

CIOT - CTA

Paper: **Awareness**

Part/Module: **Module C**

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

Answer-to-Question- _25_

	Main pool	Special pool	Capital allowances			
	£	£	£	£		
twdv bf	nil					
capait le expend iutre new machei nery	150,000					
AIA 100%	(150,000)		150,000			
18 months period						
WDA 18%						
WDA 6%						
Adjsuted tradin g	450,000					

profit						
Capital loss	(3,000)					
Capital gain	21,000					
QCD	(2,000)					
Annual Exempt Amount	(6,000)					
Capital allowances	(150,000)					
rent	<u>24,000</u>					
TTP	310,000					

adjusted trading profit before capital allowances £450,000

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

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

Answer-to-Question-_26_

Corporation tax payable

1)

three month period

25%

£40,000 less thna £50,000 lower limit

MARGINAL RELIEF

$\frac{3}{200} \times (\text{Upper Limit } 250,000 - \text{Augmented profits}) \times (\text{TTP} / \text{Augmented profits})$

Corporation tax paybel for period ended 30 June 2024

$250,000 \times \frac{3}{12} = 62,500$

$50,000 \times \frac{3}{12} = 12,500$

$40,000 \times 25\% = 10,000$

marginal rleif $\frac{3}{200} \times (62,500 - \text{TTP } 40,000) = £337.50$

$10,000 - 337.50 = £9,662.50$ PAYBLE

2)

filing date and due date for payment for period to 30 June

filing date is 12 months from end of accounting period . so
filing date is 30 June 2025

payment date is 9 months and 1 day from end of accounting
period as this is a normal company. so payment date is 1
April 2025

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

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

Answer-to-Question- 27

tax adjsuted trading profitsbefore cappital allowances are
 £730,000

Annual edempt amount (6,000)

	Maiun pool	speica l pool	cajpit al allowa nces			
	£	£	£			
brough t forward	210,000	80,000				
dispoa lsa						
machei nry dipsos als FYA oriagn ally claime d on 100,00 0.. balamc ing charge .	<u>(70,000)</u>					

soalr panels 20,000 . 50% [^] alread y claime d brings down to 10,000 . so	140,000	<u>(8,000)</u>				
		72,000				
WDA 18%	(25,200)		25,200			
WDA 6%		(4,320)	<u>4,320</u>			
			29,520			
Tax ajdust ed tradin g proift s beofre capita l allowa nces	730,000					
capita l allowa nces	<u>(29,520)</u>					
tax jdutem d tradig	700,480					

n proifts after capital allowna ces						
Annual excmep t amoutn	<u>(6,000)</u>					
	694,480					

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

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

Answer-to-Question-_28_

Proceeds

Cost

extgension

Proceeds

SBA 3%,

Add SBA to proceeds

Explain

SDLT added on to cost of purchase

extension added to cost

legal fees taken awya form cost

for calulcating the chargbeal fgain of hte slae of thw
warehosue. SDLT of £3,750 will be added to the cost of hte
purchcase wwahcih will reduced the chargeblae gain

the extrensiion to the wearehosue had SBA callowancesa of
£3,150 claimed. this £3,150 will need to be added on to the

proceeds of the disposal on 1 January 2024 which will increase the chargeable gain.

The price of the extensions will also increase the cost which will reduce the chargeable gain.

the legal fees of £3,000 incurred on the disposal will be taken away from the proceeds which will reduce the chargeable gain.

chargeable gain reduced

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

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

Answer-to-Question-_29_

Rollover relief

EXPLAIN

both BUILDING and FIXED PLANT AND MACHINERY

no indexation here because all happens after December 2017

within 3 years so qualifies

Paka bought a building for £275,000 from an unconnected company. this £275,000 is the cost of the building. the building was sold for £320,000 proceeds

the original gain of the building is therefore $£320,000 - £275,000 = £45,000$ gain

this gain can be deferred via rollover relief

paka bought fixed plant and machinery in January 2024. this is within the 12 months before he sold the other building on March 2024. therefore this qualifies for rollover relief

Paka bought the fixed plant and machinery for £290,000

therefore we get to roll in some of the 45,000 gain.

