

Taxation (UK)

Sample Questions – September/December 2019

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Introduction screen

Taxation - United Kingdom (TX - UK) Sample Questions - September/December 2019



Introduction

These sample questions show the likely style and range of **constructed response questions** that could be asked in the live exam.

You should use these questions to become familiar with the question types and the features and functionality contained within the live exam.

This exam is reflective of the constructed response section of the live exam in terms of how it will be structured and assessed, but has some differences:

- There is no timer in this exam however the live exam will have a time limit.
- In the live exam your answers to the constructed response questions will be expert-marked. In this exam you should use the relevant solution material, available from the Past Exam section of the ACCA website, to assess your performance.
- In the live exam you will be able to highlight and strikethrough text in the question scenario (this feature is not currently available in this exam).

Next →

Instruction screens

Taxation - United Kingdom (TX - UK) Sample Questions - September/December 2019




Instructions (1 of 4)

The instructions displayed below are representative of those displayed in the live exam. Where there are differences between this exam and the live exam these are explained.

General Instructions

- In this exam, the instruction screens are not timed however in the live exam they will be available for a maximum of 10 minutes prior to the exam starting.
- In the live exam, the stated exam time will automatically start once the 10 minute period has passed (or earlier if you choose to start the exam within the 10 minute period).
- A copy of the instruction screens can be accessed at any time during the exam by selecting the Help button provided.

Answering and Navigating


- Please read each question carefully.
- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting **Next**  or **Previous** , or by clicking on a question number from the Navigator or Item Review screens.
- A warning message will display to remind you that you cannot navigate away from a question if you have not viewed all of the question content. Ensure that you use all scrollbars and/or open any on-screen exhibits before navigating from each question.
- Some questions have the scenario and answer area divided by either a horizontal or vertical splitter bar. You can move this splitter bar to see more or less of the scenario or answer area.
- Please ensure you provide an answer for all elements of each question.
- You can revisit questions and change your answers at any time during the exam.

Instruction screens (continued)




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Instructions (2 of 4)


Flag for Review

- If you wish to revisit/review a question later in the exam, click  **Flag for Review**
- Click the button again if you no longer wish to revisit/review the question later in the exam.


Help

- Click the **Help** button provided to access:
 - A copy of these exam instructions.
 - Help and guidance on constructed response questions (in the constructed response section of the exam only).
 - Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e.  **Help**,  **Help/Formulae Sheet** or  **Help/Tax Tables**

Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting  **Calculator**
- Note that in the live exam you are also permitted to use your own calculator providing it does not have the facility to store or display text.

Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting  **Scratch Pad**
- The Scratch Pad retains all notes/workings entered for all questions and these are available for the duration of the exam. They will not be submitted for marking after your live exam.
- You will also be provided with paper for notes/workings for your live exam, should you prefer to use it. This will be collected at the end of the exam and must not be removed from the exam room.

Important:

- The notes/workings entered onto the Scratch Pad or your workings paper during the live exam will not be marked.
- If you want the marker to see any notes/workings for questions in the constructed response section of the live exam you must show them within the answer areas.

Insert Symbol


- You can add a selection of currency symbols to your answers in the constructed response section of the exam by selecting  **Insert Symbol** on the top toolbar.

Instruction screens (continued)

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Instructions (3 of 4)

Navigator Screen

- The Navigator screen can be accessed at any time during the exam by selecting  Navigator
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of questions and whether they have been viewed, are complete or incomplete, or have been flagged for review.

Reviewing the Exam

- You can review your exam once you have attempted any, or all, of the questions.
- To do this:
 - Navigate to the **last question** in the exam.
 - Click the Next button.
- This takes you to the Item Review screen.

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you exit the exam.
- In the live exam this screen will indicate whether the question is complete or incomplete. In this exam, it will show the following:
 - **Unseen** – you have not yet viewed the question.
 - **Blank** – you have viewed the question.

There will be no indication on whether these questions have been answered or whether the answers are correct or incorrect. You should refer to the relevant solution material, available from the Past Exam section of the ACCA website, for guidance to assess your own performance.

Instruction screens (continued)

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Instructions (4 of 4)

Revisiting Questions

- You can select individual questions you wish to revisit, or quickly access groups of questions from the Item Review screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next**, **Previous** or **Review Screen**
- When reviewing questions you can change your answer and click **Review Screen** to view any updated status on the Item Review screen.
- You can review your answers against the relevant solution material provided in the Past Exam section of the ACCA website.

Exiting the Exam

- Once you have completed your item review and wish to finally end the exam click **End Exam**
- Once you end the exam, you cannot revisit any questions.

Select **Next** to move to the Exam Summary screen.

Exam summary screen

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Exam Summary

Time allowed: This sample exam is not timed.

