Institution **CIOT - CTA**
Course **Adv Tech Owner-Managed Business**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID **10364**

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**494**	**2236**	**2625**
Section 2	**480**	**2146**	**2596**
Section 3	**226**	**1081**	**1292**
Section 4	**385**	**1830**	**2170**
Section 5	**648**	**3118**	**3766**
Section 6	**290**	**1436**	**1675**
Total	**2523**	**11847**	**14124**

Answer-to-Question-_1_

Corporatoon tax CT will be 1 adjusted Tax Profit for 15-month and Two Capital Allownces (first 12 month then 3 months) and Two CTs also 12 month prorated from adjusted Tax Profit and then 3 months.

1 adjusted Tax Profit for 15-month 31/3/2026

	£	Notes	
Profit A/C	**405400**		
Dep's	86000	Disallow by statute	
Interest Payable			
Hire purchase	0	allowable as HP follow the accounts	
Finance Short Term	0	allowable as Wholly and excelusively for the purpose of the trade	
Quily Donation QCD	6000	Disallow from trade but deducted from CT £750 * 8 months from 1/8/2025	
Hight Interest Bond Income	-8800	BOND id NOT trade - disallowed - NTLR - Deducted	
Profit on disposal Plough	-7200	id NOT trade - disallowed - Capital gains avialable as MV 7200 > cost 5000 - Deducted here and Disposal in CA limited to cost 5000 in 2nd CA comp. AIA claimed so deucted from MP 5000	

adjusted Tax Profit	481,400		
For 12 month CT	385120		
For 3 month CT	96280		

2 Two Capital Allownces

for period 12 month ye 31/12/2025					
AIA 1mn avaialable					
	FYA/AIA	**MP**	**SRP**	**CA**	**NOTES**
TWDV 1/1/2025		**16600**	**0**		
Add.					
Tractor	**76000**				**P&M Tractor - AIA 1mn avaialable**
Double Cab Pickup	52000				P&M Double Cab Pickup- AIA 1mn avaialable , WHWN CO2 > 50G/KM SO SOULD POOLED IN SECIAL RATE POOL WITH ONLY 6% WDA. AND THIS CLASIFIED AS P&M VEHICLE NOT CAR THAT SOULD POOLED IN SECIAL RATE POOL WITH ONLY 6% WDA.
PROTABLE Second hand Cabin	**62400**				PROTABLE On-site Cabin: Providing function not setting as it's portable - moving from site to site= P&M so, - AIA 1mn avaialable
AIA 1mn avaialable	**-190000**			**190000**	

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		16600			
WDA 18 %		**-2980**		**2980**	
					WDA for Double Cab Pickup 52000*6% =3200
Total CA				**192980**	
C/F		**13620**			

2nd Capital Allownces	**P/E 31/3/2026**	**MP**		**CA**	
TWDV 1/1/2026		**13620**			**AIA apportioned 3/12*1mn= 250,000**
A plough Disposal		**-5000**			**in 2/2026 as above**
Second hand Combine Harvester	**256500**				
AIA apportioned 3/12*1mn= 250,000	**-250000**			**250000**	
Rest 6000		**6500**			As it's seocnd hand so no FYA of full expensing allownace (NEW P&M only) so the rest transfer to MP
T		**15120**			
WDA 18% *3/12		**-680**		**680**	
					WDA for Double Cab Pickup (52000 -3200)*6%
				250680	

T CA					

Two CTs

	YE 31/12/2025	**P/E 31/3/2026**	
adjusted Tax Profit before CA	**385120**	**96280**	
CA	**-192980**	**-250680**	
NTLR BOND			
1 month & 3month	**2200**	**6600**	
Gains of disposal of Plough 7200-5000		**+2200**	
T			
TTP	**214,040**	**Loss 145,600**	
QCD			
5 month & 3month	**-3750**	**-2250 waste QCD as loss**	
Can Carry Back the loss 145,600 of current period 31/3/2026 for 12 month to the YE 31/12/2025 Before	**so, 214040 - 145,600= Net 68,440**		

QCD against TTP 214040			
- QCD	**-3750**		
NT TTP	**64,690**		
CT @ 19%	**1229**		

Due date 9month +1 day for payment of CT; Y/E 31/12/2025 due by 01/10/2026

But NO payment due CT for 31/3/2026 as loss making

Filing date for borth Y/E 31/12/2025 and 31/3/2026 is one date 12 month from 31/3/2026 by 31/3/2027

