

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

IDM BOTSWANA

BA (HONS) ACCOUNTANCY

ACC6002 – ADVANCED TAXATION

Date: 18th March 2019

Time: 3 hours

INSTRUCTIONS TO CANDIDATES:

There are 4 questions on this paper.

Answer all 4 questions

All questions carry equal marks.

Additional material provided: Taxation tables – 2017/18

University of Bolton
Off Campus Division
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BA (Hons) Accountancy
Module No. ACC6002 – Advanced Taxation

Question 1

On 30 June 2017 George sold a house for £308,000. The house had been purchased on 1 January 2000 for £98,000 and used by George as follows :-

Months

16	Occupied
18	Unoccupied - travelling overseas
24	Unoccupied - required to work overseas by his employer
11	Occupied
30	Unoccupied - required to work elsewhere in the UK by his employer
22	Unoccupied - travelling overseas
26	Unoccupied - required to work elsewhere in the UK by his employer
27	Occupied
7	Unoccupied - required to work overseas by his employer
14	Unoccupied - travelling overseas
15	Unoccupied - lived with sister

210

George let the house during all his periods of absence. George did not have any other main residence. He also made the following disposals in 2017 – 18

- i) On 30 September 2017 he sold a copyright for £8200. The copyright had been purchased on 1 October 2015 for £7000 when it had an unexpired life of 10 years
- ii) On 6th October 2017 he sold a painting for £5,400. The painting had been purchased on 18 May 2013 for £2,200
- iii) On 3 December 2017 he sold 2 acres of land for £92,000. His father in law had originally purchased three acres on 4 August 2005 for £19,500 but died on 17 June 2012 and the land was inherited by his wife. On the date the 3 acres were valued at £28,600. His wife transferred the land to him on 14^h November 2015. On that date the 3 acres were valued at £39,000. The market value of the unsold acre of land as at 3 December 2017 was £38,000.
- iv) On 31 January 2018 he sold shares in a listed company. The shares had been acquired as below. He also took up a 1 for 4 rights issue at £3.50 per share on 31 May 2016

**Question 1 continues over the page
Please turn the page.**

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BA (Hons) Accountancy
Module No. ACC6002 – Advanced Taxation
Question 1 - continued

- v) On 31 January 2018 he sold shares in a listed company. The shares had been acquired as below. He also took up a 1 for 4 rights issue at £3.50 per share on 31 May 2016

Date	No shares	Cost
1 January 2008	1000	£4,200
19 June 2009	700	£2,950
31 December 2015	1200	£5,620
11 August 2017	400	£2,100

Required

- a. Calculate George's taxable gains for the year 2017 – 18 **(25 marks)**

Please turn the page.

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 IDM Botswana
 BA (Hons) Accountancy
 Module No. ACC6002 – Advanced Taxation

Question 2

A Ltd owns 70% of the ordinary shares on B Ltd, 30% of the ordinary shares of C Ltd and 80% of the ordinary shares of D Ltd. All four companies are resident in the UK. The results for the year to 31 March 2018 for each company are as follows :

	A Ltd	B Ltd	C Ltd	D Ltd
	£	£	£	£
Trading Profit (Loss)	210,000	(65,000)	35,000	(45,000)
Dividends paid for the year	-	30,000	18,000	27,000

Required

- a. State (with supporting comments) which of B,C & D are “related 51% group companies” of A Ltd. **(5 marks)**
- b. Explain how the corporation tax computation of A Ltd for the year to 31 March 2018 is affected by the fact that it receives dividends from the other 3 companies. **(5 marks)**
- c. Calculate the group relief that can be claimed by A Ltd for the year to 31 March 2018. **(5 marks)**
- d. Assuming the maximum group relief is claimed, calculate the corporation tax of A Ltd and state the date on which it is due. **(5 marks)**
- e. Explain how capital losses made by B,C and D might be relieved against gains made by other companies in the group. **(5 marks)**

Please turn the page.