£320,000 - £290,000 = £30,000 gain immediately chargeable as this is not able to squeeze into the fixed plant and machinery cost.

However, the other £15,000 is able to fit into the fixed plant and machinery cost. therefore this will amount to a gain which will be deferred until the eventual sale of the fixed plant and machinery

rolled over by reducing the cost of £290,000 - £15,000 = £275,000 new cost

also both assets used in trade so qualifies for rollover relief

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

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

Answer-to-Question- _30_

TERMINAL LOSS RELIEF, LIFO basis on 3 YEARS

NINE MONTH PERIOD

trading loss £68,000

1)

terminal loss relief allows to claim loss relief against final three years prior to start of final accounting period on a last in first out basis.

therefore the £508,000 trading loss can be set against the years ended 30 June 2023, 30 June 2022 and 30 June 2021

	June 2020	June 2021	June 2022	June 2023		
	£	£	£			
terminal loss					(68,000)	
profit	40,000	28,000	17,000	15,000		
15,000 June 2023				(15,000)		
22,000 - 5,000			(17,000)			

=						
17,000						
		(28,000)				
TTP for each period is as follows	40,000	Nil	Nil	Nil		

year ended june 2023 has its

2)

	june 2020	june 2021	june 2022	june 2023	temrainl loss	
	£	£	£	£		
					(15,00)	
				(15,000)		
TTP	40,000	28,000	17,000	nil		

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

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

Answer-to-Question-_31_

1)
ways in which could relieve trading loss year ended 31 March
2024

wholly owned subsidiary

Years other way round in question, earliest on right hand
side

Bapple Ltd may relieve its trading loss of £30,000 in year
ended 31 March 2024 by offsetting loss against its 15,000
profit by a current year claim. it could also carry back the
trading losses against the £200,000 of the previous year
ended 31 March 2023.

Bapple could also carry forward the 30,000 loss against the
future year profit of £300,000 in 31 March 2025 year.

Bapple could also set its trading loss of £30,000 against
Amplar Limited's trading profit of 40,000 in the same year.
it can do this because both companies are in a group and
both companies are UK. could also set against Amplar's
profit of 45,000 in 31 March 2023.

section 64

2)

how should trading loss be relieved

to save the amximum amoutn fo thxz ti owuld be best to set the bapple trading loss of £30,000 agaisnt this year's profit becuase of hte coperaiotn tax increae to 25% as opposed ot last years' which was only 19%. it can set htem agiasnt its own taridng proift of 200,000 form last year 31 amrhc 2023

don't want to waste the annual exewmpt amount of £6,000

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

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

Answer-to-Question- _32_

1)

Substantial shares holding exemption

for substantial shareholding exemption to apply the following conditions must apply

Substantial shareholding

at least 10% of shares must be held

these shares must be held for a period of 12 months before the sale of the shares

must be within 6 years of the first commercial sale of the company that the shares are issued.

Qualifying company

must be a trading company,

or a trading subgroup

this trading company must have been trading for the whole period starting from the start of the 12 months period of holding of the shares all the way until the shares are sold

2)

IN this case with the sale of shares in Acarraa Ltd on 31 March 2024 Gymna bought 5,000 ordinary shares. 5,000 shares out of 100,000 shares is 5%. so it does not meet his condition. 5% shareholding is held that is not enough. needs to be at least 10% to be substantial shareholding

HOWEVER when guymna bought a ufhter 7,000 shares this means
tha tgyms owend 12% (7,000 + 5,000 = 12,000 shares which
out of 100,000 shares is 12%). this is at elast 10% so is
subastanil

thBUT the shares were not held for 12 months before sale. so
Susbtanil shareholdign exemption does not apply.

