

**UNIVERSITY OF BOLTON**  
**INSTITUTE OF MANAGEMENT**  
**BA (HONS) ACCOUNTANCY**  
**SEMESTER 1 EXAMINATIONS 2022/2023**  
**PERSONAL AND BUSINESS TAX**  
**MODULE NO: ACC5003**

Date: Wednesday 11 January 2023

Time: 2.00 – 5.00

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**INSTRUCTIONS TO CANDIDATES:**

There are 5 questions on this paper.

Answer **BOTH** questions from Section A and **TWO** questions from Section B.

This is a closed book examination. Tax tables are provided.

You must hand in this exam paper with your answer booklet.

Use of calculators is allowed.

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University of Bolton  
 Institute of Management  
 BA (Hons) Accountancy  
 Semester 1 Examination 2022/2023  
 Personal and Business Tax  
 Module No. ACC5003

**SECTION A – ANSWER ALL QUESTIONS FROM THIS SECTION**

**Question 1**

Mikesh is the proprietor of a small Limited company that operates from rented premises. He holds a 10-year lease on the property, which he renewed on January 1, 2022, for a premium of £7,000. The following is his income statement for the fiscal year ending 31 December 2022:

	£	£
Gross profit for the year		52,618
Add: Interest receivable	212	
Surplus on sale of office equipment	300	512
		53,130
Less: Wages (Note 1)	19,280	
Rent, rates, and insurance (Note 2)	7,915	
Electricity	4,328	
Telephone (Note 3)	1,650	
Repairs (Note 4)	2,286	
Printing and advertising	1,250	
Motor expenses (Note 5)	5,712	
Legal and professional (Note 6)	3,000	
Sundry (Note 7)	4,777	
Bad and doubtful debt (Note 8)	860	
Bank charges and interest	2,765	
Lease premium amortisation	700	
Depreciation	7,749	62,272
Net profit/(loss) for the year		<u>(9,142)</u>

Notes:

1. Wages include £5,800 for Mikesh's wife (who works part-time for the business) and £1,000 for his son (a student who does not work for the business at all). Also included in wages are Mikesh's personal income tax and personal National Insurance contributions totalling £3,524.
2. Insurance includes Mikesh's private medical insurance premium of £1,405.
3. It has been agreed that one-sixth of telephone costs relate to private use.

**Question 1 continues over the page**

University of Bolton  
 Institute of Management  
 BA (Hons) Accountancy  
 Semester 1 Examination 2022/2023  
 Personal and Business Tax  
 Module No. ACC5003

**Question 1 continued**

4. Repairs include £750 for the cost of essential repairs to a newly acquired second-hand forklift truck which could not be used until the repairs had been carried out.

5. Motor expenses are as follows:

	£
Vehicle servicing and repairs	1,165
Fuel and oil	2,815
Loss on disposal of motor vehicle	422
Road fund licences and insurance	610
Fine for speeding by Mikesh	700
	5,712

It has been agreed that one-tenth of motor expenses relate to private use.

6. Legal and professional expenses comprise of legal fees of £850 (on renewal of Mikesh's 10-year lease), debt collection fees of £1,250 and accountancy fees of £900.

7. Sundry expenses are:

	£
Business entertaining	3,320
Staff Christmas Dinner	312
Subscription to trade association	350
Donation to political party	200
Miscellaneous small items (all allowable)	595
	4,777

8. Trade debts of £500 were written off during the year. The general allowance for doubtful debts was reduced by £100 and the specific allowance for doubtful debts was increased by £460.

9. During the year, Mikesh used stock costing £220 from the business for his own personal use, paying £220 of his own money into the business bank account. His gross profit percentage on turnover is 20%.

**Required:**

**Compute Mikesh's trading profit for the year to 31 December 2022.**

**You should briefly explain the reasons behind any adjustments**

**Total 25 Marks**

**End of Question 1**  
**PLEASE TURN THE PAGE**

University of Bolton  
 Institute of Management  
 BA (Hons) Accountancy  
 Semester 1 Examination 2022/2023  
 Personal and Business Tax  
 Module No. ACC5003

### **Question 2**

Daniel Smith started business on 1 July 2020 as a joiner making kitchens. His tax-adjusted profits were as follows:

Period to 31 December 2020	£ 24,000
Year ended 31 December 2021	37,000
Year ended 31 December 2022	42,000

Capital additions and disposals were as follows:

Additions		£
1 July 2020	Plant and machinery	3,500
1 July 2020	Car (emissions 47g/km)	15,000
1 October 2020	Trailer	2,500
1 December 2021	Car (emissions 134g/km)	13,000
1 December 2022	Plant and machinery	2,400
Disposals		
1 December 2021	Car acquired 1 July 2020	12,400
1 November 2022	Plant and machinery (at less than cost)	2,000

Private use of both cars has been agreed with the HMRC at 20%.

