

**The Chartered Institute of Taxation**

**Awareness**

**Module C: Corporation Tax**

**November 2025**

**Suggested answers**

Answer 25

	£	
Draft tax adjusted trading profits	220,000	
Cost of Christmas party for employees	-	1
Legal fees for renewing a 55-year lease	12,000	1
Cost of repairing shop roof	48,000	1
Interest on a loan taken out to buy the shop	-	1
Fine for breach of GDPR regulations	20,000	1
	<u>£300,000</u>	

Answer 26

	£	<i>Main Pool £</i>	<i>Special Rate Pool £</i>	<i>Allowances Claimed £</i>	
<u>12m y/e 30/09/24</u>					
TWDV b/w		1,100	990,000		
Disposal		(750)			
		<u>350</u>	990,000		
Small pools allowance		(350)		350	1
WDA 6%			(59,400)	59,400	1
Total allowances				<u>£59,750</u>	
<u>3m p/e 31/12/24</u>					
TWDV b/w		Nil	930,600		
Addition	1,200,000				
AIA (£1m x 3/12)	(250,000)			250,000	1
	<u>950,000</u>				
FYA 50%	(475,000)			475,000	1
	<u>475,000</u>				
		<u>Nil</u>	930,600		
WDA 6% x 3/12			(13,959)	13,959	1
Total allowances				<u>£738,959</u>	
Add balance of SRP addition	(475,000)		475,000		
TWDV carried forward		<u>£Nil</u>	<u>£1,391,641</u>		

Answer 27

The costs qualifying for structures and buildings allowances (SBAs) are the architect's fees and the construction cost of the warehouse, so a total qualifying cost of £(95,000 + 700,000) = £795,000. 1

For the year ended 31 March 2025, the SBAs are £795,000 x 3% x 9/12 = £17,888, as the warehouse was only in trade use for nine months of the period (1 July 2024 – 31 March 2025). 1

The electrical and water systems qualify as plant and machinery (integral features) and a first year allowance of 50% would be claimed in the special rate pool, so £250,000 x 50% = £125,000. 1

Answer 28

	<u>UK</u> <u>commercial</u> <u>property</u> £	<u>UK</u> <u>residential</u> <u>property</u> £	<u>Overseas</u> <u>commercial</u> <u>property</u> £	
Income	150,000	24,000	82,000	
Expenses:				
- Maintenance costs	(5,000)		(6,000)	1
- £(26,000 – 15,000 – 4,000 + 1,500)		(8,500)		1+1
- Loan interest (NTLR debit)	-	-	-	1
	145,000	15,500	76,000	
Overseas loss brought forward at 1/10/23 (Note)	-	-	(10,000)	1
Total property income (£226,500)	£145,000	£15,500	£66,000	

*Note: brought forward UK property business losses are relieved against total profits, not property income. However, overseas property business losses are carried forward for relief against future overseas property business profits.*

Answer 29

	<i>Trading</i> <i>profit</i> £	<i>NTLR</i> <i>income</i> £	
Draft amount	860,000	6,200	
1) Copyright			
- Interest payable on loan: £50,000 x 8% x 9/12	(3,000)		1
- Amortisation: £50,000/10 x 9/12	(3,750)		1
2) Interest on overdue Corporation Tax		(2,450)	1
3) Government stock			
- Interest receivable: £10,000 x 3%		300	1
- Loss on sale: £8,750 - £10,000		(1,250)	1
Final taxable amounts	£853,250	£2,800	

Answer 30

	y/e 30/6/23 £million	9 month p/e 31/3/24 £million	y/e 31/3/25 £million	y/e 31/3/26 £million	
Trading profit	15	9	Nil	11	
Capital gains	1	Nil	0.5	1	1
Total profits	16	9	0.5	12	
s.37(3)(a) CTA 2010			(0.5)		1
s.37(3)(b) CTA 2010		(9)			1
s.37(3)(b) CTA 2010	(4)				1
s.45A(1) CTA 2010				(8.5)	1
TTP	£12million	£Nil	£Nil	£3.5million	

