

CIOT - ATT-CTA - 2020 November Exams

Paper: **CTA Awareness**

Part/Module: **Module C**

-----ANSWER-25-BELOW-----

Answer-to-Question-_25_

- Pension payments deductible when paid, assume paid in YE 30.9.20, £36,000 deductible

- Operating lease therefore disallow 15% of hire costs as over 110g/km, no capital allowances, so £2,400 x 85% = £2,040

- Premium paid on lease less than 50 years so short term lease and allowable expense over the period, being £60,000 / 30 years = £2,000 deductible per year

total = £40,040

-----ANSWER-25-ABOVE-----

-----ANSWER-26-BELOW-----

Answer-to-Question-_26_

YE 30.9.20 - capital allowances

Max AIA £56,000

	Main pool £	SR pool £	
CAs			
TWDV b/f 1.10.19	347,000	-	
Additions			
Electric cars (< 50g/km)		145,000	
Computer and Aircon	92,000		
<u>less AIA max £56,000</u>	<u>(56,000)</u>		
56,000			
	383,000	145,000	
WDA @ 18%	68,940		
68,940			
100% FYA		(145,000)	-
<u>145,000</u>			
Total			
<u>269,940</u>			

-----ANSWER-26-ABOVE-----

-----ANSWER-27-BELOW-----

Answer-to-Question- 27

- Trush Ltd is an investment company for corporatino tax purposes, as it wholly or partly makes is income from making of investments

- Corporation tax not charged on dividends

Period ended 31.7.20

	£
Property busines income	10,000
QCDs	<u>(15,000)</u>
Loss for year forward to next year	(5,000) to be carried

-----ANSWER-27-ABOVE-----

-----ANSWER-28-BELOW-----

Answer-to-Question-_28_

- Tom is an employee of the company and the loan is less than £15,000, he owns < 5% of the shares, so for Norlo Ltd there is no tax liability on this loan

- Maria loan is < £15,000 but she owns in the period more than 5% of the company, being 8%,so Nnorlo not exempt from s455 for this loan

	£
Loan to Maria	10,000
Repaid 14.4.19	<u>(2,000)</u>
b/f amount Maria	<u>8,000</u>
CT @ 32.5%	<u>2,600</u>
Loan to Alice	20,000
Repaid 14.4.19	<u>(3,000)</u>
	<u>17,000</u>
CT @ 32.5%	<u>5,525</u>

-----ANSWER-28-ABOVE-----

-----ANSWER-29-BELOW-----

Answer-to-Question-_29_

	2018	2019	2020
	£	£	£
Trading income	15,000	6,000	26,000
Propoerty income	4,200		1,000
Less property loss CB (1,200)			
NTLR credit	900		
less CB NTLR deficit (900)			
Chragebale gain			46,000
<u>Capital loss CF</u>			<u>(25,000)</u>
TTP	18,000	6,000	48,000

-----ANSWER-29-ABOVE-----

-----ANSWER-30-BELOW-----

Answer-to-Question-_30_

- Maximum trading loss surrender for R&D tax credit is:

Lower of 1 and 2,

1 Unrelieved trading loss, being £43,000 + LR profits
£4,000 = £47,000

2 230% of qualifying R&D costs £41,752 (see below) x 230%
= £96,030

- exclude benefits such as private medical insurance of £500,
not qualifying

75% of employee time, so qualifying costs are:

	£
Salary 75% x £50,000	37,500
Employers NIC 75% x 5,709	<u>4,282</u>
	<u>41,752</u>

therefore, use 2 above, being £47,000 x 14.5% = **£6,815**

-----ANSWER-30-ABOVE-----

-----ANSWER-31-BELOW-----

Answer-to-Question-_31_

- Overseas company invoiced UK company £4.2m management services
- These companies are connected and therefore if non-arm's length transactions take place an adjustment in the CT computation of the UK company is required.
- There is an exemption for SMEs so that these rules do not apply
- UK company has < 50 employees
- It has T/o of < Euros 50m and balance sheet of Euros 9m, so the rules do not apply to Puttle Ltd.

-----ANSWER-31-ABOVE-----

-----ANSWER-32-BELOW-----

Answer-to-Question- 32
£

Proceeds 700,000

Purchase cost (200,000)

Gain 500,000

ROR (500,000)

£nil

for roll over relief to apply reinvestment must be within 12 months before or 3 years after sale

-----ANSWER-32-ABOVE-----

-----ANSWER-33-BELOW-----

Answer-to-Question- _33_

for roll over relief to apply reinvestment must be within 12
months before or 3 years after sale

-----ANSWER-33-ABOVE-----

-----ANSWER-34-BELOW-----

Answer-to-Question-_34_

- New market is being sold to as it was selling to large retailers and now direct to the public online
- This is a major change in nature or conduct of trade
- In this case trading losses cannot be used if in 3 years before shares bought or 2 years after this happened.
- 1.11.7 is within this timeframe as change happened on 1.1.18
- Losses could still used and carried back into the period before the share sale

-----ANSWER-34-ABOVE-----

-----ANSWER-35-BELOW-----

Answer-to-Question-_35_

YE 30.9.20

- Group relief can be done when > 75% or direct or indirect ownership is present
- Restricted by non-ownership in the relevant period
- Cannot transfer NTLR losses on IFA of £16,000

£

- Frimon trade income	65,000
less losses 6/12 from Tuesat Ltd	
52,000 x 6/12	(26,000)

-----ANSWER-35-ABOVE-----

-----ANSWER-36-BELOW-----

Answer-to-Question-_36_

1.11.19 to 31.10.20

- Large company as augmented trade profits more than £1.5m

1)

Each instalment = $3/12 \times \text{£}1.14\text{m}$

= £285,000

2)

Instalment 1: 14th day of month 7, being 14.5.20

Instalment 2: 3 months from 1, being 14.8.20

Instalment 3: 3 months from 2, being 14.11.20

Instalment 4: 3 months + 14 days from end of AP, being
14.02.21

-----ANSWER-36-ABOVE-----
