

THE CHARTERED INSTITUTE OF TAXATION

APPLICATION AND PROFESSIONAL SKILLS

Taxation of Larger Companies and Groups

November 2026

Pre-seen information

You may print this copy of the pre-seen information but you will not be permitted to take this into the test centre. It will be contained in the final Exhibit in each question.

Pre-seen information

Client: Zutrosoft Inc.

Year of incorporation: 1999.

Country of incorporation and tax residence: United States.

Ownership: Zutrosoft Inc is a public company and its shares are listed on the NASDAQ stock exchange. No single shareholder owns more than 10% of Zutrosoft Inc’s shares.

Board members: Abram Zutrov (CEO), Monica Sanchez (CFO), Eleanor Chen (COO), Terry Curran (CTO).

Total number of employees worldwide across the Zutrosoft group: 1,200.

Background and history

Zutrosoft Inc was incorporated in 1999. It is an operating company that develops software for business customers and markets it in the Americas region.

Zutrosoft Inc has the following wholly owned subsidiary companies:

<u>Company name</u>	<u>Tax residency</u>	<u>Percentage of the group's global employee headcount</u>	<u>Activities</u>
ZS Analytics Ltd	Utopia (Note 1)	5%	ZS Analytics Ltd was incorporated in 2006 to co-develop software with Zutrosoft Inc. It owns the group's software intellectual property in the Europe, the Middle East and Africa ("EMEA") region. It currently has licensing agreements with ZS Risland BV under which ZS Risland BV markets and distributes the software.
ZS Risland BV	Risland (Note 2)	8%	ZS Risland BV was incorporated in 2015 to market and distribute the group's software in the EMEA region.

Note 1

Utopia is a country in the Caribbean. It introduced a corporate income tax with a rate of 15% from 1 January 2024. Companies are regarded as resident in Utopia for tax purposes if they are managed and controlled there. The corporate income tax applies to all income and capital gains reported in a company's financial statements (subject to a requirement that all intra-group transactions must be priced on arm's length terms). Utopia does not apply an exit tax to unrealised profits of a company that ceases to be Utopia resident. Utopia does not apply any withholding taxes to payments made by Utopia resident companies. It does not have any double tax treaties. Utopia has no other taxes on corporate or personal income, levies no social security contributions and does not have a VAT (or an equivalent tax).

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Note 2

Risland is a country in Eastern Europe. Risland’s main rate of corporate income tax is 15% and under its domestic law it applies a 15% withholding tax to dividends paid by Rislandic companies. Risland requires companies to apply arm’s length transfer pricing to transactions with connected parties. It has a double tax treaty with the UK which follows the OECD Model and includes the Principal Purpose Test but does not have a double tax treaty with the US. Risland does not levy social security contributions. It has a VAT, the rules of which are the same as those of the UK.

All companies prepare accounts under IFRS to 31 December each year.

Financial information for the Zutrosoft group

Consolidated income statement of Zutrosoft Inc.

	<u>Year ended</u> <u>31.12.2025</u> £million	<u>Year ended</u> <u>31.12.2024</u> £million
Revenue	590	515
Operating costs	(145)	(140)
Development costs	(155)	(125)
Profit before tax	290	250
Tax	(65)	(50)
Net profit	<u>225</u>	<u>200</u>

Consolidated balance sheet of Zutrosoft Inc.

	<u>As at</u> <u>31.12.2025</u> £million	<u>As at</u> <u>31.12.2024</u> £million
<u>Assets:</u>		
Tangible fixed assets	150	140
Intangible fixed assets	800	700
Cash at bank and debtors	750	750
<u>Liabilities:</u>		
Trade payables	(45)	(45)
Tax liabilities	(20)	(15)
Net assets	<u>1,635</u>	<u>1,530</u>
<u>Equity:</u>		
Share capital	100	100
Retained earnings	1,535	1,430
Total equity	<u>1,635</u>	<u>1,530</u>

The Zutrosoft group does not have any net interest expenses payable to persons outside the group.

None of the companies in the Zutrosoft group has any unutilised tax losses.

Foreign exchange

The GBP:EUR exchange rate is £1:€1.20.