

10379

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Institution **CIOT - CTA**
Course / Session **Awareness**
Extegrity Exam4 > 21.12.19.64

Exam Mode **OPEN LAPTOP + NETWORK**
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CIOT - CTA

Paper: **Awareness**

Part/Module: **Module C**

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

Answer-to-Question-_25_

				Special rate pool	Main Pool	Total CA's
TWDV b/f				70,000	150,000	
main pool expen ditur e					2,000,000	
Speci al rate pool expen ditur e				1,800,000		
Total				1,870,000	2,150,000	
WDA 6%				(112,200)		112,200
WDA 18%					(387,000)	387,000
TWDV c/f				1,758,000	1,763,000	
Total CA's						499,200

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

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

Answer-to-Question-26

1)As the bonus was paid over 9 months after the Accounting period end the bonus is disallowed

2)As the pension was not paid in the accounting period it is disallowed

3) $6,000 \times 85\% = 5,100$

$6,000 - 5100 = 900$

900 should be added back

4)The gift of the calender bearing the compnay logo is allowable as it would be deemed as advertisement

The gift of bottle of wine is disallowed as it is food or drink

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

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

Answer-to-Question-_27_

		y/e 31 March 2023	y/e 30 June 2023
Tax adjust trading profit		360,000	90,000
chargeabl e gain			190,000
		<u>360,000</u>	<u>280,000</u>
less: capi tla allowance s	(70,000 x 18%)/ (57,400 x 18% x 3/12)	<u>(12,600)</u>	<u>(2,583)</u>
		347,400	277,417

Chargeable gain in y/e 30 June 2023 as it is when the disposal is made whihc is within that accounting period

$$450,000 \times 12/15 = 360,000$$
$$450,000 \times 3/15 = 90,000$$

$$347,400 \times 19\% = 66,006$$
$$277,417 \times 25\% = 69,354$$

-----ANSWER-27-ABOVE-----

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

Answer-to-Question-_28_

The filling date for Bubbla Ltd was 31 December 2022 and the deadline for payment was the 1 October 2022

There are no penalties for late payment of tax

the filing was 7 months late

therefore there is a penalty of £100 for 3 months late

as it was not over 18 months late there is no penalty of 10%

There will be interest on the unpaid tax however calculated by:

$3.5\% \times 365 \times 7/12$

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

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

Answer-to-Question-_29_

As Bantana is a small company and it incurred a loss it will be eligible for a tax credit which is a tax reducer for its next returns

The R&D tax credit is equal to 14.5% to the lower of the surrenderable loss, R&D relief claimed or the PAYE cap as it does not relate to creating IFA's

215,000

PAYE cap: $20,000 + (3 \times 58,000) = 194,000$

Therefore the R&D tax credit is $194,000 \times 14.5\% = 28,130$

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

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

Answer-to-Question-_30_

Loan outstanding at the year end: 75,000

Loan outstanding at the payment of corporate tax:35,000

Therefore the S.455 charge will be $35,000 \times 33.75\% = 11,813$

$650,000 \times 19\% = 123,500$

$123,500 + 11,813 = 135,313$

less: tax refund from the write off of Geena's loan

$25,000 \times 32.5\% = 8125$

Total tax payable = $135,313 - 8,125 = 127,188$

-----ANSWER-30-ABOVE-----

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

Answer-to-Question-_31_

			y/e 31.03.21	y/e 31.03.22	y/e 31.03.23
trading profit/l oss			200,000	-	90,000
UK property business income			10,000	10,000	-
chargeab le gain			40,000	-	20,000
			250,000	10,000	110,000
UK property losses carry back				(10,000)	
carry back			(150,000)		
TTP			110,000	-	

5,000 UK property business losses to carried forward

the limit for the amount of losses which are carried back is the amount of losses incurred so long as they are set off against the same trade.

the claim must be submitted: 31.01.25

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

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

Answer-to-Question-_32_

Abadbad, Beecele, Deecle, Geecele and Heecla are in the group relief group.