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

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

Answer-to-Question- _33_

RDEC 20%

TTP

2 million pounds qualifes for RDEC

£2,000,000 x 20% = £400,000 RDEC credit

Annual exempt amoun t(6,000)

trading loss of £750,000

tradiu ng loss	(750,0 00)					
allowa bel expnes es	(275,0 00)					
RDEC Credit	<u>(400,0 00)</u>					
tax ajdust ed traidn tgloss	(1,425 ,000					

2) cash reapyament form hmrc

diffence corpaiotn tax payble minus rdec 20% credit. cash
repayment form HMRC in respect of the RDEC will be £2,000,000
x 20% = £400,000 RDEC Credit

cash repayment form hrnc in repsct of the RDEC will be
£400,000

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

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

Answer-to-Question- 34_

Working:
 accruals basis
 profits first

Proportion
 1 june 2023 let out to, only 7 months to 1 janaury 20024
 where rent incese
 so 7 months x 1,500 = £10,500 rent
 £2,000 month for three moths form janaury to marhc = £6,000.
 this is accrual basis so does not bmatter htat rent was
 bpaid after the tax year

$10,500 + 6,000 = 16,500$

proepryt business profits

	£	£	£		
Profits (W)	16,500				
Expenses					
cleaning and recoearint	(2,500)				
Convesion of cupaborad into a batheroom. this is capital expense so not deudcitbl as proapryt busiens proifts. insteas will be deductible as capital	-				

allownace form trade profits					
new furntiure	-				
advertising	<u>(1,500)</u>				
property busines profitis	12,500				

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

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

Answer-to-Question- _35_

workings 1

coproiatn tax payable

$\frac{3}{200} \times (\text{Upper limit } 250,000 - \text{augmented profits}) \times (\text{TPP} / \text{augmented profits})$

full year no proporitoning

TTP = £520,000

double tax relief, 25% because abvoe 250,000 marign the uk profits

doble tax jrleif is lower of uk tax and oversea tax.

	£	£	£	£	£	
TTP	520,000					
45,000		overse as tax	UK Tax 25%			
lower of		14,400	(11,25 0)			
so						

full tax relief on the 45,000						
520,000 - 45,000 = 475,000 left subject to tax	$\begin{array}{r} 475,00 \\ \underline{0 \times} \\ 25\% = \\ \underline{\pounds 118,75} \end{array}$					
CT payable	£118,750					
CFC charge (W2)	<u>50,625</u>					
total ct payable	169,375					

Workings 2
 CFC charge

$$90\% \text{ holding} \times 25\% \times \pounds 225,000 = \pounds 50,625$$

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

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

Answer-to-Question-_36_

1)

due dates for FILING and PAYMENT

normal comapny, not reuquired to pay tax by instalmetns

normal comapny filing date is 12 months form end of
acocuntin priod

normal compay paymetn date is 9 months and 1 day form end of
accounting peirod

in this case year ended 31 march 2022
acountin prieuod to 31 march 2022

Filing due date = 31 March 2023

Payment due date = 1 January 2024

2)

penalites

THIRDF CONSECTUTIVE TIME, £500, £1,000

late ifling penalties

wihtin 3 moths is a £100 penalty normally

over 3 months mneans another £100 penalty normally toatlling
£200

HOWEVER here ebcuase this is their third consecutive

offencte tehese penalties are increased

as the filign was due on 31 Ma4rch 2023., and they submitted on 31 Ocotber 2023. the coampmy hjas filed it 7 months late.

therefore teh comapny wil be subejct o t a nealty of £500 for the first penalty of being with in 3 moths late. then teh comapny will also be suebcjt to another £1,000 penalty for being over 3 monhts late. toalling £1,500 penalty for th ecompay

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

CIOT - CTA

Paper: **Awareness**

Part/Module: **Module D**

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

Answer-to-Question- _37_

INCOME TAX LIABILITY

GIFT AID increase basic rate badn and hihger band

PERSONAL ALLOWANCE (12,570)

dividned allownace 1,000 x 0%

starign rate

sagins allownace

	NS	S	D			
	£	£	£			
earnin gs	<u>48,000</u>					
			<u>6,000</u>			
	48,000		6,000			
Person al allown ace	<u>(12,570)</u>					
	35,430		6,000			
TAX						
35,430 x 20%	7,086					

