

CIOT - CTA

Paper: **Awareness**

Part/Module: **Module A**

Answer-to-Question-_1_

	£	
		Zero rated
Standard		
Supplies for 6 months to Dec 22- £2k x 6	12,000	
Supplies for 6 months to Dec 22- £8k x 6	48,000	
Supplies for Jan 23	2,000	
10,000		
Supplies for Feb 23	2,000	
10,000		
Supplies for Mar 23	<u>2,000</u>	—
<u>10,000</u>		
	18,000	
78,000		
Therefore VAT threshold breached in Mar as total supplies =		
£96,000		

Exempt supplies excluded

Meldon should have notified HMRC by 30 Apr and should have been registered wef 1 May 2023

Supplies for May and June = £12,000 x 2 = £24,000/6 = **£4,000**

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

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

Answer-to-Question-_2_

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

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

Answer-to-Question-_3_

The basic tax point (BTP) is when a service is completed or goods are delivered.

For the service, the BTP is 20 July 2023. When an invoice is raised within 14 days of the BTP, it creates an actual tax point, here of 31 July 2023.

The trader can use the BTP as an actual tax point if they wish/

The basic tax point for the machine was 1 Sep 2023. However, an earlier payment or invoice creates an actual tax point ie, 12 Aug 2023 when the deposit was paid.

The invoice raised on 11 Sep 2023 being within 14 days of the BTP creates an actual tax point for the balance of £80,000

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

-----ANSWER-4-BELOW-----

Answer-to-Question-_4_

1 Aug £1,000 x 20% = £200 can be claimed. Pre-registration VAT can be claimed for goods bought within 4 years of VAT registration if they are still in use.

1 input vat on Services can be claimed if within 6 months of VAT registration in this case £100 x 6 from jan 2023 to June 23= £600 x 20% = £120

31 Jul 23 car purchase - input VAT is blocked on car purchases

£2,000 car repairs - input VAT of £2,000/6 = £333 can be claimed/

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

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

Answer-to-Question-_5_

1. To join the cash/annual accounting, Aydin taxable supplies must not exceed £1,350,000.

However, he cannot join the flat rate scheme as his supplies exceed £150,000

2. He can claim bad debt relief for the supplies to Laneek Lts, being more than 6 months from date invoice was due ie. Aug 23. Also, because he had submitted his VAT returns and made payment. However, he needs to have the debt return off to claim bad debt relief.

He cannot claim bad debt relief rot he supplies to Kabiib ltd as 6 months from date of invoice due will be in Oct 23.

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

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

Answer-to-Question-_6_

1. a) When the VAT inclusive value of Koa's supplies is less than £250
- b) WHEN Koa is selling directly to the public

Things to include on a simplified invoice.

- a) name and address of customer
- b) sequential number of invoice
- c) amount of VAT charged

2. Koa must keep them for at least 6 years

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question-_7_

Test 1

Input VAT less than £1,875 - failed £7,850 > £1,875
Exempt supplies less than 50% of total supplies -
£8,000/35,00 = 22% passed

Test 2

Input VAT less than attributable to standard rated supplies
less than £1,875

£7,850 - £6,700 = £1,150 passed

Exempt supplies less than 50% of total supplies -
£8,000/35,00 = 22% passed

Therefore, **recover all the input VAT of £7,850**

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question-_8_

To form a VAT group companies must be under the control of another (including person) ie. at least 51% controlled and they must have a permanent establishment in the UK

1. Lught Ltd, Terrac Ltd and Outt Ltd can form a group as they have a permanent UK establishment and they are at least 51% controlled by Leroy or by another company in that group.

2. a) Intra company sales within the group are ignored for VAT purposes

b) simplified VAT return, just one VAT return submitted by a group representative

c) centralised control of VAT transactions making compliance easier.

d) companies with exempt supplies may benefit by being in a VAT group

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question-9_

Building 1 being residential accommodation is exempt

Building 2 VAT at the standard rate will be charged meaning the it becomes more expensive for those not vat registered. However, the input VAT can be recovered for those who are VAT registered.

Input VAT of £50,000 x 20% = £10,000 can be recovered for the repairs

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question-_10_

Output VAT		£
Sales to UK customers- 90,000x20%		18,000
Sales to overseas customers -zero rated		-
Fuel 507/6		<u>84.50</u>
Total output vat		18,084.50
Less input vat		
Purchases	£25,000x20%	(5,000)
Fuel	600/6	<u>(100)</u>
VAT due		12,984.50

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question-_11_

1. no stamp duty on newly issued shares
2. no stamp duty as consideration was less than £1,000
3. Stamp duty of **0.5%** x £6,600 = £33 round up to **£35**. This is payable **within 30 days** of share acquisition.