Heecle is not able to claim any relief as it is not a UK resident company

Deecle will be able to surrender 110,000 of the losses brought forward after relieving 340,000 against its current year profits

All of the companies are in the gains group as there is a direct 75% ownership and the indirect ownership exceeds 50%. As Heecle is an overseas company it cannot utilise any relief

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

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

Answer-to-Question-_33_

Proceeds	800,000
less indexed cost	<u>(300,000)</u>
gain	500,000

Degrouping charge:

Proceeds	450,000
less:cost	(230,000)
less:index allowance	(63,543)
	156,457

Total gain	656,457
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Index allowance:

$278.1 - 217.9 / 217.9 \times 230,000$

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

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

Answer-to-Question-_34_

Income from relevant engagements			120,000
less:5% deduction			<u>(6,000)</u>
			114,000
less: salary			(20,000)
less:pension contribution			(10,000)
less:professional subscriptions			<u>(600)</u>
			83,400
less:employer's NIC	83,400 x 15.05/115. 05		(10,910)
Deemed salary payment			<u>72,490</u>

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

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

Answer-to-Question- _35_

Proceeds	380,000
less:costs of disposal	(2,000)
less:indexed cost	<u>(175,000)</u>
Gain	203,000
rollover relief	<u>(163,000)</u>
gain(380-340)	<u>40,000</u>

Proceeds	400,000
less:cost(340,000 - 40,000)	(300,000)
Chargeable Gain	<u>100,000</u>

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

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

Answer-to-Question-_36_

	UK	Overseas
UK Trading profit	510,000	
UK property business profits	25,000	
overseas PE trading profit		80,000
less management expenses	(120,000)	
Total	<u>415,000</u>	<u>80,000</u>
UK corporation tax @ 19%	78,850	15,200
overseas tax paid		20,000
UK tax payable	78,850	-

As foreign tax exceeded UK tax paid it nets off against the UK tax payable on the overseas PE trading profits

Total tax payable: 78,850

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

CIOT - CTA

Paper: **Awareness**

Part/Module: **Module D**

-----ANSWER-37-BELOW-----

Answer-to-Question- _37_

	Non-savings	Interest	Dividends
salary	104,000		
Interest		800	
Dividends			5,200
	104,000	800	5,200
Less:PA	(7,570)		
Taxable income	96,430	800	5,200

37,700 @ 20% = 7,540
58,730 @ 40% = 23,492
500 @ 0% = 0
300 @ 40% = 120
2,000 @ 0% = 0
3,200 @ 33.75% = 1,080

Total tax payable = 32,232

104,000 + 800 + 5,200 = 110,000

Personal allowance = (110,000 - 100,000) × 1/2
= 5,000

12,570 - 5,000 = 7,570

-----ANSWER-37-ABOVE-----

-----ANSWER-38-BELOW-----

Answer-to-Question-_38_

$$\text{Gift aid} = 800 \times 100/80 = 1,000$$

$$\begin{aligned} \text{Relevant earnings} &= 56,000 - 3,000 + 1,300 - 1,000 \\ &= 53,300 \end{aligned}$$

$$53,300 - 50,000 = 3,300$$

$$3,300 / 100 = 33\%$$

High Income child benefit charge:

$$1,885 \times 33\% = 622$$

-----ANSWER-38-ABOVE-----

-----ANSWER-39-BELOW-----

Answer-to-Question-_39_

The property has to be available to rent as a furnished holiday let for at 210 days in the year

It has to be actually be let out for 105 days in the year

And as it was only let for 80 days in 22/23 it will not be considered a FHL

It was consider a FHL in 21/22 as it was let for over 105 days

As it was a FHL in the previous tax year the relevant period is 12 months ending with the last day in the tax year on which it is let by the person as furnished accommodation.

Therefore it does not matter whether the period was 9 months

It would not be considered a FHL if it is let to one individual for 31 days continuously which it is not

-----ANSWER-39-ABOVE-----

-----ANSWER-40-BELOW-----

Answer-to-Question- _40_

car benefit: 5%

List price	58,000
contribution(capped at £5,00)	(5,000)
Revised list price	53,000
cash equivalent(5% x 53,000)	2,650
non:availability(6/12 x 2650)	(1325)
Benefit	1,325

Class 1A contributions = $1,325 \times 15.05\% = 199$

-----ANSWER-40-ABOVE-----

-----ANSWER-41-BELOW-----

Answer-to-Question- _41_

Adjusted threshold income:

Employment income	250,000
employer contributions	50,000
	300,000

$$300,000 - 240,000 = 60,000$$

$$60,000 / 2 = 30,000$$

$$\begin{aligned} \text{Annual Allowance} &= 40,000 - 30,000 + 6,000 \\ &= 16,000 \end{aligned}$$

$$\text{Annual allowanbce charge} = 50,000 - 16,000 = 34,000$$

$$34,000 @ 45\% = \underline{15,300}$$

$$37,700 @ 20\% = 7,540$$

$$112,300 @ 40\% = 44,920$$

$$100,000 @ 45\% = 45,000$$

$$\begin{aligned} \text{Total tax payable} &= 7,540 + 44,920 + 45,000 + 15,300 \\ &= 112,760 \end{aligned}$$