Divine d allown ace 1,000 x 0%			0			
38,325 - 35,430 = £2,895 x 8.75%	253.31					
6,000 - 2,895 = 3,105 x 33.75%	<u>1,047.</u> <u>94</u>					
TOTAL TAX	8,387. 25					
Gift aid						
	£500 x 100/80 = £625					
basic rateli mit increa se	37,700 + 625 = £38,325					

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

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

Answer-to-Question- _38_

TAX CODE

	£					
salary	67,000					
Car beenfi t (W)	12,470					
Add underp ayment	<u>1,500</u>					
	80,970					
Less person al allowa nce	<u>(12,570)</u>					
taxabl e income	68,400					
tax code	higher rate tax payer					

workings

43,000 list price

$$120 - 75 = 45$$

$$45 / 5 = 9 + 20\% = 29\%$$

$$43,000 \times 29\% = 12,470$$

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

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

Answer-to-Question-_39_

interest relief

interest on a loan for business purposes will be allowable

therefore for the interest of £5,000 which relates to the
£100,000 loan we need to work out how much of the interest
relates to business purposes

£90,000 of loan used to buy property which is a business
purpose

therefore $90,000 / 100,000 = 90\%$ of the loan used for
business purpose

so 90% of £5,000 interest is given as relief for business
purposes. $£5,000 \times 90\% = £4,500$ relief.

this relief will be given against taxable income

the £10,000 used for the holiday is not for business
purposes.

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

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

Answer-to-Question- _40_

taxable benefit subject to income tax, but only Class 1a
 NICS by employer

SURESH DIRECTOR ANNUAL
 AND NATINS THE COMPANY

NICS

	£	£	£	£		
salary	55,000					
taxable benefit	- (not added to salary, instead class 1a by employer)					
flowers	- (exempt benefit, not work related, not over £50)					
	55,000					
Primary NICS	12,570 X 0% = 0					
50,270 -	£4,524					

12,570 = 37,700 X 12% =						
55,000 - 50,270 = 4,730 X 2% = £94.60	<u>94.60</u>					
suresh NICS priamr Y total	£4,618.60					
second ary NICS 55,000 - 9,100 = 45,900 x 13.8%	<u>6,334.20</u>					
employ er Natis pays second ary	6,334.20					
Class la NICS paid by employ er 800	110.40					

x 13.8%						

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

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

Answer-to-Question- _41_

Taxable benefit

acommodatiotn benefit

annual value

additioanl benefift

furntiure benefit

employe4r boguthy proriyet on ocotber 2003, over 6 years before employee starts using it so use the markt value not the cost

proeroitn 6 June 2024 to March

no taxable benefit as started oocyupign proepty aftert tax year

	£					
annual value	2,000					
additi onal benefi t (£250,000 - 75,000) x ORI 2.25% =	4,375					

Less rent 150 x 10/12 months	<u>(1,500)</u>					
	4,875					

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

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

Answer-to-Question- _42_

annual allowance charge

new rates

£60,000

£260,000

£200,000 net threshold

10,000 minimum annual allowance

unused annual allowance carried forward £1,000

	£				
employment income	280,000				
employer pension contributions	<u>55,000</u>				
adjusted profits.	335,000				
ABATEMENT of annual allowance. £335,000 - £260,000 = 75,000 divide by 2 = 37,500	37,500 ABATEMENT				
60,000 - 37,500 abatement =	22,500 annual allowance left				
add 1,000	23,500 annual				

brought forwaerd	allownace left				
ABATMENET	37,500				
LESS BOURHGT FORWRAD LOSS	<u>(1,000)</u>				
annual allwance charge	36,500				
Annual allowance CHARGE (the bit off the annual allowance)					

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

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

Answer-to-Question-_43_

tax implcaiton of the share transacionts

SEIS 50% relief, must hold for 3 years. 350,000 assets. must be wihtin first 3 years of company staring

Walt subscrbed fo r£180,000 under SEIS> therefore originally Walt got 50% rleie. this relief is £90,000

so far he has not sold these SEIS shares so he will get to use this 90,000 relief agasint his tax liabilty o f£82,000

in regaed to EIS he sodl shares on 7 feb 2024, this is wihtin 3 years of he4n he bought htem in augausts 2021. therevore there will be clawback of relief.

