



Chartered
Institute of
Taxation
Excellence in Taxation

The Chartered Tax Adviser Examination

May 2018

Awareness Module E Taxation of Unincorporated Businesses

Suggested solutions

1)

Part 1

	£	
Trading income	65,000	
Less loss brought forward	(18,000)	1
	<u>£47,000</u>	

	£		
8,164	x 0%	0	1
36,836	x 9%	3,315	1
2,000	x 2%	40	1
		<u>£3,355</u>	

Part 2

The answer would not have been different as Class 4 NICs stop from the start of the tax year *after* the one in which the person reaches pensionable age; i.e. on 6 April 2018 in this case. 1

2)

Part 1

William would claim the **annual investment allowance (AIA)** in respect of his purchase of the van - £3,000 x 100% = £3,000 - restricted by 18,000/24,000 to reflect his personal mileage = £2,250 1
William would claim the business proportion of the total fuel costs: £8,000 x 18/24 = £6,000. 1

Part 2

No relief for actual costs incurred. 1
William would claim 10,000 miles at 45p = £4,500 1
and 8,000 miles at 25p = £2,000 1

3)

Part 1

Period of change does not exceed 18 months 1
No change in previous 5 tax years 1
Therefore, will be valid if Simon informs HMRC by 31 January 2019 1

Part 2

7m to 31/12/16 (£90,000 x (7/12))	52,500	1
5m to 31/05/17	32,000	1
	<u>£84,500</u>	

4)

Must meet fixed value requirement.	1
Ensure disposal value for seller equals acquisition cost for purchaser	1
Anna and Trevor must jointly elect amount of proceeds attributed to fixtures.	1
Cannot exceed £290,000.	1
Not bound to amount in sale agreement.	1
Deadline is two years from completion date	1

Max 5 marks

5)

Part 1

	£	
y/e 31/12/2017 – loss	48,000	1
Less: used in 2016/17	(12,000)	1
Loss 2017/18	<u>£36,000</u>	

Part 2

Carry back three years against general income on FIFO basis (2014/15 then 2015/16).	1+1+1
If loss remaining after carry-back, carry forward against future trading income	1

Max. 3 marks for part 2

6)

	£	£	
Sales per accounts	57,000		
Less: debtors	<u>(2,400)</u>		1
		54,600	
Purchases	(28,000)		
Add back taken for own use	<u>400</u>		1
		(27,600)	
Computer (£800 x 80%)		(640)	1
Interest - capped		(500)	1
Use of home (£10 x 12)		<u>(120)</u>	1
		<u>£25,740</u>	

7)

		Philip £	Matthew £	Simon £	
Profit ((5/12 x £240,000)	100,000				1
Allocate 50:50:0	(100,000)	50,000	50,000		1
Profit ((7/12) x £240,000)	140,000				
Salary	<u>(25,000)</u>			25,000	1
	115,000				
Allocation	(115,000)	46,000	46,000	23,000	1
2017/18 Trading profits		<u>£96,000</u>	<u>£96,000</u>	<u>£48,000</u>	1

8)

	£	£	£	
TWDV		90,000		
Addition: machine (£40,000 + £180,000)	220,000			1
AIA (max)	<u>(200,000)</u>		200,000	1
		20,000		
Addition: car	25,000			
100% FYA	<u>(25,000)</u>		25,000	1
		0		
Disposal		<u>(8,000)</u>		1
		102,000		
WDA at 18%		<u>(18,360)</u>	18,360	1
TWDV cfwd		<u>83,640</u>		
Capital allowances claimed			<u>£243,360</u>	

9)

	ER gain £	Non-ER gain £	
Shares	280,000		1
Building	102,000	68,000	2*
	<u>382,000</u>	68,000	
		<u>(11,300)</u>	1
	<u>382,000</u>	56,700	
CGT (at 10%/20%)	<u>£38,200</u>	<u>£11,340</u>	1
Total £49,540			

***1 mark for recognising that part of the gain qualifies for ER and 1 mark for correct amount.**

10)Part 1

1 December 2016 and 30 November 2020/1 December 2020 **1+1**

Part 2

	£	
Proceeds	630,000	
Cost	<u>(180,000)</u>	
	450,000	1
Rollover relief (balancing figure)	<u>(330,000)</u>	2
Gain (£630,000 - £510,000)	<u>£120,000</u>	

11)

CGT payable for each instalment is maximum 50% of amount received. **1**
 Therefore, first three instalments are £25,000 each **1**
 and fourth instalment is the balance due: £1,940. **1**
 First instalment received before normal due date and so payment date is the normal
 due date: 31/01/19. **1**
 For subsequent payments, due date is the date on which the instalment is received. **1**

12)Part 1

	£		
Gain	89,000		
Gift relief (see below)	<u>(84,550)</u>		
Gain	<u>£4,450</u>		
	CA	CBA	
	£	£	
Premises	128,250	128,250	1
Shares	6,750	0	1
Stock	Nil	nil	1
	<u>135,000</u>	<u>128,250</u>	
((£128,250/£135,000) x £89,000)		£84,550	1

Part 2

5 April 2022 **1**