----------ANSWER-1-ABOVE----------

----------ANSWER-2-BELOW----------

Answer-to-Question-_2_

EMI shares can be selected employee/directors

EMi TOM option 1) shares £7000
@ Grant
NO tax consequence NO PAYE/NIC
@ exrecise after 1/6/2026
Tax the discount
EMI can be issue with discount but Tax the discount when exercise
lower price at grant £150 MV or at exrecise
He paid 70 only so, Income tax IT = £150-70=80*100 shares= 8000 IT 20/40/45%
TOM needs to pay the full ammount

JET Away LTD needed to deduct PAYE/NIC if RCA (on the exrecise) as there is trading arrangement in place to sell TOM's shares and there is a plan to sell the company in June 2029 so, shares are RCA redaily convertibla assets subject to NIC lass 1 primary by tom and sencondry T

JET Away LTD deduct full amount from Tom 100% salary with condition of 50% restriction
JET Away LTD pay full PAYE/NIC to HMRC
Tom need to pay the the rest by 22/7/2026 otherwise considered as BIK and pay IT/NIC

When company sold 6/2029 with 10 year EMI
Tom CGT
Proceeds 350*100=35000
Cost 150*100=15000
gains =20,000
AEA 3K available

BADR condition are met as TOM accquired shares 4% on EMI is relaxed no 5%n reqired and the two years leads to disposal from the grant 2026
Taxed CGT BADR 18% *20000=3600 due by 31/01/2030 for 6/2029 and claim BADR by(31/1/2031)
BADR is 1mn life time

EMi TOM option 2) shares £100 par value

@ Grant
NO tax consequence NO PAYE/NIC
@ exrecise after 1/6/2026
Tax the discount
EMI can be issue with discount but Tax the discount when exercise
lower price at grant £150 MV or at exrecise
He paid 1 only so, Income tax IT = £150-1=149*100 shares= 14900 IT 20/40/45%
TOM needs to pay the full ammount

JET Away LTD needed to deduct PAYE/NIC if RCA (on the exrecise) as there is trading arrangement in place to sell TOM's shares and there is a plan to sell the company in June 2029 so, shares are RCA redaily convertibla assets subject to NIC lass 1 primary by tom and sencondry T

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BADR is 1mn life time

Corporation tax

There alwas CT deducted of the market value of the share when excerised

in June 2026 excerised

CT deducted of the market value 100*150=15000 in the 2 options.

----------ANSWER-2-ABOVE----------

----------ANSWER-3-BELOW----------

Answer-to-Question-_3_
1)
Sliverbrook Ltd a developed company consider a trade as well as Carolwod ltd trading interior design

Marrine as shareholders owns > 5% (100% each) and work as a director this > 2 years as since 2010 and 2017 so, is entitled to BADR business assets disposal relief of 14%/18% with life time 1mn propsed disposal 6/2026 (26/27)claim badr by 31/1/2029

CGT

Shares
Sliverbrook Ltd
Proceeds 1.130K
less cost £50
gains = 1,129,950
AEA 3K
BAD @18%

For the warehouse BADR available as Assciated disposal but restred to 75% trade
Proceed 500K

Gift 35shares Marrine to daughter will be under Joint election claim Gift Relief GR nby 30/6/2026 by 5/4/2031
GR will transfer the base cost that £35 this will generate high gains in future for the daugter

Carolwood ltd when purchase 15 shares (900K/50)=18K disposal of 270k proceed less cost £15 with gains almost 270K
Purrchase of own shares can be capital if met the condition but her the substantial reduction (reduce to 75% and not more 30% Connected person) FAILS, SO WILL BE TREATED AS INCOMNE DISTRIBUTION AS DIVIDENDS ASSUME HRTP SUBJECT TO 500 FREE OF THAT THEN 33.75% @ 269500

IT
CLOSE COMPANY S455 APPLY

2) Unquoted trading company shares are entitled to Business proprty Relief BPR 100% exempt from IHT. If not will be part of the death estate

gIFT TO AURLA

----------ANSWER-3-ABOVE----------

----------ANSWER-4-BELOW----------

Answer-to-Question-_4_

Norwood
Accounts from 1/4/2025 to 31/3/2026 12 month, HMRC confirmed R&D work.

