

Meg is an unincorporated sole trader.

**Meg:**

- Is 60 years old and is married to Laurie.
- Owns an unincorporated sole trader business, MT Travel.
- Has rental income of £8,600 each year in addition to any profits from MT Travel.

**MT Travel:**

- Was set up by Meg on 1 January 2012.
- Has had accounts prepared to 31 December annually.
- Generated overlap profits of £7,400 on commencement.
- Meg will change its accounting date to 31 March by preparing accounts for the 15 months ending 31 March 2018.

**MT Travel – recent and forecast tax-adjusted trading profits:**

	£
Year ended 31 December 2016	17,000
15 months ending 31 March 2018	9,000

**MT Travel – the future:**

- From 1 April 2018, Meg's husband, Laurie, will start to participate in the business.
- Meg will either:
  - (1) employ Laurie part-time, paying him an annual salary of £12,000, the commercial rate for the work he will perform; or
  - (2) admit Laurie into the business as a partner, sharing profits and losses in the ratio 75% to Meg, and 25% to Laurie.
- The business is expected to generate a tax-adjusted trading loss in the tax year 2018/19 of £20,000, before making any payment to Laurie.
- The business is expected to become profitable again in the tax year 2019/20 and thereafter, but profits are not expected to exceed £30,000 per year for the foreseeable future.

**Laurie:**

- Is 63 years old.
- Was employed for many years by Hagg Ltd, earning gross annual remuneration of £60,000, until 31 March 2017.
- Has received annual dividends of £18,000 for many years. This is currently his only source of taxable income.

**Required:**

(b) (i) Calculate the allowable trading loss available to each of Meg and Laurie for the tax year 2018/19 if Laurie becomes an employee, or, alternatively, a partner in MT Travel on 1 April 2018. (3 marks)