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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID [redacted]

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**577**	**2440**	**2915**
Section 2	**560**	**2309**	**2867**
Section 3	**956**	**4266**	**5215**
Section 4	**554**	**2516**	**3044**
Section 5	**476**	**2101**	**2507**
Section 6	**352**	**1555**	**1874**
Total	**3475**	**15187**	**18422**

Answer-to-Question-_1_

CT liablity

1jan 2025 to 31 march 2026

profit baore tax	405,400			
deduct				
interest income	(8,800)	this is a NTLR so ned par of trade profits		
profit from disposal	(7,200)	this is an accountign profit, the disposal will be reflected in the CA's		
addback				
dereciation	86,600			
interest payable	-	this is partof trade as the interestis for P&M and working captal this is a trading loan reationship		
sundry	6000	charity dnations taken from TTP 750x8=6000		
adjusted profits	482,000			
	12m to dec 2025	3m to 31 march 2026		
split 12:5	385,600	96,400		
CA	(82108)	(251,413)	W1	
tax adjusted trading profits	303,492	(155,013)		
CGT		2,000	7,200-5000 = 2,200 Chattel so restrtected to 7,200-6000 x5/3 = 2,000 gains taxed whern gain	

			created	
NTLR credit	7040)	1760	8,800 x 12:5	
Carry back losses into dec 2025 carry foward small loss as CY relief	(151,253)	(3760)	claim current year and carry back relief within 2 years from the end of the AP so by 31 march 2028 must claim CY before claiming CB	
QCD	(3750)	wasted as losses	deductable when paid 750 x 5 = 3,750 750 x 3 = 2,250	
TTP	137,626	0		
CT 25%	34,406			
marginal relief	(749)		3/200 x (137,626/137,626)x (250,000-137,626)	
CT liability	33,657			

gain is a chattel so restrctedgain for proceeds to be 7,200-6,000 = 1,200 x 5/3= 2,000

L Ltd should claim to carry back the trading losses into the 12m to 31 dec 2025,the company must claim cyrrent year relief first on the TTP of 3760. there will be a waster of the QCD's in the period to 31 march 2026 as there will be no profits reaiming.

W1: CA's

12m to 31 dec 2025	AIA 1,000,000		MP	SRP		CA

			16,600			
tractor	76,000					
pick up				52,000		
wdv	76000		16,600	52,000		
AIA 100%	(76,000)					76,000
MP 18%			(2988)			2988
SRP 6%				(3120)		3120
				total		
CF	0		13,612	48,880		

tractor is a main pool asset and portacabin is also a MP asset both being part of plant or machiery
the souble cab pickup - having a double cab - is assumed to be a car not a work veichle with the double cab for trasorpot not movement o goods, if it was for movement of goods then it would be a qoek veichle and the AIA cen be claimed. as this is hgh emmitons over 50g/km this is an SRP asset

3m to 31marc h 2026	AIA 1,000,000 x 3/12 = 250,000		MP	SRP		CA's
			13,612	48,880		
disposal						
plough			(5000)			
combine harverst er	250,000		6,500			
WDV	250,000		15,112	48,880		
AIA 100%	(250,000)					250,000
MP x 18% x 3/12			(680)			680
SRP x 6% x				(733)		733

3/12						
c/f			14,432	CA's		251,413

plough proceeds limitedto cost of 5,000 thegan of 2,200 is a CGT gain

250,000 of combine is AIA and rest is MP as no FYA allowed as scond hand

du dates for CT returns
two CT returs will be due for the 15 months eriod of acccount, on for the 12 month and ne for the 3 months, one CT return due date will be needed and there will be submitted by 31 martch 2027

payment dates
two seperate payment date would be neeed fr the two accounting periods, however as the 3m to 31 march 2026 is a loss and has no liabilities, no CT will be due.

for the 12 motnhs to 31 dec 2025, a CT payment will be due 9 months and 1 day from the AP end, this being due on 1 october 2026

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

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

Answer-to-Question-_2_

option1)
under an EMI scheme, Tom will be taxed on the shares as employment incme if they are granted ta a discount, the shares are to be granted at 7,000 for 100 shares = 70 per share. the market value at 150 and therefore there is a benefit.

EMI schemes are allowed for companies with less ten 30m assets and less then 250 employees.

the tax due on the shares will not be paid until exercise , this is to be the lower of market value on grant (150) and MV on excercise (unknown but likely over 150), less the cost paid by Tom being 70 per sare. 80 x 100 = 8,000 as additional employmt income on excercise, this is sibject to icnome tax at th e rlevant rate.

as the shares also must be excercisable on an event of a takeover, these make then readily convertable assets - only if he excercised them on a sale of the company (if he excercised earlier than that, ther are not RCA's).

