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# Answers

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1 Epon Ltd group

To The files  
From Tax senior  
Date 7 June 2013  
Subject The purchase of the Aquapower business and other matters

(a) The purchase of the Aquapower business – corporation tax liabilities

NewCo Ltd purchases the business

	Epon Ltd £	Wahzah Ltd £	Yoko Ltd £	NewCo Ltd £
Trading profit	740,000	90,000	Nil	60,000
Chargeable gain	18,000		12,000	
Wahzah Ltd capital loss (£20,000)	(18,000)		(2,000)	
	<u>740,000</u>	<u>90,000</u>	<u>10,000</u>	
Yoko Ltd group relief (£80,000)	(65,000)	(15,000)		
Taxable total profits	<u>675,000</u>	<u>75,000</u>	<u>10,000</u>	<u>60,000</u>
Corporation tax At 24%/20%/20%/20%	<u>162,000</u>	<u>15,000</u>	<u>2,000</u>	<u>12,000</u>

There are four companies in the group, such that the limits will be divided by four; the upper limit will be £375,000 and the lower limit will be £75,000.

The capital loss of Wahzah Ltd will be transferred to Epon Ltd in priority to Yoko Ltd because this will save corporation tax at the main rate rather than the small profits rate.

The first £15,000 of the trading loss of Yoko Ltd will be surrendered to Wahzah Ltd in order to relieve the profits that would otherwise be taxed at the marginal rate. The remaining loss will be surrendered to Epon Ltd because this will save corporation tax at the main rate rather than the small profits rate.

Yoko Ltd purchases the business

	Epon Ltd £	Wahzah Ltd £	Yoko Ltd £	NewCo Ltd £
Trading profit	740,000	90,000	Nil	
Aquapower trading profit			60,000	
Chargeable gain	18,000		12,000	
Wahzah Ltd capital loss (£20,000)	(18,000)		(2,000)	
	<u>740,000</u>	<u>90,000</u>	<u>70,000</u>	
Yoko Ltd group relief	(80,000)			
Taxable total profits	<u>660,000</u>	<u>90,000</u>	<u>70,000</u>	<u>Nil</u>
Corporation tax At 24%/20%/20%	<u>158,400</u>	<u>18,000</u>	<u>14,000</u>	<u>Nil</u>

The limits will be divided by three (NewCo Ltd will be a dormant company, so will be ignored); the upper limit will be £500,000 and the lower limit will be £100,000.

The trading losses brought forward in Yoko Ltd are not available for offset against the profits of the Aquapower business as they can only be used against the future profits of the same trade.

The capital loss of Wahzah Ltd will be transferred to Epon Ltd in priority to Yoko Ltd because this will save corporation tax at the main rate rather than the small profits rate.

The trading loss of Yoko Ltd will be surrendered to Epon Ltd because this will save corporation tax at the main rate rather than the small profits rate.

(b) The purchase of equipment from the country of Candara

Wahzah Ltd will be required to account for value added tax (VAT) at the point of entry into the UK.

The VAT paid can be recovered as input tax in the normal way on the company's next VAT return.

(c) The purchase of Kari's shares

(i) The conditions which need to be satisfied in order to obtain capital gains tax treatment

- Kari must have owned the shares for five years. This condition is not satisfied.
- Kari must be resident and ordinarily resident in 2013/14, the tax year of disposal.
- The purchase of the shares must be carried out for the benefit of Epon Ltd's trade. This condition is likely to be satisfied as the shares are being purchased in order to buy out a dissenting shareholder.
- Kari's shareholding in Epon Ltd must be substantially reduced, such that her interest in the company is no more than 75% of what it was prior to the sale of the shares. In addition, Kari must not control more than 30% of the share capital of Epon Ltd after the sale of the shares has taken place. Both of these conditions will be satisfied as Kari is selling all of her shares.
- Capital gains tax treatment will not be available if the main objective of the purchase of the shares is the avoidance of tax.

