

UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BA (HONS) ACCOUNTANCY

SEMESTER ONE EXAMINATIONS 2023/2024

PERSONAL AND BUSINESS TAX

MODULE NO: ACC5003

Date: Wednesday 10th January 2024

Time: 2.00pm – 5.00pm

INSTRUCTIONS TO CANDIDATES:

There are **FOUR** questions on this paper.

Answer **ALL QUESTIONS.**

This is a closed book examination.
Tax tables are provided.

You must hand in this exam paper
with your answer booklet.

Use of calculators is allowed.

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SECTION A – ANSWER ALL QUESTIONS FROM THIS SECTION

Question 1

a) Rebecca's income tax for tax year 2023-2024 consists of the following.

Business profits:	£26,930
Employment income:	£20,000
Dividends received:	£50,000
Interest received (net):	£5,000
Rents received:	£8,750
ISA interest received:	£5,000
National Savings Certificates:	£6,000

Tax deducted from source from the employment income is £1,486. The rents received are within the "rent-a-room" scheme and Rebecca's partner has transferred 10% of their personal allowance to Rebecca using the marriage allowance transfer. Rebecca also made personal pension payments of £3,000.

Required:

Calculate Rebecca's income tax liability for the 2023-2024 tax year.

(20 marks)

b) Daniel owns a house which he let to tenants throughout tax years 2022-2023 and 2023-2024. Daniel made a loss in the 2022-2023 tax year of £3,000 and had rental income in 2023-2024 of £17,800.

Expenditure for the 2023-2024 tax year was as follows:

Landlords' insurance:	£950
Repairs to boiler:	£120
Replacement cooker:	£800
Interest on mortgage:	£300

The new cooker is superior to the cooker it replaced (which was scrapped) the old cooker was removed at a cost of £10. It would have cost only £450 to have bought a new cooker which was equivalent in quality to the old one.

Required:

Calculate Daniel's income tax liability for 2023-2024.

(10 marks)

Total 30 Marks

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Question 2

An interest in possession trust with two life tenants has the following income in tax year 2023-2024:

Rents received;	£12,620
Bank deposit interest:	£1,240
Gilts interest received gross:	£1,800
Dividends received:	£14,480

Property expenses incurred in the year £2,220 and general administration expenditure amounted to £1,825.

Required:

- **Compute the trustees' income tax liability for 2023-2024** (10 marks)
 - **Assuming that the trust is divided equally between the two life tenants, calculate each life tenant's income from the trust in 2023-2024.** (10 marks)
- Total 20 marks**

End of Section A

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SECTION B – ANSWER ALL QUESTIONS FROM THIS SECTION

Question 3

Ian is the managing director of a company and earns a basic salary in 2023-2024 of £225,000. He receives benefits from the company during the year as follows:

- 1) He is provided with the use of a company house which has an annual value of £9,750 and which cost his employer £445,000 in 2020. Ian makes no contribution towards the cost of the house or towards the running costs which cost the company £5,450 in 2023-2024. The company also furnished the house at a cost of £38,500. Ian's occupation of the house is not job related.
- 2) He is provided with a petrol-engine company car which had a list price of £45,000, The car has an emission rating of 103g/km and the company pays all running costs.
- 3) He is provided with a company loan of £50,000 on which he is charged interest of 0.5% per annum.
- 4) He is provided with a mobile phone which cost £1,000 with a monthly phone bill of £55 and a work-related training course which he attended full time which cost the employer £10,000.
- 5) The company paid £5,000 into a registered pension scheme.
- 6) The company provided free meals to the value of £1,000, this was not available to all employees.
- 7) The company pays Ian's annual subscription to a private medical insurance scheme, costing £1,850.

Required:

Calculate Ian's taxable benefits in 2023-2024 (the official rate of interest is 2.25% p.a.)

Total 20 Marks

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Question 4

a) Flowerpot Limited is a manufacturing company the company income statement for the year ended 31 March 2023 is as follows:

	£	£
Turnover		1,640,430
Cost of sales		<u>(827,390)</u>
Gross profit		813,040
Other income		<u>24,000</u>
		837,040
Distribution costs	187,770	
Administration expenses	<u>311,920</u>	<u>499,690</u>
Profit for the year (before tax)		337,350

Notes.