RCA's are created wrere the shares are either listed shares are they have an agreeent for sale.

if there are RCA's then class 1 A NC is paable by the company on the shares, the comany muts also accoutn for the income tax throught PAYE and this may mean taking the whole of toms pay to pay the income tax, the 50% restriction does not apply for RCA's.

PAYE would be payable on 22nd of the month if paid electoniacly and 17th of the onth if paid not electronically.

The comany can make tom pay the NIC and this would be dectable on a future sale.
as the company is unlisted the shares are also not RCA's unless the are excercised on a sale.

the company can make a deducton of the MV less price tom paid when he excercises the shares, the EMI scheme set up costsare not deductable fr CT purposes.

as EMI shares, tom will be able to beenfred from the relexed BADR rules, meaning that the 5% rule desnt exist and the 5 year rule starts from grant, f this in in 2026, ad the shares are anticipated to be sold n 2029, this wont be 5 years and BADR woudlnot apply for tom. CGT would be payable at 18% or 24$ if higher rate taxpayer. if Louise was to sell the company a year later, BADR would apply for him.

on a sale the gain would be proceeds less price paid and price taxed as earnings (and less the NIC paid paid by tom).

Option 2)

the issue of new shares would not be under a tax advantaged scheme

the comany would be able to make a deduction for the market value less price paid this being a larger CT deduction than option 1. assume excercise price if 150 the deduction would be 14,900

for tom, this would also be a taxable benefit and the benefit would be the market value at excercise less price paid, if this was at 1 june 2026, this would be 150-1=149 x 100= 14,900, this is a higher charge than the EMI option.

as they would not be excercised pre takeover, the shares would not be RCA's

on a future sae the gain would be the proceds less the price paid and ammout taxed as earnngs.

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

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

Answer-to-Question-_3_

1)
CGT and IT

(caling Marianna Maria for ease)

gift of carolwood shares

Giftf to connected persons such as her daughters will be transcations at merket value, this means that the gift of 35 shares will be at (900,000x35/50) 630,000. this will create a large gain of 629,965 for Marianne.

Maria and Oakey are able to jointly claim gift relief (whtin 4 years fromt he end of the period of the trsnafer) which can allow the base cost of the shares for oakley t cdecrsas and maria's gain to redue, this deferes the gain in the future if oakley was to sell the gofted shares.

GR is restricted if any consideratin is given for the shares and then the consideration less base cost will be chargable to CGT.

GR is also restricted if the cmompany holds less charagble business assets than chargable assets - all of the companies assets are charagble and none are non-business so there will be n restrction here.

GR can become chargable if the daighter decises to becme non UK resdent whtin 6 years of the GR claim.

if there is an ammount outstanding as chargable then BADR can be claimed as maria will be selling her shares in her persional trading company, this is because maria will have held over 5% of the shares, votes and available profits. maria has also been a director and has met these two contions for 2 years.

BADR will be taxed at 14% in 25/26 and 18% in 26/27, maria must claim BADR by 31 jan follwing the tax year (31 jan 2028 for 25/26 and 31 jan 2029 for 26/27)., there is a lifetie limit for BADR of £1 million.

if the GR claim is made with norestrctions she will have no CGT liablity. or maria could choose to not claim GR on the shares to create a gain and increase te base cost fr her daughter.

purchase of remaining shares by the company

a purchase of own shares from the coopmay wil either be treated as a capital or income dispoal,

the defalt methos for a purchase of own shares is a incme dividends treatment, this will be proceeds less subscription cost when origionally issued, a CGT loss can slo be created being subsctition price at issue less price paid - this will be nil for maria.

if the follwing contions are be, then the capital treatment can apply

the disposal if in a trading company - this is true, this looks at the companies income, assest and expensature to ensure all is trading, as the excesscash was from trading activities, this is trading and the companys trading

the disposal is for the benefit of the trade, as maria is stepping down and retising, the would not be abeneficial shareholder and willl have no use in the businsess holding the shares -clearance can be saught to confirm thwith with HMRC

te disposal if from a UK resident vendor who has held the shares for 5 years - this applies

maria is disposing of stleast 25% if her holdings, as she was to be dspisng of 15 shares, thsi would be 30% and she ma had alray dispoed of her other 35 shares.

maris must hold less then 30% of the company shares follwing the buyback - as maria has disposed of 15 and gifted the other 35 she will have no holdngs

assuming the benfit of the trade contions is met, the gans frm the purchase will be a CGT disposal, these will also qualiyf for BADR as mentioned above.

