

Answer to Example 2

Allocate the trading income for accounting periods between the partners.

Profits will be allocated between the partners as follows:

	<i>Total</i>	<i>Ann</i>	<i>Beryl</i>	<i>Clair</i>
		£	£	£
y/e 30/6/2021	12,000	6,000	6,000	–
y/e 30/6/2022	14,000	7,000	7,000	–
y/e 30/6/2023	24,000	8,000	8,000	8,000

Compute each partner's trading income as though they were a sole trader.

Ann and Beryl will both be assessed as follows, based upon a commencement on 1 July 2020:

		£
2020/21 (Actual)	1 July 2020 to 5 April 2021 ($6,000 \times \frac{9}{12}$)	4,500
2021/22 (CYB)	Year ended 30 June 2021	6,000
2022/23 (CYB)	Year ended 30 June 2022	7,000
2023/24 (CYB)	Year ended 30 June 2023	8,000

They will both carry forward overlap profits of £4,500 that arise between 2020/21 and 2021/22.

Clair will be treated as commencing trading on 1 July 2022, and will be assessed on her share of the partnership profits as follow:

2022/23 (Actual)	1 July 2022 to 5 April 2023 $£8,000 \times \frac{9}{12}$	6,000
2023/24 (CYB)	Year ended 30 June 2023	8,000

She will carry forward overlap profits of £6,000

Answer to Example 3

Paul will be entitled to terminal loss relief since he has actually ceased trading.

George will be entitled to claim opening years relief since he has actually commenced trading.

John and James will not be entitled to either of the above reliefs.

All the partners will be entitled to relief against total income of the current or previous tax year and against gains.

All the partners except Paul will be entitled to carry forward relief.

Chapter 9**Answer to Example 1**

The mileage allowance of £3,600 (12,000 at 30p) received is tax free and Kerry will be entitled to a deduction of £1,400 computed as follows:

	£
Authorised rate	
10,000 miles at 45p	4,500
2,000 miles at 25p	500
	5,000
 Mileage allowance from employer (12,000 × 30p)	 (3,600)
Allowable deduction	1,400

Answer to Example 2

	£
Accommodation benefit - Annual Value	4,000
Less: Employee contribution for personal use	(500)
	<u>3,500</u>
Additional accommodation benefit $(120,000 - 75,000) \times 2\%$	900
Total assessable benefit	<u>4,400</u>

As the property had been owned by the employer for more than 6 years when Jones first occupied it and the property had cost more than £75,000 an expensive accommodation benefit will arise based on the market value when Jones first occupied.

Answer to Example 3**(a)** Gift of TV

	£
Market value when first made available to Gerald	900
Less: Benefit already assessed 2020/21 : $(900 \times 20\% \times 10/12)$	(150)
Taxable benefit on gift: 2021/22	<u>750</u>

The benefit is £750 since this is greater than the TV's market value when given to Gerald (£250)

(b) Sale of TV to Gerald for £250

	£
Benefit calculated in (a) above	750
Less: Price paid	(250)
Taxable benefit on gift: 2021/22	<u>500</u>

Notes :

- Where the benefit for use is provided for only part of tax year the benefit is reduced proportionately.
- Gerald would also have been taxed on the benefit of using the TV.
Taxed in 2020/21 – use £150
Taxed in 2021/22 – Gift 750 (a) or £500 (b)

Answer to Example 4**Lewis**

The CO₂ emissions are above 55g/km, so the relevant percentage is 28% (15% + 13% (1% for every complete 5g/km above 55g/km ie $120 - 55 = 65 / 5 = 13\%$). The 4% surcharge for diesel cars is not applied because the RDE2 standard is met. The motor car was only available for eight months of 2021/22, so the benefit is £2,520 ($13,500 \times 28\% \times 8/12$).

Nico

The CO₂ emissions are above the base level figure of 55 grams per kilometre. The CO₂ emissions figure of 162 is rounded down to 160 so that it is divisible by five. The base level percentage of 15% is increased in 1% steps for each complete 5 grams per kilometre above the base level, so the relevant percentage is 36% (15% + 21% ($160 - 55 = 105/5$)). The motor car was available throughout 2021/22 so the benefit is £5,904 ($16,400 \times 36\%$).

Fernando

The CO₂ emissions are above the base level figure of 55 grams per kilometre. The relevant percentage is 53% (15% + 38% ($245 - 55 = 190/5$)), but this is restricted to the maximum of 37%. The motor car was available throughout 2021/22 so the benefit is £7,162 ($22,600 \times 37\% = 8,362 - 1,200$). The contribution by Fernando towards the use of the motor car reduces the benefit.

Jenson

As CO₂ emissions do not exceed 50 grams per kilometre the electric range of the car is relevant, so as this is between 70 and 129 miles the relevant percentage is 4%. The benefit is £16,000 $\times$ 4% = £640 for 2021/22 as Jenson was provided with the car throughout the 2021/22 tax year.

Sebastian

The CO₂ emissions are above 55g/km. The CO₂ emissions figure of 103 is rounded down to 100 so that it is divisible by five. The relevant percentage is 28% (15% + 9% ($100 - 55 = 45/5 = 9\%$)) + 4% (diesel car supplement). The 4% surcharge for diesel cars is applied because the RDE2 standard is not met. The benefit is £14,000 $\times$ 28% = £3,920 for 2021/22.