1. The other income of £24,000 consists of rents receivable.

2. Distribution costs are as follows:

Depreciation of distribution vans	£18,530
Loss on disposal of distribution van	£990
General distribution costs (all allowable)	<u>£168,250</u>
	<u>£187,770</u>

3. Administrative expenses are as follows:

Depreciation of office equipment	£12,680
Profit on disposal of office equipment	(3,710)
Loss on disposal of investments	27,000
Trade debts written off	10,600
Increase in general allowance for doubtful debts	8,400
Customer entertaining	2,760
Staff entertaining	5,550
Legal fees re acquisition of new freehold offices	4,500
Motor expenses (one-half private motoring by employees)	59,060
Embezzlement by director	50,000
General administrative expenses (all allowable)	<u>135,080</u>
	<u>311,920</u>

Required:

**Compute Flowerpot Limited's trading income for the year ended 31 March 2023.
 (10 marks)**

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Question 4 continued

b) After deducting capital allowances for the year ended 31 March 2022. The tax written down values of Flowerpot Limited's plant and machinery were as follows:

	£	
General pool	112,500	
Special rate pool	14,700	(BMW car bought May 2021, 152g/km)

Plant and machinery bought and sold during the year to March 2023 were as follows:

18 April 2022	Bought second hand plant	£40,000
31 August 2022	Sold plant (cost £20,000 in 2019)	£8,500
6 November 2022	Sold BMW motor car (bought in May 2021)	£11,300
6 November 2022	Bought Audi motor car (emissions 93g/km)	£25,600

The Audi and BMW are used 20% for private use by Vicky, a director of the company.

Required:

Calculate the maximum capital allowances available for the year ended 31 March 2023.

(10 marks)

c) Button Moon Limited prepares a set of accounts to 31 December 2023, with taxable total profits of £48,000 and UK dividends of £6,000.

Required

Using only the information in c) calculate the corporation tax liability for Button Moon Limited.

(10 marks)

Total 30 marks

End of Section B

END OF QUESTIONS

PLEASE TURN OVER FOR SUMMARY OF TAX DATA

Summary of Tax Data

Income Tax

	2023-24	2022-23
TAX RATES AND BANDS[†]		
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Basic rate limit [‡]	£37,700	£37,700
Higher rate limit	£125,140	£150,000

[†] Different tax rates and bands apply to the non-savings income of Scottish taxpayers (see below)

[‡] Basic rate limit frozen at £37,700 until the end of tax year 2027-28

Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000
Personal savings allowance (basic rate taxpayer)	£1,000	£1,000
Personal savings allowance (higher rate taxpayer)	£500	£500
Dividend ordinary rate	8.75%	8.75%
Dividend upper rate	33.75%	33.75%
Dividend additional rate	39.35%	39.35%
Dividend allowance	£1,000	£2,000

SCOTTISH TAX RATES AND BANDS[†]

Starter rate	19%	19%
Basic rate	20%	20%
Intermediate rate	21%	21%
Higher rate	42%	41%
Top rate	47%	46%
Starter rate limit	£2,162	£2,162
Basic rate limit	£13,118	£13,118
Intermediate rate limit	£31,092	£31,092
Higher rate limit	£125,140	£150,000

[†] These tax rates and bands apply only to the non-savings income of Scottish taxpayers

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PERSONAL ALLOWANCES

	2023-24	2022-23
Personal allowance†	£12,570	£12,570
Marriage allowance	£1,260	£1,260
Blind person's allowance	£2,870	£2,600
Married couple's allowance:		
Born before 6 April 1935	£10,375	£9,415
Minimum amount	£4,010	£3,640
Income limit for basic personal allowance	£100,000	£100,000
Income limit for married couple's allowance	£34,600	£31,400

† Personal allowance frozen at £12,570 until the end of tax year 2027-28

CAR AND FUEL BENEFIT

Zero emissions	2%	2%
1-50 g/km (depending upon electric range)	2%-14%	2%-14%
51g/km to 54g/km	15%	15%
55g/km to 59g/km	16%	16%
60g/km to 64g/km	17%	17%
65g/km to 69g/km	18%	18%
70g/km to 74g/km	19%	19%
75g/km	20%	20%
Each additional 5g/km	+1%	+1%
Maximum charge	37%	37%
Amount used in car fuel benefit calculation	£27,800	£25,300

These percentages are increased by 4% for most diesel cars, subject to the maximum of 37%.