- You will be presented with **three constructed response** questions, each containing a scenario which relates to one or more requirement(s). The requirements may be split over multiple question screens.
- Each constructed response question is worth **10 or 15 marks** in total.
- **40 marks** in total.
- All questions are compulsory.

Important



- (1) Calculations and workings need only be made to the nearest £.
- (2) All apportionments should be made to the nearest month.
- (3) In your live exam you must:
 - Enter your answer for each question in the response area provided for that question. Any answers entered into a response area provided for a different question will not be marked.
 - Show all notes/workings that you want the marker to see within the response area provided for the question. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to start your exam.

Sample exam questions

Scenario 1

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⌘ Symbol  Calculator  Scratch Pad

This scenario relates to four requirements.

You should assume that today's date is 4 April 2018.

On 2 April 2018, Kagan inherited some quoted ordinary shares valued at £510,000 following the death of his aunt. Kagan is unsure whether to retain the shares or sell some of them in order to make some alternative investments.

Kagan is aged 61 and is an additional rate taxpayer. Prior to the inheritance, his taxable income, consisting entirely of employment income, for the tax year 2018-19 would have been £400,000. The income tax liability on this income for the tax year 2018-19 would have been £165,600.

Prior to receiving the inheritance, Kagan's chargeable estate for inheritance tax (IHT) purposes was valued at £1,700,000. IHT of £550,000 would be payable were he to die in the near future.

Retain the inherited shares

If Kagan simply retains the inherited shares, then he will receive dividend income of £15,300 during the tax year 2018-19. This is in addition to his employment income of £400,000.

Sell some inherited shares and make four alternative investments

Kagan is considering selling some of his inherited shares (for which there has only been a minimal increase in value since he inherited them) to fund the following four investments, all of which will be made at the start of the tax year 2018-19:

(1) Kagan will make a gross personal pension contribution of £100,000. Kagan is a member of a pension scheme, but has not made any contributions in recent years because his income has been substantially lower than it is for the tax year 2018-19. He therefore has sufficient unused annual allowances to cover a pension contribution of £100,000. Kagan will immediately withdraw £25,000 of the pension fund tax-free. This is the permitted 25% tax-free lump sum. However, no pension will be taken during the tax year 2018-19.


(2) Kagan will invest £50,000 in premium bonds. The expected amount of premium bond prizes which will be received during the tax year 2018-19 is £700.

(3) Kagan will invest the maximum permitted amount of £20,000 in a cash individual savings account (ISA). The ISA will pay interest of £400 during the tax year 2018-19.

(4) Kagan will purchase a freehold property for £295,000 (including all costs of purchase). The property will be let out unfurnished, with Kagan receiving property income of £9,600 during the tax year 2018-19.

After making these four investments, Kagan will be left with £65,000 of inherited shares, on which he will receive dividend income of £1,950 during the tax year 2018-19. He will also have his employment income of £400,000.

Kagan will not make any other disposals during the tax year 2018-19.

 [Help/Tax Tables](#)

Scenario 1: requirements

(a) Calculate Kagan's revised income tax liability for the tax year 2018-19 if he retains the inherited shares. (1 mark)

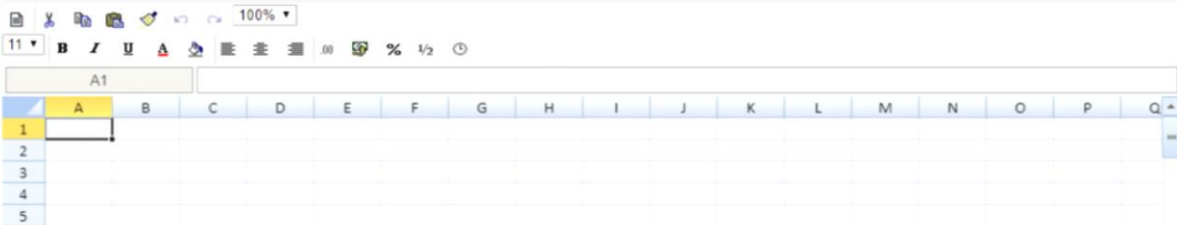
(b)(i) Explain why little or no capital gains tax (CGT) will be payable if Kagan sells some of his inherited shares. (1 mark)

(ii) Calculate Kagan's revised income tax liability for the tax year 2018-19 if he sells some of his inherited shares and makes the four alternative investments. (6 marks)

