceeds in January 2022 and the base cost of the property on a future disposal. Recompute these figures assuming that no election was made.

32 Zoe

Zoe acquired 1,500 shares in XYZ Ltd on 30 April 2021 for £18,000, and 500 shares on 31 May 2021 for £7,000. On 10 February 2022 Zoe bought a further 200 shares in the company for £3,600.

Zoe sold 1,000 shares in XYZ Ltd on 31 January 2022 for £20,000.

Calculate Zoe's capital gain on the disposal of the shares.

33 Michael

Michael had the following transactions in the shares of Saint Ltd:

January 2021	Purchased 2,700 shares for £5,400
May 2021	Purchased 600 shares for £1,500
June 2021	Took up 1 for 3 rights issue at £2.30 per share
August 2021	Sold 4,000 shares for £14,000

Calculate the capital gain on the disposal in August 2021.

34 Jenny

Jenny disposed of her entire business in October 2021 giving rise to the following gains and losses.

	<i>Gain</i>	<i>Loss</i>
Goodwill	100,000	
Factory used in the business	250,000	
Investment commercial property	80,000	
Warehouse used in business		(50,000)

She had owned the business for five years.

In addition she disposed of her entire shareholding in Max Limited giving rise to a gain of £145,000.

She owned 15% of the shares in Max Limited for 3 years and had worked for Max Ltd as an employee for the entire period of ownership.

Jenny has capital losses brought forward at 6 April 2021 of £15,000 and her taxable income for 2021/22 was £30,000.

Calculate Jenny's Capital Gains Tax for 2021/22 and state the due date for payment.

35 Beth

Beth bought a factory for use in her trade in September 1998 for £635,000. In December 2021, wishing to move to a more convenient location, she sold the factory for £750,000. She moved into a rented factory until March 2022 when she purchased and moved into a new factory.

What is the base cost of the new factory if it was purchased for

- (a) £700,000,
or
(b) £550,000?

36 Wendy

Wendy purchased shares in an unquoted trading company of which she owned a 1% holding (and worked part time) in November 1999 for £40,000. In January 2022 she sold them to her grandson for £70,000 when their value was £165,000. Wendy and her grandson claimed relief for a gift of business assets.

- (a) **What is the chargeable gain, if any, incurred by Wendy?**
(b) **What is the base cost of the shares for Wendy's grandson?**

37 Amy

Amy bought a house on 1 April 1995 and occupied as follows:

1/4/1995 – 31/3/1996	Lived in it
1/4/1996 – 30/9/2000	Travels the world
1/10/2000 – 31/3/2004	Lived in it
1/4/2004 – 30/6/2017	Working elsewhere in UK
1/7/2018 – 30/4/2018	Lived in it
1/5/2019 – 1/5/2021	House empty

Amy sold the house on 1 May 2021 for £400,000. It cost £190,000 on 1 April 1995

Calculate the chargeable gain on the sale of the house after considering all reliefs

38 Nathan

(a) Nathan made the following lifetime gifts:

(1) 23 October 2009	– A gift of £356,000 into a trust
(2) 17 September 2015	– A gift of £47,000 to his nephew on the occasion of his marriage
(3) 14 February 2016	– A gift to his civil partner of £100,000
(4) 26 August 2016	– A gift of £273,000 to a trust.

Calculate the IHT payable on the lifetime transfers assuming that Nathan pays any IHT due on the first transfer into trust and the trustees pay any IHT due on the second transfer into trust. Clearly state who is responsible for paying the tax and the due date for payment.

The nil rate bands are as follows

2009/10 onwards	325,000
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(b) Nathan died on 30 November 2021 leaving an estate comprising of his main residence valued at £500,000 upon which there was an interest only mortgage of £150,000 outstanding on this property

In addition he owned

Quoted shares in various companies valued at	£120,000
Paintings valued at	£205,000
Motor cars valued at	£50,000
Building society accounts of	£36,000

Nathan had a life assurance policy on his own life from which the proceeds received were £105,000

Nathan had credit card debts of £2,500 and had also verbally promised to pay the £1,000 legal fees of a friend. Funeral expenses amounted to £5,000.

