

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module E**

-----ANSWER-49-BELOW-----

Answer-to-Question-_49_-

Trading income

First year: 1 Sep 2019 - 5 Apr 2020 $7/10 * 14,000$
9,800

Second year: 1 Sep 2019-30 Aug 2020 14,000
1/12 * 18,000 1,800
15,800

Final year: 1 July 2020 - 30 June 2021
18,000

Overlap is 9 month

from 1 Sep 2019- 5 APR 2020 and 1 July 2020 to 30 Aug 2020
profit is 11,600

-----ANSWER-49-ABOVE-----

-----ANSWER-50-BELOW-----

Answer-to-Question-_50_

Profit 34,400
Loss c/f (10,800)
profit 23,600

Class4 :

$(23,600 - 9,500) @ 9\% = 1269$

NIC is payable as the balance of the year after deduct POAs, therefore for this one, it will be paid at 31 Jan 2022.

-----ANSWER-50-ABOVE-----

-----ANSWER-51-BELOW-----

Answer-to-Question- 51

The purchase of computer equipment will be allowed at 100% as FYA. As it is for business use and he started the business this year.

The travel is for business purpose, therefore, he can deduct the flat rate expense for the car and fuel, first 10,000mils is 45p and after that is 25p per mile.

The flights and accommodation is allowed to deduct as it is qualified for business trip.

-----ANSWER-51-ABOVE-----

-----ANSWER-52-BELOW-----

Answer-to-Question-_52_-

	Total	Kevin	Lucy	Natalie
	100,000			
Before 1apr 2021				
9/12 *100,000	75,000			
Salary				
9/12 *10,000	(7,500)	7,500		
9/12* 12,000	(9,000)		9,000	
	58,500			
Share ratio 1:1		29,250	29,250	
Profit	25,000			
salary				
3/12*10,000	(2,500)	2,500		
3/12*12,000	(3,000)		3,000	
3/12*15,000	(3,750)			3750
Return on capital 3/12	(750)			750
Total	1500			
Ratio 1:1:1	(1500)	5000	5000	5000
TOTAL:		44250	46250	9500

-----ANSWER-52-ABOVE-----

-----ANSWER-53-BELOW-----

Answer-to-Question-_53_

	Main Pool	Private use car	CA
TWDV	43,220	10,410	
Dispoal		(8,700)	
New car		18,350	
Total		20,060	
WDA@18%	(7780)		7780
WDA@6%		(1204) @80%	963
Twdv c/f	35,440	18,856	

Maxi CA is $7780+963=8,743$

-----ANSWER-53-ABOVE-----

-----ANSWER-54-BELOW-----

Answer-to-Question-_54_

2020/21

6 Apr 2020- 28 Feb 2021
6/12 * 12,100 (6050)
(16,310)
aDD OVERLAP PROFIT TO LOSS (4,000)
Loss of final year (26,360)

Loss of preceding tax year

1 Oct 2019-Apr 2020
6/12 * 12,100 (6050)

Terminal loss is (26,360) + (6050) = 32,410

-----ANSWER-54-ABOVE-----

-----ANSWER-55-BELOW-----

Answer-to-Question- 55 -

No gift relief

Deemed proceed	185,000
less cost	(50,000)
Gain	135,000

New sell

Proceed	310,000
Less cost	(50,000)
Gain	260,000

Gift relief:

Deemed proceed	185,000
MV	
Less cost	(20,000)
Gain	165,000
Less gift relief	
(185,000-50,000)	(135,00)
Chargeable gain	30,000

New sell

Proceed mV	310,000
cost	50,000
Less rolled over	(135,00)
	(85,000)
Total Gain	395,000

-----ANSWER-55-ABOVE-----

-----ANSWER-56-BELOW-----

Answer-to-Question- 56 -

He can change his accounting date but he needs to meet the below conditions:

- 1: the accounting period of change doesnot exceed 18 months,
- 2: He needs to notify HMRC by 31 January following the tax year of change
- 3: there is no changes accounting date in the previous five years and the current change is for a bona fide commercial reason.

Therefore, he should notifiy HMRC 31 Januay 2021

-----ANSWER-56-ABOVE-----

-----ANSWER-57-BELOW-----

Answer-to-Question-_57_

Profit	31,140
Add back disallowed	
Event is not allowed as it is for clients	4,420
Loan write off will be allowed	
Staff training is not allowed	2,660
Accountancy fee is disallowed for enquiry	1,200
New web ste up cost disallowed	2,810
Tax adjusted profit	42,230

-----ANSWER-57-ABOVE-----

-----ANSWER-58-BELOW-----

Answer-to-Question- 58

If she use current year claim, then the property income will be deduct to NIL, which will waste her annual personal allowance of £12,500

If she carry back, she can use trade loss to set against total profit, which will reduce her income from total 57,000 (31,000+24,000+2,000) to 39,000

Therefore after deduct her PA, she will be in basic rate band and then she is also saving tax as it wont be taxed at 40% for the exceeded amount.

This will be made from 31 January following the year of loss to make a claim.

so it is 31 Jan 2021

-----ANSWER-58-ABOVE-----

-----ANSWER-59-BELOW-----

Answer-to-Question-_59_

The rollover relief has to be reinvested within two years after selling the old asset. Therefore, if she buys the quays in late 2020, then it won't be time qualified.

The wharf will be in time.

and she can use the gain to set aside the base cost of the new building.

-----ANSWER-59-ABOVE-----

-----ANSWER-60-BELOW-----

Answer-to-Question- 60

The construction work will be able to use SBA at a 3% straight line deduction.

The planning cost, main structural work can use SBA.

The sewerage system and the air conditioning system can use his AIA, if he didnt use the £1m allowance. Which will be deduct at 100%. other wise it is at wda 6%,