

FOUNDATIONS IN ACCOUNTANCY

# Foundations in Taxation (Ireland)

Pilot Paper

**Time allowed:**

Writing: 2 hours

This paper is divided into two sections:

Section A – ALL TEN questions are compulsory and **MUST** be attempted

Section B – ALL NINE questions are compulsory and **MUST** be attempted

Tax rates and allowances are on pages 2–6

**Do NOT open this paper until instructed by the supervisor.**

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

**The Association of Chartered Certified Accountants**

# Paper FTX (IRL)

The ACCA logo, consisting of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

## SUPPLEMENTARY INSTRUCTIONS

- 1 Calculations and workings need only be made to the nearest €.
- 2 All apportionments should be made to the nearest month.
- 3 All workings should be shown.

## TAX REFERENCE MATERIAL

The following rates, credits, formulae and allowances are based on the Finance Act 2010 and are to be used for all questions in this paper.

### Income tax rates

	Tax €
<b>Single/Widow(er)</b>	
€36,400 at 20%, Balance at 41%	7,280
<b>Married couple (one income)</b>	
€45,400 at 20% Balance at 41%	9,080
<b>Married couple (dual income)</b>	
€45,400 at 20%, €27,400 at 20% Balance at 41%	9,080 5,480
<b>One parent family</b>	
€40,400 at 20% Balance at 41%	8,080

### Tax credits

	€
Single person's credit	1,830
Married couple's credit	3,660
Widowed person	
– in year of bereavement	3,660
– without dependent children	2,430
– with dependent children	1,830
Widowed parent	
– first year after bereavement	4,000
– second year after bereavement	3,500
– third year after bereavement	3,000
– fourth year after bereavement	2,500
– fifth year after bereavement	2,000
Home carer credit (maximum)	900
Single parent credit	1,830
Incapacitated child credit	3,660
Dependent relative credit	80
Age credit – single/widowed	325
– married	650
Employee/PAYE credit	1,830

Rent allowance credit		
	Rent limit	Tax credit
	€	€
– single aged under 55	2,000	400
– married/widowed aged under 55	4,000	800
– single aged 55 and over	4,000	800
– married/widowed aged 55 and over	8,000	1,600
Service charge credit (maximum)	Upper limit €400	80
Third level tuition fees	Upper limit €5,000	1,000

### **Rates of PRSI/levies Self-employed**

#### **PRSI**

Rate	3%
Minimum contribution where income is below €26,000	€253
No PRSI where income is below €3,174 per annum	

#### **Health contribution**

Lower exemption limit (€500 per week)	€26,000
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	Rate
Income	
Up to €75,036 per annum	4%
€75,037 and over	5%

Note: No upper limit for PRSI or health contribution

### **Rates of PRSI/levies Employee – Class A1**

#### **PRSI**

Upper limit	€75,036
Rate	4%

The first €127 per week (non-cumulative) is exempt from PRSI  
No PRSI on income up to €18,304 per annum (€352 per week)

#### **Health contribution**

Lower exemption limit (€500 per week)	€26,000
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	Rate
Income	
Up to €75,036 per annum	4%
€75,037 and over	5%

Note: No upper limit for health contribution

**Rates of PRSI/levies  
Employer (for employees – Class A1)**

**PRSI**

Rate	10.75%
For salaries less than €18,980 (€365 per week) the rate is 8.5% per annum	
Note: No upper limit for employer's contribution	

**Income levy for all taxpayers**

The first €75,036	2%
The next €99,944	4%
Income over €174,980	6%

Exemptions:

- individuals aged less than 65 years where income does not exceed €15,028 per annum;
- individuals aged 65 years or over where income does not exceed €20,000 per annum.

