

**THE INSTITUTE OF INDIRECT TAXATION  
ASSOCIATE EXAMINATION**

**PAPER IV  
STAMP TAXES, DIRECT TAXES AND  
INTERACTION OF ALL TAXES**

**25 JANUARY 2011**

**TIME ALLOWED - 15 MINUTES READING TIME  
3 HOURS WRITING TIME**

Candidates must answer **5 QUESTIONS** – (all parts of the question in Section A, and four questions from Section B)

Each question carries 20 marks

**Start each answer in a fresh book**

All workings should be shown and (unless stated otherwise) made to the nearest month and pound.

Marks are specifically allocated for good presentation and references to relevant legislation.

[Tax tables are included at the back of this Paper]

## Section A

### Question 1

**All parts of this question must be attempted.**

#### Downton Abbey

Downton Abbey, a period property, is owned by Lord Robert as his own residence. Downton Abbey becomes the subject of a series of 10 independent transactions, five of which occur in 2008 and five of which occur in 2011.

The market value of Downton Abbey as independently valued is £1,200,000 throughout the period in which these 10 transactions occur.

**You are required to state the amount of Stamp Duty Land Tax payable in respect of each of the sequential transactions set out below, with a brief explanation as to the legal basis of the calculation:**

#### 2008

1. Lord Robert gifts Downton Abbey to his wife Lady Cora **2 marks**
2. Lady Cora sells Downton Abbey to her daughter, the Honourable Edith for £1,000,000 **2 marks**
3. The Honourable Edith sells Downton Abbey to Casson (an independent third party) for £1,000,000 **2 marks**
4. Casson gifts Downton Abbey to Casson (Upstairs) Ltd, a UK incorporated and resident company wholly owned by Casson **2 marks**
5. Casson (Upstairs) Ltd transfers Downton Abbey for no consideration to Casson (Downstairs) Ltd, a UK incorporated and resident company wholly owned by Casson (Upstairs) Ltd **2 marks**

#### 2011

6. Casson (Downstairs) Ltd sells Downton Abbey to William Bates (Panama) SA, an independent third party company incorporated and resident in Panama for £1,000,000 **2 marks**
7. William Bates (Panama) SA is liquidated and the company's sole asset Downton Abbey is distributed in specie to the two shareholders William and Bates equally as joint tenants **2 marks**
8. William and Bates both transfer their half shares in Downton Abbey for no consideration into The Bates William Partnership LLP, a UK Limited liability partnership. **2 marks**
9. The Bates William Partnership LLP transfers Downton Abbey to BW Properties Ltd, a UK incorporated and resident company wholly owned by the Bates William Partnership LLP for a consideration of £1,000,000 in new shares of BW Properties Ltd. **2 marks**
10. BW Properties Ltd leases Downton Abbey as a mixed rental property to Anna under a 10 year lease for a rent of £100,000 per annum at a time when the RRV is £800,000. **2 marks**

Ignore VAT and all other taxes.

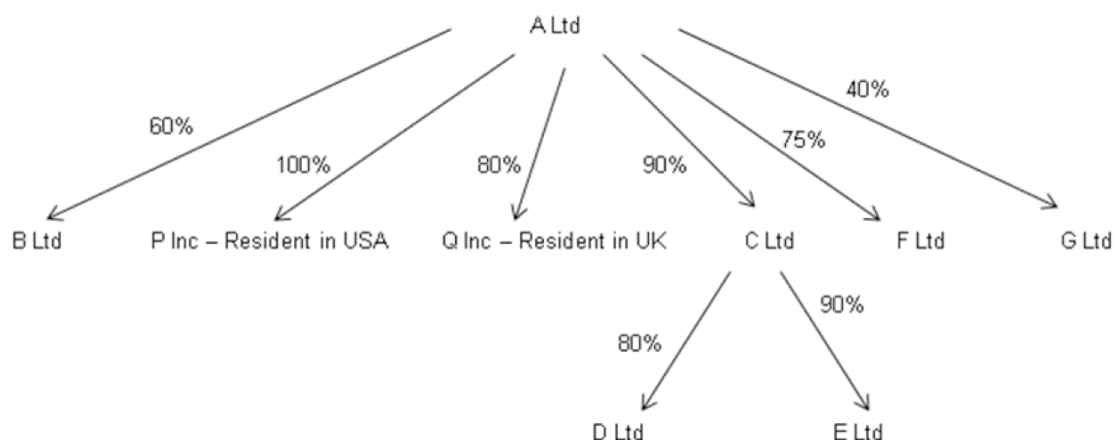
## Section B

Attempt **four** questions in this Section

### Question 2

#### Group Loss Relief

1.