Daniel's wife Olivia is an employed finance director with a salary of £51,850 per annum. The following additional information is provided for 2022-2023:

- i. A new car (petrol) was provided for use by Olivia in August 2021. The list price at the time was £22,800. Of this amount, £4,000 was contributed by Olivia so that a better car could be provided. She was required to pay £25 each month towards the private use of the car but not towards the private fuel, all of which was provided by her employers. The car has an emissions rating of 103g/km.

**Question 2 continues over the page**

University of Bolton  
Institute of Management  
BA (Hons) Accountancy  
Semester 1 Examination 2022/2023  
Personal and Business Tax  
Module No. ACC5003

**Question 2 continued**

- ii. Olivia has received a loan of £90,000 from her employers on which she pays interest at 0.25% per annum
- iii. Olivia made a qualifying donation to the Oxfam charity on 1 July 2022 of £400 under the Gift Aid scheme.

**Required.**

**Calculate Daniel's trading income for 2020-21 to 2022-23 inclusive.**

**(25 marks)**

**Calculate Olivia's income tax liability for 2022-23 (assuming an official rate of 2% per annum).**

**(10 marks)**

**Total 35 marks**

**End of Question 2**

**End of Section A**

**PLEASE TURN THE PAGE**

University of Bolton  
Institute of Management  
BA (Hons) Accountancy  
Semester 1 Examination 2022/2023  
Personal and Business Tax  
Module No. ACC5003

**SECTION B – ANSWER TWO QUESTIONS ONLY FROM THIS SECTION**

**Question 3**

- a) Rebecca's income for tax year 2022-23 consists of business profits of £26,930, dividends received of £124,460 and rents received of £3,750. Her personal allowance for the year is £NIL.

**Required**

**Calculate Rebecca's income tax liability for 2022-23, assuming that the rents received are not within the "rent-a-room" scheme.**

**(10 marks)**

- b) Rebecca's father Chris a married man (born 3 November 1934) died on 8 July 2022. He received a retirement pension of £15,000 between 6 April 2022 and the date of his death. His wife Joanne (born 12 August 1940) had no income whilst her husband was alive but received a pension of £19,955 between 8 July 2022 and 5 April 2023. They were married in 1970 and made no elections in relation to the married couple's allowance.

**Required**

**Calculate Chris' and Joanne's income tax liabilities for 2022-23.**

**(10 marks)**

**Total 20 marks**

**End of Question 3**  
**PLEASE TURN THE PAGE**

University of Bolton  
Institute of Management  
BA (Hons) Accountancy  
Semester 1 Examination 2022/2023  
Personal and Business Tax  
Module No. ACC5003

**Question 4**

- a) Emma is the managing director of a large finance company. She earns an annual salary of £95,000 together with a bonus (received in September each year) based on the company's profits for the accounting year ending on the previous 31 May. She also receives a general expenses allowance of £8,000 per annum, which she uses for business travel and entertaining. The company provides her with a new BMW motor car every two years and pays all running costs. She has an interest free loan from the company of £20,000 and the company pays her annual subscription to a private medical insurance scheme, costing £1,850.

**Required**

**Explain the tax implications of each of the elements of Emma's remuneration package.**

**(10 marks)**

b)

Ian is a freelance television technician. In a typical tax year, he works for approximately 20 separate TV companies. None of his engagements with any of these companies lasts for more than 10 days at a time. All of his work is performed at studios owned by the TV companies, using very expensive equipment also owned by these companies.

The TV companies initially book his services by telephoning him at his home (where he has an office) and then send a confirmation letter giving the dates of the engagement and the amount of the agreed fee. Ian's work is very skilful, and he is required to do this work himself. He is not allowed to subcontract the work to anyone else.