**Retirement annuities**

	Percentage of net relevant earnings
<b>Age</b>	<b>%</b>
Up to 30 years	15
30 years but less than 40 years	20
40 years but less than 50 years	25
50 years but less than 55 years	30
55 years but less than 60 years	35
60 years and over	40

Cap on earnings of €150,000

**Corporation tax**

Standard rate	12.5%
Higher rate	25%

**Value added tax (VAT)**

<b>Rates</b>	
Standard rate	21%
Lower rate	13.5%
Flat rate for farmers	5.2%

**Capital gains tax**

Rate	25%
Annual exemption	€1,270

### Writing down and wear and tear allowances

Type of expenditure	Date incurred	Writing down allowance	Tax life (where relevant)
Plant and machinery	From 4 December 2002	12.5%	
Motor vehicles	From 4 December 2002	12.5%	
Industrial buildings	From 1 April 1992	4%	25 years
Farm buildings	From 27 January 1994	15% for six years and 10% in year seven	10 years
Hotels	From 3 December 1994 to 3 December 2002	15% for six years and 10% in year seven	10 years
	From 4 December 2002	4%	25 years
Nursing homes and private hospitals	From 3 December 1997 to 31 July 2006	15% for six years and 10% in year seven	10 years
	From 1 August 2006	15% for six years and 10% in year seven	15 years
Childcare facilities	From 2 December to 31 July 2006	15% for six years and 10% in year seven	10 years
	From 1 August 2006	15% for six years and 10% in year seven	15 years

### Motor cars – limits on capital costs

€

*For cars purchased between 1 July 2007 and 30 June 2008*

Capital allowances	24,000
Leasing charges	24,000
Running cost	No limit

*For cars purchased on or after 1 July 2008*

Capital allowances and leasing charges are based on the carbon dioxide emissions category of the car. The specified limit is €24,000.

Carbon emissions table:

Category A	Category B/C	Category D/E	Category F/G
0 – 120g/km	121 – 155g/km	156 – 190g/km	191g/km +

Category A, B and C vehicles – capital allowances are based on the specified amount of €24,000 regardless of the cost of the car.

Category D/E vehicles, capital allowances are based on 50% of either €24,000 or the cost of the car, whichever is lower.

Category F/G vehicles do not qualify for capital allowances.

### Benefits in kind

Business travel lower limit Kilometres	Motor cars	Percentage of original market value of car %
	Business travel upper limit Kilometres	
0	24,000	30
24,001	32,000	24
32,001	40,000	18
40,001	48,000	12
48,001	upwards	6

Note: the above table is to be applied to all categories as the new legislation is not examinable in 2011.

### Preferential loans

Loans used to fund the cost/repair of the employee's principal private residence	5%
All other loans	12.5%

### Indexation factors for capital gains tax

Year expenditure incurred	Multipliers for disposals in the year ending 31 December 2004 <i>et seq</i>
1974-75	7.528
1975-76	6.080
1976-77	5.238
1977-78	4.490
1978-79	4.148
1979-80	3.742
1980-81	3.240
1981-82	2.678
1982-83	2.253
1983-84	2.003
1984-85	1.819
1985-86	1.713
1986-87	1.637
1987-88	1.583
1988-89	1.553
1989-90	1.503
1990-91	1.442
1991-92	1.406
1992-93	1.356
1993-94	1.331
1994-95	1.309
1995-96	1.277
1996-97	1.251
1997-98	1.232
1998-99	1.212
1999-2000	1.193
2000-2001	1.144
2001	1.087
2002	1.049
2003 <i>et seq</i>	1.000

**Section A – ALL TEN questions are compulsory and MUST be attempted**

**Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.**

**1 Under which schedule is a dividend paid by an Irish resident company to an Irish resident individual taxed?**

- A Schedule D Case I
- B Schedule D Case V
- C Schedule E
- D Schedule F

**(2 marks)**

**2 Tax relief at the higher rate of tax is available for which one of the following medical expenses in 2010?**

- A Treatment in a hospital
- B Nursing home expenses

**(1 mark)**

**3 John Kite, aged 31, is a self employed barrister. He paid €60,000 in pension contributions in 2010. His Case II profit for that year was €325,000.**

**What is the maximum amount of pension contribution allowed to John for 2010?**

- A €30,000
- B €59,000
- C €60,000
- D €65,000

**(3 marks)**

**4 Mark is Irish resident and domiciled and he owns a small apartment in Paris. The apartment is let to Victor, who pays Mark an annual rent of €14,000. After all relevant expenses are deducted, Mark makes a rental profit of €12,100.**

