Suggested solution

Section A

1 A

€700,000 x 10% = €70,000. The maximum surcharge allowed is €63,485.

Martha's tax return should have been filed by 31 October 2025. As it is more than two months late, the surcharge is 10% of her tax liability, subject to a maximum of €63,485.

2 €218,200

Disposal of apartment	**€**	**€**
Proceeds		400,000
less disposal costs		(1,800)
		398,200
Less original cost	180,000	
Index factor and cost	1	(180,000)
Less enhancement		0
Chargeable gain		**218,200**

Market value is used as the deemed consideration for a disposal to a connected person.

Maintenance charges are not an allowable deduction for capital gains tax.

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3 D

Option 4

Initial period payment - €5,521 by 15 December 2025
Later period payment - €3,630 by 31 January 2026

Initial Period	**€**
31 August 2025	**18,000**
Chargeable gain	18,000
Less annual exemption	(1,270)
Taxable gain	**16,730**
Capital gains tax (CGT) at 33%	5,521
Payable by 15 December 2025	
Later Period	**€**
1 December 2025	4,000
15 December 2025	7,000
Chargeable gain	**11,000**
Less annual exemption	0
Taxable gain	11,000
CGT at 33%	**3,630**
Payable by 31 January 2026	

CGT on disposals in the initial period (1 January – 30 November) must be paid by 15 December in the year of disposal. CGT on disposals in the later period (1 December – 31 December) must be paid by 31 January in the year following disposal. An individual is allowed one annual exemption of €1,270.

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4 C

The total local property tax (LPT) payable for 2025 is €4,135 calculated as follows:

Property 1	**€**	**€**
Valuation	1,900,000	
1,050,000	0.1029%	1,080
700,000	0.25%	1,750
150,000	0.3%	450
		3,280
Property 2		
Valuation	850,000	
LPT		**855**
Property 3		
Valuation	420,000	
LPT		0
Property 3 is exempt		
Total LPT		**4,135**

Property 1

The LPT charge for properties with a market value greater than €1.75 million is not calculated from a valuation band. It is based on the market value of the property. The LPT charge for these properties is calculated as the sum of:

0.1029% of the first €1.05 million of declared market value of the property;
0.25% of the portion of the declared market value between €1.05 million and €1.75 million; and
0.3% of the portion of the declared market value above €1.75 million.

Property 2

The LPT charge is based on the valuation band.

Property 3

Residential properties used for recreational activities connected with a charity are exempt from LPT.

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5 B

Option 2
Alice - €0
Jack – €10,643

Alice	**€**	**€**
Department of Social Protection (DSP) payment exempt from universal social charge (USC)	0	
Jack		
Schedule D Case I	160,000	
Schedule D Case IV - exempt	0	
	160,000	
USC	**Rate**	
On the first €12,012	0.5%	60
On the next €15,370	2%	307
On the next €42,662	3%	1,280
€29,956 at	8%	2,396
€60,000 at	11%	6,600
Total USC		**10,643**

Payments from DSP are exempt from USC.
Income subject to DIRT is exempt from USC.
There is a 3% surcharge for trading income greater than €100,000.

6 A and B

The following transactions are liable to capital gains tax (CGT):

- Disposal of an antique vase for €5,000
- Gift of a hotel to a sibling

Assets transferred on death are not liable to CGT.
Disposals of securities (shares) of the Irish government, local authorities and semi-state bodies are exempt from CGT, but losses are not allowable.

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7 C and D

Nuala must take the following actions to use the annual VAT return scheme:

- She must set up a monthly direct debit to the Collector General
- She must file her VAT return within 23 days of her year-end (if using ROS)

Direct debits must be on a monthly basis not quarterly.

The VAT return must be filed by the 23rd day following the end of the accounting period. In this case, 23 January 2026, if using ROS.

There is no requirement to be on the cash receipts basis.

The Revenue may allow some traders to file annual returns i.e. one VAT return per year. To avail of this the trader must set up a direct debit and make monthly payments on account to Revenue.

8 A and D

The following transactions are taxable supplies for the March/April 2025 value added tax (VAT) period:

- Sales of gift vouchers for beauty services for €800
- Withdrawal of beauty products for her own personal use which cost €300.