**Required**

**Critically assess whether Ian employed or self-employed?**

**(10 marks)**

**Total 20 marks**

**End of Question 4**  
**PLEASE TURN THE PAGE**

University of Bolton  
 Institute of Management  
 BA (Hons) Accountancy  
 Semester 1 Examination 2022/2023  
 Personal and Business Tax  
 Module No. ACC5003

### Question 5

- a) Katie's total pension input amounts for tax years 2019-20 to 2022-23 are as follows:

2019-20	£23,000
2020-21	£34,000
2021-22	£42,000
2022-23	£45,000

She has no unused annual allowance to bring forward from previous year. Her taxable income for 2022-23 (after deduction of personal allowance) is £87,500 and she is not a "high-income individual" in any year. The standard annual allowance is £40,000 in all years concerned.

#### Required

**Calculate the annual allowance charge for 2022-23 and the amount of any unused annual allowance carried forward to 2023-24.**

**(10 marks)**

- b) Helena paid income tax and class 4 NIC's of £47,000 for tax year 2021-22, of which £19,000 was paid via the PAYE system. Her total liability for 2022-23 is £69,000, of which £21,000 is paid via PAYE. Her payments for 2022-23 are as follows:

15 February 2023	£14,000
14 September 2023	£14,000
3 February 2024	£16,000
15 December 2024	£4,000

#### Required

**Calculate the late payment penalties and interest payable for the year, assuming that any penalties are paid on 15 December 2024 and that interest is charged at 3.25% p.a.**

**(10 marks)**

**Total 20 marks**

**End of Questions**

**PLEASE TURN THE PAGE**

## Summary of Tax Data

### Income Tax

	2022-23	2021-22
<b>TAX RATES AND BANDS<sup>†</sup></b>		
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Basic rate limit <sup>‡</sup>	£37,700	£37,700
Higher rate limit	£150,000	£150,000
<i><sup>†</sup> Different tax rates and bands apply to the non-savings income of Scottish taxpayers (see below)</i>		
<i><sup>‡</sup> Basic rate limit frozen at £37,700 until the end of tax year 2025-26</i>		
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000
Personal savings allowance (basic rate taxpayer)	£1,000	£1,000
Personal savings allowance (higher rate taxpayer)	£500	£500
Dividend ordinary rate	8.75%	7.5%
Dividend upper rate	33.75%	32.5%
Dividend additional rate	39.35%	38.1%
Dividend allowance	£2,000	£2,000

### SCOTTISH TAX RATES AND BANDS<sup>†</sup>

Starter rate	19%	19%
Basic rate	20%	20%
Intermediate rate	21%	21%
Higher rate	41%	41%
Top rate	46%	46%
Starter rate limit	£2,162	£2,097
Basic rate limit	£13,118	£12,726
Intermediate rate limit	£31,092	£31,092
Higher rate limit	£150,000	£150,000

*<sup>†</sup> These tax rates and bands apply only to the non-savings income of Scottish taxpayers*

**PLEASE TURN THE PAGE**

University of Bolton  
 Institute of Management  
 BA (Hons) Accountancy  
 Semester 1 Examination 2022/2023  
 Personal and Business Tax  
 Module No. ACC5003

## Summary of Tax Data

**PERSONAL ALLOWANCES**

	2022-23	2021-22
Personal allowance <sup>†</sup>	£12,570	£12,570
Marriage allowance	£1,260	£1,260
Blind person's allowance	£2,600	£2,520
Married couple's allowance:		
Born before 6 April 1935	£9,415	£9,125
Minimum amount	£3,640	£3,530
Income limit for basic personal allowance	£100,000	£100,000
Income limit for married couple's allowance	£31,400	£30,400

<sup>†</sup> Personal allowance frozen at £12,570 until the end of tax year 2025-26

**CAR AND FUEL BENEFIT**

Zero emissions	2%	1%
*1-50 g/km (depending upon electric range)	2%-14%	2%-14%
*51g/km to 54g/km	15%	15%
*55g/km to 59g/km	16%	16%
*60g/km to 64g/km	17%	17%
*65g/km to 69g/km	18%	18%
*70g/km to 74g/km	19%	19%
*75g/km	20%	20%
Each additional 5g/km	+1%	+1%
Maximum charge	37%	37%
Amount used in car fuel benefit calculation	£25,300	£24,600

\* These percentages were 1% lower in 2021-22 if the car was registered on or after 6 April 2020

