

## **Paul Robbins** training and consultancy

### **Personal Tax**

#### **Comprehensive Tax Computations**

##### **Exercise 1** **Model Answer**

***Carla received rent of £7,500 from letting out an unfurnished flat during the 2019/20 tax year. She paid insurance of £450 and the managing agent's fee of £750. She also replaced the cooker in the flat at a cost of £600.***

***Carla is employed as a Finance Manager and receives a gross salary of £40,000 per year. She paid £7,000 tax under PAYE during the 2019/20 tax year.***

***She uses her own car for work journeys and her employer pays her a mileage rate of 32 pence per mile. During the 2019/20 tax year she travelled 12,000 business miles.***

***She paid her £236 annual membership fee to the Association of Chartered Certified Accounts (ACCA) for the 2019/20 tax year.***

***Carla received savings income of £2,895 and dividend income of £7,100 during the 2019/20 tax year.***

***Carla also paid £3,000 (net) into a personal pension plan during the 2019/20 tax year.***

#### **Task**

***Calculate Carla's assessable property income for 2019/20.***

***Calculate Carla's assessable employment income for 2019/20.***

***Using an income tax computation, calculate the total tax liability for Carla for the 2019/20 tax year and the state amount of tax that still needs to be paid.***

### Assessable Property Income – Working

	£
<b>Rental Income Received</b>	<b>7,500</b>
<b><u>Less Expenditure</u></b>	
<b>Insurance</b>	<b>(450)</b>
<b>Managing Agent's Fee</b>	<b>(750)</b>
<b>Replacement Cooker</b>	<b>(600)</b>
<b>Assessable Property Income</b>	<b>5,700</b>

### Assessable Employment Income – Working

	£
<b>Gross Salary</b>	<b>40,000</b>
<b><u>Less Allowable Deduction – Private Mileage (Working 1)</u></b>	<b>(1,160)</b>
<b><u>Less Allowable Deduction – Professional Membership</u></b>	<b>(236)</b>
<b>Assessable Employment Income</b>	<b>38,604</b>

### Working 1 – Private Mileage

**Received: 12,000 miles x £0.32 per mile = £3,840**

**Allowable (HMRC approved mileage rates):**

**10,000 miles x £0.45 per mile = £4,500**

**2,000 miles x £0.25 per mile = £500**

**Total allowable amount = £5,000**

**Allowable deduction – private mileage: £5,000 – £3,840 = £1,160**

### Income Tax Computation for 2019/20 Tax Year

	£	Tax Paid £
Property Income	5,700	---
Employment Income	38,604	7,000
Savings Income	2,895	---
Dividend Income	7,100	---
Total Income / Total Tax Paid	54,299	7,000
<u>Less</u> Personal Allowance	(12,500)	---
Taxable Income	41,799	---

### Analysis of Taxable Income

	£
General Income (Working: 5,700 + 38,604 – 12,500)	31,804
Savings Income	2,895
Dividend Income	7,100
Total	41,799

### Income Tax Calculation

#### General Income

(Note: extend Basic Rate band by gross amount of personal pension plan contribution which is  $\text{£}3,000 \times (100 / 80) = \text{£}3,750$ .  $\text{£}37,500 + \text{£}3,750 = \text{£}41,250$ )

	£
$\text{£}31,804 \times 20\%$	6,360.80
Total	6,360.80

### Savings Income

	£
<b>£1,000 x 0% (Personal Savings Allowance)</b>	<b>0.00</b>
<b>£1,895 x 20%</b>	<b>379.00</b>
<b>Total</b>	<b>379.00</b>

### Dividend Income

	£
<b>£2,000 x 0% (Dividend Allowance)</b>	<b>0.00</b>
<b>£5,100 x 7.5%</b>	<b>382.50</b>
<b>Total</b>	<b>382.50</b>

	£
<b>Income Tax Liability</b>	<b>7,122.30</b>
<b><u>Less</u> Tax Paid</b>	<b>7,000.00</b>
<b>Tax Still to be Paid</b>	<b>122.30</b>