CAPITAL ALLOWANCES

Writing Down Allowance (WDA)		
Main pool of plant and machinery	18%	18%
Special rate pool of plant and machinery	6%	6%
Annual Investment Allowance (AIA)	100%	100%
AIA annual limit from 1 January 2019†	£1,000,000	£1,000,000
First Year Allowances (FYAs)	100%	100%
Structures and Buildings Allowances (SBAs)	3%	3%

† The AIA annual limit is now set permanently at £1,000,000

PENSION SCHEMES

Annual allowance	£60,000	£40,000
Minimum annual allowance	£10,000	£4,000
Income limit for annual allowance	£260,000	£240,000
Lifetime allowance†	£1,073,100	£1,073,100

† No lifetime allowance charges arise in 2023-24 but the lifetime allowance is not yet abolished.

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National Insurance Contributions

	2023-24	2022-23
CLASS 1		
Lower earnings limit (weekly)	£123	£123
Primary threshold (weekly) (<i>£190 until 6 July 2022</i>)	£242	£242
Upper earnings limit (weekly)	£967	£967
Secondary threshold (weekly)	£175	£175
Upper secondary threshold (weekly)	£967	£967
Employee contributions		
Rate on earnings between primary threshold and UEL	12%	12%
Rate on earnings beyond UEL	2%	2%
Employer contributions		
Rate on earnings beyond secondary threshold	13.8%	13.8%
Employment allowance	£5,000	£5,000
CLASS 1A		
Rate	13.8%	14.53%
CLASS 2		
Weekly contribution	£3.45	£3.15
Small profits threshold	£6,725	£6,725
Lower profits threshold	£12,570	£11,908
CLASS 3		
Weekly contribution	£17.45	£15.85
CLASS 4		
Lower profits limit	£12,570	£11,908
Upper profits limit	£50,270	£50,270
Rate on profits between lower and upper limit	9%	9.73%
Rate on profits beyond upper limit	2%	2.73%

Most National Insurance thresholds frozen until the end of tax year 2027-28.

Capital Gains Tax

	2023-24	2022-23
Standard rate [†]	10%	10%
Higher rate [†]	20%	20%
Business asset disposal relief rate	10%	10%
Business asset disposal relief lifetime limit	£1,000,000	£1,000,000
Annual exempt amount [‡]	£6,000	£12,300

[†] Taxable gains on the disposal of residential property are taxed at 18% and 28%

[‡] Annual exempt amount for 2024-25 and subsequent years reduced to £3,000

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Corporation Tax

Financial Year	FY2023	FY2022	FY2021	FY2020	FY2019
Main rate	25%	19%	19%	19%	19%
Small profits rate	19%	-	-	-	-
Lower limit	£50,000	-	-	-	-
Upper limit	£250,000	-	-	-	-
Marginal relief fraction	3/200	-	-	-	-
R&D SMEs percentage	186%	230%	230%	230%	230%
R&D SMEs payable credit	10%	14.5%	14.5%	14.5%	14.5%
R&D "above the line" credit	20%	13%	13%	13%	12%
Patent box (effective rate)	10%	10%	10%	10%	10%

The rates of corporation tax in FY2024 will be the same as in FY2023.

Inheritance Tax

Date of transfer	Nil rate band ^{††}	Rate on life-time transfers	Rate on death	Lower rate
6 April 2006 to 5 April 2007	0 - £285,000	20%	40%	-
6 April 2007 to 5 April 2008	0 - £300,000	20%	40%	-
6 April 2008 to 5 April 2009	0 - £312,000	20%	40%	-
6 April 2009 to 5 April 2012	0 - £325,000	20%	40%	-
6 April 2012 to 5 April 2024	0 - £325,000	20%	40%	36%

[†] Residence nil rate band for 2023-24 is £175,000

[‡] Nil rate band and residence nil rate band both frozen until the end of tax year 2027-28

Value Added Tax

Standard rate	20% (from 4 January 2011)
Reduced rate	5%
Registration threshold [†]	£85,000 (from 1 April 2017)
Deregistration threshold [†]	£83,000 (from 1 April 2017)

[†] Thresholds frozen until April 2026

END OF SUMMARY OF TAX DATA

END OF EXAM