Strategic Professional – Options

Advanced Taxation – Irish (ATX – IRL)

Tuesday 4 June 2019

ATX IRL ACCA

ATX – IRL

Time allowed: 3 hours 15 minutes

This question paper is divided into two sections:

Section A – BOTH questions are compulsory and MUST be attempted

Section B – BOTH questions are compulsory and MUST be attempted

Tax rates and allowances are on pages 2–8

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

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

Think Ahead ACCA

The Association of Chartered Certified Accountants

SUPPLEMENTARY INSTRUCTIONS

1. You should assume that the tax rates and credits shown below, for the Finance Act 2017, will continue to apply for the foreseeable future.
2. Calculations and workings need only be made to the nearest Euro.
3. All time apportionments should be made to the nearest month.
4. All workings should be shown.

TAX REFERENCE MATERIAL

The following rates, credits, formulae and allowances are based on the Finance Act 2017 and are to be used for all questions in this paper.

Income tax rates

	Tax €
Single/widow(er)/surviving civil partner without qualifying children	
€34,550 at 20%	6,910
Balance at 40%	
Married or in a civil partnership (one income)	
€43,550 at 20%	8,710
Balance at 40%	
Married or in a civil partnership (dual income)	
€43,550 at 20%	8,710
€25,550 at 20%	5,110
Balance at 40%	
Single/widow(er)/surviving civil partner qualifying for single person child carer credit	
€38,550 at 20%	7,710
Balance at 40%	

Tax credits

	€
Single person's credit	1,650
Married person's/civil partner's credit	3,300
Widowed person or surviving civil partner's credit (without dependent children)	2,190
Home carer credit (maximum)	1,200
Single person child carer credit	1,650
Incapacitated child credit	3,300
Dependent relative credit	70
Age credit – single/widowed/surviving civil partner	245
– married or in a civil partnership	490
Employee/PAYE credit	1,650
Earned income tax credit	1,150

Third level tuition fees	Upper limit €7,000
Full-time qualifying courses	First €3,000 is ignored
Part-time qualifying courses	First €1,500 is ignored

Rates of PRSI
Self-employed – Class S

Rate	4%

Where income is above €5,000 the rate is 4% of reckonable earnings or €500, whichever is greater.

No PRSI where income is below €5,000 per annum.

Rates of PRSI

Employee – Class A

Rate	4%

No PRSI on earnings of €352 or less per week

Employee – Class K

Rate	4%

Rates of PRSI

Employer (for employees – Class A1)

Rate	10·85%

Universal social charge (USC) for all taxpayers

On the first €12,012	0·5%
On the next €7,360	2%
On the next €50,672	4·75%
On the balance	8%

For individuals, a surcharge of 3% applies in respect of relevant (non-PAYE) income that exceeds €100,000 per annum regardless of age.

For individuals aged 70 and over, and individuals who hold a medical card regardless of age, if aggregate income for the year is €60,000 or less, the maximum rate is 2%

Exemptions:
– Individuals whose income does not exceed €13,000 per annum
– All social welfare payments and income subject to DIRT

Retirement annuities

Age	**Percentage of net relevant earnings**
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 net relevant earnings of €115,000

Corporation tax

Standard rate	12·5%
Higher rate	25%

Value added tax (VAT)

Registration limits	
Turnover from the supply of goods	€75,000
Turnover from the supply of services	€37,500
Rates	
Standard rate	23%
Reduced rate	13·5%
Second reduced rate	9%

Capital gains tax (CGT)

Rate	
From 6 December 2012 to date	33%
From 7 December 2011 to 5 December 2012	30%
From 8 April 2009 to 6 December 2011	25%
From 15 October 2008 to 7 April 2009	22%
From 1 December 1999 to 14 October 2008	20%
Annual exemption	€1,270
Entrepreneur relief	
Rate for disposals on or after 1 January 2017	10%
Lifetime limit on gains	€1,000,000

Motor cars – limits on capital costs

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/C vehicles – capital allowances/leasing charges are based on the specified amount of €24,000 regardless of the cost of the car.

Category D/E vehicles – capital allowances/leasing charges 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/leasing charges.

