

Osborne Books Tutor Zone

Personal Tax

Finance Act 2019

Practice assessment 1

Task 1

You have been approached by a new client, Sophie, who was recently made redundant from her job and has just taken on some work as a gardener. Sophie currently carries out work on two separate gardens, each for a couple of days a week, depending on the weather and what is agreed needs doing. Sophie has already bought her own tools that she uses in both gardens. Sophie plans to register as self-employed, but one of her clients has told her that she is his employee and that he should therefore deduct income tax from her income under PAYE.

Sophie feels that if she is considered an employee with one garden she can ignore the income from the other garden as far as tax is concerned, since she will have already paid tax.

Explain the factors in Sophie's situation that are stated above that may point to self-employment, and those that seem to imply that she is an employee.

Prepare a short list of the questions that you may want to ask Sophie about her work, and explain how the answers may help decide on her employment status.

Comment on Sophie's view that she may be able to ignore some of her gardening income for tax purposes.

Task 2

- (a) Sue had two company cars during the tax year and her employer paid the running costs of each car, including all fuel. Sue makes a contribution to the employer towards the private use of the car (not the fuel). The following table shows the details.

Car	Number of months	List price	Price paid	Sue's revenue contribution	Scale charge
		£	£	£	%
BMW	5	35,350	35,350	250	25
Honda	7	37,250	25,500	350	22

Complete the following table to show Sue's taxable benefit in kind for the cars for 2019/20. Show your answers in whole pounds only.

	£
The benefit in kind for the use of the BMW car	
The benefit in kind for the provision of fuel for the BMW car	
The benefit in kind for the use of the Honda car	
The benefit in kind for the provision of fuel for the Honda car	

- (b) Complete the following table by inserting the scale charge for 2019/20 for each of the cars shown.

	Engine type	CO ₂ emissions	Scale charge %
Car 1	Electric	0	
Car 2	Diesel	194	

Task 3

- (a) (1) On 6 July 2019, Mark was provided with a company loan of £4,500 on which he pays interest at 1.5% per annum. The official rate of interest is 2.5%.

What is the benefit in kind for 2019/20?

(a) Nothing	
(b) £112.50	
(c) £67.50	
(d) £33.75	

- (2) Doris uses her own car for business travelling. During the tax year she travelled 11,500 business miles for which she was paid 20p per mile by her employer. The impact of this is:

(a) She will have a taxable amount of £2,300	
(b) She will claim an allowable expense of £2,875	
(c) She will claim an allowable expense of £2,575	
(d) There is no impact on tax	

- (3) Rob has a personal pension scheme to which he contributes 5% of his salary in cash. His employer does not contribute. His salary is £30,000. The impact of this is:

(a) His taxable salary will be reduced by £1,500	
(b) His taxable salary will be reduced by £1,875	
(c) His basic rate band will be extended by £1,500	
(d) His basic rate band will be extended by £1,875	

- (4) Sandra paid £900 in the tax year entertaining her company's clients. Her manager felt that this was excessive and only reimbursed her £780. The impact of this is:

(a) No net impact on tax	
(b) An allowable deduction of £120	
(c) A benefit of £780	
(d) An allowable deduction of £900	
(e) A benefit of £120	

- (b) Using the following table, analyse the benefits into those that are exempt from tax, and those that are taxable.

Description	Exempt	Taxable
A low interest loan of £12,000		
Free workplace parking		
Use of company van for journeys to and from work and business journeys		
Subsidised meals in a staff restaurant available to all staff		
Gratuities (tips) given to staff by members of public		
Payment of up to £5,000 qualifying award under staff suggestion scheme		
Use of pool car for business journeys		
Relocation costs up to £8,000 due to a change in place of work		
Free childcare provided by employer in workplace creche		

Task 4

Complete the following sentence for each taxpayer. Enter answers in whole pounds only.

Brenda received a dividend of £6,400. Her other income, before personal allowances was £78,000.

The tax payable on the dividends is £

John received £1,150 interest from his bank and £360 interest from his individual savings account. His other taxable income, after the personal allowance was £36,500.

The tax payable on savings income is £

Stevie received building society interest of £1,400. Her other income was £151,100.

The tax payable on savings income is £

Task 5

- (a) Analyse each of the following examples of expenditure on a residential property that is rented out into whether they are allowable for tax purposes or not.

Expenditure	Allowable	Not allowable
Flat rate mileage allowance		
Council tax		
Management charges for lettings		
Legal fees for purchase of property		
Depreciation of furniture		
Redecoration		
Loan repayments		

- (b)** Graham is an additional rate taxpayer. He has heard that eligibility for the personal allowance, the personal savings allowance, and the dividend allowance can vary according to income levels. Explain to Graham whether he is entitled to any of these allowances, and if so what the amounts are.