Single purpose vouchers (vouchers which confer rights to acquire goods or services where the place of supply and the VAT due on the goods/services is known at the time of issue of the voucher) are subject to VAT at the time of issue of the voucher.

The appropriation by a trader of goods for his/her own use is deemed to be a self-supply for VAT purposes.

VAT is not chargeable when the vouchers are redeemed.

Gifts valued at less than €20 are exempt from VAT.

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9 A and C

Liam will be liable to income tax on the following sources of income for 2025:

- Interest of €11,000 received from an Irish bank deposit account
- Interest of €5,000 received from Irish government bonds.

Interest received from deposit bank account is taxable under schedule D case III if paid gross, and under case IV if deposit Interest retention tax (DIRT) has been deducted.

Interest received on Irish government bonds is taxed under schedule D case III.

Rental income from renting a room in a principal private residence is exempt if the gross rent received is less than €14,000.

Compensation payments as a result of being permanently incapacitated are exempt from income tax.

10 C

Option 3
Anne - €5,100
Brian - €4,000

Anne	**€**
Single person	2,000
Single person child carer	1,900
PAYE (restricted to 20% x €6,000)	1,200
	5,100
Brian	
Single person	2,000
Single person child carer	0
Earned income credit	2,000
	4,000

Anne is entitled to the single persons credit and the single person child carer as Nancy lives mainly with her mother. The PAYE credit is restricted to 20% of Anne's income.
Brian is entitled to the single person's credit. He is not entitled to the single person child carer as Nancy lives mainly with her mother. As he is self-employed, he is entitled to the earned income credit.

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11 A

€16,000 (€9,600 + €6,400)

Details	No	Cost €	Enhancement €
Purchase June 2008	4,000	12,000	
Balance	4,000	12,000	
Rights issue June 2014	2,000	-	8,000
Balance	6,000	12,000	8,000
Bonus Issue June 2016	1,500		-
Balance	7,500	12,000	8,000
Sale August 2025	(6,000)	(9,600)	(6,400)

Quoted shares are deemed to be disposed of on a first-in-first-out basis. The bonus issue shares are deemed to have been acquired on the same date as the original holding. The rights issue shares are deemed to be enhancement expenditure

12 B

A taxpayer may claim for the current year and for the previous four years. Mike can therefore claim flat rate expenses for 2021 to 2025 inclusive.

13 €175,000

Subcontractor	€
Payment	500,000
Relevant contracts tax (RCT) at 35%	175,000

As it has received no authorisation regarding the subcontractor, RCT should be deducted at the default rate of 35%.

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14 A

€1,750

		€
Ryan	Irish resident	7,000
Dividend withholding tax (DWT) at 25%		1,750

An exemption from DWT is available to Irish resident companies and charities. Non-resident shareholders will also be exempt if they are resident in an EU country or a country with which Ireland has a double tax treaty. The non-resident shareholder must complete the relevant exemption declaration form. DWT is charged at 25%

15 €188,100

	€
Chargeable gain	570,000
€570,000 x 33%/12.5%	1,504,800
Corporation tax at 12.5%	188,100

Companies pay capital gains tax liabilities on non-development gains through the corporation tax system.

The chargeable gain must be converted into an amount, which when taxed at 12.5% will give the equivalent tax as the chargeable gain taxed at 33%.

The chargeable gain is adjusted, using the multiplier 33%/12.5%.

It is then taxed using the corporation tax rate of 12.5%

A capital loss cannot be transferred to a group company member.

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Section B

16

Harry

			€
1	**Disposal of shares in A plc (Tutorial note 1)**		
	Sale proceeds (10,000 x €2)		20,000
	Less cost (10,000 x €3)	30,000	
	Indexation	1.000	(30,000)
	Loss		**(10,000)**
2	**Disposal of shares in B plc (Tutorial note 2)**		
	Sale proceeds (20,000 x €25)		500,000
	Less cost - market value at 5 April 1974 (20,000 x €3)	60,000	
	Indexation	7.528	(451,680)
	Legal costs		0
	Gain		**48,320**
3	**Disposal of shares in C plc (Tutorial note 3)**		
	Sale proceeds		2,500
	Less cost	500	
	Indexation	1.000	(500)
	Gain		**2,000**
1	Disposal of shares in A plc (Note 1)		0
2	Disposal of shares in B plc (Note 2)		48,320
3	Disposal of shares in C plc (Note 3)		2,000
	Total chargeable gains		**50,320**
	Less annual exemption		(1,270)
	Taxable gain		**49,050**
	CGT @ 33%		16,187

Supporting notes:

1. If a disposal and reacquisition of the same class of shares takes place within four weeks, the loss arising on the disposal of the shares can only be set against a subsequent gain on the disposal of the shares which have been reacquired. The loss cannot be put against other gains.

