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ACCA – Paper P6 (UK)
Advanced Taxation
September and December 2015
Final assessment

Instructions

- Please complete your personal details above.
- All scripts should ideally be submitted to your Kaplan centre for marking via email to help speed up the marking process.
  Please scan this form and your answer script in a single PDF and email it to your Kaplan centre.
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Marking Report

Notice to Markers

1 When commenting about the script performance, please ensure on individual questions and on overall assessment your comments cover areas of examination technique including:

• Time management	• Handwriting	• Presentation and layout	• Use of English
• Points clearly and concisely made	• Relevance of answers to question	• Coverage and depth of answer	• Accuracy of calculations
• Calculations cross-referenced to workings	• All parts of the requirement attempted	• Length of answers equates to marks available	• Read the question carefully

2 For each question, please provide suitable constructive comments

Question Number	General Comments	Exam Technique Comments

ACCA FINAL ASSESSMENT

Advanced Taxation (United Kingdom)

September and December 2015

Paper P6 (UK)

Time allowed
Reading and planning: 15 minutes
Writing: 3 hours

This paper is divided into two sections:

Section A – BOTH questions are compulsory and MUST be attempted

Section B – TWO questions ONLY to be attempted

Tax rates and allowances are on pages 3 – 7

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

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TAX RATES AND ALLOWANCES

SUPPLEMENTARY INSTRUCTIONS

1. **You should assume that the tax rates and allowances for the tax year 2014/15 and for the Financial year to 31 March 2015 will continue to apply for the foreseeable future unless you are instructed otherwise.**
2. **Calculations and workings need only to be made to the nearest £.**
3. **All apportionments should be made to the nearest month.**
4. **All workings should be shown.**

INCOME TAX

		Normal rates %	Dividend rates %
Basic rate	£1 – £31,865	20	10
Higher rate	£31,866 – £150,000	40	32.5
Additional rate	£150,001 and above	45	37.5

A starting rate of 10% applies to savings income where it falls within the first £2,880 of taxable income.

Personal allowances

Personal allowance:	
Born on or after 6 April 1948	£10,000
Born between 6 April 1938 and 5 April 1948	£10,500
Born before 6 April 1938	£10,660
Income limit:	
Personal allowance	£100,000
Personal allowance (born before 6 April 1948)	£27,000

Residence status

Days in UK	Previously resident	Not previously resident
Less than 16	Automatically not resident	Automatically not resident
16 to 45	Resident if 4 UK ties (or more)	Automatically not resident
46 to 90	Resident if 3 UK ties (or more)	Resident if 4 UK ties
91 to 120	Resident if 2 UK ties (or more)	Resident if 3 UK ties (or more)
121 to 182	Resident if 1 UK tie (or more)	Resident if 2 UK ties (or more)
183 or more	Automatically resident	Automatically resident

Child benefit income tax charge

Where income is between £50,000 and £60,000, the charge is 1% of the amount of child benefit received for every £100 of income over £50,000.

Car benefit percentage

The base level of CO_2 emissions is 95 grams per kilometre.

The percentage rates applying to petrol cars with CO_2 emissions up to this level are:

	%
75 grams per kilometre or less	5
76 grams to 94 grams per kilometre	11
95 grams per kilometre	12

Car fuel benefit

The base figure for calculating the car fuel benefit is £21,700.

New Individual Savings Accounts (NISAs)

The overall investment limit is £15,000.

Pension scheme limits

Annual allowance	– 2014/15	£40,000
	– 2011/12 to 2013/14	£50,000
Lifetime allowance		£1,250,000

The maximum contribution that can qualify for tax relief without evidence of earnings is £3,600.

Authorised mileage allowances: cars

Up to 10,000 miles	45p
Over 10,000 miles	25p

Capital allowances: rates of allowance

Plant and machinery	
Main pool	18%
Special rate pool	8%
Motor cars	
New cars with CO_2 emissions up to 95 grams per kilometre	100%
CO_2 emissions between 96 and 130 grams per kilometre	18%
CO_2 emissions above 130 grams per kilometre	8%
Annual investment allowance	
Rate of allowance	100%
Expenditure limit	£500,000

Cap on income tax reliefs

Unless otherwise restricted, reliefs are capped at the higher of £50,000 or 25% of income.