Task 7

During the tax year, Cassie received a gross salary of £51,500 and use of a company car with an assessable benefit value of £9,450.

Complete the following table to show the National Insurance Contributions relating to Cassie in whole pounds. Ignore the employment allowance.

	£
The total Class 1 NIC payable by Cassie in the tax year	
The total Class 1 NIC payable by Cassie's employer in the tax year	
The total Class 1A NIC payable by Cassie's employer relating to the tax year	

Task 8

(a) Indicate with ticks whether the following statements are true or false.

	True	False
(a) If a wholly electric car is provided by an employer as a company car there is a taxable benefit for use of the car, but not for the supply of electricity		
(b) A transfer of money to a husband, wife, or civil partner has implications for Inheritance Tax, but not for Capital Gains Tax		

(b) Complete the sentences below in whole pounds.

Richard and Bev are married. They have a lump sum to invest in shares that they hope will generate dividends of £10,000 per year. They have no other savings or investment income. Richard's employment income is £29,000 per year, and Bev's employment income is £55,000 per year.

If the money is invested in shares in Richard's name the tax payable will be £ less than if it is invested in Bev's name.

John has total income of £125,000 per year. If he pays £8,000 (net) to a charity under gift aid, his personal allowance will become £

Roger will have use of a diesel company car and all fuel for the whole tax year with a list price of £25,000, and car benefit of 28%. He is a higher-rate taxpayer. If he changes this car to a petrol model with the same list price, and same CO₂ figure it would save him £ per year in tax (including fuel benefit).

Task 9

(a) For each statement, tick the appropriate box.

	Actual proceeds used	Deemed proceeds used	No gain or loss basis
Dave gives an asset to his grandfather			
Husband gives an asset to his wife			
Sarah sells an asset to her friend for £1,000 when it is worth £8,000			
Mel sells an asset to her aunt for £25,000 when the market value is £30,000			

(b) (1) Andrea bought an asset in January 2001 for £16,000, selling it recently for £24,000. She paid auctioneers commission of 4% when she bought the asset and 7% when she sold the asset.

The gain on this asset is:

(a) £8,000	
(b) £5,680	
(c) £9,040	
(d) £10,320	

(2) Cecilia bought a holiday cottage in June 2014 for £240,000. She spent £45,000 adding an extension in 2015. Recently she sold the cottage for £260,000.

Which of the following statements is correct?

(a) The holiday cottage is exempt from CGT	
(b) There is a zero gain / loss calculated on the cottage	
(c) There is a gain of £20,000 on the cottage	
(d) There is a capital loss of £25,000 on the cottage	

Task 11

(a) Jedd has a capital loss brought forward of £3,000.

He sold an asset during the tax year for £24,000. He had been given the asset by his wife when it was worth £7,000. His wife originally paid £5,500 for the asset.

Jedd is a higher rate income tax payer.

Complete the following sentences:

(1) The gain on the asset is £

(2) The amount of loss that will be relieved is £

(3) The capital gains tax payable is £

(4) The loss to be carried forward to the next tax year is £

(b) Stuart bought a house on 1 January 1997 for £125,000. He lived in the house until 31 December 2000 when he moved abroad to work, returning to the UK on 1 January 2004, and lived in the house until 31 December 2015. On this date he moved into his elderly father's house, while leaving his own house empty. The house was eventually sold on 1 January 2020 for £205,000.

(1) Which periods are treated as occupied and which are not?

Occupation / Deemed occupation	Non-occupation

(2) The chargeable gain on the property is £ (to the nearest pound).

Task 12

- (a) The following lifetime transfers were made by unconnected individuals. Complete the table to show the value of any potentially exempt transfers, assuming that the annual exempt amounts for the current and previous year have not yet been utilised. If any transfers are wholly exempt enter a zero.

	Value of PET £
John gives his wife, Sue £15,000 to celebrate their wedding anniversary	
Robert donates £8,000 to Oxfam (a registered charity)	
Sandra gives her daughter £40,000 to help with a house deposit	

- (b) Analyse the following statements about Inheritance Tax into those that are true and those that are false.

	True	False
(a) Individuals that are resident but not domiciled (or deemed domiciled) in the UK are liable for IHT on transfers of their worldwide property		
(b) Individuals that are not resident or domiciled (or deemed domiciled) in the UK are not liable for IHT on transfers of their worldwide property		
(c) A donation to an amateur sports club is an exempt transfer whether made during the individual's lifetime or on death		

