Institution **CIOT - CTA**
Course **Adv Tech Tax of Larger Companies**

Event **NA**

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Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**1003**	**4798**	**5773**
Section 2	**839**	**4059**	**4867**
Section 3	**899**	**4371**	**5247**
Section 4	**1391**	**6682**	**7991**
Section 5	**1127**	**5385**	**6496**
Section 6	**509**	**2378**	**2884**
Total	**5768**	**27673**	**33258**

Answer-to-Question-_1_

1)

durbads plc chargeable agins position for year end 31 march 2024:

chargeable gains that arise in the year ended 31 march 2024, will be taxabale in this year at a maximum rate oof corporation tax of 25%.

gains group:

A chargeable gains group is formed when a company dirctly owns 75% of aanother company or 51% indirectly owned another company.

As Capey and Porty are wholly owned subsidiaries these companies satsify this pwnership thrhsold. Therefore durbad forms a gains group with capey ltd and porty ltd.

As East ltd is only 50% directly owned, this company does not form part of the chargeable gains group.

Investment comapny:
The renting out of properties is an investment activity and durbad plc can therefore be deemed to be a invetsment company.

a investment company is a company that derives the pricnipal part of their income from the making of invetsments.

Holdover relief:

the 900k gain that is held over is subject to holdover relief. This is because the lease is on the expenditure is deemed to be a depreciating asset (i.e it has a useful life of less tha 60 years)

Holdover relief freezes a gian untill the earliest of 3 events:

- when the asset is disposed of
- when the asset is no longer used in the trade
- 10 years fom the creation of the agin (31 janaury 2024).

Therefore, assuming that leased asset is still owned, the gain of 900k will become taxable in the year ended 31 march 2024.

Disposals:

The disposal of the restaurant and the coffee shop are chargeable disposals.

Any gains on these disposals will be subject to corporation tax in the year ended 31 march 2024 at 25%.

£	Restaurant A	Coffe SHop A	
Proceeds	2,550,000	2,000,000	
professional fees	(100,000)	(50,000)	
indeaxed cost	(1,000,000)	(750,000)	
gain	1,450,000	1,200,000	

ROR available	0	0	
amount not reinvsted	1,650,000	1,500,000	

Professional fees are allowable dedcutions whencalculating the gain on disposals.

rollover relief:
Rollover relif is available on assets that have been used in the trade and when a replacement asset is acquired within 12 months prior to the diposal and within 3 years following the diposal.

The acquisition of a freehold buidling is deemed to be a non depcreciating asset (over 60 years useful), this asset therefore qualfiies for rollover relief.

Any amounts not reinvested will be subject to corporation tax in this year eneded 31 march 2024.

The acqusiiton of restaurant B was acquires within 12 months prior to the disposal of restaurnat A, therefore within the time period required for rollover relief.

It is to be used in the trade by Capey ltd and therefore this conditoin is also satsified.

The lease of Restaurant B, will be deemed to a part diposal of this asset. Chargebale gains will arise on this lease to Capey.

amt. not reinvested on restaiunrantA2,550,000 - 900k =£1,650,000 is taxable immeidtaiely .

amt. not reinvested in coffee shop A = 2m - 500k = £1.5m

Therefore no rollover rlief is availbel on this asset as not enough of the proceeds have been reoinvsted.

However, rolloever relief is a goup wide relief. Therefpore the acqusitionf of other group

companies i.e porty and capey can be deemed to be acqured by durbad.

Rollover relief claims should be made within 4 years following the end of the relevant accoutning period. i.e by 31 march 2028

rollover relief is prirotiised over holdover relief because rollover relief provides indefinite relief, i.e untill the asset is ater disposed of. Whereas holdover relief can onyl defre a gain for a maximum of 10 years.

Capey Ltd:
the assignemnt of a 7 year lease is a short lease as the lease lengfth is of 7 years or less.

the 550k on the lease inccured on 1 april 2023, is a depreiating asset as it has a usefyul life of less than 60 years. Can therefore qualifyf for holdover relief.

The freehold buidling is deemed to have a useful life of over 60 years and therefre can qualoify for rollover reluif.

Portey ltd:

The beer pumping equipment is plant and machinery that has a useful life of less than 60 years, it can thereore qualify for holdover reluief.

The intetion to acquire a 15 year lesae for a pub can qualify for holdover relief.

Because this lease is a depcreciating asset i.e 15 years is less than 60 years useful life, it can therefore qualify for holdover relief.

Despite this acqusition being in 1 october 2025, I would rreocmend that The Durbad plc group makesa provisional ciam in relation to the lease that it intends to acquire on 1 october 2025.