(ii) Increase in Kari's tax cost

Capital receipt

	£
Proceeds	90,000
Less: Cost	(10,000)
	<u>80,000</u>
Less: Annual exempt amount	(10,600)
	<u>69,400</u>
Capital gains tax at 10% (entrepreneurs' relief will apply)	<u>6,940</u>

Income receipt

	£
Amount received	90,000
Less: Original subscription price	(10,000)
	<u>80,000</u>
Distribution	<u>80,000</u>
Annual taxable income per Kari	72,000
Taxable dividend income (£80,000 x 100/90)	<u>88,889</u>
Taxable income	<u>160,889</u>
Income tax in respect of sale of shares (£150,000 – £72,000) x 32.5%	25,350
(£160,889 – £150,000) x 42.5%	4,628
Loss of personal allowance (£8,105 x 40%)	<u>3,242</u>
	<u>33,220</u>
Less: Tax credit (£88,889 x 10%)	(8,889)
	<u>24,331</u>

The increase in Kari's tax cost as a result of the sale of the shares being subject to income tax as opposed to capital gains tax is £17,391 (£24,331 – £6,940).

**Tutorial note:** *If the receipt is treated as income, Kari's adjusted net income will exceed £116,210, such that no personal allowance will be available.*

(d) Appointment as tax advisers

It is a fundamental principle of the ACCA *Code of Ethics and Conduct* that advice to clients should be objective. Our ability to be objective may be threatened where there is a conflict of interest between two clients. For example, the best advice for the group of companies may not be the most advantageous for one or more of the directors.

Generally speaking, this need not be a problem, provided we point out the potential conflict to all of the relevant parties. We should then obtain their consent to act for them.

However, as far as Kari is concerned, there is already a dispute between her and the Epon Ltd group, such that it is unlikely to be appropriate for us to act for both her and the companies.

If we are to act for the other directors, as well as for the group of companies, we should consider introducing the following safeguards:

- we must have clear guidelines in relation to confidentiality; and
- we should consider the need to use separate teams for each client.

## 2 Brad

### (a) Capital gains tax

Brad will be regarded as only temporarily non-UK resident whilst living in Keirinia because:

- he was absent from the UK for less than five full tax years; and
- having always lived in the UK prior to moving to Keirinia, he was UK resident or ordinarily resident for at least four of the seven tax years immediately prior to the year of departure.

As a temporary non-UK resident, Brad will be subject to UK capital gains tax on the assets sold whilst he was living overseas, which he owned at the date of his departure from the UK. Accordingly, the antique bed is excluded from these rules as it was both bought and sold during the period of absence. The profit on the sale of the motor car is ignored as motor cars are exempt assets for the purposes of capital gains tax.

The shares were sold in 2009/10, the tax year of departure, so the gain on these shares was subject to tax in that year. However, there will have been no tax to pay as the capital gain of £4,900 (£18,900 – £14,000) was covered by the annual exempt amount for 2009/10.

The capital gains tax due on the sale of the painting is calculated as follows.

	£
Capital gain (£36,000 – £15,000)	21,000
Less: Annual exempt amount	(10,600)
	<u>10,400</u>
Capital gains tax at 28%	<u>2,912</u>

The gain on the sale of the painting is subject to tax in 2013/14, the tax year in which Brad returned to the UK, and not in the year of sale. Accordingly, the tax is due on 31 January 2015.

### (b) Inheritance tax

#### (i) The inheritance tax advantages of making lifetime gifts to individuals

A lifetime gift to an individual is a potentially exempt transfer. It will be exempt from inheritance tax if the donor survives the gift by seven years.

If the donor dies within seven years of making the gift, such that the gift is chargeable to inheritance tax, the value used will be the value at the time of the gift and not the value at the time of death. Any increase in the value of the asset will be ignored, although relief will be available if the asset falls in value following the gift.

Certain exemptions are only available in respect of lifetime gifts, i.e. they cannot be deducted from the death estate. These exemptions are:

- the annual exemption of £3,000 each year
- gifts in consideration of marriage/civil partnership up to certain limits
- regular gifts out of income that do not affect the donor's standard of living
- the small gifts exemption of £250 per donee per tax year.