Notes

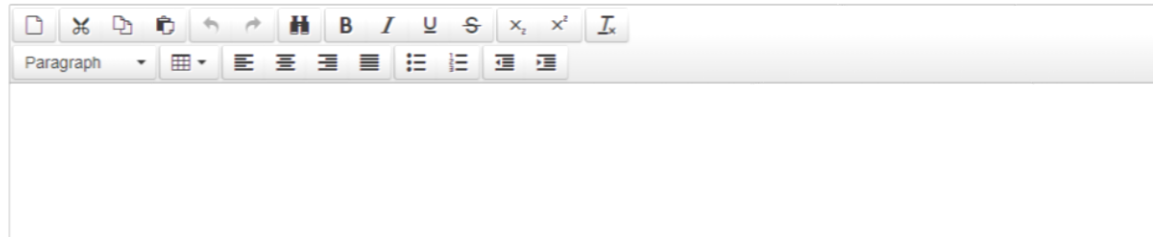
1. For this part of the question, you are expected to produce a full income tax computation.
2. You should indicate by the use of zero (0) any items which are not taxable

Edit Format





(c) For each of the four alternative investments (pension contribution, premium bonds, ISA and freehold property) state whether the investment will reduce Kagan's potential IHT liability compared to him retaining the inherited shares. (2 marks)

Note: For this part of the question, no computations are required. (10 marks)



Scenario 2

Taxation - United Kingdom (TX - UK) Sample Questions - September/December 2019

 Symbol
  Calculator
  Scratch Pad

This scenario relates to three requirements.

Robinette ceased self-employment on 30 June 2018. She was then employed by Bird plc for the six-month period from 1 August 2018 to 31 January 2019. Robinette commenced self-employment again, in a new business, on 1 February 2019.

Self-employment ceasing on 30 June 2018

(1) Robinette's trading profit for the final 14-month period of trading from 1 May 2017 to 30 June 2018 was £106,900. This figure is **before** taking account of capital allowances.

(2) The tax written down value of the capital allowances main pool at 1 May 2017 was £15,300. On 11 June 2017, Robinette purchased a laptop computer for £2,600.

On the cessation of trading, Robinette personally retained the laptop computer. Its value on 30 June 2018 was £1,750. The remaining items included in the main pool were sold for £7,300 on 30 June 2018.

(3) Robinette had unused overlap profits brought forward of £22,700.

Employment from 1 August 2018 to 31 January 2019

(1) During the six-month period from 1 August 2018 to 31 January 2019, Robinette was paid a gross monthly salary of £10,600 in respect of her employment with Bird plc.

(2) Throughout the period from 1 August 2018 to 31 January 2019, Bird plc provided Robinette with living accommodation. The property is rented by Bird plc at a cost of £690 per month (this is higher than the annual value of the property). Bird plc also paid for the running costs relating to the property, and for the period 1 August 2018 to 31 January 2019 these amounted to £1,440.

(3) Throughout the period from 1 August 2018 to 31 January 2019, Robinette's two year old son was provided with a place at Bird plc's workplace nursery. The total cost to the company of providing this nursery place was £4,800 (120 days at £40 per day).

(4) Robinette used her private motor car for business purposes. During the period from 1 August 2018 to 31 January 2019, she drove 5,200 miles in the performance of her duties for Bird plc, for which the company paid an allowance of 35 pence per mile.

Self-employment from 1 February 2019

(1) Robinette's trading profit for the first five-month period of trading from 1 February to 30 June 2019 was £55,700. This figure is **before** taking account of capital allowances.

(2) The only item of plant and machinery owned by Robinette, and used in this business, is office equipment which was purchased for £26,200 on 1 February 2019.

Property income


(1) During the period 1 August 2018 to 31 January 2019, Robinette let out her main residence at a monthly rent of £1,100. Robinette lived in this property up to 31 July 2018 and then again from 1 February 2019 onwards.

(2) The only expenditure incurred by Robinette in respect of the letting was property insurance, which cost £624 for the year ended 5 April 2019.

(3) Robinette has opted to calculate her property income using the accruals basis. Rent-a-room relief is not available in respect of the letting.

Self-assessment tax return

Robinette filed her self-assessment tax return for the tax year 2018-19 on 14 August 2019. She is quite confident that all of her income for the tax year 2018-19 was correctly declared and that no deductions were incorrectly claimed.

 [Help/Tax Tables](#)

Requirements for Scenario 2

(a) Calculate Robinette's taxable income for the tax year 2018-19.

Note: You should indicate by the use of zero (0) any items which are not taxable or deductible.

(12 marks)

Edit Format

100%

11 B I U A % 1/2

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1															
2															
3															
4															
5															

(b)(i) State the period during which HM Revenue and Customs (HMRC) will have to notify Robinette if they intend to carry out a compliance check in respect of her self-assessment tax return for the tax year 2018-19, and the likely reason why such a check would be made.

(2 marks)

(ii) Advise Robinette as to how long she must retain the records used in preparing her self-assessment tax return for the tax year 2018-19.

(1 mark)

(15 marks)

Paragraph

B I U S x₂ x² I

Paragraph