

# **The Chartered Tax Adviser Examination**

May 2026

---

## **Application and Professional Skills**

---

### **Taxation of Owner-Managed Businesses**

---

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 profile

James Blackwood is 48 and UK resident. He lives in North West England. His wife died in March 2021. James has been trading as Blackwood Trading since 2014, when he bought a machine to manufacture components, which are then used in appliances. Initially he ran this in his spare time but in March 2022, he purchased a second machine and it became a full-time activity. Since then, it has produced steady profits of between £80,000 and £90,000 per annum. He makes up his accounts to 31 March each year and elects for the accruals basis of accounting. James owns the trading premises, and there are no outstanding loans secured on it.

The results for the most recent three tax years, and the Income Tax and National Insurance paid are as follows:

<u>Tax year</u>	<u>Profit reported on tax return</u>	<u>Income Tax and Class 4 National Insurance paid</u>
	£	£
2025/26	87,254	25,334
2024/25	89,770	26,392
2023/24	83,098	24,720

The profit for the current year is expected to increase to approximately £90,000.

The business has no employees and was registered for VAT (number 9871234560) from 1 April 2017. James has no brought forward trading or capital losses and has made no previous capital disposals or transfers.

James has a daughter Danielle aged 19. She has just finished the first year of a four-year accountancy course at university and has no income of her own.

### Capital Allowances information

There are a number of items of plant and machinery, various tools, a computer and fixtures. The Tax Written Down Values at 5 April 2026 were as follows:

- 1) Main pool – £68,880
- 2) Special rate pool – £27,260

There are no single asset pools.

### Estimated value of business assets at 31 March 2027

<u>Description</u>	<u>Market value</u>	<u>Cost</u>
	£	£
Business premises	320,000	280,000
Goodwill	295,000	Nil
Machinery	* 92,000	200,000
Current assets (cash, debtors, etc)	5,000	
Liabilities (loans & trade creditors)	** (252,000)	
Value	460,000	

\* Capital Allowances have been claimed.

\*\* loans are unsecured and were used to purchase machinery, equipment and for working capital.