Benefits in kind
Motor cars

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

Preferential loan rates

Loans used to fund the cost/repair of the employee's principal private residence	4%
All other loans	13·5%

Local property tax
Tax bands for valuation purposes

€	€
0–100,000	550,001–600,000
100,001–150,000	600,001–650,000
150,001–200,000	650,001–700,000
200,001–250,000	700,001–750,000
250,001–300,000	750,001–800,000
300,001–350,000	800,001–850,000
350,001–400,000	850,001–900,000
400,001–450,000	900,001–950,000
450,001–500,000	950,001–1,000,000
500,001–550,000	

Properties worth up to and including a value of €1 million will be assessed at a rate of 0·18%.

Properties worth more than €1 million will be assessed on their actual value at 0·18% on the first €1 million and at 0·25% of their actual value on the portion above €1 million.

Indexation factors for capital gains tax

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

Capital acquisitions tax

Class thresholds (with effect from 12 October 2016)

		€
Class 1:	Child or minor child of deceased child (or inheritance taken by parent):	310,000
Class 2:	Lineal ancestor (other than inheritance taken by parent) Lineal descendant (other than a child or a minor child of a deceased child) Brother, sister, child of brother or sister	32,500
Class 3:	Any other person	16,250
Rate		33%

Life interest tables for capital acquisitions tax

Years of age	Joint factor	Value of an interest in a capital of €1 for a male life aged as in column 1	Value of an interest in a capital of €1 for a female life aged as in column 1
0	·99	·9519	·9624
1	·99	·9767	·9817
2	·99	·9767	·9819
3	·99	·9762	·9817
4	·99	·9753	·9811
5	·99	·9742	·9805
6	·99	·9730	·9797
7	·99	·9717	·9787
8	·99	·9703	·9777
9	·99	·9688	·9765
10	·99	·9671	·9753
11	·98	·9653	·9740
12	·98	·9634	·9726
13	·98	·9614	·9710
14	·98	·9592	·9693
15	·98	·9569	·9676
16	·98	·9546	·9657
17	·98	·9522	·9638
18	·98	·9497	·9617
19	·98	·9471	·9596
20	·97	·9444	·9572
21	·97	·9416	·9547
22	·97	·9387	·9521
23	·97	·9356	·9493
24	·97	·9323	·9464
25	·97	·9288	·9432
26	·97	·9250	·9399
27	·97	·9209	·9364
28	·97	·9165	·9328
29	·97	·9119	·9289
30	·96	·9068	·9248
31	·96	·9015	·9205

Years of age	Joint factor	Value of an interest in a capital of €1 for a male life aged as in column 1	Value of an interest in a capital of €1 for a female life aged as in column 1
50	·92	·7287	·7791
51	·91	·7156	·7683
52	·90	·7024	·7572
53	·89	·6887	·7456
54	·89	·6745	·7335
55	·88	·6598	·7206
56	·88	·6445	·7069
57	·88	·6288	·6926
58	·87	·6129	·6778
59	·86	·5969	·6628
60	·86	·5809	·6475
61	·86	·5650	·6320
62	·86	·5492	·6162
63	·85	·5332	·6000
64	·85	·5171	·5830
65	·85	·5007	·5650
66	·85	·4841	·5462
67	·84	·4673	·5266
68	·84	·4506	·5070
69	·84	·4339	·4873
70	·83	·4173	·4679
71	·83	·4009	·4488
72	·82	·3846	·4301
73	·82	·3683	·4114
74	·81	·3519	·3928
75	·80	·3352	·3743
76	·79	·3181	·3559
77	·78	·3009	·3377
78	·76	·2838	·3198
79	·74	·2671	·3023
80	·72	·2509	·2855
81	·71	·2353	·2693

Years of age	Joint factor	Value of an interest in a capital of €1 for a male life aged as in column 1	Value of an interest in a capital of €1 for a female life aged as in column 1
32	·96	·8958	·9159
33	·96	·8899	·9111
34	·96	·8836	·9059
35	·96	·8770	·9005
36	·96	·8699	·8947
37	·96	·8626	·8886
38	·95	·8549	·8821
39	·95	·8469	·8753
40	·95	·8384	·8683
41	·95	·8296	·8610
42	·95	·8204	·8534
43	·95	·8107	·8454
44	·94	·8005	·8370
45	·94	·7897	·8283
46	·94	·7783	·8192
47	·94	·7663	·8096
48	·93	·7541	·7997
49	·93	·7415	·7896