CORPORATION TAX

Financial year	*2012*	*2013*	*2014*
Small profits rate	20%	20%	20%
Main rate	24%	23%	21%
Lower limit	£300,000	£300,000	£300,000
Upper limit	£1,500,000	£1,500,000	£1,500,000
Standard fraction	1/100	3/400	1/400

Marginal relief

Standard fraction × (U – A) × N/A

Patent box

Net patent profit × ((Main Rate – 10%) / Main Rate)

VALUE ADDED TAX

Standard rate	20%
Registration limit	£81,000
Deregistration limit	£79,000

INHERITANCE TAX: Nil rate bands and tax rates

	£
6 April 2014 to 5 April 2015	325,000
6 April 2013 to 5 April 2014	325,000
6 April 2012 to 5 April 2013	325,000
6 April 2011 to 5 April 2012	325,000
6 April 2010 to 5 April 2011	325,000
6 April 2009 to 5 April 2010	325,000
6 April 2008 to 5 April 2009	312,000
6 April 2007 to 5 April 2008	300,000
6 April 2006 to 5 April 2007	285,000
6 April 2005 to 5 April 2006	275,000
6 April 2004 to 5 April 2005	263,000
6 April 2003 to 5 April 2004	255,000
6 April 2002 to 5 April 2003	250,000
6 April 2001 to 5 April 2002	242,000
6 April 2000 to 5 April 2001	234,000
6 April 1999 to 5 April 2000	231,000

Rate of tax on excess over nil rate band	– Lifetime rate	20%
	– Death rate	40%

Inheritance tax: Taper relief

Years before death	*% reduction*
Over 3 but less than 4 years	20
Over 4 but less than 5 years	40
Over 5 but less than 6 years	60
Over 6 but less than 7 years	80

CAPITAL GAINS TAX

Rates of tax	– Lower rate	18%
	– Higher rate	28%
Annual exempt amount		£11,000
Entrepreneurs' relief	– Lifetime limit	£10,000,000
	– Rate of tax	10%

NATIONAL INSURANCE CONTRIBUTIONS
(not contracted out rates)

			%
Class 1	Employee	£1 – £7,956 per year	Nil
		£7,957 – £41,865 per year	12.0
		£41,866 and above per year	2.0
Class 1	Employer	£1 – £7,956 per year	Nil
		£7,957 and above per year	13.8
		Employment allowance	£2,000
Class 1A			13.8
Class 2		£2.75 per week	
		Small earnings exception limit £5,885	
Class 4		£1 – £7,956 per year	Nil
		£7,957 – £41,865 per year	9.0
		£41,866 and above per year	2.0

RATES OF INTEREST

Official rate of interest:	3.25%
Rate of interest on underpaid tax:	3.0%
Rate of interest on overpaid tax:	0.5%

STAMP DUTY LAND TAX

	%
£150,000 or less	Nil
£150,001 – £250,000	1
£250,001 – £500,000	3
£500,001 – £1,000,000	4
£1,000,001 – £2,000,000 (2)	5
£2,000,001 or more (2)	7

(1) For residential property, the nil rate is restricted to £125,000.

(2) The 5% and 7% rates apply to residential properties only. The 4% rate applies to all non-residential properties where the consideration is in excess of £500,000.

STAMP DUTY

Shares	0.5%

SECTION A

BOTH questions are compulsory and MUST be attempted.

1 An extract from an e-mail from your manager is set out below.

> I attach a schedule received this morning from Brian Snow, the managing director of Worldwide plc, a large UK resident trading company.
>
> He has requested a meeting next week to discuss the tax implications of various transactions planned or undertaken by the company during the year ended 31 October 2015.
>
> This email will make more sense when you have read Brian's schedule, so I suggest you read that first.
>
> I would like you to prepare briefing notes for me to take to my meeting with Brian. Your notes should cover the following:
>
> – Advice for Worldwide plc on the corporation tax implications of transactions (1) to (5). I need you to support this with calculations where possible.
>
> – Could you also set out some explanations of how Worldwide plc will be affected by the requirement to make quarterly instalment payments in respect of its corporation tax liability for the year ended 31 October 2015? Brian is not sure how this system works, and wants to know when the company will have to pay its tax, as they have never had to pay by instalments in the past. You don't need to calculate the corporation tax liability here.
>
> – Advice on the conditions that must be met for Worldwide plc to register with Bandit Ltd as a group for VAT purposes, together with an explanation of the consequences of being group VAT registered. Could you also set out some thoughts as to whether or not you think this would be beneficial for Worldwide plc?
>
> – An explanation of the VAT implications if Worldwide plc imports goods from overseas, either from a VAT registered company within the European Union or from Narnia.
>
> Note that from our tax files you will see that
>
> − In all cases, the overseas forecast profits are the same for accounting and taxation purposes.
>
> − The double taxation treaties between the UK, Upland and Leftland provide that overseas taxes are relieved as a tax credit against UK corporation tax.
>
> − Worldwide plc has not made the election to exempt profits of an overseas permanent establishment.
>
> − Worldwide plc is a large company for the purposes of research and development and transfer pricing legislation.