2. Market value at date of disposal is taken as the deemed consideration, for a disposal to a connected person.

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If an asset is acquired prior to 6 April 1974, the market value at this date is the deemed cost. Any incidental costs of acquisition are deemed to be included in the market value figure.

3. When shares are acquired and disposed of within four weeks, LIFO (last in first out) is used to calculate the cost of the shares rather than the normal FIFO (first in first out) basis.

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17

Linda, Nathan, Yan and Cira

Linda
Residence
Linda has been present in Ireland for more than 183 days in 2025, so she is Irish tax resident.

Ordinarily residence
As Linda has been Irish tax resident for more than three successive years, she is Irish ordinarily resident for 2025

Domicile
Linda is Irish domiciled as she takes the domicile of origin of her father.

Nathan
Residence
As Nathan has not been present in Ireland for more than 183 days in 2025, or a total of 280 days between 2024 and 2025, he is not tax resident in Ireland for 2025.

Ordinarily residence
Nathan was Irish tax resident in 2023, as he was present for more than 183 days. He was ordinarily resident prior to his departure in August 2023 (tax resident for three consecutive years). He must be non-resident for three years to lose his ordinarily resident status. He is non-resident for two years (2024 and 2025) so he is ordinarily resident for 2025.

Domicile
Nathan is Irish domiciled as he takes the domicile of origin of his mother. If a person's father is deceased, prior to their birth, they take the domicile of their mother.

Yan
Residence
As Yan has not been present in Ireland for more than 183 days in 2025, or a total of 280 days between 2024 and 2025 , he is not tax resident in Ireland for 2025.

Ordinarily residence
Yan has not been tax resident for three consecutive years so he is not ordinarily resident.

Domicile
Yan is a German citizen, so he is not Irish domiciled. He intends to return to Germany in January 2026, so there is no indication he plans to change his domicile

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Cira

As Cira is not Irish domiciled, she will be liable to Irish income tax on Irish source income and foreign income (non salary) if remitted to Ireland under the remittance basis.

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18

Value added tax (VAT) Computation of Paula for November / December 2025

	Gross	Net	VAT	Tutorial notes
Output VAT	**€**	**€**	**€**	
Credit sales to VAT registered Irish customers		75,000	17,250	
Credit sales to non-VAT registered Irish Customers		6,000	1,380	
Cash received from credit sales invoiced in September/October 2025		0	0	1
Credit sales to VAT registered French (EU) customers		4,000	0	
Credit sales to Canadian (non EU) customers		2,000	0	
Purchases from German VAT registered (EU) supplier (VAT exclusive)		7,000	1,610	2
			20,240	
Input VAT				
Purchases from VAT registered Irish suppliers (VAT inclusive)	63,000	51,220	11,781	
Purchases from German VAT registered (EU) supplier (VAT exclusive)		7,000	1,610	2
Purchases from US (non EU) suppliers (VAT exclusive)		1,000	230	3
Insurance	5,000	0	0	4
Repairs	3,500	0	0	5
Diesel for delivery vans	5,432	4,416	1,016	
Petrol for sales manager's car	1,200		0	6
Hotel accommodation for qualifying conference	500	441	59	7
Hotel accommodation for staff party	1,200	1,057	0	7
Irrecoverable debts	4,500	3,659	842	8
Purchase of new car	25,000	0	0	9
Telephone (VAT inclusive at 23%)	850	691	159	
Electricity	1,300	1,145	155	
			15,852	
Net VAT payable			**4,389**	

Tutorial notes:

1. Paula operates VAT on an invoice basis

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2. *VAT on an intra-community acquisition must be charged as output VAT. A simultaneous input VAT credit is taken for the same amount.*

3. *For goods imported from outside the EU, the place of supply is the point of importation. The rate of VAT is the rate applicable in Ireland.*

4. *Insurance is exempt from VAT.*

5. *Repairs on Paula's personal house are not allowable for VAT.*

6. *VAT is not allowable for petrol.*

7. *VAT is not allowable for staff subsistence. VAT is only allowable for qualifying hotel conferences.*

8. *VAT on an irrecoverable debt is an allowable deduction.*

9. *If the motor vehicle is category C, D, E or F there is no VAT deduction available.*

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19

Mars Ltd

Calculation of Industrial buildings annual allowance

Check if office & showroom is more than 10% of cost

	€
Cost of office and showroom (€90,000 + €130,000)	220,000
Total cost excluding site	2,750,000
€220,000/€2,750,000 =	8%

As the cost of the office and showroom is less than 10% of the factory construction costs, industrial building annual allowance is available on the office and showroom element.

Industrial building annual allowance	€
Allowable cost	2,750,000
Industrial buildings annual allowance at 4%	110,000

Disposal of AB1

	€
Original cost January 2019	20,000
Wear & tear (W&T) at 12.5% x 6 years	(15,000)
TWDV	**5,000**
Proceeds	(22,000)
Balancing charge	**(17,000)**
Restricted to W&T claimed	(15,000)

Disposal of AB2

	€
Original cost April 2024	17,000
W&T at 12.5% x 1 year	(2,125)
TWDV	**14,875**
Proceeds	(4,000)
Balancing allowance	**10,875**

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Disposal of AB3

	€
Original cost December 2018	9,000
W&T at 12.5% x 7 years	(7,875)
TWDV	**1,125**
Proceeds	(1,700)
Balancing charge	**(575)**
Restricted to €0 as disposal proceeds less than €2,000	0

Summary of capital allowances

	€
Industrial buildings annual allowance (IBAA)	110,000
AB1	(15,000)
AB2	10,875
AB3	0
Total capital allowances	**105,875**

Tutorial notes:

1. *Industrial buildings annual allowance*
   The showroom and office must be less than 10% of cost in order to qualify.
   The site cost does not qualify for industrial buildings annual allowance.

2. *A balancing charge on the disposal of an asset cannot exceed the amount of wear and tear claimed on the asset.*

3. *A balancing charge will not arise if the proceeds of disposal are less than €2,000.*

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20

Income tax computation of Rita for the tax year 2025

	€	€	
Schedule D case III		1,400	
Schedule D case IV		11,045	W1
Schedule D case V		43,000	W2
Schedule E	143,000		
Pension contribution	(14,000)	129,000	W3
Schedule F		4,267	W4
Gross Income		**188,711**	
Less			
Permanent health insurance	18,871		W5
Nursing home fees	83,000	(101,871)	
Taxable Income		**86,840**	
Tax thereon			
€44,000 at 20%	8,800		
€11,045 at 33%	3,645		
€31,795 at 40%	12,718		
		25,163	
Less non-refundable credits			
Single person	2,000		
Employee/PAYE credit	2,000		
Medical expenses	1,660		W6
DIRT	3,645		W1
		(9,305)	
		15,858	
Less refundable credits			
PAYE paid	36,000		
Dividend withholding tax	1,067		W4
		(37,067)	
Net income tax refund		**(21,209)**	

Workings:

W1 Deposit interest

	€
Net interest	7,400
Gross interest (€7,400/ 67%)	11,045
DIRT (€7,400 – €11,045)	**3,645**

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W2 Rental income

	€
Net rent from investment property	43,000
Rent received from student	0
	43,000

Tutorial note: The rent received from the student qualifies for rent a room relief and is not taxable.