Years of age	Joint factor	Value of an interest in a capital of €1 for a male life aged as in column 1	Value of an interest in a capital of €1 for a female life aged as in column 1
82	·70	·2203	·2538
83	·69	·2057	·2387
84	·68	·1916	·2242
85	·67	·1783	·2104
86	·66	·1657	·1973
87	·65	·1537	·1849
88	·64	·1423	·1730
89	·62	·1315	·1616
90	·60	·1212	·1509
91	·58	·1116	·1407
92	·56	·1025	·1310
93	·54	·0939	·1218
94	·52	·0858	·1132
95	·50	·0781	·1050
96	·49	·0710	·0972
97	·48	·0642	·0898
98	·47	·0578	·0828
99	·45	·0517	·0762
100 or over	·43	·0458	·0698

Interest for a period certain

This table is used to determine a figure on the value of an interest in property for a period certain.

Number of years	Value	Number of years	Value
1	·0654	26	·8263
2	·1265	27	·8375
3	·1836	28	·8480
4	·2370	29	·8578
5	·2869	30	·8669
6	·3335	31	·8754
7	·3770	32	·8834
8	·4177	33	·8908
9	·4557	34	·8978
10	·4913	35	·9043
11	·5245	36	·9100
12	·5555	37	·9165
13	·5845	38	·9230
14	·6116	39	·9295
15	·6369	40	·9360
16	·6605	41	·9425
17	·6826	42	·9490
18	·7032	43	·9555
19	·7225	44	·9620
20	·7405	45	·9685
21	·7574	46	·9750
22	·7731	47	·9815
23	·7878	48	·9880
24	·8015	49	·9945
25	·8144	50 and over	1·0000

Stamp duty

Non-residential property (regardless of value)	6%
Residential property: Owner occupiers and investors	
First €1,000,000	1%
Excess over €1,000,000	2%

NB: Where applicable value added tax (VAT) should be excluded from the chargeable consideration.

Stocks and marketable securities

Where the aggregate consideration is less than €1,000	0%
Where the aggregate consideration exceeds €1,000	1%

Revenue audits

Schedule of tax geared penalties

		Net penalty after reduction where there is:		
Category of tax default	Penalty as a % of tax underpaid	Cooperation only	Cooperation AND a prompted qualifying disclosure	Cooperation AND an unprompted qualifying disclosure
Deliberate behaviour	100%	75%	50%	10%
Careless behaviour with significant consequences	40%	30%	20%	5%
Other careless behaviour	20%	15%	10%	3%

Note: The mitigation (reduction) of penalties in the above table is available to taxpayers on their first default. In the case of a second or third default, if a taxpayer deliberately or carelessly makes incorrect returns within a five-year period of the first default they may not avail of full mitigation.

Section A – BOTH questions are compulsory and MUST be attempted

1 For the purposes of this question, you should assume that today's date is 10 November 2018.

You are a tax manager with a medium-sized firm of accountants and you have recently met with Tom and Susan who are established clients of your firm.

Background

Tom White (aged 65, date of birth 1 January 1953) and his wife Susan (aged 58, date of birth 2 January 1960), are in the process of selling their family restaurant business. The business is operated by Diner Ltd which owns two restaurants in Limerick. Tom and Susan are considering two possible options – the sale of their shares in Diner Ltd or the sale of Diner Ltd's trade and assets followed by the liquidation of the company. Whichever option is chosen, the sale is planned to take place on 30 November 2018 to Roadhouse plc, which operates a chain of restaurants. Tom and Susan have never previously disposed of any chargeable assets and are seeking your firm's advice on the two options.