RDQE RD Quilifying expenses will add 86%

	RDQE	Not Q	Notes
Staff cost			When deducted to R&D will be RDQE, Slaries+ Employer NIC = Pension BUT NOT BIK
Elias, Roy & Agnes and James 85% is R&D			15% ADmin not RDQE
Salaries 12570+12570+29000 + 23000 Pension 6000+6000+2320+1840 + NIC ER 535+535 = 95448 *85% =	81131		
Finance manger			Admin
Subcotractors Expenses: Ravenscroft Ltd	181118		To Norwwod K Ltd to quilify for Subcotractors Expenses that it reasonable expected that the work done of RD by the subcotractor is belong to the client Norwwod K Ltd. RDQE on the work done on the UK NOT OUT UK. only 75% of 371524=278643 RDQE with only 65% of the payment 181118 Can elect to be connected and RDQE lower of the payment or the actual cost

ThornBridge Ltd	0		To Norwwod K Ltd to quilify for Subcotractors Expenses that it reasonable expected that the work done of RD by the subcotractor is belong to the client Norwwod K Ltd. Now ThornBridge Ltd Develeoped a new more precise product not expected to be provided by Norwwod K Ltd therefore, ThornBridge Ltd will be ettiled to the RDQE 56724 not Norwwod K Ltd.
IT Cost			
Software for Data Analysis	10187		RDQE as capex 100%
Online data subscription	6675		RDQE used RD
General IT	0		NOT RD as general
Propert Cost			
Rent	0		General NOT RD as general
Rate & Utilities	42350		Electricty, Gas Power and water are RDQE But not Rates assume all RDQE
Repairs	0		General NOT RD as general
Total RDQE	140343		
@ extra 86%	120695		
=	261038		
+Subcotractors Expenses: Ravenscroft Ltd @65%	181118		

Total	442,156		
NET Loss A/C	(525,358)		As it's SME (first year Turnover <10.2 and only 2 employess and also assets <5.1 so, Norwwod K Ltd is SME and making loss -525358 with intensive RDQE as above >30% so, can surrender the loss to HMRC with Tax credit nor repayment claimed by two year 31/3/2026 (by 31/3/2028) with 14.5% the lower of: RDQE £442156 or Unrlieved CY loss 525358 So, £442156 @14.5% = 64113 cash repayment: capped 20K + 3*PAYE & NIC for all employees (20K+ 3*(2486+3286+2086+535+535+994 +1314+834) However, when the company creating Intelectual property using their employees and subcontractor works cost <15% no cap.

----------ANSWER-4-ABOVE----------

----------ANSWER-5-BELOW----------

Answer-to-Question-_5_

1)Dee's taxable profit 2025/26 - 31/3/26
Default cash basis
Income when receipts and payment when paid
Dee may elect to choose accrual basis by claim 2025/26 on assess on Self-assessment tax return SATR 31/01/2027

Income tax and NIC lass 4 due on 31/01/2027 (25/26)

	£		
Profit a/c	**15430**		
Properietor's cash drwaning	**+55000**	**disallow NO Wholly and excelusively for trade as cash drwaning**	
rent	**6000**	**disallow not trade - assess on Self-assessment tax return SATR**	
Bank Interest	**1100**	**disallow not trade - assess on Self-assessment tax return SATR**	
One-off Unsolicied gift	**0**	treated as sundry receipt subject to trade profit as one-off	
Pension contribution		**on paid basis = allowable**	
Emploee and paid	**0**	**no adj**	
March contribution	**+180**	**it's paid after YE 31/3/2026 - 14/4/2026, add back however, HMRC accept that reasonable time after YE of paying the pension (around i month) and accept to be allowable here 14/4/2026, (But assume disallows)**	
Contribution for Personal scheme	**0**	**Sole trade can pay Contribution for Personal scheme and be deductible from trade but this will be under SATR and Extend BRB gross up**	

		4100*100/80= 5125	
Premsis cost			
Rent & Office heating	**0**	**Both must be Wholly and exclusively for the trade However, but shares 50:50 with rent son only 50% allowable and 50% disallowed**	
Rent	**+6000**		
& Office heating	**+800**		
VAN cost	**-1550**	**Elected to Business miles so, first 10000 @ 45=4500 then 3400 mile @ 25p=850 = cost 5350 in accounts 3800 so, increase cost**	
Car	**+1435**	**Did NOT Elected to Business miles so, Private use are disallowed on Capital allowance pool it sperate and allow 65%. Running cost 4100*35% Private =**	
Legal professionl fees			
Debt collection Biz.	**0**	**Allowable as defending the debts for the trade**	
Barrister Costs	**0**	**Allowable as defending for the trade and this poroof successful and Wholly and exclusively for the trade No adj**	
Accountancy fees			
Self-assessment tax return SATR	**380**	**560-180= 380 disallow - private for the owner not the trade**	
Self-employment page	**0**	**Allowable = trade**	
Equipment			
Small tools repalcement	**170**	**CAPEX = P&M but can be repair**	
Lawn mower	**4630**	**CAPEX = P&M = CA = AIA avaialbale**	
General			
Stationery	**0**		