Under the terms of his will he left £100,000 to his civil partner Norris, £20,000 to his niece and the residue of the estate to his nephew.

Using the information from the part (a), calculate the IHT as a result of death on the lifetime gifts made by Nathan and the IHT on the death estate.

Clearly state who is responsible for paying the tax, who suffers it and the due date for payment.

39 VAT

- (a) Kite Ltd started trading on 1 December 2021, and its forecast turnover is as follows:

	£
One month ended 31 December 2021	27,000
Quarter ended 31 March 2022	90,000
Quarter ended 30 June 2022	68,000
Quarter ended 30 September 2022	81,000

Assume that the quarterly sales figures accrue evenly within the period.

Advise Kite Ltd when it should register for VAT and when HMRC should be notified.

- (b) Cart Ltd is registered for VAT, and its sales are all standard rated. The following information relates to the company's VAT return for the quarter ended 31 December 2021:
- (1) Standard rated sales amounted to £240,000. Cart Ltd offers its customers a 5% discount for prompt payment, and this discount is taken by half of the customers.
 - (2) Standard rated purchases and expenses amounted to £71,280. This figure includes £960 for entertaining UK customers.
 - (3) On 15 December 2021 the company wrote off irrecoverable debts of £4,000 and £1,680 in respect of invoices due for payment on 10 May and 5 August 2021 respectively.
 - (4) On 30 December 2021 the company purchased a motor car at a cost of £32,900 for the use of a director, and machinery at a cost of £42,300. Both these figures are inclusive of VAT. The motor car is used for both business and private mileage.

Unless stated otherwise, all of the above figures are exclusive of VAT.

Calculate the amount of VAT payable by Cart Ltd for the quarter ended 31 December 2021.

40 Geewizz Ltd

Geewizz Ltd commenced trading as a manufacturer of children's toys on 1 April 2021 and immediately registered for VAT. The company is in the process of completing its VAT return for the quarter ended 31 March 2022.

All of Geewizz Ltd's sales are standard rated. It has recently been suffering some debt collection problems with a number of slow paying customers and irrecoverable debts where customers have not paid. At present, the company does not use the cash accounting scheme.

Geewizz Ltd's first three VAT returns were submitted on 20 August 2021, 26 October 2021 and 25 January 2022 respectively. The VAT payable in respect of the second and third returns was not paid until 11 November 2021 and 5 March 2022 respectively.

- Explain the implications if the VAT return and the VAT payable for the quarter ended 31 March 2022 are not submitted to HMRC until 20 May 2022.**
- State the conditions that Geewizz Ltd needs to satisfy before it will be permitted to use the cash accounting scheme or the annual accounting scheme.**
- Explain the advantages of using either scheme.**

41 Groups

Explain the circumstances in which companies may enter into a group VAT registration and state the advantages and disadvantages of joining a group VAT registration

42 Jim

Jim is required to make payments on account. His income tax payable by self assessment for 2020/21 was £5,100.

His income tax payable by self assessment in 2021/22 is £7,629, and he has a capital gains tax liability for the year of £1,000.

State the due dates for payments for tax year 2021/22 and the amount of payment due on each due date.

43 Enquiries

HMRC must give written notice before starting an enquiry into a self assessment personal tax return.

- (a) ***State the date by which the written notice must normally be given***
- (b) ***State the circumstances under which HMRC can extend the above deadline and the time limits for this extension.***
- (c) ***State the three main reasons for the commencement of an enquiry.***
- (d) ***Explain the choices available to a taxpayer who is notified of an additional liability as a result of an enquiry.***

44 Cannock Limited

Cannock Ltd had Taxable Total Profits (TTP) in year ended 31 March 2022 of £2.4M having previously had a TTP of £2M in the year ended 31 March 2021.

Calculate the corporation tax liability of Cannock Limited for the accounting period ended 31 March 2022 and state when this liability is due for payment and the filing date for the corporation tax return.