University of Bolton
Off Campus Division
IDM Botswana
BA (Hons) Accountancy
Module No. ACC6002 – Advanced Taxation

Question 3

D Ltd is VAT registered. During the quarter to 31 March 2018 the company made the following supplies of goods and services

	£
Standard rated supplies (including VAT)	75,840
Zero rated supplies	16,800
Exempt supplies	12,500

The company suffered the following input tax during the quarter

Attributed to taxable supplies	5,210
Attributed to exempt supplies	860
Unattributed	2,470

The input tax which is attributed to taxable supplies includes £1,710 in relation to the purchase of a motor car and a further £180 in relation to fuel used by this car during the quarter. The car has emissions of 143 g/km and is used for both business (70%) and private (30%) motoring. The company pays all the fuel costs.

During the quarter a company that owed D Ltd £1,000 plus Vat went into liquidation.

Unattributed input tax includes £620 of input VAT on UK customer entertaining costs and £590 of VAT on staff entertaining

Required

- List the contents of a VAT invoice. **(5 marks)**
- State the conditions necessary for the D Ltd to claim bad debt relief and the actions it must take to secure the relief. **(5 marks)**
- Calculate the VAT Liability for the quarter to 31 March 2018, giving details of assumptions made or further information required. **(15 marks)**

Please turn the page.

University of Bolton
Off Campus Division
IDM Botswana
BA (Hons) Accountancy
Module No. ACC6002 – Advanced Taxation

Question 4

John died on 14 February 2018. He made the following gifts during his lifetime:

On 2 August 2016 he made a cash gift of £50,000 to his grandson. This was a wedding present

On 14th November 2016 he made a cash gift of £800,000 to a trust. John paid the IHT arising from this gift.

At the date of his death John owned the following assets:

Main residence valued at £260,000

Building society deposits of £515,600

A life assurance policy on his own life. Proceeds of £210,000 were received from the insurance company

Funeral costs amounted to £5,600. John left £300,000 to his wife and the residue of his estate to his nephew

The nil rate band in tax years 2016-17 and 2017-18 was £325,

Required

- a. Define who are chargeable persons and what is chargeable property in respect of UK inheritance tax. **(10 marks)**
- b. Calculate the inheritance tax payable as a result of Johns death. **(15 marks)**

END OF QUESTIONS

Lymer & Oats 2017/18 Tables of tax rates and allowances

The current rates and allowances for income tax, corporation tax, capital gains tax, inheritance tax and other taxes are set out below.

Income tax rates

	Non-savings	Savings	Dividends
£0 - £5,000	-*	0%*	0%**
£0 (or £5,000) - £33,500	20%	20%	7.5%**
£33,501 - £150,000	40%	40%	32.5%
Over £150,000	45%	45%	38.1%

* 0% rate on savings only available up to £5,000 of savings income if non-savings income does not exceed this sum. In addition, a £1,000 personal savings allowance is available to basic rate taxpayers (£500 for higher rate taxpayers and nil for additional rate taxpayers).

**Dividend allowance of £5,000

Personal income tax allowances

	2017/18 £	2016/17 £	Increase £
Income tax allowances:			
Personal allowance	11,500	11,000	500
Income limit: personal allowance	100,000	100,000	0
Transferrable tax allowance (married couples)	1,150	1,100	50
Income limit: transferable tax allowance	28,000	27,700	300
Dividend allowance	5,000	5,000	0
Personal savings allowance:			
Basic rate taxpayers	1,000	1,000	0
Higher rate taxpayers	500	500	0
Blind person's allowance	2,320	2,290	30

Car and fuel benefits in kind

Car benefit charge: round down to find the correct percentage:

CO ₂ g/km	Taxable %		CO ₂ g/km	Taxable %		CO ₂ g/km	Taxable %	
	Petrol	Diesel		Petrol	Diesel		Petrol	Diesel
0(EV)	9	12	125	24	27	170	33	36
51	13	16	130	25	28	175	34	37
76	17	20	135	26	29	180	35	37
95	18	21	140	27	30	185	36	37
100	19	22	145	28	31	190+	37	37
105	20	23	150	29	32			
110	21	24	155	30	33			
115	22	25	160	31	34			
120	23	26	165	32	35			

Car fuel benefit charge	£22,600
Van benefit charge	£3,230
Van fuel benefit charge	£610

Approved mileage rates

	Business Miles	Allowance rate per mile
Cars and vans	0 – 10,000	45p
	10,000+	25p
Motor cycles		24p
Bicycles		20p

Excess payments over these rates are taxable. Shortfalls can be claimed as tax relief by the employee.

Income tax reliefs and incentives: annual limits

	2017/18 £	2016/17 £
Individual Savings Account (ISA)	20,000	15,240
Junior ISA	4,128	4,080
Help to buy ISA – maximum saving	12,000	
Child Trust Fund	4,128	4,080
Enterprise investment scheme (EIS)	1,000,000	1,000,000
Seed Enterprise investment scheme (SEIS)	100,000	100,000
Venture capital trust (VCT)	200,000	200,000
Social investment tax relief (SITR)	1,000,000	1,000,000
Employee shareholder status	2,000	2,000
Pension scheme allowances:		
Annual allowance	40,000	40,000
Lifetime allowance	1,000,000	1,000,000

National Insurance Contributions

Item	2017/18	2016/17
Class 1:		
Lower Earnings Limit – LEL (per week)	£113	£112
Primary (employees) Threshold (per week)	£157	£155
Secondary (employers) Threshold (per week)	£157	£156
Upper Earnings Limit – UEL (per week – employees only)	£866	£827
Upper Secondary Threshold (per week – <21yr old)	£866	£827
(per week – <25yr old apprentices)	£866	£827
Employment allowance (per employer)	£3,000	£3,000
Employee's contributions (£157pw to £866pw +2% over £866pw)	12%	12%
Employer's Contribution Rates (all earnings over £157pw)	13.8%	13.8%
Class 1A and 1B	13.8%	13.8%
Class 2: Self employed Contribution (per week)	£2.85	£2.80
Small Profits Threshold (per annum)	£6,025	£5,965
Class 3: Contribution (per week) (voluntary)	£14.25	£14.10
Class 4: Contributions – Upper Profits Limit	£45,000	£43,000
Contributions – Lower Profits Limit	£8,164	£8,060
Contribution Rate (£8,164pa – £45,000pa then 2% over £45,000pa)	9.0%	9.0%

Apprenticeship Levy

	2017/18	2016/17
Apprenticeship Levy Allowance (per employer)	£15,000	0
Apprenticeship Levy rate	0.5%	0

Capital taxes: Individuals

	2017/18 £	2016/17 £	Increase £/%
Capital gains tax annual exempt amount			
Individuals, etc.	11,300	11,100	200
Capital gains tax standard basic rate	10%*	10%*	0
Capital gains tax standard higher rate	20%*	20%*	0
Entrepreneurs' Relief limit	10 million	10 million	0
Entrepreneurs' Relief rate	10%	10%	0
Investors' Relief limit	10 million	10 million	0
Investors' Relief rate	10%	10%	0
Inheritance tax threshold (each if couple/partner)	325,000	325,000	0
Residence nil rate band limit	100,000	0	100,000
Inheritance tax rate	40%	40%	0
Lower rate (10%+ of estate left to charity)	36%	36%	0

* An 8% surcharge applies in respect of residential properties and carried interest.

Corporation tax 2017/18

	2017/18	2016/17
Corporation Tax rate	19%	20%

Note: an 8% surcharge applies to bank profit before carry forward losses.