-----ANSWER-41-ABOVE-----

-----ANSWER-42-BELOW-----

Answer-to-Question-_42_

100,000 x 30%

		21/22	22/23
Income tax liability		46,000	22,000
EIS tax relief		(8,000)	(22,000)
		38,000	-

EIS relief allows you to carry back relief if all of the income liability has been relieved

The investor must not be connected with the issuing company before or after its incorporation at 2 years before the issue of shares and immediately before the termination date relating to the shares.

Connected includes employees directors and partners

As she is becoming a director after the investment is made relief will still be eligible and not withdrawn

-----ANSWER-42-ABOVE-----

-----ANSWER-43-BELOW-----

Answer-to-Question-_43_

This would be considered as a dividend payment to Alan

He will have to report this new source of income to HMRC 3
months after the tax year therefro 5t October 2023

-----ANSWER-43-ABOVE-----

-----ANSWER-44-BELOW-----

Answer-to-Question-_44_

As Meg is a director, we take the annualised figure for income and the class 1 limits:

Class 1 Primary:

$$20,000 - 11,908 \times 13.25\% = 1072$$

Class 1 Secondary (payable by Finggs Ltd)

$$20,000 - 9,100 \times 15.05\% = 1640$$

Laura:

As she does exceed the primary threshold, she does not need to pay Class 1 primary NIC contributions

Class 1 Secondary do not need to be paid by Finggs Ltd as she does not exceed the class 1 secondary threshold

$$150 \times 52 = 7800$$

$$7,800 / 12 = 650$$

April May June:

$$650 - 823 = 0$$

Rest of the year:

$$650 - 1048 = 0$$

$$650 - 758 = 0$$

Finggs Ltd are able to claim £5,000 of employment allowance per year per employee.

-----ANSWER-44-ABOVE-----

-----ANSWER-45-BELOW-----

Answer-to-Question-_45_

She is employed in Scotland
She spent more days in Scotland than in England

However her home is located in England
Issa's wife and children are situated in England

As he spends more days in scotland and works there he would
be cosdiered to be a Scottish tax payer

-----ANSWER-45-ABOVE-----

-----ANSWER-46-BELOW-----

Answer-to-Question-_46_

Next 30 there is a acquisition

		Number	Cost
17 August 2015		2,500	5,000
28 March 2019		<u>500</u>	<u>3,500</u>
		3,000	8,500
14 December 2022		(750)	(2,125)
		2,250	6,375

$$750/3000 \times 8500 = 2,125$$

As disposal was made in the next 30 days

Proceeds	20,000
less:cost	(2,125)
	17,875

Antique vase:

Proceeds	9,000
less:cost	(400)
Gain	8,400

$$5/3 \times (9000 - 6000) = 5,000$$

Therefore the gain is 5,000

There is no chargeable gain on the racehorse as it is a
wasting asset

-----ANSWER-46-ABOVE-----

-----ANSWER-47-BELOW-----

Answer-to-Question-_47_

Proceeds	90,000
less:agent fees	(900)
less:cost	(55,000)
	34,100
Less:AEA	<u>(12,300)</u>
	21,800

21,800 @ 20% = 4360

Cost = $220,000 \times 90,000 / 90,000 + 270,000$
= 55,000

-----ANSWER-47-ABOVE-----

-----ANSWER-48-BELOW-----

Answer-to-Question-_48_

£100

90 days @ £10 = £900

5% of the liability or £300 which ever is greater

3,800 X 5% = 190, therefore £300

Late payment:

5% of unpaid tax = 190

additional 5% for 5 months = 190

-----ANSWER-48-ABOVE-----

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Paper: **Awareness**

Part/Module: **Module E**

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

Answer-to-Question-_49_

$$20,000 \times 2\% \times (10-1) = 3,600$$

$$20,000 - 3,600 = 16,400 / 10 = 1,640$$

Trading profit			142,000
less:deduction for lease			(1,640)
add:back capital element of lease premium			3,600
Registering a patent for trade use			-
legal fees for lease			7500
Taxable trading income			151,460