Telephone	**0**		
Forklift training by the employee	**0**	**Allowable training staff**	
Forklift training by the owner DEE	**200**	**HMRC may consider as gaining expertise as Capitalk Exp and disallow 50%**	
Medical Costs	**0**	**Allowable as Wholly and excelusively for trade but BIK on SATR**	
Clients Gift	**840**	**Client entertainment is disallowed by Statute unless is <£50, Not food/drink/tobaco and carry clear advert. Here it's Food = disallow**	
Gift aid donation BCF	**160**	**can pay Gift Aid for be under SATR and Extend BRB gross up 160*100/80= 200**	
Re-truffed own Garden	**210**	**Goods/service for own use ob the cost as Cash basis**	
Revenue consulatncy	**1800**	**service for her aunt the cost as Cash basis**	
- CA	**-5346**		
Taxable	**86,339**		

Dee's CA 2025/26

				Car BU 65%		
TWDV				**14000**		
Car						
Small tools repalcement	**170**				**170**	

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Lawn mower	4630				4630	
AIA available 1mn						
WDA @ 6% * 65% BU				-840	546	
CA					5346	

2)Dee's IT and NIC Class 4 2025/26

Contribution for Personal scheme 0 Sole trade can pay Contribution for Personal scheme and be deductible from trade but this will be under SATR and Extend BRB gross up 4100*100/80= 5125

can pay Gift Aid for be under SATR and Extend BRB gross up 160*100/80= 200

Ext BRB = 5125+200=5325
+37700
=

IT NSI SI

Trade profit Taxable 86,339

Rental Income £6000
share 50% as above
Rent cost -6000
& Office heating -800

Bank Interest 1100

Medical Benefit BIK 650

Total 86,189 1100 = 87289

- PA (Not abte as less 100K) =-12570
Taxable 73619 1100

NSI taxed

Ext BRB 43025 *20% = 8604
30594*40%=12238

SI
PSA HRTP 500*0%=0
600*40%=240

IT £21,0820 due by 31/1/2027

NIC Class for on rade profit Taxable 86,339
0-12570 *0%
37700*6% = 2262
(86,339 -50270)*2%= 722
=2984 due by 31/1/2027

----------ANSWER-5-ABOVE----------

----------ANSWER-6-BELOW----------

Answer-to-Question-_6_

Termination Package

3 categories
1 Normal earnings (Contractual or expected) subject to Normal PAYE IT and NIC class 1 primary by employee and secondry by employer
2- Exempt from PAYE/NIC such as pension
3 - Ex-gratia exempt for 30K then PAYE IT on employee TOP Slice and NIC class 1A by employer.

Summer is HRTP as saray 132K pay tax 45% and NIC class 1 P 2% (Loss PA as >125140) an employee so NIC dieducted monthly not annual accummulative calac.

She wroked till 31/1/26 10 month so salary 132K/12*10= £110K

	£		
Salary	110K	above	
3 month notice period	33K	As per contract even left directly, consider as normal earning as above = 132K/12*3=33K	
Bonus	3.5K	As per contract	
Statury Redandcy	6000	6000 part of Ex-gratia exempt	
Pension Cont'n	0	Exempt from PAYE/NIC such as pension	
Outplacing councelling	0	Outplacing councelling : Exempt from PAYE/NIC should be provides for all employees	
Ex-gratia	49000	49000 only exempt 30K	
Write off employment loan	7500	as employment ended this is disallowable for trade = part of termination to employee	

		As she issued P45 on 31/1/2026 so, she will be taxed for the termination as 0T tax code	
Total	209K		
Only 30K Exempt Ex-gratia	-30K		
	179K		
As he is already above 125140 so lost PA 12570			
all the termination will be top slice			
IT			
37700*20%	7540		
125140-37700=784 40*40%	34976		
179000-125140=53 860*45%	24237		
IT due 31/1/2027	66753		
National Insurance on summer NIC class 1 p			
37700*8%	3016		
Rest 179000-37700* 2%	2826		
5842			
For the company			
NIC Class 1 seconrdy above 5000 with 15%	20630	Diference from below =179K-5K-36.5K=137.5*15% due by 22/4/2026	
Termaination amount above 30K subject NIC lass 1A 15%	5480	Total 76.5K-30K= 36.5K *15%=5480 via P11D file by 6/7/2026 and pay NIC lass 1A by 22/7/2026	