if maria decised to start a new business wih the same or simular activiies, she mus consider the pheonixing rules. this will turn her CGT proceeds to dovidends

gift of warehouse

the gift of the warehouse will also be a MV event and the same GR cam be claimed on the asset any gains will not qualfy for BADR as the property is a associated disposal being used in the business, hoeever full MV rent was charged and this meansno CGT is avaialble fand no BADR is available and will the CGT on this asset will be at 24%

gift of silverbrook shares

the gift of the shares in silverbrook ltd will be a MV CGT disosal as with the shares of carolwood ltd, these will be available fr the same GR claim but this will reduce thebase cost in aurelia.
the gift relief will also be restructed if conisdartion is given. GR is also restructed in the cmpany hold less chargable business assets comared to chargable assets, we dont know what theproperty business holds however some assets may not be business assets nd they may be invesmnents as h cany s aproperty develpment business.

the GR may be tsructed ifthis is the case.

any gains chargable would be charged to CGT, BADR may be available proided the copmay is trading, the income exenses ad asset test would ne needed to be considered wth the hidtrical activyties of the business to chack the cmany is trading, for the income and assets the company shpudhave nomore then 20% non-trading

2)
For IHT, there would be a loss of estate woth the goft of the shares, they would become potentially exempt transfers unless maria liver fr 7 years from the transcation.
BPR is available at 100% for the shares in carlwood, however BPR is restruected ifthe company holds investnet like shares or excess cash, the 650,000 is considered excess cash and this woud be distributed for full BPR to apply. whats conesidere excess demends on what the itendeduse of thecash if for.

for IHT, the assets inherited after death will be at provae value, whereas assets given in life will not be at probate value.

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

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

Answer-to-Question-_4_

max cash repayment , YE 31 march 2026 , trading losses CF

cnfrmation that the company is seeking to advance science and technology

the company qll qualifu for R&D, we do not have confirmatn that the company is a SME and meets the 30% R&D exoedature test. we are to assume that the qualifcation for enhanced tax relief for expendaiure is for the SME scheme.

To qualif for the SME scheme, the company mts have less tham 100m euro tornover and 86m euro ballance sheet and less than 50 employees. the company muts also have at least 30% of its exendatre being for R&D whith is the case and that the company must be loss maiking, this is the case and we assume the conditons has been met.

net loss	(525,358)			
encnced relief	(261,954)	w1	additional deduction to increase the loss	
additional loss	(787,312)			
surrendered for cash	566,552			
notsurrenderab ke due to NIC and PAYE cap	(179,268)			
CF to next period	400,028			

all costs are allowable for tradig purposes

cash repayment are allowed at 14.5% for the SME scheme, there are allowed on the suddenderable loss, this being the lower of the R&D costs at 186% of 566,55 and the loss created of 787,312

566,552 x 14.5% = 82,150, this shoud help with the companie scash flow
the cash repaymrent is tercuted if the PAE and NIC cap is lower then the 14.5%

the capis 20,000 and 3x all NIC and PAYE
the cap is 20,000 + (3x 535+535+7840+ 3142) = 56,165 therefre the cash repaid is only 56,165
this meas that 25,995 is not to be repaid and (25,995/14.5%) 179,268 wil be able to carry forward

w1 R&D relief

staff costs are allowable as long as they are for R&D pruposes, as miles is finance,his cost will not qualify, as 15% if the other individuals ime is for admin, this time ill nto qualfy therefore 85% of Elias, Roy, Agnes and James will qualify.

this being the salary, pentions, employers NIC (not PAUE or EE's NIC) - this also exclused benefits.

121,370 - 27,000 = 94,370 x 85% = 80,215 for R&D

subcontracted costs are allowed with a 65% restriction as they are unconnected,

the subcontracted costs for Ravenscroft will be restrected by an initial 25%, ths is because overseas subcontrectrs whihc aret overseas for benficial reasons (cost cutting not being one) is not allowd = 371,524 x 75% x 65% = 181,118

the costs for thornbuidge will not be allowable as they have ended up doing there own R&D to develop a new tool, this means that this is their R&D and the costs cannot be claimed. = 0

IT costs for data andysis is assmed to be for 100% R&D, the onlcine data sbscriptn is allowed as cloud conputing is allowable, we assume that 10/13 is R&D based on the costs of the the software = 10,185 + 5212(6775 x 10,187/13,718) = 15,396

the IT costs fr general are asusmed to be for administraion costs and not allowale = 0

rent is not allowable as a deduction

rates and utilitis are allowable as an appotioned cost companerd to staff costs = 42,351 x 80,125/121,370 = 27,959

repairs are not allowable assumed not for R&D purposes

staff	80,125		
subcon	181,118		
rates and utilities	27,959		
IT	15,396		
total	304,598		
enhcnced relief x 86%	261,954		