Diner Ltd – information from files

- The issued ordinary share capital of Diner Ltd comprises 10,000 ordinary shares of €1 each, of which Tom holds 60% and Susan holds the remaining 40%.
- The company was formed and commenced trading in August 2004. Tom and Susan are the sole shareholders of the company having subscribed for their shares at par on the formation of the company. Tom has worked as a full-time director in the business since August 2004 and Susan became a full-time working director in March 2014.
- The most recent statement of financial position of Diner Ltd, as at 30 September 2018, shows the following:

	Note	Cost €	Market value €
Non-current assets			
Property	1	750,000	900,000
Investments			
3,500 shares in Vega plc	2	35,000	70,000
Current assets			
Inventory		5,000	5,000
Trade receivables		4,000	4,000
Cash		46,000	46,000
		55,000	55,000
Current liabilities			
Trade payables		(25,000)	(25,000)
Non-current liabilities			
Bank loan		(150,000)	(150,000)
Net assets		665,000	850,000

Diner Ltd – information from files (continued)

Note 1: Property

The company owns two properties, which are used exclusively for the purposes of its trade.

- The 'Tom's Diner' property was bought by Diner Ltd in August 2008 at a cost of €400,000. The property was originally built in 2001 and no VAT was charged on the sale to Diner Ltd. An extension was built in April 2014 at a cost of €150,000 excluding VAT. The property has a current market value of €420,000.
- The 'Sue's Diner' property was bought in November 2009 at a cost of €200,000 and has a current market value of €480,000. It was originally built in 1984 and no development has taken place since then.

Note 2: Investments

The shares in Vega plc were acquired in September 2004. Vega plc has no connection with the restaurant trade.

Meeting notes

- Following discussion with Tom and Susan, you are satisfied that the balances included in the statement of financial position at 30 September 2018 are approximately the same as they will be on 30 November 2018.
- Tom wants to retain the Vega plc shares in a personal capacity and does not, under any circumstances, want ownership of these shares to be transferred to Roadhouse plc.
- The negotiations with Roadhouse plc are now at an advanced stage and the details of the two options being considered by Tom and Susan are set out below.

Option 1

Prior to the takeover of Diner Ltd by Roadhouse plc, Tom will buy the shares in Vega plc from Diner Ltd at their market value of €70,000 which he will pay directly to Diner Ltd. The proceeds payable by Roadhouse plc for Diner Ltd will be reduced by any taxes payable by Diner Ltd which are associated with this transaction.

Roadhouse plc will then purchase Tom and Susan's shares in Diner Ltd for total proceeds of **€1,200,000 (less any taxes payable by Diner Ltd regarding the sale of the Vega plc shares)** plus VAT, if applicable, on 30 November 2018.

Option 2

Roadhouse plc will purchase the following assets from Diner Ltd on 30 November 2018:

- **both** the 'Tom's Diner' and 'Sue's Diner' properties,
- inventory, and
- goodwill

for a total consideration of **€1,400,000** plus VAT, if applicable.

The amount by which the offer from Roadhouse plc exceeds the value of the specific assets to be acquired is attributable to goodwill.

Immediately after the sale of assets to Roadhouse plc is completed, Diner Ltd will be liquidated and the remaining assets will be distributed to Tom and Susan by the liquidator.

Required:

Write a letter to Tom and Susan White which provides:

(a) **An analysis of Tom and Susan's eligibility for any relief(s) which would maximise their net after-tax proceeds from the disposal of the business under each of options 1 and 2.** (7 marks)

(b) **In relation to option 1:**

(i) **An evaluation of the taxes arising on the sale of the shares in Vega plc by Diner Ltd to Tom, stating who is liable to pay the tax.** (2 marks)

(ii) **A calculation of the net after-tax proceeds available to Tom and Susan on the sale of their shares in Diner Ltd.** (5 marks)

(c) **In relation to option 2:**

(i) **An explanation of the VAT implications of Diner Ltd selling the two properties to Roadhouse plc.** (3 marks)

(ii) **A calculation of the net after-tax proceeds available to Tom and Susan on the liquidation of Diner Ltd. For the purposes of your work, liquidator's fees can be ignored.** (10 marks)

(d) **A recommendation regarding which option Tom and Susan should choose and a brief explanation of the key differences between the options from their perspective.** (4 marks)

Professional marks will be awarded for the extent to which the calculations are approached in a logical manner and the effectiveness with which the information is communicated. (4 marks)

(35 marks)

2 For the purposes of both parts of this question, you should assume that today's date is 31 March 2019.

Your client, Edward Grant, has sought your advice in relation to the following issues:

(a) Gothic Ltd is an Irish firm of consulting architects whose shares are held as follows:

	%
Edward Grant (director)	45
Marie Grant (director, married to Edward)	15
Ronald Wood	40
	100

Ronald Wood is not related to Edward or Marie and is neither a director nor an employee of the company.

