

2003 Sample Paper

Question 1

Q1. (a) €35 is divided between Peter and Anne in the ratio 3 : 4. How much does each receive?

(b) A tourist paid US\$2486 to a travel agent for a holiday in Europe. The cost to the travel agent of organizing the holiday was €1950.

- (i) Calculate, in US\$, the profit made by the travel agent, if €1 = US\$0.92
- (ii) The travel agent pays tax at 24% on this profit. Calculate, in US\$, the travel agent's profit after after tax on this profit.

(c) The standard rate of income tax is 20% and the higher rate is 42%. For a single person, the annual personal tax credit is €1520 and the standard rate cut – off point is €28 000.

Brian earns €22 000 per annum and Mary earns €36 000 per annum. Both of them are single and have no tax credits other than the personal tax credit.

- (i) Calculate the tax payable by Brian for the year.
- (ii) Calculate the tax payable by Mary for the year.
- (iii) If Brian and Mary where married to each other, their joint personal tax credit would be €3040 and their joint standard rate cut – off point would be €56 000.

How much less tax would they have to pay between them in this case?

Solution

Q1. (a) €35 is divided between Peter and Anne in the ratio 3 : 4. How much does each receive?

$$7 \text{ parts} = 35$$

$$1 \text{ part} = 5$$

$$3 \text{ parts} = 15$$

$$4 \text{ parts} = 20$$

(b) A tourist paid US\$2486 to a travel agent for a holiday in Europe. The cost to the travel agent of organizing the holiday was €1950.

- (i) Calculate, in US\$, the profit made by the travel agent, if €1 = US\$0.92
- (ii) The travel agent pays tax at 24% on this profit. Calculate, in US\$, the travel agent's profit after tax on this profit.

(i) Need to change €1950 into US\$

$$€1 = \text{US}\$0.92$$

$$€1950 = 1950 \times 0.92 = \$1794$$

$$\text{Profit } \$2486 - \$1794 = \$692$$

(ii) $\text{Tax} = \frac{24}{100} \times \frac{692}{1} = 166.08$

$$\text{Profit} = \$692 - \$166.08 = \$525.92$$

- (c) The standard rate of income tax is 20% and the higher rate is 42%. For a single person, the annual personal tax credit is €1520 and the standard rate cut – off point is €28 000.

Brian earns €22 000 per annum and Mary earns €36 000 per annum. Both of them are single and have no tax credits other than the personal tax credit.

- (i) Calculate the tax payable by Brian for the year.
- (ii) Calculate the tax payable by Mary for the year.
- (iii) If Brian and Mary were married to each other, their joint personal tax credit would be €3040 and their joint standard rate cut – off point would be €56 000.

How much less tax would they have to pay between them in this case?

- (i) Brian's gross tax is 20% of €22000 = €4400

$$\text{Net tax} = €4400 - €1520 = €2880$$

- (ii) Mary's tax payments are split into two.
 €28000 at lower rate
 €8000 at higher rate (36000 – 28000)

$$\text{Find 20\% of } €28000 = €5600$$

$$\text{Find 42\% of } €8000 = €3360$$

$$\text{Gross tax} = €8960$$

Gross tax	=	€8960
Tax credits	=	€1520
Tax paid	=	€7440

(iii) Joint income is €22000 + €36000 = €58000

Split into two.

€56000 at lower rate

€2000 at higher rate (58000 – 56000)

Find 20% of €56000 = €11200

Find 42% of €2000 = €840

Gross tax = €12040

Gross tax	=	€12040
Tax credits	=	€ 3040
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Tax paid	=	€9000

Joint tax is €2880 + €7440 = €10320

Less tax to pay is €10320 - €9000 = €1320