Loss Memos

<i>Capital loss p/e 31/3/24</i>	£million
Gains y/e 31/3/25	1.5
	(1.5)
	£Nil
<i>Trading loss y/e 31/3/25</i>	24
s.37(3)(a) CTA 2010 (current year claim)	(0.5)
s.37(3)(b) CTA 2010 (carry back claim) 9 months	(9)
	14.5
s.37(3)(b) CTA 2010 (carry back claim) 3 months (3/12 x £16m)	(4)
	10.5
s.45A(1) CTA 2010 (carry forward claim) = £5m + 50% (12m – 5m)	(8.5)
	£2million

Answer 31

Arrinne Ltd cannot surrender any of its property loss or qualifying charitable donations (QCDs) as they are not excess; i.e. they can be relieved against Arrinne Ltd's own total profits of £28,000. 1  
1

Pycelle Ltd can surrender its trading loss of £54,000 and its NTLR deficit of £10,000, a total of £64,000. It does not have to relieve the loss/deficit against its own total profits. 1+1

Rickonn Ltd cannot relieve its capital loss within the group as neither of the other two companies have chargeable gains against which it could be offset by means of a claim under s.171A TCGA 1992. 1

Answer 32

On the sale of the shares on 1 November 2024, Danerys Ltd shares leaves the Vyserys Ltd gains group. 1

Danerys Ltd owns an asset that was transferred by a nil gain nil loss transfer in the previous six years, therefore a degrouping charge arises. 1  
1

The degrouping charge is calculated by using proceeds equal to the market value at 20 February 2021 and deducting the original cost of the building to Vyserys Ltd. 1

As the building has decreased in value, the degrouping loss is added to the cost of the shares in Danerys Ltd for the purposes of calculating the allowable loss on the disposal of those shares. 1

Answer 33

	UK £	Overseas gain £	Total £	
Trading profit	220,000		220,000	
Overseas gain		25,000	25,000	
TTP	220,000	25,000	245,000	1
CT @ 25% x £245,000 ( <i>Working 1</i> )			61,250	1
Less DTR ( <i>Working 2</i> )			(5,000)	1
CT payable			£56,250	

<i>Working 1 – Augmented profits (AP)</i>	£	
TTP	245,000	
Exempt dividends received	7,000	
AP	£252,000	1

AP > £250,000, therefore the full rate of Corporation Tax applies.

<i>Working 2 – Double Tax Relief (DTR)</i>			
<u>Lower of:</u>		£	1
- UK tax: 25% x £25,000		6,250	
- Overseas tax		5,000	

Answer 34

Proceeds of sale of the office building	1,100,000	
Less cost: £(800,000 – 200,000)	(600,000)	
Unindexed gain	500,000	1
Less indexation: $(278.1 - 223.6) / 223.6 = 0.244$		1
0.244 x £600,000	(146,400)	
Indexed gain	353,600	1
Less rollover relief (balancing figure)	(153,600)	1
Chargeable gain (£1.1 million - £900,000)	£200,000	

As the machine is fixed, the base cost is not reduced by the rolled over gain and is therefore just the actual cost of £900,000 1

Answer 35

For the substantial shareholding exemption (SSE) to apply to the disposals of the shares in Cersey Ltd, Gendry Ltd must owned at least 10% of the shares in Cersey Ltd for a continuous period of at least 12 months in the six years prior to the date of the disposal . 1  
1+1

As 12% of the Cersey Ltd shares were owned from 1 February 2017 to 28 October 2019, the disposal on 28 October 2019 qualifies for the SSE. 1

As 12% of the Cersey Ltd shares were only owned from 14 March 2019 to 28 October 2019, a continuous period of less than 12 months, the disposal on 14 March 2025 does not qualify for the SSE. 1

Answer 36

1) 1 January 2025. 1

2) Corporation Tax is payable in instalments if the company is 'large' or 'very large'.

Sansabran Ltd is large in the 9-month period ended 31 December 2024 as its augmented profits are £1.2 million, which is greater than £1.5 million x 9/12 = £1.125 million. 1

However, companies do not have to pay Corporation Tax in instalments in the period that they become large unless their augmented profits exceed £10 million, reduced to £10 million x 9/12 = £7.5 million for a 9-month period. 1

Therefore, the Corporation Tax for the period ended 31 December 2024 is payable on 1 October 2025. 1