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question-_12_

As Goolf is a **wholly owned subsidiary** of Cluub, there is no stamp payable on the acquisition on 1 Dec 2021. No stamp duty is payable by a subsiidiary that is at least 75% owned.

Stamp duty

0 - 150,000	nil
100,000 @2%	£2,000
1,050,000 @ 5%	<u>52,500</u>
Total	£54,500

-----ANSWER-12-ABOVE-----

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Part/Module: **Module B**

-----ANSWER-13-BELOW-----

Answer-to-Question-_13_

	IHT value	Reason
10 April 2022	nil	spouse exemption
22 May 2022	£20,000	racehorse sold at below market value thus the difference constitutes a gift
29 Nov 22	£100,800	32,000 x the lower quoted price of £3.15
22 March	£390,000	Dimunition in value
Before value 30% holding at £25 per share = 30,000 x 25 = £750,000		
After 20% holding at £18 per share = 20,000 x 18 = (£360,000)		
IHT value		
390,000		

-----ANSWER-13-ABOVE-----

-----ANSWER-14-BELOW-----

Answer-to-Question-_14_

Lifetime IHT nil as gift is a PET

However it it uses the AEs for 2018/2019 2 x £3,000

The chargeable value of PET = £500,000-£6,000 = £494,000

at death

Gross chargeable value of gift	£494,000
Less fall in value relief (£500,000-£440,000)	(£60,000)
	£434,000
Less NRB	(£325,000)
	£109,000
IHT at 40%	£43,600
taper relief death after 3- 4 years of gift - 20%	(8,720)
IHT payable	<u>£34,880</u>

-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question-_15_

House in UK	£750,000		
less spouse exemption	(325,000)	£425,000	
Apartment in Mexico non UK		-	excluded as
Investments		£620,000	
UK Income tax		(5,750)	
Gambling debts enforceable		-	excluded, non-
Total of estate		£1,039,250	
NRB		<u>(£325,000)</u>	
		£714,250	
IHT at 40%		<u>£285,700</u>	

-----ANSWER-15-ABOVE-----

-----ANSWER-16-BELOW-----

Answer-to-Question-_16_

20 July 2022 PET of £250,000 less £5,000 therefore no
Lifetime tax.

Vlaue of gift for IHT is £245,000

No Capital gains implications

14 feb 2023 PET of £8,000, no lifetime tax payable

Capital gain = £8,000 - £4,500 = £3,500

-----ANSWER-16-ABOVE-----

-----ANSWER-17-BELOW-----

Answer-to-Question-_17_

1. Value of estate	£915,000
Less NRB	(£75,000)
£325,000-£250,000 used	
Net Chargeable value	£840,000

10% of net chargeable value £84,000 is what must be left to Charity

2. Estate value	£915,000
NRB	(75,000)
RNRB	£175,000 available but capped to
value of house	(£150,000)
Gift to charity	<u>(£84,000)</u>
	£606,000
IHT at 36%	<u>£218,160</u>

-----ANSWER-17-ABOVE-----

-----ANSWER-18-BELOW-----

Answer-to-Question-_18_

Value of shares is the lower of quarter up

$$(\pounds22.00 - \pounds21.80)/4 + \pounds21.80 = \pounds21.85$$

and

Mid bargains

$$(\pounds21.30 + \pounds21.90)/2 = \pounds21.60$$

$$\text{Therefore } \pounds21.60 \times 20,000 = \pounds432,000$$

Value of transfer	£432,000	
Less AEs x 2	(6,000)	
NRB	<u>nil</u>	used up by
transfer in<7yrs		
	£426,000	
Lifetime tax at 25%	£106,500	
Payable 30 Nov 2022		

-----ANSWER-18-ABOVE-----

-----ANSWER-19-BELOW-----

Answer-to-Question-_19_

-----ANSWER-19-ABOVE-----

-----ANSWER-20-BELOW-----

Answer-to-Question-_20_

-----ANSWER-20-ABOVE-----

-----ANSWER-21-BELOW-----

Answer-to-Question-_21_

1. The max relief for additional overseas admin costs is 5%
of the values of the property = £235,000 x 5% = £11,750

2. QSR = £235,000 x £25,000/£220,000 x **20%** (3-5 yrs relief)
= **£5,341**

-----ANSWER-21-ABOVE-----

-----ANSWER-22-BELOW-----

Answer-to-Question-_22_

-----ANSWER-22-ABOVE-----

 -----ANSWER-23-BELOW-----

Answer-to-Question-_23_

		£	£	£
Property Income		29,000		
Savings income			17,000	
Trustees expenses	£3,200 x100/80		(4,000)	
		29,000	13,000	
Tax				
Property income	£1,000 @ 20%		200	
	£28,000@ 45%		12,600	
Savings income	£13,000@45 %		5,850	
Expenses	£4,000@20%		800	
Total			19,450	
Tax pool balance			1,675	
Tax payable	(exclude expenses)		18,650	
Less distribution	£16,500x45 /55		(13,500)	
tax pool balance			6,825	