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

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

Answer-to-Question-_5_

1)
taxable profits for 25/26
cash basis

profits	15,430			
deduct				
gift from client	(200)	not related to the businesses trade		
interest	(1,100)	not trade - savings income		
rent	(6000)	substantial ammount and not from excess and surplus space not allowable as trading income, teated as prperty icnome		
addback				
pentions	5,580	paid in period allowable pentions not paid by 31 march 2026 not allowed = 180 persional pentions not deutcable - relief available as band gross up for income tax = 4,100		
drawings	55,000	this is her taking money out like a salarybt ths has not been taxed		
premesis	6,000	rent costs appotioned as part for rent = 12,000 /2 = 6,000 assume office costs are only for her office		
travel	1199	addback 3,800 10,000x 45p = 4,500 allowed 3,400 x 25p = 850 allowed =1550 net adjustment to deduct 4,100 x 35% not allowed and added back = 351 sum net additional deduction= 1199		
legal	-	both costs allowable as both are in relation to the trade and her business		

accountancy	380	560-180 = 380 not allowed as self assessent not deuctable (part from the self emlpyed section is allowable)		
equipment	-	both deductable (no CA's on equipment but cars) costs as under cash basis assume no private use		
medical	650	as she is not an emplpyee this is not allowable		
giftf	840	gift to client does hae promotional material however the gift contains food so is not allowable		
gift aid	160	deductabl gross against self assessment total income		
training	200	as the training is part of a new side of the business this maynot be allowable - assume that this is the intrdiction of a new revenue stream and 50% not allowable for her - her staff cost for training is allowed		
cost of turfng garden	210	goods for own use have to have the costs taken out from profits		
aunt consultancy	1800	services for connected person is a MV sale		
CA's	(546)	14,000 x SRP6% = 840 x BU65% = 546		
taxable profits for the trade	81,651	to 31 march so 2025/2026		

2)

IT and C4 NIC liability for 25/26

pensions, gft aid , rent, interest

income tax

	NSI	SI		
trade profits	81,651			
rent	0			
interest		1,100		
Gift aid	(200)			
PA	(12570)			
taxable income	68,881	1,100		
42,825x 20%	8565			
26,056 x 40%	10,422			
500 x 0%	0			
600 x 40%	240			
total IT	19,227			

NIC

class 4			
profits	81,651		
12570 x 0%	0		
37700 x 6%	2262		
31,381 x 2%	628		
total C4 NIC	2530		

rental profits are 6,000-6,000 = 0 losses would only be deductable on future trade profits

pension payent increate the BRB and HRB by gross value = 4,100 x 100/80= 5125

BRB = 37700 + 5125 = 42,825
HRB = 87,440 + 5125 =92,565

gift aid donation allowabe as gross deduction on total income = 160 x 100/80 = 200

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

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

Answer-to-Question-_6_

PAYE and NIC of termination package

contractual payment are considerd taxed as earbiings, there will attrach class 1 NIC and taxedas income tax.

statutory =redundancy payments will form part of the potetially exempt ammounts if under the 30,000 exemption - other wise it will be taxed at top slice and subhect to class 1 A NIC

pention contrebutions are considared exempt and have no liabilities

outplacement counceling is uaually an exempt part of termination the fact that it was only provided to her has no impact on the exemption. conceling muts be given generally to all employees to be exempt and is added to the taxable ammounts

ex gratia payments will include a PENP of (132,000/12 = 11,000 x 3) = 33,000 this will be taxed as employment income and subect to class 1 NIC
the remainng ammount of 16,000 may form part of the exempt ammount if under 30,000. this is becuase it was non-contractual

the wrie off of the loan will bring emplyment benefit subject to class 1 A this will be the 7,500 and wll be suject to employment tax and class 1 A (unless its also in the 30000)this is becuase it was non-contractual

if any ammounts were to be above the 30,000 exemption they would be taxed at top slice at 45% and be charged class 1 A NIC payale by the employer.

any payments subject to class 1 are subject to both primary and secondary NIC

there is no PILON as no notice was worked

PAYE and NIC due

earnings tdate = 11,000 x 10 = 110,000

NIC

contractual			Class 1 P 2%	Class 1 S 15%
bonus	3,500		70	525
PENP	33,000		660	4950
pention	exempt			
counceling	exempt			
total	37,000		730	5475
additional				
statutory dedundancy	6,000			
EX gratia 49,000-33,000	16,000			
write off	7,500			
counceling	1,000			
total	30,500			
less 30,000 exemption	(30,000)		IT and class 1 A NIC	
taxabe	500		x 60%	300

PAYE
37,000
37700 / 12 = 3142 x 20% = 628
87,440 / 12 = 7,287 x 40% = 2,915
26,031 x 45% = 11,714

total IT PAYE paid on termiation = 14,897