- a. From the illustration above, explain which companies form part of a group loss relief group and the reasons for your decisions. **6 Marks**

#### Further Information – Accounting data for the last year

Company	Year end	Profit / (Loss) chargeable to corporation tax
A Ltd	31 December 2009	£200,000
B Ltd	31 December 2009	(£20,000)
P Inc	31 March 2010	£80,000
Q Inc	30 September 2009	£35,000
C Ltd	30 June 2010	(£50,000)
D Ltd	30 June 2010	£10,000
E Ltd	31 December 2009	£250,000
F Ltd	30 June 2010	£80,000
G Ltd	30 June 2010	£15,000

F Ltd and P Inc were purchased by A Ltd on 1 January 2010.  
There are no other associated companies other than those shown above.

- b. Using the above further information and the rules for group relief available for trading losses, calculate how to utilise the losses of B Ltd and C Ltd most effectively, in order to minimise the group's corporation tax charge. **6 marks**
2. Following the ECJ case involving Marks and Spencer's claim for corporation tax losses incurred in a different EU member state, detail, with statutory references where appropriate, when relief will be available in the UK for overseas losses of a non resident company and the conditions that the company must meet in order to make a claim. **8 marks**

### Question 3

#### Overkill Ltd

Overkill Ltd is a long established retail business with 5 shops in the home counties:-

Harlow	Owned by Mr & Mrs Kilmister
Stevenage	Owned by the Kilmister Discretionary trust
Basildon	Leased by Overkill Ltd
Cambridge	Leased by Overkill Ltd
Southend	Owned by Overkill Ltd

The ordinary shares of Overkill Ltd are owned as follows:-

Ian Kilmister	3,500
Irene Kilmister (wife of Ian)	34,500
Kilmister Discretionary Trust	35,000
Eddie Kilmister (son of Ian & Irene)	3,500
Phil Kilmister (son of Ian & Irene)	<u>3,500</u>
	<u>80,000</u>

Other shares and loan stock are owned as follows:-

	Non-Voting Preference shares	Debenture Stock
Ian Kilmister	20,000	50,000

The Kilmister Discretionary Trust was set up by Ian's father for the benefit of Eddie and Phil. Market rent is paid to Mr & Mrs Kilmister and to the trustees of the Kilmister Discretionary Trust in respect of the Harlow and Stevenage properties respectively.

Overkill Ltd has cash and short term investments following the sale of freehold premises in Basildon one year ago. It made a substantial gain on the sale of the property and moved to leased premises in a new shopping centre. The investments may be used to acquire future retail properties but no definite decision has been made.

Ian is aged 72 and Irene is 69. Eddie is 40 and Phil is 42.

The family is considering a possible sale of £5 million for Overkill Ltd and £1.2 million for the Harlow property and £600,000 for the Stevenage property.

All shareholders are resident in the UK with the exception of Eddie who has been resident in Brazil since 2000.

Phil is considering joining Eddie in Brazil prior to the sale to look at possible business opportunities for Overkill Ltd. Phil's only UK assets are his shares in Overkill Ltd and his main residence which he may let while abroad.

#### You are required to comment on:-

1. Entitlement to Entrepreneurs' relief **7 marks**
2. Planning to maximise entitlement to Entrepreneurs' relief **6 marks**
3. Phil's residency position and exposure to tax in the UK should he cease to be UK resident **7 marks**

## Question 4

### Alice and Wonderland Ltd

Wonderland Ltd, a UK incorporated and resident long established trading company, creates, with the assistance of its Union negotiator Mrs “Red” Queen, an Employee Benefit Trust (EBT) for the benefit of the company’s employees. The EBT is an entirely separate entity from Wonderland Ltd, being a UK discretionary trust (subject to the Income tax Trust Rate of 50% on its own UK source income) with trustees unconnected with Wonderland Ltd or the shareholders or directors of Wonderland Ltd. The method of operation is that Wonderland Ltd will make contributions to the EBT entirely for the benefit of employees and for no other purpose and that a remuneration committee of Wonderland Ltd will make non-binding suggestions to the trustees of the EBT how the employees can be rewarded out of the funds in the EBT and by how much each or if at all.

The character of bonus payments/distributions made by the EBT to employees of Wonderland Ltd is that they are employment income liable to income tax (just as if Wonderland Ltd had made the bonus payments to the employees directly) and not trust distributions

### Ss 1290 – 1296 CTA 2009 special rules

These rules provide that contributions by an employer company to an EBT do not rank as expenses deductible for corporation tax purpose until “qualifying benefits” (broadly taxable and NICable emoluments) are received by employee beneficiaries of the EBT. Loans are **not** qualifying benefits.

The corporation tax deduction occurs in the accounting period when the contribution is made provided qualifying benefits of this amount are received no later than 9 months after the end of the accounting period in which the contribution is made. If the qualifying benefits are less than the contribution, only the amount of the qualifying benefit is deductible. If qualifying benefits are received later than 9 months after the end of the accounting period in which the contribution is made, the deduction is given in the accounting period in which the qualifying benefit is received and only to the extent of the qualifying benefit.

There are no special rules as to the character of contributions to EBTs and the usual rules of “capital v income” and “wholly and exclusively” apply.

### Contributions

In 2010 Wonderland Ltd creates the EBT with an initial contribution of £5,000.

