The Chartered Institute of Taxation

Awareness

Module C: Corporation Tax

May 2026

Suggested answers

Answer 25

	£	
Taxable total profits	80,000	
Dividends from Naaiil Ltd	20,000	1
Augmented profits	100,000	
Tax at 25% x £80,000	20,000	1
Marginal relief		
3/200 x (£125,000-£100,000) x £80,000/£100,000 *(Note)*	(300)	1
Corporation Tax liability	£19,700	

Note

The upper profits limit of £250,000 is divided by 2 which is £125,000. The lower limit of £50,000 is divided by 2 which is £25,000. 1

Tootth Ltd is an associated company of Cllaww Ltd because Cllaww Ltd owns more than 50% of the share capital of Tootth Ltd. Naaiil Ltd is not an associated company of Cllaww Ltd because Cllaww Ltd does not own more than 50% of the share capital and does not have control of Naaiil Ltd. 1

Answer 26

	First year allowance (FYA) 50%	Main Rate pool	Special Rate Pool	Allowances	
	£	£	£	£	
TWDV b/fwd		100,000	40,000		
Integral feature	700,000		500,000		
Annual investment allowance (£1,000,000 x 6/12)			(500,000)	500,000	1
FYA at 50%	(350,000)			350,000	1
Van disposal		(30,000)			
Machine disposal 100% balancing charge				(75,000)	1
		70,000	40,000		
Writing down allowance (WDA) at 18% x 6/12		(6,300)		6,300	1
WDA at 6% x 6/12			(1,200)	1,200	1
Transfer	(350,000)		350,000		
TWDV c/fwd		63,700	388,800		
Allowances				£782,500	

Answer 27

Stubron Ltd is a close company as it is controlled by five or fewer participators. This means that loans to its participators are subject to a s.455 CTA 2010 tax charge in the company.	1 1
The charge will apply to the balance of loan still outstanding at the due date for payment of Corporation Tax for the 31 December 2025 accounting period, being 1 October 2026.	1
The charge will be 33.75% x £370,000 = £124,875.	1
The s.455 CTA 2010 charge will be refunded on the payment due date for the accounting period of repayment. As the repayment of £370,000 is to be made in the 31 December 2027 accounting period, HMRC will refund the tax on 1 October 2028.	1

Answer 28

	£	
Trading profit	700,000	
Less: R&D expenditure		
Staff costs	(60,000)	
Consumables	(10,000)	
Less: Capital allowances		
Computer hardware	(30,000)	
Trading income	600,000	1
R&D expenditure credit (RDEC) 20% x £70,000	14,000	1
Total taxable profits	614,000	
Corporation Tax at 25%	153,500	1
RDEC	(14,000)	1
Corporation Tax payable	£139,500	

The Corporation Tax liability is due on 1 January 2027. 1

Answer 29

		£	
Building	Proceeds	400,000	
	Cost (£270,000 + £2,000)	(272,000)	
	Unindexed gain	128,000	1
	Indexation		
	278.1-186.5/186.5 = 0.491 (3 d.p.)		1
	0.491 x £272,000 =£133,552 (restricted)	(128,000)	1
	Gain	£Nil	
Shares	Sale proceeds	320,0000	
	Cost	(200,000)	
	Gain	£120,000	1
Plant and machinery	exempt chattel	£Nil	1

Answer 30

Vito Deeney is not subject to a CFC charge as Vito is an individual not a company.	**1**
Partneer Ltd is not subject to a CFC charge as it's interest in U GmbH is less than 25%.	**1**
Bbreak Ltd is subject to a CFC charge in respect of 50% of the £12,000,000 chargeable profits, which is £6,000,000.	**1**
Bbreak Ltd will pay UK Corporation Tax of 25% x £6,000,000 = £1,500,000.	**1**
Exemptions - any one of the following:	**1**

- Excluded territories exemption.
- Exempt period exemption.
- Tax exemption.
- Low profit margin exemption.
- Low profits (de minimis) exemption.

Answer 31

	Year ended 31 December 2025 £	Period ended 30 April 2026 £	
Trading income (apportioned on 12:4 time basis)	1,200,000	400,000	**1**
Income from building (apportioned on 12:1 time basis)	12,000	1,000	**1**
Gain (allocated to period in which disposal occurred)		200,000	**1**
Total profits	1,212,000	601,000	
Qualifying charitable donation (allocated to period in which paid)		(40,000)	**1**
Taxable total profits	£1,212,000	£561,000	

The Corporation Tax return for each period is due on 30 April 2027.	**1**

Answer 32

The Corporation Tax of £2,160,000 x 25% is £540,000 and is paid as follows:			**1**
14 July 2026	3/9 x £540,000	£180,000	**1**
14 October 2026	3/9 x £540,000	£180,000	**1**
14 January 2027	3/9 x £540,000	£180,000	**1**
**For correct instalment amounts*			**1**

Answer 33

	£	
Profit per accounts	2,735,000	
Customer Entertaining	40,000	**1**
Legal fees on lease	Nil	**1**
Legal fees on building	5,000	**1**
Other allowable expenses	Nil	
Trading profits	£2,780,000	

Amortisation at 6.5% is available on the full cost of goodwill because its cost is less than six times the qualifying intellectual property (6 x £40,000 = £240,000). **1**

The annual amortisation deduction is £200,000 x 6.5% which is £13,000 per annum. **1**

Answer 34

	Prrize Ltd	Moouse Ltd	Aaddeer Ltd	
	£	£	£	
Trading income	190,000	Nil	10,000	
Chargeable gains	35,000	Nil	Nil	
Total profits	225,000	Nil	10,000	**1**
Aaddeer Ltd's property loss			(8,000)	**1**
Total taxable profits (TTP) before group relief	225,000	Nil	2,000	
Moouse Ltd's loss group relief	(25,000)			**1**
TTP	£200,000	Nil	£2,000	
Tax at 19%			£380	**1**
Tax at 25%	£50,000			**1**

Answer 35

	£	
Interest received	300,000	**1**
Loan to buy shares (non-trade)		
Arrangement fees £50,000/10 years	(5,000)	**1**
Interest accrued on loan	(15,000)	**1**
Loan to buy property (part non-trade)		
Interest for 6 months £480,000 x 6/12 = £240,000		**1**
Interest relating to let part £240,000 x 1/3	(80,000)	**1**
Non-trading loan relationship income	£200,000	

Answer 36

A chargeable gains group exists where one company owns at least 75% of the ordinary share capital of one or more other companies and the principal company of the group has an effective interest (that is, greater than 50%) in each of those companies **1**

Ddrawing Ltd holds more than 75% of the ordinary share capital of both Skketch Ltd and Paiinting Ltd. Skketch Ltd and Paiinting Ltd are in a chargeable gains group of which Ddrawing Ltd is the principal company. **1**

In addition, Biigin Ltd is also in that chargeable gains group because Paiinting Ltd owns more than 75% of Biigin Ltd's ordinary share capital and Ddrawing Ltd's effective interest in Biigin Ltd is 81% (90% x 90%), which is more than 50%. **1**

Kenlid Ltd is not in the chargeable gains group because Paiinting Ltd owns less than 75% of Kenlid Ltd's ordinary share capital. **1**

Advantages - any one of the following: **1**

- Transfers between members of the same chargeable gains group are treated as no gain/no loss transfers.
- An election can be made to transfer a capital gain or loss made by one group company to another group company.
- Groupwide rollover relief is available.