

THE CHARTERED INSTITUTE OF TAXATION

APPLICATION AND PROFESSIONAL SKILLS

Taxation of Owner-Managed Businesses

November 2026

Pre-seen information

You may print this copy of the pre-seen information but you will not be permitted to take this into the test centre. It will be contained in the final Exhibit in each question.

Pre-seen information

Client names:
Sara Carpenter (long-term UK resident)
Address: 35 Minster Court, London

Qadot Ltd
Address: York House, Islington, London

Client background

Sara Carpenter was born on 1 August 1963. She divorced from her husband in 2002.

Qadot Ltd was incorporated on 1 January 2016. Sara is the sole director and owns 900 of the 1,000 ordinary shares of £1 each in the company.

Sara bought York House, the premises the company operates from, on 1 January 2016 and made an option to tax for VAT purposes. The cost was £175,000, net of VAT. She lets this property to the company.

Sara draws a salary of £9,500 and dividends of £30,000 each year. Apart from her salary, dividends and the rent from Qadot Ltd, Sara has no other taxable income.

She has one child: Emma (aged 26), who works full time for Qadot Ltd. Emma owns 100 shares in Qadot Ltd, which Sara gave to her on her 30 April 2018 when she became 18.

Capital Gains Tax and Inheritance Tax

Sara made no gifts in the last seven years. She has not made any other disposals of business assets. The gain on the gift to Emma was covered by capital losses brought forward. She now has no further capital losses brought forward.

VAT

Qadot Ltd
Registration date 1 January 2016
Registration number 789 1234 56

Sara Carpenter
Registration date 1 January 2016
Registration number 678 4321 98

Will

Sara's will leaves all her assets to Emma.

Continued

<u>Qadot Ltd</u> <u>Summary of Profit and Loss Account</u>	<u>Year ended 31 March</u>	
	<u>2026</u>	<u>2025</u>
	£	£
Turnover	584,000	533,000
Cost of sales	<u>(68,000)</u>	<u>(59,000)</u>
Gross profit	516,000	474,000
Administrative expenses	<u>(384,000)</u>	<u>(344,000)</u>
Profit on ordinary activities before interest	132,000	130,000
Other interest receivable	<u>12,000</u>	<u>10,000</u>
Profit before tax	144,000	140,000
Tax	<u>(36,000)</u>	<u>(35,000)</u>
Profit for the year	<u>£108,000</u>	<u>£105,000</u>

<u>Qadot Ltd</u> <u>Balance Sheet</u>	<u>As at 31 March</u>	
	<u>2026</u>	<u>2025</u>
	£	£
Fixed assets:		
Plant and machinery	42,000	36,000
Current assets (work in progress/debtors/cash and short-term investments)	619,667	540,000
Current liabilities (trade, Corporation Tax and VAT)	(113,000)	(102,000)
Net assets	<u>£548,667</u>	<u>£474,000</u>
Share capital	1,000	1,000
Retained profit	<u>547,667</u>	<u>473,000</u>
	<u>£548,667</u>	<u>£474,000</u>