20. Stanley, an additional-rate taxpayer, invested £100,000 into an onshore assurance bond in his own name on his daughter Elise's eighth birthday. On the tenth anniversary of the bond, when its total value was £212,000, he assigned 50% of the segments to Elise. On her 21st birthday, Elise, then with taxable income of £50,000 per annum before use of allowances, surrendered her total holding, receiving £136,000. As a result of the surrender, who would be liable to any tax due and, if any, at which rate?

- **A.** Elise, with no tax to pay.
- **B.** Elise, with a 20% Income Tax liability.
- **C.** Elise, with a 24% Capital Gains Tax liability.
- **D.** Stanley, with a 25% Income Tax liability.

Key option: B
Learning outcome: 2.2

35. Victor, a higher-rate taxpayer, is wondering whether, on Inheritance Tax (IHT) and Capital Gains Tax (CGT) grounds, it is better to gift his £500,000 of FTSE 250 shares now to his son and hope to live for seven years or simply bequeath the shares to his son. The shares currently show a gain of the order of £200,000. His other assets total £100,000. He has already made full use of his annual CGT exemption. What **key** factors should be brought to his attention?

- **A.** Hold-over relief could be used so that no CGT liability would arise at the time of the gift and no IHT liability would arise if the gift were to a bare absolute trust for the son.
- **B.** Retaining the shares until death would avoid CGT liability, but would lead to a 40% IHT liability on the total value of the shares at death.
- **C.** The gift could generate a 24% CGT liability on £200,000 and an IHT liability of 20% on £175,000 at the time of the gift.
- **D.** The gift could generate a 24% CGT liability on £200,000, but no IHT liability at the time of the gift.

Key option: D
Learning outcome: 4.2

48. Matravers is wondering about the tax implications, having just invested £500,000 into an equity unit trust and £300,000 into a qualifying corporate bond unit trust. He earns £105,000 per annum and holds no other investments or savings. He should be aware that

- **A.** all the income from the unit trusts may be set off against his dividend allowance.
- **B.** his personal savings allowance may be used against both income sources.
- **C.** income from the equity unit trust could be liable to Income Tax at the 33.75% and 39.35% rates, after use of his dividend allowance.
- **D.** realised gains resulting from sale of either unit trust could be liable to Capital Gains Tax at 24%.

Key option: C, D
Learning outcome: 3.1