The schedule from Brian Snow is set out below:

Worldwide plc – year ended 31 October 2015

Worldwide plc has forecast trading profits for the year ended 31 October 2015 of £3,000,000.

The following transactions have taken/will take place during the year to 31 October 2015.

(1) On 1 January 2015 Worldwide plc purchased an 80% shareholding in Otros Inc, a manufacturing company resident in and controlled from the country of Upland. At the same time it lent the company £6,000,000 at 6% interest, which is an appropriate market rate. Otros Inc has forecast profits for the year ended 31 October 2015 are £950,000, and these will be subject to corporation tax at the rate of 21% in Upland.

On 15 May 2015, Otros Inc is planning to pay a dividend of £400,000, and this will be subject to withholding tax at the rate of 7%.

During the year ended 31 October 2015, the interest paid by Otros Inc is £300,000, and this will be subject to withholding tax at 5%.

(2) During June 2015, Worldwide plc is planning to sell 15,000 units of a product to Otros Inc at a price of £17 per unit. This is 20% less than the trade selling price given to other customers.

(3) On 1 December 2014, Worldwide plc set up a branch in the country of Leftland. The branch is controlled from Leftland, and its forecast profits for the period to 31 October 2015 are £240,000. These are subject to tax at the rate of 35% in Leftland. Half of the profits after tax will be remitted to the UK.

(4) On 30 April 2015, Worldwide plc is planning to sell its 75% shareholding in Excess Ltd, an investment company resident in the UK, for £2,350,000. The disposal, if chargeable, will result in a gain (after indexation allowance) of £1,120,000.

Worldwide plc transferred an office block to Excess Ltd on 20 July 2009, when the office block was valued at £840,000. The office block originally cost Worldwide plc £350,000 on 17 June 2004. It is still owned by Excess Ltd, and is currently valued at £960,000. The indexation allowance from June 2004 to July 2009 is £67,900, and from June 2004 to April 2015 it is £145,250. Excess Ltd prepares its accounts to 31 October, and pays corporation tax at the main rate.

(5) On 1 March 2015, Worldwide plc purchased a 90% shareholding in Bandit Ltd, a UK-resident company. The company is forecast to make a trading loss of £320,000 for the year ended 31 October 2015. On 20 January 2014, Bandit Ltd sold investments for £570,000, resulting in a capital loss of £230,000.

VAT issues

Worldwide plc and Bandit Ltd are not currently registered as a group for VAT purposes, but are considering the possibility of registering as a VAT group.

Worldwide plc's sales are all standard rated, whilst Bandit Ltd's are zero-rated. The purchases for both companies are standard rated.

In addition, Worldwide plc expects to incur standard rated overhead expenditure of £300,000 in the year ended 31 October 2015 that cannot be directly attributed to either of the companies' sales.

Worldwide plc charges Bandit Ltd a management charge of £10,000 per quarter in respect of the services of its accountancy department.

It is likely that Worldwide plc will start importing goods in the near future; either from VAT registered companies within the European Union, or from Narnia.

Required:

Prepare the briefing notes requested by your manager.

You should assume today's date is 15 April 2015.

You should assume that the rates and allowances of the Financial Year 2014 will continue to apply for the foreseeable future.

The marks are allocated as follows.

(a) Corporation tax implications of transactions (1) to (5) with supporting calculations. (18 marks)

(b) The effect of making quarterly instalment payments. (3 marks)

(c) Group VAT registration issues. (7 marks)

(d) VAT implications of importing goods. (3 marks)

Appropriateness of the format and presentation of the notes and the effectiveness with which the information is communicated. (4 marks)

(Total: 35 marks)

2 An extract from an e-mail from your manager is set out below.

I have just had a telephone conversation with our client, Bill Flowers, one of the directors of Flower Limited. Bill has been approached by a rival company, and has received an offer for the sale of the company. He would like to meet with me tomorrow to discuss this offer.