Any inheritance tax due on the donor's death will be reduced by taper relief if the donor survives the gift by more than three years. The tax due will be reduced by 20% if the donor survives the gift by more than three but less than four years. The percentage reduction will increase by 20% for each additional year that the donor survives the gift.

#### (ii) In respect of the possible gift of 1,500 shares in Omnium Ltd to Dani

##### Fall in value of Brad's estate

The fall in value of Brad's estate on a gift of 1,500 shares in Omnium Ltd will be calculated as follows.

	Related property	
	Included £	Ignored £
Value of shares held prior to the gift: (3,000 x £290 (75% (30% + 45%)))/(3,000 x £205 (30%))	870,000	615,000
Value of shares held after the gift: (1,500 x £240 (60% (15% + 45%)))/(1,500 x £190 (15%))	(360,000)	(285,000)
	<u>510,000</u>	<u>330,000</u>

The higher fall in value of £510,000, produced by reference to related property, will be used.

**Tutorial note:** *The value of Brad's shares is determined by reference to the shares held by him and his wife under the related property rules.*

### Business property relief

Business property relief will not be available if the business of Omnium Ltd consists wholly or mainly of dealing in securities, stocks or shares or land and buildings or the making or holding of investments. Accordingly, it will be necessary to determine the significance of the investment properties to the activities of Omnium Ltd as a whole.

Brad must have owned the shares for at least two years at the time of the gift. This condition is satisfied.

Business property relief will not be available unless Dani still owns the shares at the time of Brad's death (or had died whilst owning the shares) and the shares continue to qualify for the relief.

If all of the conditions set out above are satisfied, business property relief will be available at the rate of 100%, because Omnium Ltd is an unquoted company.

However, where there are excepted assets, business property relief will be restricted to:

100% x the fall in value x (Omnium Ltd's non-excepted assets/Omnium Ltd's total assets).

Excepted assets are assets that have not been used for the purposes of the company's business in the two years prior to the transfer and are not required for such use in the future. Some or all of Omnium Ltd's investment properties may be classified as excepted assets.

**Tutorial note:** *Business property relief will only be relevant if Brad were to die within seven years of making the gift, such that the potentially exempt transfer became a chargeable transfer. Business property relief would also be available if Dani has disposed of the shares prior to Brad's death and acquired qualifying replacement property within three years of the disposal.*

### Other tax issues

The gift of shares will be a disposal at market value for the purposes of capital gains tax. Gift relief will be available but will be restricted because of the investment properties owned by Omnium Ltd.

Gifts of shares are not subject to stamp duty.

**Tutorial note:** *The question asked for a brief statement only of the other tax issues.*

## 3 Shuttelle

### (a) Shuttelle

#### (i) Income tax liability for the tax year 2012/13

	£
Salary	204,000
Accommodation (W1)	6,000
	<hr/>
	210,000
Less: Personal allowance (£210,000 – £120,000 = £90,000)	(8,105)
	<hr/>
Taxable income	201,895
	<hr/>
Income tax liability	
£154,370 (£34,370 + £120,000) x 20%	30,874
£47,525 x 40%	19,010
Excess pension contributions (£59,000 (W2) x 40%)	23,600
	<hr/>
	73,484

#### Tutorial notes:

1. *The higher rate limit has been extended to £270,000 (£150,000 + £120,000), due to the pension contributions. Accordingly, the excess pension contributions will be taxed at 40%.*
2. *Equal credit was given to candidates who included the excess pension contributions within taxable income.*

#### Workings

1. Benefit in respect of accommodation

	£
Annual value	7,000
Cost in excess of £75,000 ((£500,000 – £75,000) x 4%)	17,000
	<hr/>
	24,000
	<hr/>
Benefit in 2012/13 (£24,000 x 3/12)	6,000

2. Excess pension contributions

	£
Gross contributions by Shuttelle	120,000
Gross contributions by Din Ltd	4,000
Annual allowance available in 2012/13 (W3)	<u>(65,000)</u>
	<u>59,000</u>