teh clawback will be the lower of the amount he paid and hte amount he sold

thereofre lower of 100,000 x 30% and 42,000 x 30%

therefore as lower it will be 42,000 x 30% = 12,600 clawback

this clawabck will increase walt tax liabilty

So

income tax liabilty £82,000

less SEIS relief (90,000)

Add EIS clawback 12,600

equals final tax liabilty of £4,600

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

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

Answer-to-Question-_44_

the perosn liable for high income child benfit charge will be hte higher earner

every £100 over 50,000 threhold there is a 1% charge, this charte is taken off tax libaitliy

Tom and meg are married.

perosnal contrihuionts $2,400 \times 100/80 = £3,000$ to deduct from proifts for Meg

So $56,000 + 1,500$ property inocme - $£3,000 = £54,500$. this is a bigger salry tahn tom of $£52,000$

therefore Meg as the higher earner is liable fo rht igh income child benfit charge

amoutn fo charge is $£54,500 - £50,000 = £4,500 / 100 = 45\%$

so $£2,074 \times 45\% = £933.30$ charge

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

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

Answer-to-Question- 45_

ANNUAL EXEMPT £6,000

residential rates are 18% and 28%

lease premium is lease premium amount x (50 - lease years - 1) / 50

LONG LEASE

25,000 / (50,000 + 40,000_

		Residential property	commercial property LONG LEASE			
	£	£	£	£	£	
proprietary income	45,000					
proceeds residential property		250,000				
less estate agent fees		(3,000)				
less cost		<u>(140,000)</u>				
		107,000				
premium long lease			25,000			

Annual exempt amount		<u>(6,000)</u>				
		101,000				
tax						
37,700 18%		6,786				
63,300 X.28		17,724				
25,000 X 20%			5,000			

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

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

Answer-to-Question- _46_

Chargbel gain

acutal occupation, deemed cocuapotn
 up to 24 moth before is exmpt if renvoation

last 9 months alwasly exxempt

any item employu eoverseas si exempt if return

up to 4 years aeslehewr in uk exempt in workgin

any othe rreason 3 years if return

gift relief, Zarron procceds w9ill be 1.9 million. the rest
 100,000 is charged to his sister who takes on teh propety
 deffered until sister sill it

	Actaul occupa tion	deemed occupa toin	not occupi ed so not exempt			
1 may 2024 - 1 nov 2024 coutns as whitn 24 moths before occupy		6 monhts				

ing						
1 nov 2004 to 1 nov 2006	24 months					
left uk to studen t 1 nov 2006 to may 2010. over 36 mohts not emplye d, any reaosn noly up to 36 months . so			42 monhts			
1 may 2010 to 30 april 2023 13 years. 13 x 12 monhts = 156 monhts , but only 80% so 156 x 80%		125	31			

total	155/ 228 exempt = 68%					
proceeds	1,900,000					
less cost	(300,000)					
less exemption 68% x 1,900,000	<u>(1,292,000)</u>					
chargeable gain	308,000					

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

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

Answer-to-Question-_47_

up to 5 years overseas

4 of last 7 years UK resident

When Ben was in France he was only in France for less than 5 years.

usually when non UK resident you are not subject to UK capital gains tax, however there are exceptions to this.

exception include where you have been UK resident for 4 of the past 7 years.

when you are not out of the UK for at least 5 years.

Therefore the shares in the UK trading company of £65,000 will be liable to UK CGT as he had been resident for 4 of the past 7 years

the watch inherited from uncle will also be liable to CGT as he had been resident for 4 of the past 7 years.

however, the residence of property in France will not be liable to UK CGT. This is because Ben both bought and sold the property for a gain of £22,000 while he was not a UK resident.

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

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

Answer-to-Question-_48_

penalty for failing to notify chargeability

need to notify chargeability by 5 October
how will penalty be calculated

mistake up to 12 months from submission of return for no
penalty

started to receive rent on property on 1 May 2022. Peter and
Claire needed to have notified HMRC of their chargeability by
5 October 2022.