**What schedule is this income assessed under for Irish tax purposes?**

- A Schedule D Case V
- B Schedule D Case III

**(1 mark)**

**5 Monica ceased to trade as a sole trader on 30 June 2010. Her tax adjusted profits for recent years are as follows:**

	€
Year to 30 June 2010	100,000
Year to 30 June 2009	80,000
Year to 30 June 2008	50,000

**What are her assessable profits in relation to this sole trade for the tax year 2010?**

- A €50,000
- B €75,000
- C €100,000
- D €33,333

**(3 marks)**

**6 Jim made a loss of €100,000 in 2010 on the disposal of agricultural land.**

**Which of the following 2010 income and gains can Jim NOT offset this loss against?**

- A Gain of €120,000 made on the sale of an investment property
- B Gain of €150,000 made on the disposal of his principal private residence

**(1 mark)**

- 7 Sean and Tina have been married for 18 years. In September 2010, Sean purchased 1,000 shares in Aus Ltd at a cost of €10,000. In March 2009 he gifted 250 of his Aus Ltd shares to Tina. The value of the 250 shares in March 2010 was €2,000. Tina sold all of her shares in Aus Ltd for €2,350 in November 2010.

**What was Tina's capital gain (or loss) on the disposal of the shares in Aus Ltd?**

- A €350 Gain
- B €7,650 Gain
- C €150 Loss
- D €2,350 Gain

**(3 marks)**

- 8 Diamonds Ltd commenced trading on 1 February 2009 and made up its first set of accounts for 21 months to 31 October 2010.

**What is Diamonds Ltd's initial accounting period(s) for corporation tax purposes?**

- A 21 months ended 31 October 2010
- B 11 months ended 31 December 2009 followed by ten months ended 31 October 2010
- C Nine months ended 31 October 2009 followed by 12 months ended 31 October 2010
- D 12 months ended 31 January 2010 followed by nine months ended 31 October 2010

**(2 marks)**

- 9 Sky Ltd is a "small company" and makes up its accounts to 31 March each year.

**What is the due date for payment of Sky Ltd's preliminary tax for the year ended 31 March 2010?**

- A 21 February 2010
- B 31 March 2010
- C 21 December 2010
- D 21 March 2010

**(2 marks)**

- 10 Which of the following value added tax (VAT) charges is NOT available as an input credit to a VAT registered trader?

- A VAT charged on goods purchased for resale
- B VAT charged on the purchase of a new computer for the office.
- C VAT charged on accountancy fees
- D VAT charged on petrol for use in salespersons' cars.

**(2 marks)**



## Section B – ALL NINE questions are compulsory and MUST be attempted

- 1 Rita Schroeder, aged 32, is single and Irish resident and domiciled. During 2010, she received a salary of €90,000 from her employer, Sergeant Ltd. According to her P60, the PAYE deducted was €25,000.

On 1 January 2010, Rita's employer supplied her with a new car (vehicle category B), which cost €30,000. Sergeant Ltd pays for all the motor expenses. Rita travelled a total of 20,000 km during 2010. She paid Sergeant Ltd €600 towards her personal use of the car in 2010.

Sergeant Ltd operates a contributory pension scheme. Rita contributed €4,000 to the scheme during 2010.

Rita paid service charges of €250 in 2010 and €200 in 2009.

Rita incurred the following medical expenses in 2010:

	€
Routine dental treatment	250
Doctors fees	500

### Required:

### Calculate Rita's income tax liability for 2010.

Note: you are not required to calculate her PRSI or levies.

**(15 marks)**

- 2 Boardwalk Ltd operates a hotel in Galway and its results for the year ended 31 December 2010 are summarised below.