3. Annual allowance available in 2012/13

	£
Brought forward from 2010/11 (£50,000 (notional) – £29,000 – £4,000)	17,000
Used in 2011/12 (£50,000 – £48,000 – £4,000)	(2,000)
Available in 2012/13	<u>50,000</u>
	<u>65,000</u>

**(ii) Total tax relief in respect of the gross personal pension contributions of £120,000**

Liability, ignoring the pension contributions, on taxable income of £210,000:

	£
£34,370 x 20%	6,874
£115,630 (£150,000 – £34,370) x 40%	46,252
£60,000 (£210,000 – £150,000) x 50%	<u>30,000</u>
	83,126
Liability reflecting the pension contributions	(73,484)
Pension contributions – tax relief at source (£120,000 x 20%)	<u>24,000</u>
Total tax relief in respect of pension contributions	<u>33,642</u>

**Tutorial notes:**

1. When calculating the liability ignoring the pension contributions, there would be no personal allowance due to the level of the net income.
2. By charging tax on the excess pension contributions, relief is effectively only given for the balance of the contributions, i.e. £61,000 (£120,000 – £59,000), as set out below:

	£
Tax saved in respect of pension contributions of £61,000	
£60,000 x 50%	30,000
£1,000 x 40%	400
Tax saved in respect of personal allowance becoming available	
£8,105 x 40%	<u>3,242</u>
	<u>33,642</u>

**(b) The three non-UK domiciled individuals**

**(i) The availability of the remittance basis and the remittance basis charge**

**(1) The availability of the remittance basis**

The remittance basis is available to UK resident individuals who are not ordinarily resident and/or not domiciled in the UK. Accordingly:

- the remittance basis is available to Lin and Yu.
- the remittance basis is not available to Nan as he is not UK resident.

**(2) The remittance basis charge**

Lin has unremitted overseas income and gains of less than £2,000. Accordingly, the remittance basis will apply automatically, such that there will not be a remittance basis charge.

Nan has unremitted overseas income and gains of more than £2,000. If Nan were able to claim the remittance basis, the remittance basis charge would be £50,000 because he has been resident in the UK for 12 of the 14 tax years prior to 2012/13.

Yu has unremitted overseas income and gains of more than £2,000. The remittance basis charge would be £30,000 because Yu has been resident in the UK for seven of the nine tax years prior to 2012/13.

**(ii) Actions that would be regarded as remittances**

Bringing property into the UK which was purchased out of overseas income/gains.

Paying for services received in the UK out of overseas income/gains.

The use of overseas income/gains to pay the interest/capital on a debt where the funds borrowed have been brought into the UK or used to acquire property or services in the UK.

**Tutorial note:** *Only two examples were required.*

**4 Liza**

**(a) (i) The chargeable gain on the sale of Building 1**

	£	£
Net sales proceeds		860,000
Less:		
Purchase price	(315,000)	
Legal fees	(9,000)	
Work on roof to make fit for use	<u>(38,000)</u>	
		(362,000)
Indexation allowance $(0.189 \times ((246.4 - 207.3)/207.3) \times £362,000)$		<u>(68,418)</u>
		<u>429,582</u>

**Tutorial note:** *A deduction is available for the legal fees incurred in acquiring the building and the costs incurred shortly afterwards in order to make the building fit for use. The cost of repainting the building would have been an allowable deduction in calculating the company's trading profits and would not be allowable when computing the chargeable gain.*

**(ii) Acquisition of qualifying assets for the purposes of rollover relief**

The assets can be purchased by companies within the Bar Ltd chargeable gains group. A chargeable gains group consists of a principal company, Bar Ltd, its 75% subsidiaries, the 75% subsidiaries of those subsidiaries and so on. Bar Ltd must have an effective interest of more than 50% in all of the companies in the group.

Accordingly, the only companies able to purchase qualifying replacement assets are Bar Ltd and Pommel Ltd. Ring Ltd is not a 75% subsidiary of Bar Ltd, such that it and Vault Ltd cannot be members of the Bar Ltd chargeable gains group. The Hoop Ltd group is a separate group.