Answer to Example 5**Lewis**

$$£24,600 \times 28\% \times 8/12 = £4,592$$

The fuel was not available for first 4 months

Nico

$$£24,600 \times 36\% = £8,856$$

Fernando

$$£24,000 \times 37\% = £9,102$$

There is no reduction for the contribution made by Fernando since the cost of private fuel was not fully reimbursed.

Jenson

$$£24,600 \times 4\% = £984$$

Sebastian

$$£24,600 \times 28\% = £6,888$$

Answer to Example 6**(a)** Average method

		£
$\frac{35,000 + 15,000}{2} \times 2\%$		500
Less: interest paid (as below)		(258)
		<u>242</u>
6/4/2021 – 31/5/2021	$£35,000 \times 1\% \times \frac{3}{12}$	58
1/6/2021 – 30/11/2021	$£30,000 \times 1\% \times \frac{6}{12}$	150
1/12/2021 – 5/4/2022	$£15,000 \times 1\% \times \frac{4}{12}$	50
		<u>258</u>

(b) Accurate method

		£
6/4/2021 – 31/5/2021	$£35,000 \times 2\% \times \frac{3}{12}$	117
1/6/2021 – 30/11/2021	$£30,000 \times 2\% \times \frac{6}{12}$	300
1/12/2021 – 5/4/2022	$£15,000 \times 2\% \times \frac{4}{12}$	100
		<u>517</u>
Less: Interest paid (as above)		(258)
		<u>259</u>

Jack would not opt for the accurate basis as this gives a higher assessment.

Answer to Example 7

	£
Personal Allowance	12,570
Benefits	(440)
Tax underpaid: $132 \times 100\%$	(660)
	<u>11,470</u>
Tax code	1147L

Chapter 10

Answer to Example 1

The total pension input allowed is made up as follows:

AA for 2021/22 (note 1)	40,000
Unused AA b/f	
- 2018/19 fully used	nil
- 2019/20 (40,000 – 30,000)	10,000
- 2020/21 (40,000 – 25,000)	15,000
Maximum gross contribution	<u>65,000</u>

note 1 Aston has adjusted income of £120,000 in 2021/22 which does not exceed £240,000 and therefore no tapering of the AA applies

It can be seen from the above working that the current year's AA is used first and then unused AA brought forward is used on a FIFO basis.

If therefore in 2021/22 Aston actually made a gross contribution of £45,000, this would be less than his relevant earnings for the year (£120,000) and would therefore qualify for relief and would utilise all of the 2021/22 AA of £40,000 and £5,000 of the £10,000 unused AA brought forward from 2019/20.

The remaining £5,000 would be carried forward for one more year to 2022/23. If a £30,000 gross contribution was then made this would be within the AA for 2022/23 so no unused AA brought forward would be utilised and the £10,000 unused AA would be carried forward.

The £5,000 unused AA from 2019/20 would now lapse so that in 2023/24 after that year's AA is used there would be unused AA brought forward for use as follows:

- 2020/21	£15,000
- 2021/22	£NIL
- 2022/23 (40,000 – 30,000)	£10,000

Chapter 11

Answer to Example 1

The Class 1 and Class 1A NIC liability is as follows:

Class 1		£
Employee	. ≤ £9,568 @ 0%	Nil
	. [£50,270 – £9,568] × 12%	4,884
	. [£60,000 – £50,270] × 2%	195
		<u>5,079</u>
Employer	. ≤ £8,840 @ 0%	Nil
	. [£60,000 – £8,840] × 13.8%	7,060
		<u>7,060</u>

Employment Allowance of £4,000 would be deductible from the total Employer Class 1 NIC liability of Riga Ltd

Class 1A

Employer 6,400 + 4,320 = 10,720 @ 13.8% = £1,479

Answer to Example 2

Class 4	£
(£50,270 – £9,568) × 9%	3,663
(£60,000 – £50,270) × 2%	<u>195</u>
	3,858
Class 2	
£3.05 × 52 weeks	£159

Chapter 12**Answer to Example 1**

Tina – Capital Gains tax computation - 2021/22

Painting	£	£
Disposal proceeds	500,000	
Less Cost	<u>(350,000)</u>	
Capital Gain		150,000
Investment commercial property		
Disposal proceeds	310,300	
Less incidental costs of disposal	<u>(15,000)</u>	
Net proceeds	295,300	
Less cost	<u>(200,000)</u>	
Capital Gain		95,300
Antique vase		
Disposal proceeds	10,000	
Less cost	<u>(15,000)</u>	
Capital loss		<u>(5,000)</u>
Net capital gains in 2021/22		240,300
Less AEA		<u>(12,300)</u>
		228,000
Less Capital losses b/f		<u>(15,000)</u>
Taxable Gains		213,000
CGT × 20% (Note)		<u>£42,600</u>
Due		31/1/2023

Note: Tina's taxable income of £50,000 exceeds the basic rate band of £37,700 and none of the assets sold are residential property nor assets eligible for business asset disposal or investors' relief, so all of the taxable gains are taxed at 20%