**CAPITAL ALLOWANCES**

Writing Down Allowance (WDA)		
Main pool of plant and machinery	18%	18%
Special rate pool of plant and machinery	6%	6%
Annual Investment Allowance (AIA)	100%	100%
AIA annual limit from 1 January 2016 <sup>†</sup>	£200,000	£200,000
First Year Allowances (FYAs)	100%	100%
Structures and Buildings Allowances (SBAs)	3%	3%

<sup>†</sup> AIA annual limit temporarily raised to £1m between 1 January 2019 and 31 March 2023

**PENSION SCHEMES**

Annual allowance	£40,000	£40,000
Lifetime allowance <sup>†</sup>	£1,073,100	£1,073,100

<sup>†</sup> Lifetime allowance frozen at £1,073,100 until the end of tax year 2025-26

**PLEASE TURN THE PAGE**

University of Bolton  
 Institute of Management  
 BA (Hons) Accountancy  
 Semester 1 Examination 2022/2023  
 Personal and Business Tax  
 Module No. ACC5003

## Summary of Tax Data

**National Insurance Contributions**

	2022-23	2021-22
<b>CLASS 1</b>		
Lower earnings limit (weekly)	£123	£120
Primary threshold (weekly) ( <i>£190 until 6 July 2022</i> )	£242	£184
Upper earnings limit (weekly)	£967	£967
Secondary threshold (weekly)	£175	£170
Upper secondary threshold (weekly)	£967	£967
Employee contributions		
Rate on earnings between primary threshold and UEL	13.25%	12%
Rate on earnings beyond UEL	3.25%	2%
Employer contributions		
Rate on earnings beyond secondary threshold	15.05%	13.8%
Employment allowance	£5,000	£4,000
<b>CLASS 1A</b>		
Rate	15.05%	13.8%
<b>CLASS 2</b>		
Weekly contribution	£3.15	£3.05
Small profits threshold	£6,725	£6,515
<b>CLASS 3</b>		
Weekly contribution	£15.85	£15.40
<b>CLASS 4</b>		
Lower profits limit	£11,908	£9,568
Upper profits limit	£50,270	£50,270
Rate on profits between lower and upper limit	10.25%	9%
Rate on profits beyond upper limit	3.25%	2%

**Capital Gains Tax**

	2022-23	2021-22
Standard rate <sup>†</sup>	10%	10%
Higher rate <sup>†</sup>	20%	20%
Business asset disposal relief rate	10%	10%
Business asset disposal relief lifetime limit	£1,000,000	£1,000,000
Annual exempt amount <sup>‡</sup>	£12,300	£12,300

<sup>†</sup> Taxable gains on the disposal of residential property are taxed at 18% and 28%

<sup>‡</sup> Annual exempt amount frozen at £12,300 until the end of tax year 2025-26

**PLEASE TURN THE PAGE**

## Summary of Tax Data

**Corporation Tax**

Financial Year	FY2022	FY2021	FY2020	FY2019	FY2018
Main rate <sup>†</sup>	19%	19%	19%	19%	19%
Patent box (effective rate)	10%	10%	10%	10%	10%
R&D SMEs payable credit	14.5%	14.5%	14.5%	14.5%	14.5%
R&D expenditure credit	13%	13%	13%	12%	12%

<sup>†</sup> The main rate for FY2023 will be 25%. However, a "small profits rate" of 19% will apply to companies with profits not exceeding £50,000. Companies with profits between £50,000 and £250,000 will be subject to the main rate, but reduced by a marginal relief.

**Inheritance Tax**

Date of transfer	Nil rate band <sup>†‡</sup>	Rate on life-time transfers	Rate on death	Lower rate
6 April 2006 to 5 April 2007	0 - £285,000	20%	40%	-
6 April 2007 to 5 April 2008	0 - £300,000	20%	40%	-
6 April 2008 to 5 April 2009	0 - £312,000	20%	40%	-
6 April 2009 to 5 April 2012	0 - £325,000	20%	40%	-
6 April 2012 to 5 April 2023	0 - £325,000	20%	40%	36%

<sup>†</sup> Residence nil rate band for 2022-23 is £175,000

<sup>‡</sup> Nil rate band and residence nil rate band both frozen until the end of tax year 2025-26

**Value Added Tax**

Standard rate	20%	(from 4 January 2011)
Reduced rate	5%	
Registration threshold <sup>†</sup>	£85,000	(from 1 April 2017)
Deregistration threshold <sup>†</sup>	£83,000	(from 1 April 2017)

<sup>†</sup> Thresholds frozen until April 2024

**END OF TAX TABLES**  
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