	Note	€	€
Sales			3,200,000
Cost of sales			(1,700,000)
Gross profit			1,500,000
Deposit interest (net of 25% DIRT)			45,000
			<u>1,545,000</u>
Less: Expenses			
Depreciation		220,000	
Entertainment	1	22,000	
Rates		100,000	
Light and heat		82,000	
Advertising and promotion	2	31,000	
Salaries and wages		864,000	
Motor and travel expenses	3	65,000	
Professional fees	4	22,000	
Repairs and renewals	5	47,000	
Interest paid		2,100	
Loss on the sale of fixed assets		7,000	(1,462,100)
Net profit			<u>82,900</u>

### Notes

1 Entertainment comprises:	€
Payments to musicians for playing in the hotel bar on weekend nights	15,000
Staff Christmas party costs	3,000
Supplier and customer entertainment	4,000
	<u>22,000</u>

	€
2 Advertising and promotion comprises:	
Donation to a registered charity	200
Subscription to the Irish Hotels Federation	1,000
Advertising on the internet	11,000
Newspaper and television advertising	18,800
	<u>31,000</u>
3 Motor and travel expenses comprise:	
Hotel manager's car 08XX 2222	15,000
Parking fines	1,000
Business meals and accommodation	49,000
	<u>65,000</u>
The manager's car is a category A, family saloon car, which the company leases. The market value of the car was €22,000 when it was first leased in September 2008. The expenses incurred in relation to this car were as follows:	
Leasing repayments	8,000
Petrol	4,000
Tax, insurance repairs and servicing	3,000
	<u>15,000</u>
4 Professional fees comprise:	
Audit and accountancy	6,000
Engineer's fee for repair work in the hotel	3,000
Legal fee regarding an action taken by a customer for alleged food poisoning	4,000
Website design consultancy	9,000
	<u>22,000</u>
5 Repairs and renewals comprise:	
Roofing repairs	40,000
Window repairs	2,000
Installation of a new safe in reception	5,000
	<u>47,000</u>

7 The capital allowances which may be claimed by the company in 2010 amount to €180,000.

**Required:**

**Calculate Boardwalk Ltd's corporation tax liability for the year ended 31 December 2010.**

**(15 marks)**

- 3 Maria owns a number of rental properties in Galway. On 21 November 2010 she disposed of one of her properties for €500,000. She incurred the following expenses of sale:

	€
Legal fees	5,000
Auctioneers' fees	3,500

Maria had purchased the property in November 1978 for €70,000.

The costs incurred in acquiring the property amounted to €5,000.

Maria had incurred the following expenditure on the property:

	€
1 February 1979 Stone-cladding of the exterior walls	2,500
1 August 2001 New conservatory	30,000

In June 1989 Maria had all of the stone-cladding removed from the exterior of the house.

**Required:**

**Calculate Maria's capital gains tax liability arising on the sale of her property for the year ended 31 December 2010.**

**(10 marks)**

- 4 Sean is a value added tax (VAT) registered trader who accounts for VAT on a sales invoice basis. All of his supplies are liable to VAT at 21%. The following transactions occurred in the month of May 2010.

- (1) He sold goods for €1,736 inclusive of VAT, but because the sale was to a non-registered trader, he did not issue an invoice.
- (2) He received payment in cash of €2,430 from a trade debtor. The sale had been invoiced in March 2010.
- (3) He invoiced and received a deposit of €1,000 on account of certain customised goods to be supplied in August 2010. The total value of the goods to be supplied is €12,000 excluding VAT and the purchaser is a VAT registered trader.
- (4) He received an invoice for the motor insurance on his delivery van for €850.

**Required:**

**Briefly explain, with supporting calculations, the VAT consequences of each of the above transactions.**

**(10 marks)**

- 5 Soprano plc is a company trading as a gym and leisure centre. Their Income Statement for the year ended 31 December 2010 contains the following expense items:

(i) Cost of a new treadmill for use in the gym	€1,000
(ii) Legal fees regarding the defence of a claim against the company for negligence. This claim was taken by a customer who was injured on the gym premises.	€8,000
(iii) Entertainment of staff and customers at Christmas The company brought staff and important customers out to a local restaurant on 23 December 2010.	€850
(iv) Plumbing repairs	€600
(v) Advertising the gym on a social networking site.	€350
(vi) Legal fees regarding the purchase of a new gym premises	€10,000

**Required:**

**Identify whether the above items are allowable or not allowable and briefly explain the reasons for your answer.**

**(6 marks)**

- 6 (a) State the filing deadline for 2010 Capital Gains Tax returns, assuming Revenue Online Service (ROS) is not availed of. (1 mark)

(b) Certain withholding tax requirements apply to the disposal of Irish property.