In 2011 Wonderland Ltd contributes £50,000

In 2012 Wonderland Ltd contributes £145,000

In 2013 Wonderland Ltd contributes £150,000.

In 2014 Wonderland Ltd contributes £250,000

### Remuneration Committee

In 2010, on 30 September, the remuneration committee suggests a bonus of £5,000 to Mrs “Red” Queen, the Union negotiator and the bonus is paid that month.

In 2011, on 30 September, the remuneration committee suggests that a bonus of £30,000 is paid to the sales manager Mr Hatter and the bonus is paid in that month.

In 2012, on 6 April, the remuneration committee recommends that loans of £10,000 each be made to 7 employees, including Mr Hatter and Mr Rabbit, all of whom are earning more than £8,500 per annum. The loans are interest free and repayable in 10 years time. The loans are made on the same day.

In 2013, on 30 June, the remuneration committee recommends that a loan of £100,000 be made to the Managing Director and 100% shareholder, Alice, at full market interest and secured on her UK home and constitutes UK source income. The loan is made on the same day.

In 2014, on 30 September, the remuneration committee recommends that a bonus of £40,000 be made to the Finance Director Mr Rabbit; a bonus of £60,000 be made to the Sales Manager, Mr Hatter; and a bonus of £150,000 be made to Alice. Mr Rabbit’s and Mr Hatter’s bonuses are paid that month but Alice’s bonus is not paid until February 2015.

## **EBT investments**

The EBT initially resolved to keep all of its funds in cash on current account, earning no interest. In 2013, the EBT invests some of its funds in UK rental property and registers under the Overseas Landlord provisions so that no UK tax is withheld by the tenants or the UK managing agent. The net rents receivable in the two years to 5 April 2015 are £9,000 and £19,000 respectively.

In 2013, the EBT deposits its surplus cash in a Jersey Deposit account, paying interest gross. The interest received in the two years to 5 April 2015 is £200 and £300 respectively.

Apart from the rent from the rental properties; and the interest on loans to employees above; and the interest received on the Jersey deposit account, the EBT has no income.

## **Other information**

Wonderland Ltd's year end is 31 December.

The EBT incurred no fees.

The official rate of interest is to be taken as 5% throughout the five years to 5 April 2015.

Alice paid interest on her loan as to £5,500 gross in 2013-14 and £7,000 gross in 2014-15. She deducted and accounted for tax at 20% on both interest payments.

## **You are required to answer the following questions:**

1. What is the allowable amount of the contribution to the EBT which is deductible for Corporation Tax purposes for each of the five years to 31 December 2014? **10 marks**
2. Compute the employment income of Mr Hatter and Mr Rabbit for the tax years 2010-11 to 2014-15 inclusive on the assumption that Mr Hatter's and Mr Rabbit's salaries were unchanged at £90,000 and £100,000 per annum respectively throughout the period and that they had no other employment income or benefits except as provided by the EBT. **5 marks**
3. Compute the UK income tax payable by the trustees of the EBT on their Investment income for the tax years 2013-14 and 2014-15. **5 marks**

## Question 5

### Aurora

Aurora Garden Centre Ltd (Aurora) has an annual turnover of £5m, of which £1m arises from its branch which sells wooden garden furniture, sheds, fence panels, summerhouses, decking etc.

The branch is located adjacent to the main garden centre, in its own building that was constructed just over two years ago (November 2008). The building cost £750,000 plus VAT of £131,250 which was fully reclaimed as input tax by Aurora. Part of the new building is occupied by a third party conservatory manufacturer, Cirrus Conservatories Ltd (Cirrus), who pays an annual rent of £10,000. Aurora has not Opted To Tax these rents. Aurora has no other VAT exempt income.

Aurora has now decided to incorporate the branch, and has bought an off the shelf company called Nimbus Wooden Garden Products Ltd (Nimbus). Aurora plans to transfer the stock, trade, staff and branch property to Nimbus on 1<sup>st</sup> March 2011. The stock is valued at £300,000 and will be transferred at cost. The building is currently worth £700,000. The managing director of Aurora (Mr Ian McCloud) will also become the managing director of Nimbus.

As part of the deal, Cirrus has agreed to invest in Nimbus and will purchase 25% of the share capital for £250,000 prior to the transfer of the business assets. As a result, once Nimbus acquires the property on 1<sup>st</sup> March 2011 their rent to Nimbus will be reduced to £5,000 per annum.

**Please write a briefing paper to the Managing Director, Mr Ian McCloud, explaining to him the issues involved in this branch incorporation, covering the following issues – VAT, SDLT, Corporation Tax on Capital Gains, and Capital Allowances, together with any other relevant tax issues that should be brought to his attention. 20 marks**

## Question 6

### Capital Allowances

- A) Mr Cut owns a hairdressing supply business. He has an accounting period of 31st March 2011.

You notice when preparing his accounts that he purchased a car (145g/km) for £15,000. Under the contract he does not have to pay for the car until he has had it for 5 months. He takes delivery of the car on 24 March 2011.