W3 Pension contribution

	€
Net relevant earnings (high income earner)	143,000
Restricted to cap	115,000
Maximum allowed: aged 45 – 25%	28,750
Paid	14,000
Qualifying amount	**14,000**

W4 Dividend received

	€
Irish plc - Net dividend	3,200
Gross dividend (€3,200 / 75%)	4,267
Dividend withholding tax (€3,200 – €4,267)	**1,067**

W5 Permanent health insurance

	€
Maximum allowed: 10% x total income (10% x €188,711)	18,871
Paid	22,000
Qualifying amount	**18,871**

W6 Medical expenses

Amount paid to consultant and hospital	13,500
Amount reimbursed by medical insurance provider	(5,200)
Qualifying amount	**8,300**
Credit at 20%	1,660

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21

Keep Ltd

Adjusted Case 1 Income for the year ended 31 December 2025

	€	€
Profit/loss per accounts		439,700
Add back		
Depreciation	87,000	
Petrol and maintenance costs for all company cars	0	
Speeding and parking fines	400	
Auctioneer fees relating to disposal of land	2,000	
Customer golf outing	11,000	
Staff Christmas party	0	
Late payment of value added tax (VAT)	300	
Interest on company bank overdraft	0	
Increase in allowance for trade receivables	2,100	
Pension accrual	6,500	
		109,300
		549,000
Less		
Dividends received from Irish plc	32,000	
Dividends received from French (EU) resident company	12,000	
Profit on disposal of land	100,000	
Bank Interest received gross	50,000	
Capital Allowances	130,000	(324,000)
Schedule D Case I		**225,000**

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Corporation tax (CT) calculation for year ended 31 December 2025

	€	
CT		
Schedule D Case I	225,000	
Schedule D Case III - Interest	50,000	
Schedule D Case III - French (EU) resident company	12,000	
Schedule F	0	
Total Income	**287,000**	
Capital gain (working 1)	93,166	**W1**
Profits liable to CT	**380,166**	
CT at 12.5%	41,271	**W2**
CT at 25%	12,500	
	53,771	

Workings:

W1 Keep Ltd - Capital gains tax calculation

		€
Consideration		300,000
Less costs of disposal		(2,000)
		298,000
Less original cost	€200,000	
Index factor and cost	1.251	(250,200)
Legal costs	10,000	
Index factor and cost	1.251	(12,510)
Taxable gain		**35,290**
CGT at 33%		11,646
Gain for CT purposes 35,290 x 33% / 12.5%		93,166

W2 CT at 12.5%

	€
Schedule D Case I	225,000
Schedule D Case III - French (EU) resident company	12,000
Capital gain	93,166
	330,166
CT at 12.5%	41,271

Tutorial note: As Keep Ltd is a portfolio investor, (owns not more than 5%) of the French registered company, it can elect to have the profits taxed at 12.5%

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Mark scheme

Section A

Questions 1 – 15 (all questions worth two marks)

Maximum 30 marks

Section B

Question 16

	Capital gains tax payable by Harry for 2025:	
	Disposal of shares in A plc	
	- Sale proceeds	0.5
	- Cost	0.5
	- Indexation	0.5
	Disposal of shares in B plc	
	- Sale proceeds	1
	- Cost	1
	- Indexation	0.5
	- Legal costs	0.5
	Disposal of shares in C plc	
	- Sale proceeds	0.5
	- Cost	1
	- Indexation	0.5
	Disposal of shares in A ltd	1
	Annual exemption	0.5
	CGT at 33%	0.5
	Supporting Notes:	
	- Note 1	0.5
	- Note 2	0.5
	- Note 3	0.5
Maximum 10 marks		
Total 10 marks		

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Question 17

	Ordinarily residence and domicile status of Linda, Nathan and Yan for 2025:	
	Linda	1
	- Residence	1
	- Ordinarily residence	1
	- Domicile	
	Nathan	
	- Residence	1
	- Ordinarily residence	1
	- Domicile	1
	Yan	
	- Residence	1
	- Ordinarily residence	1
	- Domicile	1
	Basis under which Cira will be liable for Irish income tax	1
Maximum 10 marks		
Total 10 marks		