Gothic Ltd's draft results for the year ended 31 December 2018 show a Case II tax adjusted profit of €305,000 and a Case III profit of €60,000 from UK rents. The company has no trading losses or capital losses brought forward from prior years, and no dividends were declared or paid in 2018 or in 2019 to date.

During the year ended 31 December 2018, Gothic Ltd undertook the following transactions:

- On 18 March 2018, Gothic Ltd sold a surplus warehouse with a market value of €500,000 to Ronald Wood for €350,000. The building had been bought by the company in 2007 for €320,000 and had no development potential.
- On 30 April 2018, Gothic Ltd made a payment of €5,000 in respect of personal legal expenses of Anne Grant, Edward's sister, who is an employee of Gothic Ltd.

The accounting profit on the disposal of the warehouse of €30,000 has been deducted and the payment made to Anne of €5,000 has been disallowed as an expense in arriving at the Case II tax adjusted profit of €305,000.

Required:

(i) Explain, with supporting calculations where possible, the tax consequences of the two transactions for each of Gothic Ltd and the relevant individuals assuming all four individuals referred to in the question (Edward, Marie and Anne Grant, and Ronald Wood) have a marginal tax rate of 52%. (9 marks)

(ii) Calculate Gothic Ltd's liability to corporation tax and surcharges (if applicable) for the year ended 31 December 2018. (5 marks)

Note: You are NOT required to consider any value added tax (VAT) or capital acquisition tax (CAT) implications of the transactions.

(b) Edward's sister, Rhonda (who has no connection with Gothic Ltd), purchased a house in Galway, Ireland on 1 September 2002 for €70,000 and plans to sell it on 31 August 2019. She hopes to realise its current value of €300,000.

During her period of ownership, Rhonda lived in the house from the date of purchase to 31 August 2005 when her employer transferred her to the Dublin office. She let the house in Galway and rented an apartment in Dublin from 1 September 2005 to 31 August 2010, when her employer transferred her to the Berlin office. She remained in Berlin until 31 August 2015 when her employer transferred her back to Dublin where she has remained ever since in a rented apartment. Her house in Galway has been continuously let since 1 September 2005 at an annual net rental profit of €6,000. Rhonda has not, and will not, make any other capital disposals in the 2019 tax year.

Rhonda's only other investment is her holding of 10,000 shares in Sounds plc, a UK company quoted on the London Stock Exchange. Rhonda bought these shares in February 2007 at a cost of €10 each but they are currently only worth €4 each. She intends to retain these shares in the hope that they will appreciate significantly in value over the next two years.

Required:

(i) Explain the main conditions of the capital gains tax (CGT) relief which may be available to Rhonda in relation to the proposed disposal of her Galway house. (3 marks)

(ii) Calculate Rhonda's CGT liability on the proposed disposal of her Galway house on 31 August 2019. (4 marks)

(iii) Advise Rhonda of TWO ways in which her CGT liability could be reduced and provide revised CGT liability calculations on the basis that either, or both, of your recommendations are implemented. (4 marks)

(25 marks)

Section B – BOTH questions are compulsory and MUST be attempted

3 For the purposes of this question, you should assume that today's date is 20 May 2019.

Your client, Martha McDermott (aged 48), is a value added tax (VAT) registered consulting engineer who has operated her practice as a sole trader since she commenced in practice on 1 July 2017. Martha prepares her accounts to 30 June annually and her practice has been consistently profitable.

Martha has approached you for advice as she now wishes to admit an experienced employee, Emily Reid (aged 35), as an equity partner in the practice, with effect from 1 October 2019.