**How much capital allowances can he claim in respect of the car in the accounts you are preparing? 2 marks**

- B) Mr Inky runs a printing business in Reading. In the year ended 28 February 2010 he purchased the following assets for use in his business:

1 March 2009	Moveable partitions to divide up workspace in the office	£ 6,500
21 July 2009	Printing press to mass produce leaflets in factory production	£15,000
31 December 2009	Air conditioning for the factory	£35,000

Assume the general pool brought forward figure at 1 March 2009 was £17,325.

**Calculate the capital allowances due for the period, and state your reasons. 6 marks**

- C) **You have been asked by a self-employed client to provide two circumstances where an individual might disclaim capital allowances.** He is confused as he always thought of them as a relief that people would wish to claim. **2 marks**

- D) **A partner has requested that you prepare a note for a client meeting he is having next week.** The client as part of his personal tax affairs has asked to discuss tax relief associated with empty flats. **Your note should cover the following:**

- (i) What buildings qualify for the relief?
- (ii) What is the relief that is available?
- (iii) What are the considerations after the flat is available? **6 marks**

- E) Mr Fry runs a cafe. At 1 April 2010 his capital allowances position is:

General Pool	£12,000
VW car Purchased in 2008	£20,000

The VW car was sold in August 2010 for £15,000. A new Nissan (CO2 emissions 172g/km) was purchased in July 2010 for £30,000.

The cars are used 45% for private use by Mr Fry.

There were no other additions or disposals in the period.

**Please compute the allowances for the year ended 31 March 2011. 4 Marks**

## Question 7

### Business Advice LLP

You are a tax advisor working for Business Advice LLP. One of the partners, who is not a tax specialist, asks you for advice regarding two clients.

Unigroup Ltd, a UK tax resident company, supplies construction equipment in the UK and around the world, mostly to unconnected customers. Two years ago it established a wholly owned trading subsidiary, Builders Inc, in the USA so as to improve access to the North American market. Unigroup Ltd sells goods to Builders Inc who then resell them to local customers.

Unigroup Ltd also has a wholly owned UK subsidiary, BuildersScotland Ltd which supplies construction equipment in the Scottish Highlands and a dormant UK subsidiary, Uniman Ltd.

The latest group Accounts show for the year ended 31 December 2009 show that the consolidated turnover of the group was about 100m Euro. Balance sheet assets were about 50m Euro and there were 300 employees.

During the year ended 31 December 2010 Unigroup Ltd sold 50,000 pieces of equipment at an average price of £200 each to Builders Inc. A review of prices charged by competing companies suggests that an arm's length price for each piece of equipment might be £300. 5,000 pieces of wood were sold to BuildersScotland Ltd at an average price of £20. The arm's length price is estimated to be £30. Uniman Ltd made an interest free loan of £100,000 to Builders Inc in 2007. To date none of the loan has been repaid.

The second client, Otherworld Ltd is UK tax resident and supplies handmade wooden toys to unconnected companies in the UK and abroad. It has a small wholly owned subsidiary, Toysunited Ltd, tax resident in Utopia, a country which does not have a Double Taxation Treaty with the UK. Consolidated group turnover is 3m Euro, consolidated balance sheet assets are 2m Euro and there are 20 employees.

5000 toys were sold to Toysunited Ltd at an average price of £50. The arm's length price is estimated to be £60.

#### Write a briefing note to the partner:

1. Explaining the UK transfer pricing regime in relation to UK corporation tax and its applicability to the Unigroup Ltd group and the Otherworld Ltd group in respect of the year ended 31 December 2010. **16 marks**
2. Explaining the use of an Advance pricing agreement. **4 marks**

**DO NOT PERFORM ANY NUMERICAL CALCULATIONS AND CONSIDER NO OTHER TAXES EXCEPT CORPORATION TAX**

**AIIT EXAMINATIONS  
2011**

**TAX TABLES**

<b>INCOME TAX</b>	<b>2010/11</b>	<b>2009/10</b>
<b>Rates</b>	%	%
Starting rate for savings income only	10	10
Basic rate for all income	20	20
Higher rate for non-savings and savings income only	40	40
Higher rate for dividends	32.5	32.5
Additional rate for non-savings and savings income only	50	–
Additional rate for dividends	42.5	–
Trust rate	50	40
Dividend trust rate	42.5	32.5
 <b>Thresholds</b>	 £	 £
Savings income starting rate band	1 – 2,440	1 – 2,440
Basic rate band	1 – 37,400	1 – 37,400
Higher rate band	37,401 – 150,000	N/A
Standard rate band for trusts	1,000	1,000
 <b>Reliefs</b>	 £	 £
Personal allowance <sup>(1)</sup>	6,475	6,475
– age 65–74 <sup>(1)</sup>	9,490	9,490
– age 75 or over <sup>(1)</sup>	9,640	9,640
Married couple's allowance <sup>(2)</sup>	6,965	6,965
– Maximum income before abatement of relief - £1 for £2	22,900	22,900
– Minimum allowance	2,670	2,670
Blind person's allowance	1,890	1,890
'Rent-a-room' limit	4,250	4,250
Enterprise investment scheme relief limit <sup>(3)</sup>	500,000	500,000
Venture capital trust relief limit <sup>(4)</sup>	200,000	200,000
Employer supported childcare	£55 per week	£55 per week

- Notes**
- (1) From 2010/11, the personal allowance of any individual with income above £100,000 is reduced by £1 for every £2 of income above the £100,000 limit.
  - (2) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
  - (3) Relief at 20%.
  - (4) Relief at 30%.