**Required:**

(i) State the consideration figure, above which the withholding tax provisions apply. (1 mark)

(ii) State the rate of withholding tax that is applied. (1 mark)

(iii) In certain circumstances it is possible to obtain a tax clearance certificate to avoid the imposition of withholding tax. List the conditions that must be met for an individual to obtain such a tax clearance certificate. (3 marks)

**(6 marks)**

- 7 Luciano has been carrying on a manufacturing trade for many years, preparing his accounts annually to 31 December. During the year ended 31 December 2010 he disposed of a cutting machine for €18,000. The machine was originally bought for €40,000 in 2006 and it was put into use immediately upon acquisition.

**Required:**

**Calculate the tax written down value of the machine at 1 January 2010 and any balancing allowance or balancing charge arising in 2010 relating to the above disposal.**

**(6 marks)**

- 8 In the tax year 2010, Jennifer rented out an apartment for an annual rent of €12,000. The full amount was received during the tax year, with the exception of €1,000 due for December 2010, which was received in March 2011.

Jennifer paid the following expenses in connection with the property:

	€
Apartment service charge	400
Insurance	300
Kitchen extension	3,000
Redecoration	500
Mortgage Interest on a loan to acquire the property	4,000

Jennifer's had no capital allowances for 2010 in relation to the above property.

**Required:**

**Calculate Jennifer's Case V income for 2010.**

**(6 marks)**

- 9 Josephine is single and she received the following amounts of investment income in the tax year 2010.

	€
Interest on Government stocks	3,000
Deposit interest from an Irish bank (net of DIRT at 25%)	3,200
Irish company dividends (net of dividend withholding tax)	5,840
Dividend received on ordinary credit union share account	500

**Required:**

- (a) Prepare a schedule of taxable investment income using the following format:

Amount received	Tax deducted	Gross amount	
€	€	€	(4 marks)

- (b) Below is an extract from page 14 of Josephine's Form 11 tax return

402. **Irish Untaxed Income**

(a) Irish Government Stocks	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
(b) Irish Exchequer Bills	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
(c) Irish Credit Union Dividends	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
(d) Other Loans and Investment arising in the State	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00

403. **Irish Deposit Interest**

- (a) Gross Deposit Interest received on which **DIRT** was deducted

(i) taxable at 25%	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
(ii) taxable at 28%	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00

- (b) Gross Interest received from **Special Share Account(s)/ Special Term Share Account(s)/Special Savings Account(s)** on which **DIRT** was deducted

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
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- (c) Gross interest received where **DIRT** was **not** deducted by virtue of S.256(1A) or S.256(1B)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
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404. (a) Gross amount of **Dividends from Irish Resident Companies** (from which Dividend Withholding Tax was deducted)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
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- (b) Gross amount of **Dividends from Irish Resident Companies** (from which Dividend Withholding Tax was **not** deducted)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.00
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**Required**

In your answer booklet, state the amounts that Josephine must enter in boxes 402 (a-d), 403(a-c) and 404 (a-b). It is **NOT** necessary to refer to a box if the answer is "nil".

(2 marks)

(6 marks)

**End of Question Paper**

# Answers

Section A		Marks															
1	D Dividends payable by Irish companies to Irish resident individuals are taxed under Schedule F.	2															
2	B With effect from 1 January 2009 relief for medical expenses is granted at the standard rate except for nursing home expenses for which relief is available at the higher (marginal) rate.	1															
3	A <table> <tr> <td></td><td>€</td><td></td></tr> <tr> <td>Case II Income</td><td>325,000</td><td></td></tr> <tr> <td>Subject to earnings cap</td><td>150,000</td><td></td></tr> <tr> <td>Maximum percentage allowed age 30–39</td><td>20%</td><td></td></tr> <tr> <td>Maximum allowed</td><td>30,000</td><td></td></tr> </table>		€		Case II Income	325,000		Subject to earnings cap	150,000		Maximum percentage allowed age 30–39	20%		Maximum allowed	30,000		3
	€																
Case II Income	325,000																
Subject to earnings cap	150,000																
Maximum percentage allowed age 30–39	20%																
Maximum allowed	30,000																
4	B Income from foreign possessions is assessed under Schedule D Case III.	1															
5	A The basis of assessment for the year of cessation is the actual profits from 1 January to date of cessation ie $€100,000 \times 6/12 = €50,000$ .	3															
6	B Losses on the disposal of assets cannot be offset against gains on the disposal of a principal private residence as it is not a chargeable asset.	1															
7	C The proceeds of sale are €2,350. The cost of Tina's shares is the original cost to her husband, which is €2,500 ( $€10,000 \times 250/1,000$ ), so her loss is €150.	3															
8	D The first 12 months constitute the first accounting period, and the balance of nine months constitute the second accounting period.	2															
9	A The payment date is the 21st day of the month prior to the year end.	2															
10	D VAT input credits are not available for petrol.	2															
		<hr/> 20															

