



Foundations in Accountancy

Foundations in Taxation (FTX)

ERRATA SHEET

Practice and Revision Kit

For exams in June 2017 and December 2017

(Finance Act 2016)

Replace Question 37 and the Answer to Question 37 with the following:

37**Jenny****18 mins**

Jenny, an employee of Newco Ltd, who returned to the UK at the end of April 2016, having spent the previous six months on holiday overseas, has asked you to calculate her income tax payable for the tax year 2016/17. She has provided the following information.

- (i) She started work with Newco Ltd on 1 May 2016 with an annual salary of £47,700. She received a salary increase of 4% from 1 January 2017.
- (ii) A Christmas bonus of £4,520 was received in December 2016 and an end of year bonus of £3,500 in respect of the company's year to 31 March 2017 was received in May 2017.
- (iii) Jenny was provided with a car with a petrol engine by Newco Ltd on 1 May 2016. The car was available for private use throughout the rest of the tax year 2016/17. The list price of the car was £14,110 and it had CO₂ emissions of 90 g/km.
- (iv) Dividends of £13,000 were received in January 2017.
- (v) Bank interest of £1,100 was received in December 2016.
- (vi) Property business income of £1,658 from letting out her flat in April 2016.
- (vii) Premium bond prizes of £250 and £50 were received in May 2016 and November 2016 respectively.
- (viii) An amount of £160 was paid to a registered UK charity under the gift aid scheme in November 2016.
- (ix) Newco Ltd deducted income tax under PAYE totalling £8,688 from Jenny's earnings.

Required

Calculate the income tax payable by Jenny for the tax year 2016/17.

(15 marks)

Jenny – Income tax payable 2016/17

	<i>Non-savings income</i>	<i>Savings income</i>	<i>Dividend income</i>	<i>Total income</i>
	£	£	£	£
Salary (W1)	44,202			44,202
Bonus – receipts basis	4,520			4,520
Car benefit				
£14,110 × 15% × 11/12	1,940			1,940
Dividends			13,000	13,000
BI		1,100		1,100
Property business income	<u>1,658</u>			<u>1,658</u>
Net income	52,320	1,100	13,000	66,420
Less personal allowance	<u>(11,000)</u>			<u>(11,000)</u>
Taxable income	<u>41,320</u>	<u>1,100</u>	<u>13,000</u>	<u>55,420</u>

Note. Premium bond winnings exempt from income tax.

	£
<i>Non-savings income</i>	
£32,200 (W2) × 20%	6,440
£9,120 (41,320 – 32,200) × 40%	3,648
<i>Savings income</i>	
£500 × 0%	0
£600 (1,100 – 500) × 40%	240
<i>Dividend income</i>	
£5,000 × 0%	0
£8,000 (13,000 – 5,000) × 32.5%	<u>2,600</u>
Tax liability	12,928
Less PAYE	<u>(8,688)</u>
Tax payable	<u>4,240</u>

Workings

1 *Salary*

	£
01.05.16 to 31.12.16	
$£47,700 \times 8/12$	31,800
01.01.17 to 31.03.17	
$£47,700 \times 104\% \times 3/12$	<u>12,402</u>
	<u>44,202</u>

2 *Gift Aid donation*

$$£160 \times 100/80 \quad \quad \quad \underline{200}$$

Increase the basic rate limit by this amount to $£(32,000 + 200) = \underline{\underline{£32,200}}$.

Marking

	Marks
Salary	2
Bonus	1
Car benefit	1½
Dividends	1
Bank interest	1
Property business income	½
Personal allowance	1
Premium bond prizes	1
Non savings income – basic rate limit increase	2
Non savings income – basic rate	½
Non savings income – higher rate	½
Savings income – nil rate	1
Savings income – higher rate	½
Dividend income – nil rate	½
Dividend income – higher rate	½
PAYE	<u>½</u>
	<u>15</u>