Legal fees are only allowable on the renewal of a short lease

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

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

Answer-to-Question-_50_

			179 g/km	45/gkm	48 g/km	Total CA's
TWDV b/f				16,500	12,500	
Range rover			39,000			
WDA 6%			(2,340) x 60%			1404
WDA 18%				(2,970) x 60%		1782
WDA 18%					(750) x 60%	450
TWDV b/f			36,660	13,530	11,750	
Total CA's						<u>3636</u>

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

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

Answer-to-Question-_51_

1)

She could claim Captial allowances on the car

On the disposal of the premises she would be able to claim PRR on the element of the premises which is occupied by her and her family

She would have PRR with 2/3 business use

2)

$$9,500 \times 45p = 4,275$$

As she is using her home for business it could be argued that she could claim flat rate expense on the business use of her home

depending on the amount of time used in the home as business

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

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

Answer-to-Question-_52_

The accounting date can be changed provided that:

the person carrying on the trade gives appropriate notice of the change of accounting date

the accounting period is not longer than 18 months

there hasn't been any other changes in accounting date in the 5 tax years immediately before the tax year in which the change occurs

there must be a commercial reason otherwise

22/23:

Year of change:

First year the old accounting date was drawn to old date :
22/23

First year in which the new accounting year end is drawn to:
23/24

year of change: 22/23

$12/17 \times 51,000 = 36,000$

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

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

Answer-to-Question-_53_

cash received			29,750
less:interest			(500)
golds taken out of business			260
leasing costs			(3264)
Taxable trading income			26,246

Cash basis is when the amount is received as the amount was received in the period it will be accounted for

$$4,800 \times 0.85 = 4,080 \times 80\% = 3264$$

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

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

Answer-to-Question-_54_

				Levi car	Main Pool	Total CA's
TWDV b/f				7,700	8,000	
disposal					(9,500)	
					1,500	(1,500)
WDA 18% x 14/12				(1617)		1617

Trading profit					37,000	
less:CA's					(1617)	
add:balacning charge					1,500	
less:overlap profit b/f					(5,975)	
					<u>30,908</u>	

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

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

Answer-to-Question-_55_

		21/22	22/23
trading profit/loss			-
chargeable gains/losses		(20,000)	32,000
property			23,000
chargeable loss b/f			(20,000)
current year relief			(35,000)
			-

4,000 of the remaining loss will be carried forward

for current year relief trading losses can be set off against general income

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

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

Answer-to-Question-_56_

$$150,000 - 8,000 = 142,000$$

Share:

Will: 85,200

Grace: 56,800

$$\text{Class 2: } 3.15 \times 52 = 164 \text{ each}$$

Will Class 2: 164

Grace Class 2: 164

Will Class 4:

$$\begin{aligned} 50,270 - 11,908 \times 10.25\% &= 3932 \\ 85,200 - 50,270 \times 3.25\% &= \underline{1135} \\ &5067 \end{aligned}$$

Grace Class 4:

$$\begin{aligned} 50,270 - 11,908 \times 10.25\% &= 3932 \\ 56,800 - 50,270 \times 3.25\% &= \underline{212} \\ &4144 \end{aligned}$$

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

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

Answer-to-Question-_57_

She made a deliberate prompted disclosure which she did not conceal which means her penalty could be:

a maximum penalty of 70% of the lost revenue can be levied

a minimum penalty of 35% of the lost revenue can be levied

$$35\% \times 6,000 = 2100$$

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

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

Answer-to-Question-_58_

1)

Incorporation relief reduces the capital gains down by the total value of the shares received divided by the total consideration received

2)

Relief will apply if the consideration received when transferring the sole trader business is wholly or mainly in shares

must be a trading company

Uk resident

holds the shares through out the relevant tax year

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

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

Answer-to-Question-_59_

	CA	CBA
Freehold office building	750,000	750,000
Freehold warehouse	250,000	
Goodwill	200,000	
Plant and machinery		
Net current assets		
	1,200,000	750,000

Gain 65,000
Gift relief (65,000 x 750/1200) (40,625)
Chargeable gain 24,375

24,375 @ 10% = 2438

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

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

Answer-to-Question-_60_

the recognising of goodwill is not a chargeable event nor is the valuation

Proceeds	250,000
less:cost	(180,000)
	70,000

Gains for each partner 35,000

$35,000 - 12,300 = 22,700$ chargeable gain for each partner

As Zinia and Yvonne are disposing of their share of the goodwill there is a chargeable event

Disposing of 17% of their share of the goodwill (50% - 33%)

$240,000 \times 17\% = 40,800$

As there is no base cost on the goodwill