## Section B

1 Rita Schroeder Income Tax Computation 2010						
	€	Note	€	€		Marks
Income						
Schedule E: Salary				90,000		1.0
Car benefit		1		8,400		0.5
Pension paid		2		(4,000)		1.0
Taxable income				<hr/> 94,400		
Tax thereon	36,400	20%	7,280			1.0
	58,000	41%	23,780			1.0
	<hr/> 94,400				31,060	
Less Non-refundable tax credits:						
Personal			(1,830)			1.0
PAYE			(1,830)			1.0
Service charge (€200 x 20%)			(40)			1.5
Medical expenses			(100)	(3,800)		0.5
Less Refundable tax credits						
PAYE			(25,000)			0.5
				<hr/> (25,000)		
Net Tax Payable				<hr/> 2,260		

**Notes**
**Marks**
**1 Benefit in kind (BIK); Company Car**

As Rita travels less than 24,000 kilometres, her BIK is.

	€		€	
	30,000	x	30%	9,000
Less contribution				(600)
				<u>8,400</u>
				1.5
				1.5

**2 Pension contribution**  
 Limit Age 30–39 20% of net relevant earnings

	€	
Net relevant earnings (90,000 + 8,400)	98,400	
Maximum allowable	19,680	
Amount paid	All allowable	4,000
		2.0

**3 Medical expenses**  
 Doctors fees (€500 x 20%) 100 1.0

**15.0**

**2 Boardwalk Ltd**  
**Corporation tax computation for the year ended 31 December 2010**

	€	
Profit per accounts	82,900	1.0
<i>Deduct</i>		
Deposit interest	(45,000)	1.0
Additional lease payments ( see working)	(667)	1.0
	<u>37,233</u>	
<i>Add back</i>		
Depreciation	220,000	0.5
Supplier and customer entertainment	4,000	1.0
Donation to charity	200	1.0
Parking fines	1,000	1.0
Installation of new safe	5,000	1.0
Loss on sale of fixed assets	7,000	0.5
	<u>274,433</u>	
<i>Less:</i>		
Capital allowances	(180,000)	1.0
Case I income	<u>94,433</u>	
<i>Add</i>		
Case IV income (€45,000 x 100/75)	60,000	1.0
Total profits	<u>154,433</u>	
Corporation Tax payable:		
	€94,433 12.5%	11,804
	€60,000 25%	15,000
	<u>€154,433</u>	<u>26,804</u>
<i>Less: DIRT Paid</i>	(15,000)	1.0
Total corporation tax liability	<u>11,804</u>	



**Working:**

Lease repayments				
Cost	€22,000			0.5
Allowable amount (Category A)	€24,000			
		€24,000 – €22,000		1.5
Lease payments	€8,000 x	€24,000		
Additional lease payments allowable		€667		
				<b>15.0</b>

**3 Maria****Capital gains tax computation for the year ended 31 December 2010**

	€	€	
Sales proceeds		500,000	1.0
Less Costs of disposal			
Legal fees	5,000		1.0
Auctioneers fees	3,500	(8,500)	1.0
		491,500	
Less Allowable costs			
Cost of property	70,000		1.0
Acquisition costs	5,000		1.0
	75,000		
Indexation factor 1978/79	4.148		1.0
Indexed cost		(311,100)	
Enhancement expenditure	30,000		1.0
Indexation factor 2001	1.087		1.0
Indexed cost		(32,610)	
Chargeable gain		147,790	
Less Personal exemption		(1,270)	1.0
		146,520	
Tax at 25%		36,630	1.0
			<b>10.0</b>