2022/23 return was due for submission on 31 January 2024.

mistake was spotted in January 2024 which is over 12 months
after they should have notified HMRC of their chargeability.

however the error was careless and unprompted. therefore the
penalty will be calculated as follows.

the minimum penalty will be 0%.

the maximum penalty will be 30%.

The penalty percentage will be based on the amount of
property income which was not originally declared. this is the
same amount of property income that Claire and Peter included
in the 2022/23 tax return.

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

CIOT - CTA

Paper: **Awareness**

Part/Module: **Module E**

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

Answer-to-Question-_49_

1) FLAT RATE

45p for first 10,000 business miles

25p for over 10,000 busines smilse

business miles.

flat rate expneses will be 8,000 business miles x 45p =
£3,600 allowable

2) ACTUAL EXPNESES

apportion to amount of year 1 july 2023 ot 31 marhc 2024

high emissions car

9/12

high emissions

$(115 - 75) / 5 = 8 + 20\% = 28\%$

$15,000 \times 28\% = £4,200$

$£4,200 \times 9/12 = £3,150$ car benefit

£27,800 x 28% = £7,784 fuel benefit

allowable deduction for parkign of bsuiehnss journeys = £150

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

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

Answer-to-Question- _50_

taxable trading income

already deducted expenses so need ot add back those applicable

	£				
profit	32,000				
salary	-				
leasing charge, high emissions so add back 15%; 3,600 x 15% = 540	540				
bad debt provision	-				
hmrc interst charged	300				
clanedars	=				
Taxable trading income	£32,480				

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

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

Answer-to-Question- _51_

NINE MONTHS

	main pool	special pool	capital allowances			
	£	£	£			
borough forward	12,400					
Computer equipment	3,000					
AIA 100% restituted to 9 months for year, 700,000 available	(3,000)		3,000			
office furniture	2,000					
AIA	(2,000)		2,000			
van sold	<u>(1,800)</u>					
	10,600					
WDA	1,431		<u>1,431</u>			

18% X 9/12 (18% is 1906)						
WDA 6% X 9/12						
maixmu m capita l alowna ces			6,431			

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

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

Answer-to-Question-_52_

Class 4

Class 2 3.45 by weeks

taxable trading income £28,000. ignore the loss of 4,000
offset agaisnt other non trading income

Class 2 is £3.45 x 52 weeks = £179.40

Class 4 is £28,000 - 12,570 = 15,430 x 9% = £1,388.70

Alan's class 4 NICs will stop the year after he reaches
state pension age. so he will sotp paying class 4 NICS in
2025/26

ALan's class 2 NICS will stop the month he reacehs state
pension age. so will sotp paying class 2 NICS in 2024/25

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

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

Answer-to-Question- _53_

Claire share of parntesihp profit

	Agnes	Beatri ce	CLaire	totaol		
	£	£	£	£		
31 March to 1 Octobe r 2023						
				partnh iesp profit 60,000 x 6/12 = 30,000		
salary						
50:50	15,000	15,000				
1 Octobe r 2023 to year ended 31				30,000 for th e6 months partne rhips		

March 2024				profits		
slalry 500 x 6 months			3,000			
				30,000 - 3,000 = 27,000		
profit rateio 30 30 40			<u>10,8000</u>	so 27,000 share up		
Claire partne rship proift			13,800			

RELIEF ON INTERST

Claire will get full relief on the interest she paid on £1,800 to buy her share of the partnership. This relief will be used as tax relief against her tax liability

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

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

Answer-to-Question- _54_

tax adjsuted tradign inocme

NOT ABLE TO USE CASH BASIS FOR 2023/24

SO ACCRUALS IS BEING USED

	£	£	£	£		
profits	340,000					
proceeds disposal	12,000					
owed by customers	47,000					
stock valued	(35,000)					
utilities bill	(5,000)					
tax adjusted trading income	359,000					
personal allowance	(12,570)					

nce						
tax adjsut ed tardin g income	346,430					

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

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

Answer-to-Question- _55_

how rleif may be given for trading loss

a section 64 claim may be made to carry back the 140,000 trading loss agaisnt the preivous small proifti in 2022/23

a seciton 64 claim may also be made agasitn the current yera singincat employemtn income and the preiovsu year significant employen income. however this will be restrcited to the greater of £50,000 and 25% of adjsuted profits.

a section 83 claim may be made to carry forward the tareding loss of 140,000 agiasnt the 2024/25 signiact employment income. resciotn to lower of loss and profit.

