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) (ii) Advise Meg and Laurie of the alternative ways in which their respective trading losses as calculated in (b)(i) could be used depending on whether Laurie is taken on as an employee or as a partner, and state the rate at which income tax would be saved in each case. (8 marks)