



AFM TAX TRAINING DAY

Thursday 28 JUNE 2018

Tax Matters Quiz, *Peter Hayes, Royal London*

Questions 1-4

Can you match the politician to the tax return?

- A) Which politician until recently used to make around £250,000 a year working for the Telegraph?
- B) Which politician filled out their 2014/2015 tax return in barely-legible handwriting 6 days late?
- C) Which politician only took a £135,605 salary for their job, despite being entitled to £152,179?
- D) Which politician received £3,089 in royalties for a book in 2010?

Nicola Sturgeon
Boris Johnson
David Cameron
Jeremy Corbyn
George Osborne
Theresa May

Question 5

After making reported profits of £5.8 billion in 2013, which Tobacco giant didn't pay any UK corporation tax? Marlboro, British American Tobacco, Benson and Hedges

Question 6

If petrol costs £1.17 per litre, how much of the cost is fuel tax and VAT?

- A) 53p
- B) 64p
- C) 76p
- D) 88p

Question 7

If a bottle of wine is £5.00, how much of the cost is Excise duty and VAT?

- A) £1.50
- B) £2.00
- C) £2.75
- D) £3.00

Question 8

Bob has had his salary frozen at £36,000 for the last 5 years.

For those 5 years, on the 10th of every month, he has been paying £500 (£6,000 p.a.) and his employer paying £1,000 (£12,000 p.a.) into his GPP. This will continue in 2017/18.

How much more can he pay in and get tax relief in 2017/18?

A) £72,500

B) £18,000

C) £30,000

D) £66,000

Questions 9-13

Scottish rates and bands for 2018/19

On the 20 February 2018 the Scottish Parliament set the following income tax rates and bands for 2018/19. Can you name them?

| Qn | Bands | Band name | Rates (%) |
|----|-------------------------|------------|-----------|
| 9 | Over £11,850*-£13,850 | _____ Rate | 19 |
| 10 | Over £13,850-£24,000 | _____ Rate | 20 |
| 11 | Over £24,000-£43,430 | _____ Rate | 21 |
| 12 | Over £43,430-£150,000** | _____ Rate | 41 |
| 13 | Above £150,000** | _____ Rate | 46 |

* Assumes person is in receipt of the Standard UK Personal Allowance

Question 14

Jimmy is an Edinburgh businessman who usually extracts an £8,000 salary and £30,000 of dividends from his business each year. His cousin George in Essex also runs his own business and also extracts his profits in the same manner.

| 2017 / 2018 Tax Rates | UK (Excl Scotland) | Scotland |
|--------------------------|-----------------------|--------------------|
| 20% | £11,500* - £33,500 | £11,500* - £31,500 |
| 40% | £33,501 - £150,000 | £31,501 - £150,000 |

* Assumes person is in receipt of the Standard UK Personal Allowance

How much more income tax will Jimmy pay in 2017/18?

- A) £500
- B) £0
- C) £400
- D) £325

Question 15-16 (according to the Guardian in 2016)

What proportion of all taxes is suffered by :

Question 15

UK households in the bottom 10% of gross income

Question 16

UK households in the highest 10% of gross income

Select from A) 12% B) 35% C) 43% D) 61%

Answers

Question 1 : Answer is Boris Johnson. Whilst Mayor of London he famously called the money he receives for his Telegraph column "chicken feed."

Question 2 : Answer is Jeremy Corbyn. He promised to release his tax return on Monday morning, but it took him until the afternoon to find it. He paid the £100 fine.

Question 3 : Answer is Nicola Sturgeon. The Scottish First Minister could take a bigger salary than the prime minister, but has voluntarily frozen her wages at 2008 levels.

Question 4 : Answer is David Cameron. The royalties came from the book "Cameron on Cameron." All donated to charity.

Question 5 : Answer is British American Tobacco. £1.6bn paid in overseas jurisdictions ETR 27%.

Question 6 : Answer is C 76p = 65%

Question 7 : Answer is D £3 = 60%

Question 8: Answer is C

Many people confuse tax relief and annual allowance. They are two separate but interrelated topics. An individual may only pay up to 100% of relevant earnings (or £3,600 if higher). Bob has salary of £36,000 and has paid £6,000 already so may only pay a further £30,000.

Questions 9-13

Scottish rates and bands for 2018/19

| Qn | Bands | Band name | Rates (%) |
|----|-------------------------|-------------------|-----------|
| 9 | Over £11,850*-£13,850 | Starter Rate | 19 |
| 10 | Over £13,850-£24,000 | Basic Rate | 20 |
| 11 | Over £24,000-£43,430 | Intermediate Rate | 21 |
| 12 | Over £43,430-£150,000** | Higher Rate | 41 |
| 13 | Above £150,000** | Top Rate | 46 |

Question 14: Answer is B

The Scottish Government only has powers over the taxation of non savings / non dividend income. Dividends, savings interest and capital gains are taxed the same all over the UK. Jimmy only has investment income over the Scottish Higher Rate Threshold so is taxed the same as George.

Answers 15-16

| What proportion of gross household income is taken by : | Bottom 10% | Highest 10% |
|---|------------|-------------|
| 11 - 12 All taxes A) 12% B) 35% C) 43% D) 61% | 43 | 35 |
| FYI VAT A) 2% B) 4% C) 12% D) 21% | 12 | 4 |
| FYI Income tax A) 5% B) 11% C) 20% D) 40% | 5 | 20 |