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PRACTICE QUESTIONS

CIOT - The Chartered Institute of Taxation

LAW

Law

EDITION	QUESTIONS	FORMAT
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Before you begin

What this is

9 practice questions for CIOT - The Chartered Institute of Taxation `LAW`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `LAW`
- the question number
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QUESTION 1 MULTIPLE CHOICE

Which of the following are recognised sources of UK tax law? (Choose two.)

- A **Statutes passed by the UK Parliament**
- B **Decisions of the UK courts and tribunals**
- C HMRC manuals and extra-statutory concessions
- D European Union regulations retained in UK law

ANSWER **A · B**

WHY Primary legislation (statutes) and case law (court and tribunal decisions) are the two main sources of UK tax law. HMRC manuals and extra-statutory concessions are HMRC's interpretation or administrative concessions and are not themselves sources of law. Retained EU law no longer has the same direct effect on UK direct tax matters as it did prior to Brexit, so it is not a current source of UK tax law.

QUESTION 2 MULTIPLE CHOICE

Which of the following are direct taxes under UK law? (Choose two.)

- A **Income tax**
- B Value added tax
- C **Corporation tax**
- D Stamp duty land tax

ANSWER **A · C**

WHY Direct taxes are levied directly on individuals or entities on their income, profits or gains; income tax and corporation tax are the principal direct taxes. VAT is an indirect tax on consumption, and stamp duty land tax, although charged on transactions, is generally classed as an indirect tax because the economic burden can be passed on.

QUESTION 3 SINGLE CHOICE

Which body is responsible for the administration of UK taxes, including income tax, corporation tax and VAT?

A HM Treasury

B HM Revenue & Customs

C The Department for Business and Trade

D The Office for Budget Responsibility

ANSWER **B**

WHY HM Revenue & Customs (HMRC) is the UK authority responsible for collecting and administering the main UK taxes. HM Treasury sets tax policy, the Department for Business and Trade deals with business regulation, and the Office for Budget Responsibility provides independent economic and fiscal forecasts.

QUESTION 4 SINGLE CHOICE

Following the UK's withdrawal from the European Union, retained EU case law generally continues to apply to which area of UK tax?

A Direct taxes on individuals

B Corporation tax on company profits

C VAT and other indirect taxes covered by the EU VAT Directive

D Capital gains tax on disposals of shares

ANSWER **C**

WHY VAT was (and largely remains) governed by the EU VAT Directive, so retained EU case law continues to be highly relevant to VAT disputes. UK direct taxes such as income tax, corporation tax and capital gains tax were historically only loosely constrained by EU law on the free movement of rights, and that area of influence has been substantially reduced post-Brexit.

QUESTION 5 SINGLE CHOICE

Which of the following correctly states the approach of the UK courts to the interpretation of tax statutes?

A Tax statutes are interpreted literally with no reference to purpose

B **The courts adopt a purposive approach, giving words their natural meaning in the context of the legislation**

C Tax statutes are always interpreted in favour of HMRC

D Tax statutes are always interpreted in favour of the taxpayer

ANSWER **B**

WHY Modern UK case law (for example, the speeches in WT Ramsay Ltd v IRC and subsequent decisions) confirms that tax statutes are interpreted purposively, giving words their natural meaning in the context of the legislation as a whole. There is no general rule that ambiguities automatically favour either HMRC or the taxpayer, although some older authorities suggested a strict construction against the Crown.

QUESTION 6 SINGLE CHOICE

Which tribunal normally hears an appeal against an HMRC decision on a tax matter in the first instance?

A **The First-tier Tribunal (Tax Chamber)**

B The Upper Tribunal (Tax and Chancery Chamber)

C The High Court (Administrative Court)

D The Supreme Court

ANSWER **A**

WHY Most tax appeals are first heard by the First-tier Tribunal (Tax Chamber). Appeals on points of law go to the Upper Tribunal, and further appeals may proceed to the Court of Appeal and the Supreme Court. The Supreme Court is not a court of first instance for tax disputes.

QUESTION 7 SINGLE CHOICE

In the UK tax court hierarchy, which of the following statements about judicial precedent is correct?

A Decisions of the First-tier Tribunal bind the Upper Tribunal

B Decisions of the Court of Appeal bind the Upper Tribunal and the First-tier Tribunal

C Decisions of the Supreme Court bind the Court of Appeal only when sitting as a court of first instance

D Decisions of the Upper Tribunal bind the First-tier Tribunal but only on points of law

ANSWER **B**

WHY Decisions of the Court of Appeal are binding on both the Upper Tribunal and the First-tier Tribunal in matters of law. First-tier Tribunal decisions are not binding even on the same tribunal, and while Upper Tribunal decisions are generally followed by the First-tier Tribunal, only the Court of Appeal and Supreme Court decisions operate as binding precedent in the strict sense.

QUESTION 8 SINGLE CHOICE

Which of the following correctly describes the standard time limit within which HMRC may raise an assessment to income tax for a self-employed individual in the absence of fraud or negligence?

A 1 year after the end of the tax year

B 4 years after the end of the tax year

C 12 years after the end of the tax year

D There is no statutory time limit

ANSWER **B**

WHY Section 34 of the Taxes Management Act 1970 allows HMRC to raise an assessment within 4 years after the end of the tax year in normal circumstances. The time limit is extended to 6 years where there has been carelessness and to 20 years where there has been deliberate action.

QUESTION 9 SINGLE CHOICE

Which of the following is a statutory obligation of an individual taxpayer who is chargeable to income tax?

- A To register for VAT if turnover exceeds the registration threshold
- **B To submit a self-assessment tax return if required by HMRC**
- C To submit a company tax return to HMRC
- D To register a trust with HMRC only if the trust earns income

ANSWER **B**

WHY Under self-assessment legislation, individuals who are chargeable to income tax or capital gains tax must submit a self-assessment tax return if HMRC has issued a notice to file or if they fall within a self-assessment case. VAT registration is an indirect tax obligation, company tax returns relate to corporation tax (not individuals), and trustees must register most trusts regardless of whether income arises.