Bill has informed me that Ben Potter, the other director, is concerned about his retirement and is not keen to sell Flower Limited yet. Bill has suggested that Ben would like some advice on the possible sale of his shares back to Flower Limited in the future. I would like you to prepare some briefing notes for a potential meeting in the near future.

I have attached a memorandum setting out all the details, which I suggest you read now.

Meeting notes

I would like you to prepare some calculations for me to take to my meeting with Bill.

(i) Firstly, I would like you to decide how the £180,000 should be extracted in advance of proposal 2: either as a bonus or a dividend. Just calculate the net cash received by Bill and Ben – don't worry about the corporation tax or employer's national insurance contribution implications for Flower Limited.

(ii) Following on from your answer to (i), evaluate the two purchase proposals, and advise which course of action will result in the highest amount of after tax cash being received by Bill and Ben if the disposal takes place on 31 March 2015.

(iii) I would also like you to advise on the effect of delaying the sale until August 2015 and calculate any additional tax saving which could be obtained.

Briefing notes regarding Ben

Assuming that the sale of Flower Ltd does not go ahead, please would you draft briefing notes regarding Ben, setting out the income tax and capital gains tax implications if Flower Limited were to repurchase his 50% holding of ordinary shares in May 2019 for £500,000.

Make sure that you clearly set out any conditions that must be satisfied, and suggest advice on any planning options that might improve his tax position, with a calculation of the resulting tax savings. Please include a calculation of Ben's net cash receipt after tax. I would also like you to set out any potential issues regarding our acting for Ben, and any requirements we need to fulfil before we take him on as a client.

The memorandum attached to the email is set out below.

To	The files
From	Tax manager
Date	1 March 2015
Subject	Bill Flowers, Ben Potter and Flower Limited

Background

Bill and Ben are directors who each own 50% of the ordinary share capital in Flower Limited, an unquoted UK trading company that makes electronic toys. Flower Limited was incorporated on 1 August 2014 with 1,000 £1 ordinary shares, and commenced trading on the same day.

Cash balance

The business has been successful, and the company has accumulated a large cash balance of £180,000, which may be used to purchase a new factory.

Offer for sale of shares

A rival company has offered to buy all of the shares in Flower Limited.

The offer provides Bill and Ben with two alternative methods of payment for the purchase of their shares:

(i) £480,000 for the company, inclusive of the £180,000 cash balance.

(ii) £300,000 for the company assuming the cash available for the factory purchase is extracted prior to sale.

Personal tax position

Bill and Ben each currently receive a gross salary of £3,750 per month from Flower Limited and have no other income. Part of the offer terms is that Bill and Ben would be retained as employees of the company on the same salary.

Neither Bill nor Ben has used any of their capital gains tax annual exempt amount for the tax year 2014/15.

Ben's retirement

Ben is not keen to sell Flower Limited, and would rather they expand the business themselves. He thinks they can achieve a bigger increase in value before his planned retirement by doing this.

Ben plans to retire on 1 May 2019 when he reaches the age of 60, although he may be prepared to stay for longer if necessary. He believes that his shares will be worth £500,000 at that time, and he will have annual taxable income in excess of £150,000.

Ben knows that Bill will not be able to afford to buy his shares, so is wondering if the company could buy the shares instead, as this would be better than trying to find an external purchaser.

Required:

(a) Prepare the calculations requested by your manager.

The marks are to be allocated as follows:

(i) Calculation of after tax cash from extraction of £180,000 from Flower Limited (5 marks)

(ii) Evaluation of the two purchase proposals, and advice on which course of action will result in the highest amount of after tax cash being received by Bill and Ben if the disposal takes place on 31 March 2015. (4 marks)

(iii) Advise on the effect of delaying the sale until August 2015. (3 marks)

(b) Write the briefing notes regarding Ben as requested by your manager. (13 marks)

Assume that the corporation tax rates for the Financial Year 2014 and the income tax rates and allowances for the tax year 2014/15 apply throughout this question.

(Total: 25 marks)

SECTION B

TWO questions ONLY to be attempted

3 You should assume today's date is 1 March 2015.

Your client Alfie is planning to start a computer repair and sale business on 6 April 2015. A limited company has been formed for this purpose. Alfie needs your advice on the acquisition of a vehicle to use in his business.

The following information has been obtained from a meeting with Alfie.

Proposed acquisition of vehicle

– Alfie is considering whether the vehicle should be:
  1 acquired by himself personally or by the limited company.
  2 a car or a van.

