

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module C**

-----ANSWER-25-BELOW-----

Answer-to-Question- 25 -

Desc	FYA	AIA	Main	Special pool	Total
bFwd			£121,800	£88,450	
HEat/ air				£12,800	
furniture			£15,020		
Total			£136,820	£101,250	
WDA 18% / 6%			£24,628	£6,075	£30,703
CFwd			£112,192	£95,175	
costs to repair roof as a repair they are a trading expense					

-----ANSWER-25-ABOVE-----

-----ANSWER-26-BELOW-----

Answer-to-Question- 26

The group relief can be made with 75% owned subsidiary, the following are within the group

ARG Ltd 100%

GEM Ltd 80%

Sat Limted 100% X 75% = 75%

The other comapnies are < 75%

2) The maximum group relief is within the group above of £250,000 trading loss from ARG Ltd to AB Limited

-----ANSWER-26-ABOVE-----

-----ANSWER-27-BELOW-----

Answer-to-Question- 27

- 1) The pension contributions cannot be deducted as they are paid in september 2021 which is after 30 June 2021 and these must be accounted for on date of payment
- 2) Professional fees are allowable for the renewal of the lease
- 3) Petty Theft is an allowable deduction
- 4) Lease costs for high CO2 emission cars is restricted to 85% of the cost, therefore only £5,100 is allowable

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Profit before tax		£145,210			
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add pension back		£9,000			
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add lease cost back		£6,000			
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deduct revised lease costs		(£5,100)			
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Taxable profits		£155,110			
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-----ANSWER-27-ABOVE-----

-----ANSWER-28-BELOW-----

Answer-to-Question- 28

1) Rollover relief is available when a business asset is sold and replaces it with another, it is a way of deferring the capital gain and capital gains tax

The purchase of a 0.5% shareholding will not qualify as a business asset and rollover relief is not available on shares

Rollover relief will be available on the building lease

Rollover relief is available for 12 months before you sell the asset up to 36 months after and therefore if the freehold warehouse is purchased in summer 2022 then rollover relief would not be available on this asset as it exceeds the 3 year window

2) The effect on the base cost of £320,000 of the lease as £180,000 of the sold asset at £500,000 is not being invested this would immediately chargeable to capital gains. The difference of the £245,000 gain (£245,000 - £180,000) is £65,000 would be rolled over and reduce the £320,000 by £65,000, therefore this would have a base cost of £255,000

-----ANSWER-28-ABOVE-----

 -----ANSWER-29-BELOW-----

Answer-to-Question- 29

Rental income	£9,000	£750 x 12
late payment	(£750)	paid 18/4/21
Repair	(880)	
Insurance prorata	(£435)	
Total profit	£6,935	
Loan Relationship		
Mortgage	(£2,850)	
Interest	£4,120	
Interest accrued	(£130)	£1050-£920
LR credit	£1,140	

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Insurance $6/12$ of £480 and $6/12$ of £390 = £435

----- ANSWER-29-ABOVE -----

-----ANSWER-30-BELOW-----

Answer-to-Question- 30

Proceed	£420,000
costs	£35,000
	£2,100
indexation	
allowance	
278.1-128.1/	
128.1 X	
£35,000	£40,983
Extension	£52,000
indexation	
allowance	£12,186
278.1-225.3/	
225.3 X	
£52,000	
Repairs	£12,000

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Total					(£154,269)
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Chargeable gain					£265,731
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-----ANSWER-30-ABOVE-----

-----ANSWER-31-BELOW-----

Answer-to-Question-_31_

1) Rodgoe can use the gain of £530,000 and relieve £125,000 of bought forward losses. They could invest in new assets and rollover the gain to defer the gain until the replacement assets are sold they have 3 years to effect this.

Where a company has more than a 75% ownership/ control and 50% of subsidiary they can share the capital gains in the group, in this case the loss by Puurplepie can be given to Redgoe against the capital gain, alternatively Purple pie could carry the loss forward to offset again future non trading gains

-----ANSWER-31-ABOVE-----

-----ANSWER-32-BELOW-----

Answer-to-Question-_32_

The company should file the tax return within 12 months of the end of period of account by 31st August 2022

The payments should be 9 months from the end of the CAP

The first CAP will be 1/5/2020 to 30/4/2021 and therefore the tax is due 9 months and a day after payable by 1/2/21

The second CAP 1/5/21 to 31/8/21 is again payable 9 months and one day after by 1/6/21

-----ANSWER-32-ABOVE-----

-----ANSWER-33-BELOW-----

Answer-to-Question-_33_-

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Profit with overseas operations					
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£155,000					
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£195,000					
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£630,000					
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Total £980,000 x 19% CT = £186,200					
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Profit without overseas operations					
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Total £630,000 x 19% CT = £119,700					
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Therefore profit difference of £186,200 - £119,700 =					
£66,500					
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CT paid overseas £41,000 + £15,500 = £56,500					
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Therefore CT payable

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Total	£980,000	\times	19% CT	=	£186,200
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minus overseas tax paid				(£56,500)	
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CT payable					£129,700

-----ANSWER-33-ABOVE-----

-----ANSWER-34-BELOW-----

Answer-to-Question- 34

as it is a close company that does not pay tax by instalments for the loan outstanding at the corporation tax payment date of 9 months and one day after the year end so 1st October the close company will pay 32.5% tax on this loan for all amounts outstanding so 1st October 2021 £70,000 was outstanding and this would require payment at 32.5% of £22,750 on this date. The money is paid back by HMRC when payment is received or the loan is written off.

If the loan is written off it is a deemed dividend to the shareholder

-----ANSWER-34-ABOVE-----

-----ANSWER-35-BELOW-----

Answer-to-Question- 35

	2019 £,000	2020 £,000	2021 £,000
Profit	85	-----	31
Interest	3	2	2.8
gains	14.5		
CY		(14.5)	
Previous year	(85)		
Future years		(31)	
Charitable	(1.5)	(£2)	(£2.8)
Total profit	0.5	0	0

Loss memo	£192
Cy	(14.5)
previous year (85)	
future years (31)	
Interest can only be carried back and forward against non trading loan relationships	

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-----ANSWER-35-ABOVE-----

-----ANSWER-36-BELOW-----

Answer-to-Question-_36_-

-----ANSWER-36-ABOVE-----