**Pension contributions**

	<b>Annual allowance<sup>(1)</sup></b>	<b>Lifetime allowance</b>	<b>Minimum pension age</b>
	£	£	
2009/10	245,000	1,750,000	50
2010/11	255,000	1,800,000	55

Basic amount qualifying for tax relief      £3,600

- Notes**
- (1) Individuals with incomes above £130,000 (excluding employer pension contributions) may be subject to a Special Annual Allowance which restricts tax relief on their pension contributions in excess of normal patterns to basic rate relief.

**ITEPA Mileage Rates**

<b>Vehicles</b>	<b>2010/11 and 2009/10</b>
Car or van <sup>(1)</sup>	First 10,000 business miles 40p
	Additional business miles 25p
Motorcycles	24p
Bicycles	20p
Passenger payments	5p

- Note**
- (1) For NIC purposes, a rate of 40p applies irrespective of mileage.

**AIIT EXAMINATIONS  
2011**

**TAX TABLES**

**Company cars and fuel**

<b>Emissions 2010/11</b>	<b>Emissions 2009/10</b>	<b>Car benefit percentage<sup>(1)(2)(3)</sup></b>
0g/km	N/A	0%
1 – 75g/km	N/A	5%
76 – 120g/km	1 – 120g/km	10%
121 – 130g/km	121 – 135g/km	15%
131 – 230g/km	136 – 235g/km	15% + 1% for every additional whole 5g/km above 130g/km (135 g/km in 2009/10)
Over 230g/km	Over 235g/km	35%

<b>Fuel benefit base figure<sup>(2)</sup></b>	<b>2010/11</b>	<b>2009/10</b>
	£18,000	£16,900

- Notes**
- (1) Apply the car benefit percentage to list price of the vehicle.
  - (2) Apply the same car benefit percentages to the fuel benefit base figure to calculate the fuel benefit.
  - (3) 3% supplement for diesel cars.

<b>Taxable benefits for vans</b>	<b>2010/11</b>	<b>2009/10</b>
	£	£
Van benefit – No CO <sub>2</sub> emissions	0	3,000
Van benefit – CO <sub>2</sub> emissions > 0g/km	3,000	3,000
Fuel benefit	550	500

<b>Official rate of interest</b>	<b>2010/11</b>	<b>2009/10</b>
	4.00%	4.75%

**CAPITAL GAINS TAX**

	<b>2010/11</b>		<b>2009/10</b>
	<b>From 23.6.10</b>	<b>Until 22.6.10</b>	
Annual exempt amount	£10,100	£10,100	£10,100
<b>CGT rates for individuals<sup>(1),(2)</sup></b>			
Gains qualifying for entrepreneurs' relief (see final section of table below)	10%	18%	18%
Gains falling within remaining basic rate band <sup>(3)</sup>	18%	18%	18%
Gains exceeding basic rate band	28%	18%	18%
<b>CGT rates for trusts &amp; individuals paying the remittance basis charge</b>			
Gains qualifying for entrepreneurs' relief	10%	18%	18%
Other gains	28%	18%	18%
<b>CGT rate for PRs</b>			
All gains <sup>(4)</sup>	28%	18%	18%
<b>Entrepreneurs' relief</b>			
Relevant gains (lifetime maximum)	£5 million	£2 million	£1 million
Reducing fraction	NA	$\frac{4}{9}$	$\frac{4}{9}$

- Notes**
- (1) For individuals, gains are taxed as if they are the top slice of income.
  - (2) Capital losses and the annual exempt amount may be offset in the most beneficial manner, ie against gains not qualifying for entrepreneurs' relief first.
  - (3) The remaining basic rate band is calculated as £37,400 less taxable income less any gains on which entrepreneurs' relief has been claimed.
  - (4) Personal representatives of deceased persons cannot claim entrepreneurs' relief.

