

SECTION A - ANSWER THREE QUESTIONS

- 1 EXPLAIN how the following will be treated for the purposes of income tax:

- Royalties
- Interest from an ISA account
- Interest from Treasury and Exchequer stocks
- Dividends from a UK company
- UK state pension
- Income from a purchased life annuity.

- 2 EXPLAIN the income tax consequences arising out of the following information:

Holly works two days each week for a local residents' association, taking care of some communal gardens. Originally this was her only work when she left college, and the terms of her engagement was that she worked on Wednesdays and Thursdays, from 9 to 4 pm and used the gardening tools owned by the association. Gradually, word spread of her skills, and she is now much in demand, working for many different clients. The way she works now is that she arranges with each client the number of hours she will work each week and she is paid an hourly rate. She chooses when to perform the tasks. She has bought her own equipment now: a lawnmower, which she reckons she will have to replace about every four years, spades and trowels etc, which will last at least ten years, and gardening gloves, which wear out about every three months.

She has bought an old van which she uses to carry her gardening equipment from job to job. As she doesn't have a car, she uses the van for general purposes when she is not working.

Recently, Holly took on a friend from college days to help her out. At the moment she pays her friend a fixed amount for each hour she works, but as things get busier, Holly is contemplating taking her friend into partnership with her.

- 3 Write notes on TWO of the following:

- The taxation of lease premiums
- The application of the IR 35 rules
- The tax treatment of donations to charity, including Gift Aid
- Tax relief for trading losses.

- 4 EXPLAIN the income tax consequences from the point of view of the employees arising out of the following information:

Joe provides the following benefits for his employees:

Jack, who has recently started work for Joe as HR manager, was unable to find accommodation in the locality, so Joe permitted him to stay in one of his own, temporarily unoccupied, flats.

Christine, who is responsible for sales, is given the use of a car belonging to Joe to enable her to visit clients. She gets to use it for private purposes too. She pays for all the petrol.

Fiona has a two year old child who attends a nursery runs by Joe for his workforce. The nursery place is free.

Eric works part-time at one of Joe's health clubs, earning £6,600 per year. He is allowed free use of the club's facilities. Membership of the club costs £600 per annum.

END OF SECTION A

SECTION B ANSWER THREE QUESTIONS

1 EXPLAIN the application of stamp duty land tax on the grant of a new commercial lease, granted for a premium.

2 COMMENT on the inheritance tax implications arising out of the following information:

Janet died in June 2009 after making the following lifetime transfers:

In April 2001, she made a gift to her daughter of £300,000.

In December 2006 she made a gift of £8,000 to her niece on the occasion of her niece's wedding

In February 2007 she made a gift of £500,000 to a discretionary trust in favour of her grandchildren.

In July 2008, she gave a farmhouse and farmland, worth in all £750,000, to her son. Her son continues to operate this as a working farm on her death. (State what difference it would make had her son sold the farm before her death.)

In October 2001, her husband died. He had made no relevant lifetime transfers and, apart from a small legacy to charity, his entire estate was left to Janet.

3 EXPLAIN the main differences in the taxation of the disposal of a capital asset by a company on the one hand, and by an individual on the other.

4 George is about to start up business manufacturing and selling metal components. He is worried about VAT and asks you to advise him whether he will be required to register for VAT, and if so, what are the

dates for registration. Some of his customers are likely to be abroad, in Europe and elsewhere, and he asks you, assuming he has registered for VAT, whether he should charge VAT on supplies to his foreign customers.

END OF SECTION B