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Question 18

	Value added tax (VAT) payable by/refundable to Paula:	
	Output VAT	
	- Credit sales to VAT registered Irish customers	0.5
	- Credit sales to non-VAT registered Irish Customers	0.5
	- Cash received from credit sales	0.5
	- Credit sales to VAT registered French (EU) customers	0.5
	- Credit sales to Canadian (non EU) customers	0.5
	- Purchases from German VAT registered (EU) supplier	0.5
	Input VAT	
	- Purchases from VAT registered Irish suppliers	0.5
	- Purchases from German VAT registered (EU) supplier	0.5
	- Purchases from US (non EU) suppliers	0.5
	- Insurance	0.5
	- Repairs	0.5
	- Diesel for delivery vans	0.5
	- Petrol for sales manager's car	0.5
	- Hotel accommodation for qualifying conference	0.5
	- Hotel accommodation for staff party	0.5
	- Irrecoverable debts	1
	- Purchase of new car	0.5
	- Telephone	0.5
	- Electricity	0.5
Maximum 10 marks		
Total 10 marks		

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Question 19

	Mars Ltd's capital allowances claim for 2025:	
	Calculation of Industrial buildings annual allowance	
	- Cost of office and showroom	
	- Total cost excluding site	0.5
	- Industrial building annual allowance is available on the office and showroom element	0.5 1
	Industrial building annual allowance	
	- Allowable cost	0.5
	- Industrial buildings annual allowance at 4%	0.5
	Disposal of AB1	
	- Wear & tear	1
	- Proceeds	0.5
	- Restricted to W & T claimed	1
	Disposal of AB2	
	- Wear & tear	1
	- Proceeds	0.5
	Disposal of AB3	
	- Wear & tear	1
	- Proceeds	0.5
	- Allowance restricted to €0	1
	Total capital allowances	0.5
Maximum 10 marks		
Total 10 marks		

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Question 20

	Income tax refundable to, Rita for the tax year 2025:	
	- Schedule D case III	1
	- Schedule D case IV (W1 – see below)	
	- Schedule D case V (W2 – see below)	
	- Schedule E	0.5
	- Pension contribution (W3 – see below)	
	- Schedule F (W4 - see below)	
	- Permanent health insurance (W5 - see below)	
	- Nursing home fees	1
	- Tax on taxable income	1.5
	Non-refundable credits	
	- Single person	0.5
	- Employee/PAYE credit	0.5
	- Medical expenses (W6 – see below)	
	Refundable credits	
	- PAYE paid	0.5
	Schedule D case IV (W1)	
	- Gross interest	1
	- DIRT	0.5
	Schedule D case V (W2)	
	- Net rent from investment property	0.5
	- Rent received from student	0.5
	Pension contribution (W3)	
	- Net relevant earnings	0.5
	- Restricted to cap	0.5
	- Maximum allowed: aged 45 – 25%	0.5
	- Qualifying amount	1
	Schedule F (W4)	
	- Gross dividend	1
	- Dividend withholding tax	0.5
	Permanent health insurance (W5)	
	- Maximum allowed	0.5
	- Qualifying amount	1
	Medical expenses (W6)	
	Amount paid to consultant & hospital	0.5
	Amount reimbursed by medical insurance provider	0.5
	Credit at 20%	0.5
Maximum 15 marks		
Total 15 marks		

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Question 21

	Keep Ltd's corporation tax liability for the year ended 31 December 2025:	
	Schedule D Case I:	
	- Depreciation	0.5
	- Petrol and maintenance costs	0.5
	- Speeding and parking fines	0.5
	- Auctioneer fees relating to disposal of land	0.5
	- Customer golf outing	0.5
	- Staff Christmas party	0.5
	- Late payment of value added tax	0.5
	- Interest on company bank overdraft	0.5
	- Increase in allowance for trade receivables	0.5
	- Pension accrual	0.5
	- Dividends received from Irish plc	0.5
	- Dividends received from French (EU) resident company	0.5
	- Profit on disposal	0.5
	- Bank Interest received gross	0.5
	- Capital Allowances	0.5
	Corporation Tax	
	- Schedule D Case I	0.5
	- Schedule D Case III - Interest	0.5
	- Schedule D Case III – French company	0.5
	- Schedule F	0.5
	- Capital gain (W1 – see below)	
	- CT at 12.5% (W2)	1
	- CT at 25%	0.5
	Capital gain (W1)	
	- Consideration	0.5
	- Costs of disposal	0.5
	- Legal costs	1
	- Index factor	0.5
	- CGT at 33%	0.5
	- Gain for CT purposes	1
Maximum 15 marks		
Total 15 marks		

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