Corporation tax on chargeable gains: indexation allowance

Retail prices index (January 1987 = 100.0)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	-	-	79.44	81.04	81.62	81.85	81.90	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	165.5	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								

VAT

	after 1 April 2017	after 1 April 2016
Standard Rate	20%	20%
Reduced Rate	5%	5%
Annual Registration Limit	£85,000	£83,000
De-registration Limit	£83,000	£81,000
VAT Fraction - standard rate	1/6	1/6
Maximum turnover to join:		
Cash Accounting Scheme	£1,350,000	£1,350,000
Annual Accounting Scheme	£1,350,000	£1,350,000
Flat Rate Scheme (ex VAT)	£150,000	£150,000

Stamp Duty Land Tax

Value of property (£)	Stamp duty rate (%)
<i>Residential property</i>	<i>not buy to let</i>
0 – 125,000	0*
125,001 – 250,000	2*
250,001 – 925,000	5*
925,001 – 1.5m	10*
remainder (over £1.5m)	12*

* 3% supplement on additional dwelling purchased over £40,000.

Value of property (£)	Stamp duty rate (%)
<i>Non-residential property</i>	
up to 150,000	0
150,001 – 250,000	2
over 250,000	5

Annual Tax on Enveloped Dwellings

Value of property (£)	ATED charge (£)
500,000 – 1,000,000	3,500
1,000,001 – 2,000,000	7,050
2,000,001 – 5,000,000	23,550
5,000,001 – 10,000,000	54,950
10,000,001 – 20,000,000	110,100
20,000,000	220,350

Scottish Land and Buildings Transactions Tax

Value of property (£)	LBTT rate %
<i>Residential property</i>	
0 – 145,000*	0*
145,001 – 250,000	2*
250,001 – 325,000	5*
325,000 – 750,000	10*
Over 750,000	12*
* 3% supplement on additional dwelling purchased over £40,000.	
<i>Non-residential property</i>	
0 – 150,000	0
150,001 – 350,000	3
over 350,000	4.5

Environmental taxes

	2016/17
Landfill tax:	
Standard rate (per tonne)	£86.10 (£84.40)
Lower rate (inactive waste per tonne)	£2.70 (£2.65)
Aggregates levy (per tonne)	£2.00 (£2.00)
Climate Change Levy:	
Electricity	0.568p/kwh
Natural Gas	0.198p/kwh
LPG	1.272p/kg

Insurance Premium Tax

Standard Rate	10%*
Higher Rate (travel, appliances, some vehicles)	20%

* Rising to 12% from 1 June 2017 (was 9.5% before 1 October 2016)

HMRC interest rates

	Late Payment (%)	Repayment (%)
All taxes (since 23/8/16)	2.75	0.5
All taxes (29/9/09 – 22/8/16)	3.00	0.5
Average Official rate for 2017/18	3.00%	

(These rates change occasionally – see the HMRC website for details)

Tax credits:

Working tax credit

	£ per year
Basic element	1,960.00
Couple and lone parent element	2,010.00
30 hour element	810.00
Disability element	3,000.00
Severe disability element	1,290.00
Childcare element:	£ per week
Maximum eligible cost for 2 or more children	300.00
Maximum eligible cost for 1 child	175.00
Max. percent of eligible costs covered	70%

Child tax credit

	£ per year
Family element	545.00
Child element (each child)	2,780.00
Disabled child element	3,175.00
Severe disabled child element	1,290.00

Tapering

	£
Income thresholds & withdrawal rates	
First income threshold	6,420.00
First withdrawal rate	41%
First threshold for child tax credit entitlement only (where no WTC claimed)	16,105.00
Income rise disregard	2,500.00
Income fall disregard	2,500.00

Pension credit

	£
Standard Minimum income guarantee credit: (per week)	
Single	159.35
Couple	243.25
Capital:	
Amount disregard	10,000.00
Amount disregard – care homes	10,000.00
Deemed income:	
£1 per week for every £500 (or part thereof) in excess of these amounts	