**AIIT EXAMINATIONS  
2011**

**TAX TABLES**

**Lease percentage table**

<b>Years</b>	<b>Percentage</b>	<b>Years</b>	<b>Percentage</b>	<b>Years</b>	<b>Percentage</b>
50 or more	100.000	33	90.280	16	64.116
49	99.657	32	89.354	15	61.617
48	99.289	31	88.371	14	58.971
47	98.902	30	87.330	13	56.167
46	98.490	29	86.226	12	53.191
45	98.059	28	85.053	11	50.038
44	97.595	27	83.816	10	46.695
43	97.107	26	82.496	9	43.154
42	96.593	25	81.100	8	39.399
41	96.041	24	79.622	7	35.414
40	95.457	23	78.055	6	31.195
39	94.842	22	76.399	5	26.722
38	94.189	21	74.635	4	21.983
37	93.497	20	72.770	3	16.959
36	92.761	19	70.791	2	11.629
35	91.981	18	68.697	1	5.983
34	91.156	17	66.470	0	0.000

**Retail Prices Index**

Where Retail Price Indices are required, it should be assumed that they are as follows.

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>1982</b>	—	—	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
<b>1983</b>	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
<b>1984</b>	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
<b>1985</b>	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
<b>1986</b>	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
<b>1987</b>	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
<b>1988</b>	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
<b>1989</b>	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
<b>1990</b>	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
<b>1991</b>	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
<b>1992</b>	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
<b>1993</b>	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
<b>1994</b>	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
<b>1995</b>	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
<b>1996</b>	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
<b>1997</b>	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
<b>1998</b>	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
<b>1999</b>	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
<b>2000</b>	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
<b>2001</b>	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
<b>2002</b>	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
<b>2003</b>	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
<b>2004</b>	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
<b>2005</b>	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
<b>2006</b>	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
<b>2007</b>	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
<b>2008</b>	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
<b>2009</b>	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
<b>2010</b>	217.9	219.2	220.7	222.8	223.6	225.0*	226.4*	227.8*	227.9*	229.3*	230.7*	232.1*
<b>2011*</b>	233.5	234.9	236.3	237.7	239.1	240.5	241.9	243.3	244.7	246.1	247.5	248.9

\* = assumed

**AIIT EXAMINATIONS  
2011**

**TAX TABLES**

**NATIONAL INSURANCE CONTRIBUTIONS**

<b>Class 1 Limits</b>	<b>2010/11</b>			<b>2009/10</b>		
	<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Annual</b>	<b>Monthly</b>	<b>Weekly</b>
Lower earnings limit (LEL)	£5,044	£421	£97	£4,940	£412	£95
Earnings threshold (ET)	£5,715	£476	£110	£5,715	£476	£110
Upper accruals point (UAP)	£40,040	£3,337	£770	£40,040	£3,337	£770
Upper earnings limit (UEL)	£43,875	£3,656	£844	£43,875	£3,656	£844
<b>Class 1 primary contribution rates</b>				<b>2010/11</b>	<b>2009/10</b>	
<b>Not contracted out</b>						
Earnings between ET and UEL				11%	11%	
Earnings above UEL				1%	1%	
<b>Contracted out</b>						
Earnings between ET and UAP				9.4%	9.4%	
Earnings between UAP and UEL				11%	11%	
Earnings above UEL				1%	1%	
Rebate on earnings between LEL and ET				1.6%	1.6%	
<b>Class 1 secondary contribution rates</b>				<b>2010/11</b>	<b>2009/10</b>	
<b>Not contracted out</b>						
Earnings above ET				12.8%	12.8%	
<b>Contracted out – salary related</b>						
Earnings between ET and UAP				9.1%	9.1%	
Earnings above UAP				12.8%	12.8%	
Rebate on earnings between LEL and ET				3.7%	3.7%	
<b>Contracted out – money purchase</b>						
Earnings between ET and UAP				11.4%	11.4%	
Earnings above UAP				12.8%	12.8%	
Rebate on earnings between LEL and ET				1.4%	1.4%	
<b>Other contribution limits and rates</b>				<b>2010/11</b>	<b>2009/10</b>	
<b>Class 1A contributions</b>				12.8%	12.8%	
<b>Class 1B contributions</b>				12.8%	12.8%	
<b>Class 2 contributions</b>						
Normal rate				£2.40 pw	£2.40 pw	
Small earnings exception				£5,075 pa	£5,075 pa	
<b>Class 3 contributions</b>				£12.05 pw	£12.05 pw	
<b>Class 4 contributions</b>						
Annual lower profits limit (LPL)				£5,715	£5,715	
Annual upper profits limit (UPL)				£43,875	£43,875	
Percentage rate between LPL and UPL				8%	8%	
Percentage rate above UPL				1%	1%	

**AIIT EXAMINATIONS  
2011**

**TAX TABLES**

**TAX CREDITS**

**Working Tax Credit**

		£
Basic element	(one per single claimant or couple)	1,920
Couple and lone parent element	(in addition to basic, one per couple)	1,890
30 hour element	(in addition to other elements, one per couple)	790
Disabled worker element	(in addition to other elements, one per couple)	2,570
Severe disability element	(in addition to other elements, one per couple)	1,095
50+ Return to work payment	(16-29 hours)	1,320
50+ Return to work payment	(30+ hours)	1,965
Childcare element – max eligible cost	(if one child in registered childcare)	£175 pw
Childcare element – max eligible cost	(if two or more children in registered childcare)	£300 pw
% of eligible childcare costs covered		80%