The qualifying replacement assets must be purchased in the period from 1 June 2012 to 31 May 2016.

**(iii) The additional amount that would need to be spent on qualifying assets**

Bar Ltd owned the building from 1 June 2007 to 31 May 2013, a period of 72 months. The building was not used for trading purposes from 1 January 2009 to 30 June 2010, a period of 18 months. Accordingly, the building was used for the purposes of the trade for a period of 54 (72 – 18) months, such that only 54/72 of the gain can be relieved via rollover relief.

Therefore, qualifying business assets costing £645,000 (£860,000 x 54/72) will need to be acquired in order to relieve the whole of the gain qualifying for rollover relief.

Only two-thirds of the new building is to be used for trading purposes, such that only £480,000 (£720,000 x 2/3) of its cost will be a qualifying acquisition for the purposes of rollover relief. Accordingly, the additional amount that would need to be spent on qualifying acquisitions in order to relieve the whole of the gain that qualifies for rollover relief would be £165,000 (£645,000 – £480,000).

**(b) Capital allowances available in respect of the new building**

Electrical, water and heating systems qualify for plant and machinery capital allowances.

They are classified as integral features, such that they are included in the special rate pool where the writing down allowance is only 8%.

The annual investment allowance available to the Bar Ltd group should be set against these additions in priority to those assets which qualify for the 18% writing down allowance.

**(c) Group registration for the purposes of value added tax (VAT)**

**The companies able to register as a group**

Two or more companies may register as a group provided they are established in the UK, or have a fixed establishment in the UK, and they are controlled by the same person. The person can be an individual, a company, or a partnership. Accordingly, all of the companies in the Bar Ltd and Hoop Ltd groups can register as a single group for the purposes of VAT.

**The potential advantages and disadvantages of registering as a group**

The advantage of a group registration would be that there would be no need to charge VAT on the transactions between the group companies. This would reduce administration and improve the group's cash flow.

The group would have to appoint a representative member which would account for the group's VAT liability as if the group were a single entity. Consequently, there would be a need to collate information from all of the members of the group and to present it in a single VAT return. This may not be straightforward, depending on the accounting systems and procedures used by the various companies within the two separate groups.

Vault Ltd makes zero rated supplies and will therefore be in a repayment position, such that it can improve its cash flow by accounting for VAT on a monthly basis. However, if it were registered as part of a VAT group, it would not be able to do this as the group, as a single entity, is very unlikely to be in a regular repayment position. Accordingly, if a group registration is to be entered into, consideration should be given to excluding Vault Ltd from that registration.

Finally, it should be recognised that all of the companies within the group registration would have joint and several liability for the VAT due from the representative member. Liza, and the minority shareholders, should give careful consideration to the possible dangers of linking the two groups in such a manner.

**5 Spike**

**(a) (i) Loss relief available on the cessation of the trade**

**Trading loss for the tax year 2012/13**

	<b>£</b>
Loss for the period from 1 January 2012 to 30 September 2012	13,500
Add: Overlap profits	8,300
	21,800

**Tutorial note:** *The basis period for the tax year 2012/13 runs from 1 January 2012 (the end of the basis period for the previous year) until 30 September 2012 (the cessation of trade).*

**Terminal loss**

	£	£
6 April 2012 to 30 September 2012:		
Loss (£13,500 x 6/9)		9,000
Add: Overlap profits		8,300
		17,300
1 October 2011 to 5 April 2012:		
1 October 2011 to 31 December 2011 profit (£22,500 x 3/12)	5,625	
1 January 2012 to 5 April 2012 loss (£13,500 x 3/9)	(4,500)	
	1,125	
Net profit ignored for the purposes of the terminal loss	1,125	–
Terminal loss		17,300

**(ii) The reliefs available in respect of the trading loss and the terminal loss**

**Relief of the loss for the tax year 2012/13**

The loss for the tax year 2012/13 can be offset against Spike's general income of 2012/13 and/or 2011/12.