Personal benefit rates

	2017/18	2016/17
	£	£
Basic Retirement Pension (per week):		
- Single Person (based on own NIC)	122.30	119.30
- Single Person (based on spouse's NIC)	73.30	71.50
- Non-contributory (over 80 pension)	73.30	71.50
New State Pension	159.55	-
Child Benefit (per week – from 5 April 2015):		
- First Eligible Child	20.70	20.70
- Each Extra Child	13.70	13.70
- Guardian allowance	16.70	16.55
Statutory Sick Pay (per week):		
- normally receive £113 per week or more	89.35	88.45
Statutory Maternity Pay (per week):		
Average Weekly Earnings of £113 or over		
- Higher Weekly Rate (first 6 weeks)	90% of weekly earnings	
- Standard Rate (remaining 33 weeks)	140.98	139.58
Statutory Paternity/Adoption Pay (per week)	140.98	139.58
Job Seekers Allowance (income based – per week):		
- Single Person (over 25)	73.10	73.10
- Married Couple (both over 18)	114.85	114.85
National Living/Minimum Wage (per hour):		
- ages 25 and over (from Apr 17)	£7.50	
- ages 21 to 24 (from Apr 17)	£7.05	
- ages 18 to 20 (Development rate – from Apr 17)	£5.60	
- ages 16 to 17 (Young worker rate – from Apr 17)	£4.05	
- Apprentice rate (under 19 or in first year)	£3.50	
Employment & Support Allowance (per week):		
- Single under 25 (first 13 weeks)	57.90	57.90
- Single 25 and over (first 13 weeks)	73.10	73.10
- Work related Activity Group (week 14+)	102.15	102.15
- Support Group (week 14+)	109.30	109.30
Universal Credit (per month):		
- Single under 25	251.77	251.77
- Single 25 and over	317.82	317.82
- Couple one at least over 25	498.89	498.89
- Child element:		
- First child	277.08	277.08
- Second/subsequent child	231.67	231.67
Benefit Cap (per week)		
- Single (no children)	257.69	
- Single parent (children living with them)	384.62	
- Couple (with or without children)	384.62	

These rates are selected from a complex list of benefits available based on personal circumstances and therefore are provided in basic outline only. For a full list of benefits see the www.gov.uk website.

Duty rates

	Duty	Typical Item
Cigarettes	16.5% of retail price + £207.99 per thousand	packet of 20
Cigars	£259.44/kg	packet of 5
Hand rolling tobacco	£209.77/kg	30g
Beer	19.08p/litre	pint
	8.42p for low strength or an extra 5.69p for high strength apply	
Wine		
>22% abv	£28.74/litre pure alcohol	
15%–22%abv	£3.8482/litre 75cl bottle	
5.5%–15%abv	£2.8865/litre	
4%–5.5%abv	£1.2230/litre	
1.2%–4%abv	88.93p/litre	
Sparkling wine		
5.5%–8.5%abv	£2.7946/litre	75cl bottle
8.5%–15%abv	£3.6972/litre	
Cider/Perry		
Still		
1.2%–7.5%abv	40.38p/litre	75cl bottle
7.5%–8.5%abv	61.04p/litre	
Sparkling		
1.2%–5.5%abv	40.38p/litre	75cl bottle
5.5%–8.5%abv	£2.7946/litre	
Spirits	£28.74/litre of pure alcohol	70cl bottle
Fuel Duties :		
Unleaded/Heavy oil (Diesel)/Bio-diesel & bioethanol	57.95p/litre	
Bio-diesel for non-road use	11.14p/litre	
LPG	31.61p/kg	
Other Natural gas (road fuel)	24.7p/kg	
Fuel Oil	10.7p/litre	
Aviation gasoline	37.7p/litre	

2016/17 Additional Tax allowances

Capital allowances

Annual Investment Allowance: £200,000

(Note: Cars do not attract the AIA and separate rules apply for those cars with emissions over 130g/km and below 75g/km)

Special Rate Pool – 8%

General Pool -18%

First Year Allowance for qualifying expenditure – 100%

PAST EXAMINATION PAPER