**Child Tax Credit**

		£
Family element	(one per family)	545
Baby element	(child under one year)	545
Child element	(in addition to baby element, paid for each child)	2,300
Disabled child element	(in addition to child element)	2,715
Severely disabled child element	(in addition to child and disabled child elements)	1,095

**Income thresholds and withdrawal rates**

First income threshold for those entitled to WTC only (or WTC and CTC)		£6,420
First threshold for those entitled to CTC only		£16,190
First withdrawal rate		39%
Second income threshold (if exceeded then entitled to family and baby elements only)		£50,000
Second withdrawal rate		6.67%
Income disregard		£25,000

# AIIT EXAMINATIONS 2011

## TAX TABLES

### CORPORATION TAX

Financial year	2011	2010	2009
Main rate	27%	28%	28%
Small profits rate	20%	21%	21%
Augmented profit limit for small profits rate	£300,000	£300,000	£300,000
Augmented profit limit for marginal relief	£1,500,000	£1,500,000	£1,500,000
Standard fraction	$\frac{7}{400}$	$\frac{7}{400}$	$\frac{7}{400}$
Marginal rate	28.75%	29.75%	29.75%

### EU definition of small and medium sized enterprises<sup>(1)(2)(3)</sup>

	Small From 1.1.05	Medium From 1.1.05
Employees	≤ 50	≤ 250
Turnover	≤ €10m	≤ €50m
Balance sheet assets	≤ €10m	≤ €43m

**Notes** (1) Small and medium sized enterprises (SMEs) must meet the employees criteria and *either* the turnover or the balance sheet assets criteria.

(2) These thresholds apply as given for transfer pricing and distributions received by small companies.

(3) For the purposes of research and development expenditure the definition of a SME is extended with effect from 1 August 2008 to: Employees 500; Turnover €100m; Balance sheet assets €86m.

### CAPITAL ALLOWANCES

	6.4.10 – 5.4.11 <sup>(1)</sup>	6.4.09 – 5.4.10 <sup>(1)</sup>
Annual investment allowance (AIA) <sup>(2)</sup>	100%	100%
First year allowance (FYA) <sup>(3)</sup>	–	40%
WDA on plant and machinery in main pool <sup>(4)</sup>	20%	20%
WDA on plant and machinery in special rate pool <sup>(5)</sup>	10%	10%
Writing down allowance on patent rights and know-how	25%	25%

**Notes** (1) Dates for companies are 1 April – 31 March.

(2) 100% on the first £100,000 (£50,000 in 2009/10) of investment in plant and machinery (except cars).

(3) A FYA was available for expenditure on assets other than cars in the main pool in 2009/10. The FYA was given after and in addition to the AIA.

(4) A rate of 20% applies to cars with CO<sub>2</sub> emissions greater than 110g/km but not more than 160 g/km acquired on or after 6 April 2009 (1 April for companies).

(5) A rate of 10% applies to cars with CO<sub>2</sub> emissions greater than 160 g/km acquired on or after 6 April 2009 (1 April for companies).

(6) Cars acquired before 6 April 2009 (1 April for companies) continue to be written down based on cost rather than emissions.

### 100% First year allowances available to all businesses

- 1) New energy saving plant and machinery, and water efficient plant and machinery.
- 2) New cars registered between 16 April 2002 and 31 March 2013 if the car either emits not more than 110 g/km of CO<sub>2</sub> or it is electrically propelled.
- 3) Renovation or conversion of vacant business premises, in a designated Enterprise Area, for the purpose of bringing those premises back into business use.
- 4) Converting or renovating an empty or under-used space above a commercial property into qualifying residential accommodation.
- 5) Capital expenditure incurred by a person on research and development.

# AIIT EXAMINATIONS 2011

## TAX TABLES

### INHERITANCE TAX

<b>Death rate</b>	40%	<b>Lifetime rate</b>	20%
<b>Nil rate bands</b>			
6 April 1999 – 5 April 2000	up to £231,000	6 April 2005 – 5 April 2006	up to £275,000
6 April 2000 – 5 April 2001	up to £234,000	6 April 2006 – 5 April 2007	up to £285,000
6 April 2001 – 5 April 2002	up to £242,000	6 April 2007 – 5 April 2008	up to £300,000
6 April 2002 – 5 April 2003	up to £250,000	6 April 2008 – 5 April 2009	up to £312,000
6 April 2003 – 5 April 2004	up to £255,000	6 April 2009 – 5 April 2015	up to £325,000
6 April 2004 – 5 April 2005	up to £263,000		
<b>Taper relief</b>			
Death within 3 years of gift			Nil%
Between 3 and 4 years			20%
Between 4 and 5 years			40%
Between 5 and 6 years			60%
Between 6 and 7 years			80%
<b>Quick Succession relief</b>			
Period between transfers less than one year			100%
Between 1 and 2 years			80%
Between 2 and 3 years			60%
Between 3 and 4 years			40%
Between 4 and 5 years			20%
<b>Lifetime exemptions</b>			
Annual exemption			£3,000
Small gifts			£250
Wedding gifts - Child			£5,000
- Grandchild or remoter issue or other party to marriage			£2,500
- Other			£1,000