Once the loss has been offset against the general income of a particular tax year, it can also be offset against the capital gains of that same year.

Spike has no general income in the tax year 2012/13. But, a claim can be made for the whole of the loss to be relieved against his 2012/13 capital gains.

Relieving the loss against the gains on the sale of the business assets would save capital gains tax at the rate of 10% due to the availability of entrepreneurs' relief. The tax saved would be £2,180 (£21,800 x 10%).

Spike's sale of his house will be an exempt disposal of his principal private residence if he has always occupied it, or is deemed to have always occupied it. If part of the gain on the house is taxable, capital gains tax will be payable at 28% because the gains on the business assets will have used the basic rate band. Accordingly, if this is the case, the loss should be offset against any gain on the house in priority to the gain on the business assets.

In the tax year 2011/12, the loss would be offset against the general income of £22,500. The claim cannot be restricted in order to obtain relief for the personal allowance of that year. The tax saved would be £2,879 (£14,395 (£22,500 – £8,105) x 20%).

### **Relief of the terminal loss**

The terminal loss can be offset against the trading profit of the business for 2012/13 and the three preceding tax years, starting with the latest year.

The trading profit in the tax year 2012/13 is nil, such that the terminal loss will be relieved in the tax year 2011/12. This would save tax of £2,879 (£14,395 (£22,500 – £8,105) x 20%).

The excess of the trading loss of 2012/13 over the terminal loss is £4,500 (£21,800 – £17,300). This amount can be offset against general income and capital gains in 2012/13 and 2011/12 as set out above. However, once the terminal loss has been relieved in the tax year 2011/12, Spike's remaining general income of £5,200 (£22,500 – £17,300) is less than the personal allowance, thus there is no taxable income and, therefore, no further tax saving to be achieved in either of the two relevant years. Accordingly, the remaining loss should be relieved against the capital gains of 2012/13. This would save tax of £450 (£4,500 x 10%) if the loss is relieved against the gains on the sale of the business, or £1,260 (£4,500 x 28%) if it is relieved against a non-exempt gain arising on the sale of the house.

### **(b) (i) The option to purchase ordinary shares in Set Ltd**

There will be no tax liability in respect of the grant of the option.

When Spike exercises the option and acquires the shares, he will be subject to income tax on the excess of the market value of the shares at that time over the price paid for the option and the shares, i.e. £3.50 (£8.00 – £0.50 – £4.00) per share. Accordingly, there will be an income tax liability of £9,800 (7,000 x £3.50 x 40%) when the option is exercised on the assumption that Spike continues to be a higher rate taxpayer.

On the sale of the shares, the excess of the sales proceeds per share over £8.00 (the market value of the shares when the option was exercised) will be taxed as a capital gain. The capital gain, less the annual exempt amount, will be subject to capital gains tax at 28% on the assumption that Spike continues to be a higher rate taxpayer. Entrepreneurs' relief will not be available unless Spike has acquired more shares, such that he owns at least 5% of the company's share capital.

### **(ii) The relocation payment**

The compensation in respect of the sale of the house at short notice at a low price will be regarded as having been derived from employment, such that it will be taxable in full.

£8,000 of the payment in respect of the costs of moving house will be exempt; the remaining £3,500 (£11,500 – £8,000) of the payment will be taxable.