- 4** (1) There is no obligation for a taxable person to issue a VAT invoice where the business is transacted with non-taxable persons. However VAT at 21% must be charged on the sale and remitted to the Revenue in the normal way. In this case the VAT element of the sale amounts to €301 (€1,736 x 21/121). 3.0
- (2) Sean is required to account for VAT on this sale in the VAT period in which the sale took place ie March/April 2010, as the business is registered for VAT on a sales (invoice) basis. The receipt of payment from a debtor will therefore not affect Sean's VAT liability in May 2010. 2.0
- (3) Sean must issue an invoice for the part payment of €1,000 gross.  
Details as follows
- |       |       |     |
|-------|-------|-----|
|       | €     |     |
| Net   | 826   |     |
| VAT   | 174   |     |
| Gross | 1,000 | 3.0 |
- (4) The supply of motor insurance is exempt from VAT. Sean is not entitled to an input credit for this item. 2.0
- 10.0**

				Marks
5	(i)	Not allowable as a Revenue expense but capital allowances may be claimed.		1.0
	(ii)	Allowable. The defence of the negligence claim is trade related.		1.0
	(iii)	Not allowable. Staff entertainment is normally allowable, but if the event also has customers in attendance, the entire amount is disallowed.		1.0
	(iv)	Allowable. Plumbing repairs are related to the trade.		1.0
	(v)	Allowable. Advertising is undertaken for the purposes of the trade.		1.0
	(vi)	Not allowable. Legal fees re the acquisition of a capital item are not allowed.		1.0
				<u><b>6.0</b></u>
6	(a)	The filing deadline for 2010 Capital Gains Tax returns is 31 October 2011.		1.0
	(b) (i)	Withholding tax is applied to disposals of property where the consideration exceeds €500,000.		1.0
	(ii)	The rate of withholding tax applicable is 15%.		1.0
	(ii)	An individual may obtain a capital gains tax clearance certificate if he or she meets any of the following conditions:		
		– he/she is resident in Ireland for tax purposes;		1.0
		– no capital gains tax is payable on the disposal; or		1.0
	– the capital gains tax arising on the disposal has been paid.		1.0	
				<u>3.0</u>
				<u><b>6.0</b></u>
7	<b>Luciano</b>			
Cutting machine				
		€	€	
2010	Sales proceeds		18,000	1.0
	Less Tax written down value (TWDV) (see working)		(20,000)	1.0
	Balancing allowance		<u>(2,000)</u>	1.0
Working: Tax written down value				
2006	Cost	40,000		1.0
	Less wear and tear (12.5% straight line)	2006 (5,000)		0.5
		2007 (5,000)		0.5
		2008 (5,000)		0.5
		2009 (5,000)		0.5
2010	TWDV	<u></u>	<u>20,000</u>	<u></u>
				6.0

**8 Jennifer**

Case V computation

	€	€	
Rent (accrued amount)		12,000	1.5
Less: Expenses			
Apartment service charge	400		0.5
Insurance	300		0.5
Redecoration	500		1.0
Mortgage interest	(€4,000 x 75%) 3,000	(4,200)	1.5
Case V income		7,800	

*Correctly not deducting kitchen extension* 1.0

6.0

**9 Josephine**

(a)	Amount received €	Tax deducted €	Gross amount €	
Interest on Government stocks	3,000		3,000	1.0
Deposit interest	3,200	1,067	4,267	1.0
Irish company dividends	5,840	1,460	7,300	1.0
Credit Union dividend	500		500	1.0
				<u>4.0</u>
(b) Josephine: Form 11 entries:	€			
Box 402 (a)	3,000			0.5
Box 402 (c)	500			0.5
Box 403 (a) (i)	4,267			0.5
Box 404 (a)	7,300			0.5
				<u>2.0</u>
				<u>6.0</u>