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

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

Answer-to-Question-_56_

for the cost of travel form home to the studio thsi will not be deducitble sinc e this is ordinary communitng to twork. hterofre this amount will need to be added back to Kellan's trading profits.

the priemum padi on the grant of the lease is deductible from trading proiffts. teh whole preimiume paid wil be deudibtle

the legal costs relaitng to the grant of the lease will be deductible. therefore they may stay as deducted.

the cost of th etraingin course for his new qualificaiotn will b efully deductible as a capital expense.

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

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

Answer-to-Question- _57_

gift relief

deferred chargeable gain

fully used as business

but does not use up the bands

	£	£			
Proceeds (gift relief means that lousie will pay the difference between 80,000 and 230,000 when lousie sells the building)	80,000				
cost	<u>(55,000)</u>				
	25,000				
trading income		66,000			
Annual exempt amount		<u>(6,000)</u>			

		60,000			
BADR 10% (because was wholly used in business)	2,500				
37,700 x 10%		3,770			
60,000 - 37,700 = 22,300 x 20%		4,460			
TOTAL CGT Liability	10,730				

2) **the base cost of the buidling for louise will be £80,000.**
 this is becuase of gift relif. a gain will be deferred of
 230,000 - 80,000 = 150,000 until lousie sells the building

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

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

Answer-to-Question- _58_

	BADR qualif ying					
	£	£	£	£		
buildl ing 220,00 0 x 75%	165,000					
entite shareh olding in mundai						
entire shareh odlign in 400,00 0 qualif ies for BADR	400,000					
enitre shareh odlign in tuseda i ltd qualif eds for	80,000					

BADR						
already used amount of entrepreneurs relief	<u>120,000</u>					
USED UP	£765,000					
So BADR limit of 1,000,000	1,000,000					
Less used up BADR	<u>(765,000)</u>					
Remaining business asset disposal relief	235,000					

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

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

Answer-to-Question-_59_

The capital gains tax implications for Michael on the transfer of the building

Michael paid £140,000 for the building. He transferred it into the partnership for a market value of £300,000

this is a part disposal

Michael will retain 40% of the ownership

so £140,000 cost x 60% ownership he has lost = £84,000 Cost

Market value 300,000 x 60% ownership he has lost = £180,000

so 180,000 - 84,000 = £96,000 gain

upon transferring then immediate gain of £96,000 will be upon Michael. He can deduct from this the annual exempt amount of £6,000.

how relief may be given for his capital loss

for the unrelieved capital loss of £45,000 he may use this against future capital gains and same year gains.

therefore, Michael can use this 45,000 loss against the 96,000 gain. This reduces the gain to £51,000

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

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

Answer-to-Question-_60_

interest and penalties

2022/23 online return due on 31 January 2024. both filing and payment due on 31 January 2024.

Laura both filed and paid late over 30 days by filing and paying on 23 March 2024

penalty for late filing of £100 for over 30 days late. so Laura must pay £100 penalty

Laura must also pay a 5% penalty for a payment of over 30 days late. this is 5% of 3,200 = £160

also HMRC late payment interest of 6.5%. this is $6.5\% \times 3,200 \times \frac{50}{365} = £28.49$

whether Laura and Patrick required to make payments on account

Laura and Patrick are both required to make payments on account for 2023/24.

these payments on account will be on 31 January 2024 and 31 July 2024.

each payment on account will represent 50% of last year's liability. the balancing payment will be made on 31 January 2025

50% of 3,200 = £1,600 payment on account for Laura on both 31 January 2024 and 31 July 2024

50% of £800 = £400 payent on accoutn fo rpartick onh both 31
Januayr 2024 and 31 July 2024