**Professional Level – Options Module, Paper P6 (UK)  
Advanced Taxation (United Kingdom)**

**June 2013 Marking Scheme**

	<i>Available</i>	<i>Maximum</i>
<b>1 (a) Explanations</b>		
Yoko Ltd trading loss brought forward	1	
Use of capital losses	2	
Group relief	3	
Calculations – purchase by NewCo Ltd		
Taxable total profits	3	
Tax liabilities	2	
Calculations – purchase by Yoko Ltd		
Taxable total profits	2.5	
Tax liabilities	2	
	<u>15.5</u>	<b>13</b>
<b>(b) Account for VAT on importation</b>	1	
Recover as input tax	1	
	<u>2</u>	<b>2</b>
<b>(c) (i) Conditions</b>		
Period of ownership	1.5	
Resident and ordinarily resident status of Kari	1	
Benefit of trade	1.5	
Reduction in level of shareholding	1.5	
Avoidance of tax	1	
	<u>6.5</u>	<b>5</b>
<b>(ii) Calculations</b>		
Capital receipt	1.5	
Income receipt		
Taxable income	1.5	
Tax liability	2.5	
Increase in tax cost due to income tax treatment	0.5	
	<u>6</u>	<b>6</b>
<b>(d) Objectivity and conflict of interest</b>	2	
Notify and obtain consent	2	
Safeguards	2	
	<u>6</u>	<b>5</b>
Approach to problem solving	1	
Clarity of calculations	1	
Effectiveness with which the information is communicated	1	
Overall presentation of the memorandum	1	
	<u>4</u>	<b>4</b>
<b>Total</b>		<u><b>35</b></u>

	<i>Available</i>	<i>Maximum</i>
<b>2 (a)</b> Conditions	2	
Antique bed and motor car	1.5	
Quoted shares	2	
Painting	3.5	
	<u>9</u>	8
<b>(b) (i)</b> Seven year rule	1	
Valuation	2	
Exemptions	3	
Taper relief	2	
	<u>8</u>	7
<b>(ii)</b> Fall in value	3.5	
Availability of business property relief		
Business of Omnium Ltd	1.5	
Brad's ownership of the shares	1	
Circumstances on Brad's death	1	
Calculation of business property relief		
Rate of relief	1	
Excepted assets	2	
Other tax matters	2.5	
	<u>12.5</u>	10
<b>Total</b>		<u>25</u>
<b>3 (a) (i)</b> Benefit in respect of accommodation	2	
Personal allowance	1	
Tax bands	1.5	
Relevance of employer's pension contributions	1	
Annual allowance	2	
Tax on excess pension contributions	1.5	
	<u>9</u>	8
<b>(ii)</b> Comparison with original liability	2.5	
Tax relief at source on pension contributions	1	
	<u>3.5</u>	3
<b>(b) (i) (1)</b> Availability of remittance basis		
General rule	1.5	
Application of the rule to the individuals	1.5	
<b>(2)</b> The remittance basis charge		
Lin	1	
Nan	1.5	
Yu	1.5	
	<u>7</u>	7
<b>(ii)</b> Examples of remittances – one mark each	2	
	<u>2</u>	2
<b>Total</b>		<u>20</u>

	<i>Available</i>	<i>Maximum</i>
<b>4 (a) (i)</b> Chargeable gain	3·5	
	<u>3·5</u>	3
<b>(ii)</b> Chargeable gains group	2	
Identification of relevant companies	1·5	
Qualifying period	1	
	<u>4·5</u>	4
<b>(iii)</b> Amount relievable via rollover relief	2	
Total acquisitions necessary	1	
Further acquisitions necessary	1·5	
	<u>4·5</u>	4
<b>(b)</b> Plant and machinery as integral feature	1	
Special rate pool	0·5	
Use of AIA	1	
	<u>2·5</u>	2
<b>(c)</b> Ability to register as a group	2	
Discussion	6	
	<u>8</u>	<u>7</u>
<b>Total</b>		<u>20</u>
<b>5 (a) (i)</b> Loss for the tax year 2012/13	1	
Terminal loss	3	
	<u>4</u>	4
<b>(ii)</b> Relief of the loss for the tax year 2012/13		
The reliefs available	2	
Tax savings – 2012/13		
Business assets	1·5	
House	2	
Tax savings – 2011/12	1	
Relief of the terminal loss		
The reliefs available	3	
Tax savings – terminal loss	1	
Tax savings – excess of trading loss over terminal loss	1·5	
	<u>12</u>	10
<b>(b) (i)</b> Grant	1	
Exercise	2	
Sale of shares	2	
	<u>5</u>	4
<b>(ii)</b> Relocation payment	2	
	<u>2</u>	<u>2</u>
<b>Total</b>		<u>20</u>