

- 28.** Peter, a basic-rate taxpayer, has an immediate needs annuity from which he receives payments directly. How will the capital element be taxed?
- A.** It will be tax free.
 - B.** It will be taxed at source at 20%.
 - C.** It will be taxed at source at 40%.
 - D.** It will be taxed at source at 50%.

Key option: A

Learning outcome: 8.2