The proposed agreement is as follows:

– The profit sharing ratio between Martha and Emily Reid will be 2:1.

– Martha will be the precedent acting partner.

– An independent valuation of Martha's practice (including goodwill and other relevant assets) will be obtained and Emily Reid will pay the appropriate amount to Martha for her share of the partnership.

– Emily Reid will borrow the required amount from her local bank.

From your tax files you know that on 1 July 2017, Martha purchased a new office building for €350,000 (excluding VAT at 13·5%) and reclaimed the VAT on the purchase. The office building has always been used entirely for Martha's trade as a consulting engineer and has not been developed since its purchase. The sole trade business has 100% VAT deductibility and it is expected that the partnership will also have 100% VAT deductibility.

Martha is now proposing that, with effect from 1 October 2019, she will lease the office building to the partnership for an eight-year term, at a rent of €1,200 per month. A friend of Martha's has advised her that VAT does not apply to lettings and therefore she does not propose to charge VAT on the lease rentals.

From your tax files you also know that equipment with an original cost of €15,000 is currently being used in Martha's sole trade business. This will have a tax written down value of €11,250 on 1 October 2019. Martha has proposed that this equipment is transferred to the partnership on 1 October 2019, at its market value of €12,000, along with all of the practice's work in progress and receivables.

Required:

(a) **Advise Martha on the value added tax (VAT) issues associated with the proposed lease of the office building to the partnership, indicating whether her friend's advice is correct.** (5 marks)

(b) **Outline ALL other potential tax issues, for both Martha and Emily Reid, arising in relation to the changeover from a sole trade to a partnership and the subsequent operation of the practice as a partnership.** (13 marks)

(c) **Identify any ethical issues associated with your role as adviser in the above case and state any action you should take.** (2 marks)

(20 marks)

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Question 4 begins on page 16.

4 For the purposes of this question, you should assume that today's date is 15 March 2019.

Frank Court died on 2 November 2018, aged 82. Frank lived and worked on his farm all of his adult life in a remote part of County Cork, he never married.

It is expected that the valuation date for his estate will be 30 June 2019 and that on that day it will consist of the following assets and liabilities:

	€
Farm and farmhouse	1,500,000
Cattle	120,000
Cash at bank	35,000
Horses	20,000
Investment property	300,000
Farm machinery	60,000
Boat	20,000
Crops	19,000
Car	5,000
	2,079,000
Debts and funeral expenses	(32,000)
	2,047,000

You have been approached by Frank's nephew, Walter, and his niece, Linda, who have recently received a copy of Frank's will and they would like your advice.

The will provides for the following:

(i) The investment property, valued at €300,000, has been left to Linda who is the daughter of Frank's brother, Conor. The property is subject to a right of residence for Conor (aged 76). The gross annual value of the property is €25,000 and the annual value of the right of residence is €10,000.

(ii) The residue of the estate has been left to Walter.

Walter and Linda have told you that they have not received any prior gifts or inheritances, and nor has Conor.

Walter will never personally farm the land in the future. He is a busy dentist, based in Dublin and married with one child. Currently, his only asset is his principal private residence, valued at €640,000, with a mortgage outstanding of €100,000.

Walter is concerned about his plan as he recently discussed his position at a social occasion with James, a family friend, who is a trainee accountant. James has since emailed Walter, advising him that:

'It would be impossible for you to qualify for agricultural relief in relation to this inheritance, because you are not working on the farm and you have a valuable house in Dublin. You will have a large tax liability as a result of this and will need to sell the farm to pay the tax.'

Required:

(a) Calculate the capital acquisitions tax (CAT) liabilities of Linda and Conor on the inheritance of the investment property from Frank. (4 marks)

(b) Linda is considering disclaiming her inheritance in favour of her brother, Michael. Advise Linda on the tax implications of this. (2 marks)

(c) Comment briefly on any potential risks to James associated with him giving advice to Walter in this way. (2 marks)

(d) Calculate Walter's CAT liability on his inheritance from Frank, assuming he claims any available reliefs. (6 marks)

(e) Advise Walter on how he could minimise the CAT on his inheritance from Frank. (6 marks)

(20 marks)

End of Question Paper