Car

– Alfie is considering buying a petrol engine car with a list price of £18,000 including VAT and CO_2 emissions of 132 g/kilometre.

Van

– Alternatively, Alfie would buy a petrol engine van with the same list price and CO_2 emission level.

Hire purchase

– Irrespective of who buys the vehicle it will be acquired under a 0% finance hire purchase contract with the cost being £3,000 per year.

Running costs

– All running costs, including fuel will be paid for by the limited company in the event that it acquires the vehicle.

– If Alfie acquires the vehicle he will pay all running costs but he will receive a mileage allowance from the company.

– The running costs per year for each of the vehicles will be:

	£
Insurance	500
Repairs/servicing	500
Road fund licence	100
Fuel	3 per 40 miles

Mileage

– Alfie anticipates that he will drive 22,000 miles in the 2015/16 tax year of which 20,000 will be for business purposes.

Other information

– All figures include VAT where appropriate.

– Assume that Alfie will be a higher rate tax payer in 2015/16 by virtue of the salary that he will draw from the business.

– The company, which will be registered for VAT from 6 April 2015, will pay corporation tax at the rate of 20%.

Required:

(a) Assuming the vehicle acquired is a car advise Alfie of the income tax, corporation tax, VAT and national insurance implications for both the limited company and himself of acquiring the vehicle, either:

(i) personally; or

(ii) by the limited company.

Detailed calculations are not required for this question part. (8 marks)

(b) Advise Alfie how your answer to (a) would be different if the vehicle acquired was a van. (3 marks)

(c) Assuming that the vehicle acquired is a car and that the mileage allowances are paid at the authorised rates for *business* mileage only, advise which of the two alternatives (acquisition by Alfie personally or by the limited company) would be the most tax efficient.

For both alternatives your answer should take account of the *aggregate* net after tax cash position for both Alfie personally *and* the limited company.

For this part of the question you can ignore the effect of VAT. (9 marks)

You should assume that the rates and allowances for the tax year 2014/15 apply throughout this question.

(Total: 20 marks)

4 Assume today's date is 15 June 2015.

Your client Anwar Christopher wants to understand how his income for 2014/15 will be taxed, how much income tax he must pay and the total tax he has left to pay for 2014/15. He also wants to know the inheritance tax implications of transferring property to his wife.

Personal information

– Anwar was born on 7 May 1962 and has lived in the UK for the last ten years. He is domiciled in Pakistan.

– He is married to Wendy who is UK domiciled.

Income and gain from Bournecliffe House

– Anwar has been operating Bournecliffe House in a sole trader capacity as a nursing home in an English south coast resort since he bought it on 1 August 2001.

– His tax adjusted trading profit for the final year of trading ended 31 July 2014 is £15,000. There are no overlap profits brought forward.

– Bournecliffe House was sold to a developer on 1 August 2014. The chargeable gain arising on the disposal was £185,000.

Christopher Care Ltd

– Is Anwar's solely owned UK registered limited company.

– On 1 August 2014 the company purchased a nursing home in Central England called Peak View and commenced trading immediately. The funds to buy Peak View were all loaned to the company personally by Anwar as detailed below.

– Anwar paid himself director's remuneration of £1,000 per month from Christopher Care Ltd from 1 August 2014. The tax deducted under PAYE from his director's remuneration in the period to 5 April 2015 was £950

Financing provided by Anwar

– Anwar used the following sources to provide the funds to Christopher Care Ltd.

  (1) Net proceeds of sale of Bournecliffe House

  (2) £100,000 borrowed by Anwar from the Abbeyminster Bank in the UK. This loan is a capital repayment loan. The interest paid and capital repaid during the year ended 5 April 2015 were £6,400 and £12,800 respectively. The interest was paid gross.

  (3) £10,000 from an amount of £18,000 that he transferred from his account with the National Bank of Pakistan. He used the remaining £8,000 of the sum transferred from Pakistan for a family holiday.

Income from Initial Irrigation Limited (Initial)

– The company is based in Pakistan. Anwar is the technical director and owns 30% of the shares.

– Initial has two divisions, the agricultural division and the fountains division. The agricultural division operates exclusively in Asia whereas the fountains division operates exclusively in the UK.