### VALUE ADDED TAX

	<b>From 4.1.11</b>	<b>From 1.1.10 to 3.1.11</b>	<b>1.12.08 to 31.12.09</b>
Standard rate	20%	17½%	15%
VAT fraction	1/6	7/47	3/23

### Limits

	<b>From 1.4.10</b>	<b>1.4.09 to 31.3.10</b>
Annual registration limit	£70,000	£68,000
De-registration limit	£68,000	£66,000

### Thresholds

	<b>Cash accounting</b>	<b>Annual accounting</b>
Turnover threshold to join scheme	£1,350,000	£1,350,000
Turnover threshold to leave scheme	£1,600,000	£1,600,000

**AIIT EXAMINATIONS  
2011**

**TAX TABLES**

**OTHER INDIRECT TAXES**

	2010/11	2009/10
<b>Insurance Premium Tax<sup>(1)</sup></b>		
Standard rate	5% (6% from 4.1.11)	5%
Higher rate	17.5% (20% from 4.1.11)	17.5%
<b>Landfill Tax</b> (pro rated for part tonnes)		
Standard rate	£48 per tonne	£40 per tonne
Lower rate	£2.50 per tonne	£2.50 per tonne
<b>Landfill Communities Fund<sup>(2)</sup></b> (LCF)	5.5% × landfill tax liability	6.0% × landfill tax liability
<b>Aggregates Levy</b> (pro rated for part tonnes)	£2.00 (£2.10 from 1.4.11) per tonne	£2.00 per tonne
<b>Climate Change Levy<sup>(3)</sup></b>		
Electricity	0.470p per kwh	0.470p per kwh
Gas	0.164p per kwh	0.164p per kwh
Liquid hydrocarbons	1.050p per kg	1.050p per kg
Any other taxable commodity	1.281p per kg	1.281p per kg

**Notes** (1) Premium is tax inclusive – IPT is 1/21 (3/53 from 4.1.11) or 7/47 (1/6 from 4.1.11) of the premium.

(2) Relief for 90% of qualifying contributions

(3) Where the reduced rate applies it is 20% of the rate shown in the table.

**STAMP TAXES**

<b>Stamp duty</b>	– On shares transferred by physical stock transfer form	0.5%
<b>Stamp duty reserve tax</b>	– On agreements to transfer shares	0.5%
	– On shares transferred to depositary receipt schemes	1.5%

**Stamp duty land tax on purchase price / lease premium / transfer value**

Rate %	2010/11		2009/10	
	Residential	Non-residential	Residential	Non-residential
Zero	£0 – £125,000 <sup>(1)(2)</sup>	£0 – £150,000 <sup>(3)</sup>	£0 – £125,000 <sup>(1)(2)(4)</sup>	£0 – £150,000 <sup>(3)</sup>
1	£125,001 <sup>(1)(2)</sup> – 250,000	£150,001 – 250,000	£125,001 <sup>(1)(2)(4)</sup> – 250,000	£150,001 – 250,000
3	£250,001 – 500,000	£250,001 – 500,000	£250,001 – 500,000	£250,001 – 500,000
4	£500,001 – £1,000,000	Over £500,000	Over £500,000	Over £500,000

**Notes** (1) A higher threshold of £250,000 applies to purchases by first time buyer completed between 25.3.10 and 24.3.12.

(2) A higher threshold of £150,000 applies to transactions in residential land in disadvantaged areas.

(3) For non-residential property, where the transaction involves a grant of a lease, the zero rate band is not available if annual rent exceeds £1,000.

(4) From 3.9.08 to 31.12.09 a higher threshold of £175,000 applied to residential property. For the period from 3.9.08 to 21.4.09, the higher threshold did not apply to lease premiums where the lease was granted for a term of less than 21 years or assigned with a term of less than 21 years to run.

**New leases – Stamp duty land tax on lease rentals<sup>(1)</sup>**

Rate (%)	Net present value of rent	
	Residential	Non-residential
Zero	Up to £125,000 <sup>(2)</sup>	Up to £150,000
1%	Excess over £125,000 <sup>(2)</sup>	Excess over £150,000

**Notes** (1) SDLT on the net present value of the rent is payable in addition to SDLT on any lease premium.

(2) A higher threshold of £175,000 applied between 3.9.08 and 31.12.09. For the period from 3.9.08 to 21.4.09, the higher threshold did not apply to leases which were granted for a term of less than 21 years or assigned with a term of less than 21 years to run. In addition, SDLT was payable on the excess of chargeable consideration above £125,000. From 22.4.09 to 31.12.09, the higher threshold applied to all leases of residential accommodation and SDLT was payable on the excess of chargeable consideration above £175,000.