 -----ANSWER-23-ABOVE-----

-----ANSWER-24-BELOW-----

Answer-to-Question-_24_

-----ANSWER-24-ABOVE-----

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Paper: **Awareness**

Part/Module: **Module C**

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

Answer-to-Question- 25

		Main pool	SRP	CAs		
		£	£			
Bal cfwd		150,000	70,000			
Additions	2,000,000					
Super-deduction Allowances	2,600,000			2,600,000		
Additions	1,800,000		1,800,000			
AIA			(1,000,000)	1,000,000		
Balance		150,000	800,000			
Superdeduction	50%		(400,000)	400,000		
WDA	18%	(27,000)		27,000		
			400,000			
WDA	6%		(24,000)	24,000		
Bal cfwd		123,000	376,000			
Maximum CAs				4,051,000		

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

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

Answer-to-Question-_26_

1. Add back bonus deducted - only allowable if paid within 9 months of year end
2. Add pension contribution - only allowable if paid by year end.
3. Add back 50% of £6,000 = £3,000 leasing costs of high emissions car
4. Calendars allowable as they cost <£50 each. Add back wine costs of £10 each - food and drink not allowable

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

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

Answer-to-Question-_27_

		£	£	£	£
		12 months to Mar 23	3 months to June 23	Total	
Tax adjusted profit		360,000	90,000	450,000	
CAs	note 1	(12,600)	(2,583)	15,183	
Trading profit		347,400	87,417	434,817	
Chargeable gain			190,000	190,000	
Taxable total profit		347,400	177,417	524,817	
CT payable	19%	66,006	33,709	99,715	
Note 1					
	CAs	1 Apr 22 12 months	1 Apr 23 3 months		
Bal cfwd		70,000	57,400		
WDA at 18%		12,600	2,583		
Bal cfwd		57,400	54,817		

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

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

Answer-to-Question-_28_

The deadline for filing was 31 Dec 2022 being 12 months after year end

Corporate tax was due on 1 October 2022 being 9 months and 1 day after year end.

A penalty of £100 was due for late filing. A further charge of £10 per day was due after 6 months of late filing up to a max of £900

A penalty of 10% of tax due would be charge for the late tax payment

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

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

Answer-to-Question-_29_

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

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

Answer-to-Question-30

	£
Kludy Ltd trading profit	650,000
Add write-off	<u>25,000</u>
tax adjusted profit	675,000
CT at 19%	128,250
Tax due on loan to Brody	
(£75,000-\$40,000)x33.75%	11,812
Tax refundable for loan written off	
£25,000x33.75%	(8,437.5)
tax due	<u>131,624.50</u>

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

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

Answer-to-Question-_31_

The order of relieved trading profits is against current year in full, then carry back and finally carry forward where a partial claim is allowed.

The trading loss of £150,000 would be relieved against current year profits of £10,000.

Then the balance of £140,000 would be relieved against the total profits for the previous year of £250,000, leaving £110,000 chargeable in 2021.

The property loss of £15,000 would be relieved against the total current year profits of £110,000 for 2023, leaving £95,000 chargeable in that year.

A claim must be submitted within 2 years of the end of the period for which the loss arose.

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

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

Answer-to-Question-_32_

1. For group relief to exist there must be at least 75% direct control and at least 75% indirect control.

The groups that exist are
Ababad, Beecele, Ceecle, Deecle, Geecle and Heecle

Deecle and Feecle

2. £450,000 can be surrendered as group relief, as the group sees fit

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

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

Answer-to-Question-_33_

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

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

Answer-to-Question-_34_

	£	
Relevant engagement	120,000	
Less 5% automatic deduction	(6,000)	
Salary	(20,000)	
Employers NIC		
(£20,000-£9,100) x 15.05%	(1,640)	
Pension contribution	(10,000)	
Professional subscriptions	-	not deductible
Gross deemed payment	82,360	
Employers NIC x13.8/113.8	(9,987)	
Deemed salary payment	72,373	

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

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

Answer-to-Question-_35_

Proceeds less costs (£380,000-£2000)	=	£378,000
Cost		<u>(175,000)</u>
Gain		£203,000

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

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

Answer-to-Question-_36_

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