


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

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID 

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	169	811	910
Section 2	280	1319	1518
Section 3	349	1585	1879
Section 4	216	970	1105
Section 5	530	2251	2725
Section 6	151	688	810
Total	1695	7624	8947

Answer-to-Question-__1__

Calculate:

YE31/3/25 LLP		Hashan 20%	Sandstone Ltd 20%	Millie 40%	
	£	£	£	£	
Profit	61,500				
Add back Capital items N2	46,750				
Pension N4	500				
Interest N5	15,000				
Depreciation N6	5,000				
Less CA's	(48,600)				
Profits 86,180	80,150				
Interest	(15,000)		15,000		
Profits	65,150				
20:20:40		13,030	13,030	26,060	
			28,030		

N1 Sandstone Ltd all capital £150,000 @ 10% - 31/12/24

N2 Capital items digger and shed: £45,000+1,750 =£46,750 - personal items can be included by partners

N3 Staff bonus paid with 9M of end of AP for accruals can be included

N4 Pensions only paid and not accrued

N5 this is accounted for out of net profits

N6 Amortation disallowed as CA's

CA's	£100% FYA	£Gen	£CA's		
TWDV bfd		10,280			
Additions					
Digger	45,000				
Shed	1,750				

FYA x100%	(46,750)				
WDA x18%		(1,850)			

N1 No AIA for mixed partnership's

31/12/24	£				
Profits	140,000				
LLP Profits N1	39,022				
TTP	179,023				
CT x 25%	44,756				
3/200 x (250,000-179,023)	(1,065)				
	43,691				
LPL £50,000					
UPL 250,000					

$N1 \frac{3}{12} \times £72,000 = £18,000 + \frac{9}{12} \times £28,030 = £21,023$

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

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

Answer-to-Question- _2_

Close Company as it is owned 100% by John who is a Director. He qualifies for Business Asset Disposal Relief on the sale of his shares as he owns more than 5% shares of a trading joinery company, and has owned his shares more than 24 months, since 2003 and is a full time working Director at the date of sale.

Sale of shares W1 versus sale of trade assets W2

W1 Shares	£				
Proceeds (MV)	1,1730,000				
Less cost N1	(100)				
Gain	1,172,900				
Less AE	(3,000)				
Gain	1,169,900				
BADR £1,000,000 x 10% N2	100,000				
£169,900 x 20%	33,980				
Total tax	133,980				
Less CT due on £105,250	x25% 26,312	less marginal (2,171)	3/200 x (250,000-105, 250)		
£24,140					

N1 inherited cost

N2 Lifetime allowance of £1,000,000 for BADR

W2	£	£	£		
Goodwill					
Proceeds	700,000				
Less cost	Nil				
Gain	700,000				
Property	800,000				
Less cost	(450,000)				
Less IA 50% cost	(225,000)				
Gain	125,000				

- N1 Goodwill - not sold to a connected party so will qualify for BADR
- N2 P&M dealt with via CA's and below chattels
- N3 Trade creditors netted off cash and debtors

	£	£		
Profits before CA's		165,250		
CA's W3		(60,000)		
Trade profit		105,250		
Capital gains		825,000		
TTP		930,250		
CT x25%	232,562			

CA's	£Gen	£Spec	£CA's		
TWDV bfd	45,000	12,500			
addition					
Laptop	6,000				
Disposals	(3,500)				
BC/BA	47,500	12,500	60,000		

N1 No AIA in cessation

Shares summary:

John receives proceeds of £1,170,000 less CGT of £133,980 and CT on £24,140 = £1,011,880.

Assets sale summary:

John receives distribution on winding up of £1,500,000 net of CT of £232,562 = £1,267,438 less CGT on distribution which qualifies for BADR (£1,000,000 x 10% = £100,000 + £267,438 x 20% = £153,486) total net cash £1,113,944.

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

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

Answer-to-Question- 3_

Kay	£	£	£	
31/3/23				
Trading profits			69,475	
Add back				
Car expenses N1				
Salary N3	7,500			
Less				
Substance N2	(1,500)			
Add CA's adjustment				
£16,850-12,575 = £4,275 (W1)	4,275			
Adjusted total		79,750	Class 4 NIC	
Income Tax due				
PA		(12,570)		
		67,180		
£37,700 x 20%		7,540	£37,700 x 6%	2,262
£29,480 x 40%		11,792	£29,480 x 2%	589
Total tax & NIC £22,183		19,332		2,851

N1 Ruth is an employees so private use taxable on her persoanlly and no private use deduction. Kay less 25% private use
 N2 add deduction for missed hotel and meals if travel wholly and exclusively for the purpose of trade. Overnight £5 for UK.
 N3 son is 5 - so not working age £625 x 12

CA's W1	£AIA	£Gen	£SR	£CA's
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Car 75% NI		35,000		
Car NI			22,500	
office	6,500			
100% AIA	(6,500)			6,500£22,19
WDA x 18% x 75%		(4,725)		4,725
WDA x 6%			(1,350)	1,350
TWDV/CA's	Nil			12,575

N1 Kay's car Main rate as 50g Co2. Ruths car Special rate at 80g Co2

2) The additional tax and Class 4 NIC will be due between the amount she paid and the additional moun~~t~~ due on the additional £10,275 (i.e. 40% tax and 2% Class 4 NIC £4,110 + £206 = £4,316.