– Anwar works for both divisions. He has a separate employment contract for each set of duties. His remuneration in respect of his Asian activities in Sterling equivalent terms is £23,000 (gross) and is paid directly into his account in Pakistan. His remuneration in respect of his UK duties is £7,000 (gross). The rate of tax suffered by Anwar on the income paid in Pakistan is 35%.

Anwar's financial investments

– £800 of National Airlines Ltd 9.75% Convertible Capital Bonds 2017 (company registered in the UK)

– 1,000 Glucozade plc ordinary shares (registered in the UK). Anwar received cash dividends of £270 from Glucozade plc in the year ended 5 April 2015.

Other information

– Anwar also owns a substantial estate in Peshawar, Pakistan which he and his extended family use as a holiday home.

– Anwar made a self-assessment payment on account on 31 January 2015 of £2,600 and is due to make a second on 31 July 2015, also of £2,600.

– Anwar is considering transferring some of his property to Wendy.

Required:

(a) **Explain how Anwar may be assessed to income tax in 2014/15 and advise which basis he should choose.**

You do not need to do any calculations in this section. **(6 marks)**

(b) **Assuming Anwar chooses to pay tax on the arising basis, calculate his income tax payable for the year ended 5 April 2015.** **(9 marks)**

(c) **Calculate Anwar's self-assessment balancing payment for the year ended 5 April 2015.** **(3 marks)**

(d) **Explain the inheritance tax considerations that Anwar should take into account when transferring property to Wendy.** **(2 marks)**

(Total: 20 marks)

5 You should assume today's date is 6 April 2015.

Your client Molly Mop requires you to calculate her income tax liability for 2014/15. She also requires a calculation of her potential inheritance tax liability.

Personal information

– Molly Mop, who was born on 2 February 1944, is a pensioner who has been made a widow as a result of the death of her husband on 7 April 2014.

– Molly's husband had made no lifetime gifts. He left an estate worth £500,000 of which £100,000 was left to the couple's children and the balance to Molly.

– Molly owns a large number of investments as well as the assets inherited from her husband. These are set out below (including the assets she inherited) as at today's date.

Shares in Bit-Part Ltd

– 45,000 £1 ordinary shares in Bit-Part Ltd, an unquoted trading company with a share capital of 200,000 ordinary shares. Molly's three children hold the other shares in the company equally.

– Molly inherited these shares from her husband, who had originally acquired them at their par value in March 1993.

– The shares were valued at £160,000 on 7 April 2014, and are currently worth £236,250. Bit-Part Ltd has assets worth £1,050,000, of which £500,000 are investments in quoted shares.

– Bit-Part Ltd paid a dividend of 10p per share during 2014/15.

Other stocks and shares

– 20,000 50p ordinary shares in Shawl plc, a 'blue chip' UK company quoted at 410p – 426p. Shawl plc regularly pays a dividend of 27p per share each year.

– 25,000 units in Global Trust, a unit trust quoted in the UK at 210p – 218p. The trust is aimed at capital growth, and therefore only paid a dividend of £450 (net) during 2014/15.

Interest yielding investments

– UK government stocks with an interest rate of 4% and a nominal value of £100,000. These are currently quoted at 90 – 94p.

– Deposits of £150,000 in an 'instant access' account with the Brat and Bong Building Society. This is a building society paying a high rate of interest of 5.50% per annum (gross) on this account.

– £10,000 in the NS&I Pensioners Guaranteed Income Bonds, which pay a gross interest rate of 7%.

– Molly has a NISA account with the Welich Building Society. The balance on the account is £3,210, of which £3,000 is capital. All interest was received during 2014/15.

Other assets

– Her main residence, which is currently valued at £245,000.

– Chattels, cash and other assets of £165,000.

– Molly invested £10,000 in a venture capital trust during 2014/15.

Other income

– During 2014/15, Molly received income of £1,650 (net) as a beneficiary of a discretionary trust. The trust holds cash of £65,200 held in a money market deposit account.

– Molly receives the UK State Retirement pension (£113 weekly) and a private pension of £12,200 per annum (gross).

Other information

– Under the terms of her will, Molly has left £60,000 to Oxfam, a registered charity, and the rest of her estate to her family. Her only previous lifetime gift of assets was a gift of £160,000 to a discretionary trust for the benefit of her children in June 2009.

Required:

(a) Calculate Molly's income tax payable/repayable for 2014/15. (9 marks)

(b) Calculate the IHT liability that would arise if Molly were to die during April 2015.

Your answer should indicate who is liable for the tax and by what date. (11 marks)

(Total: 20 marks)