Tax returns can be corrected by an individual 12 months after the filing of the self assessment tax return, i.e. if Kay filed this in 31 January 2024 following the 2022/23 tax year she would have until 31 January 2025 to make the corrections without penalties. Outside the 12 month window she may attract penalties and interest.

Incorrect tax return penalties are based on the amount of tax additional due to HMRC and behaviour of the taxpayer. The penalties can be abnything from 0-100% of the additional tax due depending on the behavious of the taxpayer. Kay would most likely be considered careless as the incorrect amounts were not deliberate and concealed and disclosure was unprompted. So likely between 0-30%, probably around 15%. She may be considered careless as she failed to seek professional advice and assistance when completing and filing her return.

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

and 18 x £375 added back to accruals £9,000-6,750 = £2,250
 N5 Cash received

2024/25	£Cash	£Accruals	
Profit	37,100	38,535	
Less PA	(12,570)	(12,570)	
Taxable	24,530	25,965	
IT x 20%	4,906	5,193	
Class 4 NIC x 6%	1,472	1,558	
Tax liability (A)	6,378	6,750	
Less POA made	(6,000)	(6,000)	
Due	378	750	due 31/1/26
POA 1 50% x A	3,189	3,375	due 31/1/26
POA 2 50% x A	3,189	3,375	due 31/1/26

CA's	£AIA	£Gen	CA's
TWDV		8,000	
additions			
Van	11,000		
HP	4,500		
Total	13,500	8,000	
WDA x100%	(13,500)		13,500
WDA x 18%		(1,440)	1,440
			14,940

N1 An adjustment needs to be made from the AIA £4,500 over calimed from the previous years calculation for the HP - the above is correct

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

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

Answer-to-Question- _5_

Explain:

A close company is a UK company where it is controlled (i.e. 51% of the shares owned) by 5 or fewer participators (with their associates) or any number of Directors (with their associates and may include managers who act as directors with their associates hold 20% shares). Not including public investors.

First let us look at the participator test: No 49% owned

Next, Director test: Yes, Frankscape is 51% owned and controlled by all the Directors so it is a close company

SH	Associate	Participator	Director	%Partic	All Dir
1)Max Smythe	Paul 200		Y	1,400	1,400
2)John Wallace			Y	1,000	1,000
3)Jenny Smith	N1			1,000	
4) Martha Bubb			Y	750	750
5) Fiona Maxwell				750	
Karen Harding			Y		700
Sarah Jamison			Y		650
Sarah Gregg			Y		600
Phil Harper N2			? SM 20%?		
Paul Smythe N1					
5 or fewer part				49%	
All Dir inc N2					51%

N1 Jenny is not married to Max so not an associate. Paul Smythe is an associate as he is his son - so add his shares to Max for the participator test

N2 It is 51% owned by Directors without Phil and Phil only owns 5.5% not the 20% needed to be considered in the close company test

The loan made to Phil of £42,000 at an interest rate of 1% is a beneficial loan taxable on his as an employee at the difference between what he pays at 1% and the commercial rate of 2.25%. Prorated for the amount outstanding in the tax year. The amount will need to be added to Phil's P11D and Class 1A NIC paid at 13.8% will need to be paid by the company by 19th/22nd July following the tax year. Phil will need to add this P11D amount to his self assessment tax return.

	£			£
	42,000			
x 2.25%	1,013			
less				
x 1%	(420)			
benefit	593	P11D	Class 1A	82
		due 6 July		

If it is waived on 28th February then the £42,000 will also be added to Phil's taxable income asnd PAYE and class 1 primary and secondary NIC will be due at 8/2% for Phil and 13.8% for the company. A deductoion for the sanount waived and any employer NIC would be a deduction for corporation tax purposes.

Fiona - if she was a participator this would be a s455 loan and the company would need to pay a penalty on it at 33.75% on the lower of the amount outstanding at end of the account period 28/2/25 or the corporation tax due date of 1 December 2024. Any amounts repaid within 30 days of this date i.e. 6th December would be taken into account under the bed and breakfast rules.

$£100,000 - (40,000+30,000) = £90,000 \times 33.75\% = £30,375$. This would need to be paid by the company. No deduction would be made for this amount for corporation tax.

Any waiver and the amount would be repaid to the company. It would be taxable on Fiona as a divevend and taxable at her marginal dividend rates 8.75%/33.75%/39.35%after the £500 0%.

Is Fiona an employee? If so it would not be a beneficial loan as she is paying the official rate so so benefit.

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

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

Answer-to-Question- _6_

2024/25	£		£23/24	
Profits	10,000		30,000	
Less				
Debt	(20,100)			
s64/71 N2	(100)	(100)		
Proceeds	15,000			
	(10,750)			
Gains	4,250			
s71	(100)			
	4,150			
Less AE	(3,000)			
	1,150			
CGT x 20%	115			

N1/N5 The income received in January would be taxable as a post cessation receipt.

Debt collection is wholly and exclusively for trade so an allowable deduction £10,100 so £20,100

No deduction can be made for for defending the claim so this is not deductible.

Physio - this is not wholly and exclusively for the purpose of his trade so not deductible.

N2 He can utilise the loss in the current year and/or carry it back and set the excess against his trading income and capital gains via s64

N3 He can make an election to be have the income and receipts taxed in the period of cessation.

Increase his Basic rate band by his pension paid i.e. £37,700 + £3,000 = £40,700