This prevents it paying corproation tax on the chargeable disposals in the grup in this period and then trying to claim te poverpyament of tax back i a future period.

If the group does not acquire the leasse in the shop, in the future then the claims amde on the provisonal claim should be reversed and any corporation tax that was owed should eb paid immediately to avoid penalty.

Rollover relief is a group wide claim, and therefore the expenditure of chargeable agisn group companies can be rolled inot the disposal of other gains group companies.

East ltd:
As east is not in the chargeble gains group as discussed above, the acqusition of the freehold property cnanot be included in the amounts reinvested for rolloerv relief purposes for th e durbad plc chargeable agins group.

The group can utilise the amounts invested by portey and capey as this asstes are planned to be sued in the trade and are acquired within 12 months prior to and within 3 years following the chargeable disposal by durbad plc.

Therefore this acqusiitons qualify for replacement of business assset relief.

These amounts can be offset agsint the prcoeeds, to determine how much ahs not been reinvsted.

Any rolloever relief claimed, is deducted from the base cost of the asset carried forward. This essientially defrs the agin untill the later disposal of this asset.

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

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

Answer-to-Question-_2_

loss group:

a loss group is formed between a aprent company and its 75% directly owned or 75% indirect;ly owned subsidaires

Companies in a loss group can surredner losses around the group via group relief.

All companies in the group structure, apart grom lubbock ltd form paret of the loss relief group.

Austin ltd:

acquired part way through the year, deemed to be acquired when contracts comleted on 31 march 2023.

Group relief is only available on the overlapping period. i.e the time that Austin was in the group.

Lubbock is not in a loss relief group with Dallan as it is not 75% indirectly oned.

75% * 75% = 56%, therefore lubbock does not form part of the dallan plc loss group.

Howston:

Losses can only be utilised from Howston ltd, up to the time that the arrangements for sale were in place. Therefore on 31 august onec the contract was enetredt into. Losses should be time apportioned for this period.

NTLR losses incurred in the year ended march 2024, can be dedcuted from total prfoits, carried back 12 months against total profits and carried forward to be utilised in a future accounting period. Theey can also be surrendred for group relief.

Amarillion:

Whilst Hellenic can form part of the loss group as a link cpompany because it meets the onwership conditions. It can claim loss relief as it is not Uk resident.

The losses from its overseas property bsuiness can be surrendred to the loss group,via group relief, it must be carried forward to be surrednred against total profits in a future accoutning period.

Finez:
finez is not a consirtoium company as it hellenic owns over 75% of the shares by itself (90%).

Finez is uk tax resident and therefore despite being owned by hellenic SA, can still form part of the loss group and surrender and recieve losses.

Amarillion:
Alpie can be deemed to be a consoirtum company.

a consirtum company is one where the sharheolders each own over 5% of the shares, but no one indiduval owns more than 75% of the shares by themself.

Between them the own pover 75% of the share capital.

These conditoins are all satsfied and therefore Alpine is a consortum company.

Its losses can be surrnred to Dallan plc group, witjh Amarillion acting as a link company.

the losses that can be surrendred are restricted to ownership percentage that Amarillion has in Alpine . i.e 50%.

amarillion 2022:

amarillion caN SURRENDER 50% OF its losses in 2022

5m * 50% = 2.5m to Alpine.

alpine only has profits in decmeber 2022 of 1m, so this amount is surrendred.

As the group policy is for loss relief to be surrendred between the cosnortum member (amarillion) and the consortum company (alpine) in priroity to any other group relief claim.

group relief for year ended 31 decmeber 2022:

Amarillion can surrender £1m group relief to alpine

Amarillion can surrender 2m group relief to dallan plc

aAmarillion can surredner 500k to howstom in the year ended 31 decmeber 2023, as howston is a not sold untill the following accoutning period/.

amarillion can surrender 600k *6/12 = 300k for the period. This is becausew bolding was liquidated after 6 months of the year 30 june 2022. Fromex thereore leaves the loss group on the liquidation of bolding ltd.

Wacer has a year ende 31 march 2022 and therfore only losses of the overlapping period can be ssurened agist these profits

200k * 3/12 = 50k
300k * 9/12 = 225k

amarillion group relief			
loss	(5,000,000)		
Alpine	1,000,000		
dallan	2,000,000		
howston	500,000		
fromex	30,000		
finez	750,000		
Wacer 200k *3/12 * 200k = 50k	50,000		
wacer 300k *9/12 = 225k	225,000		
loss c.f	720,000		

Hellenic cannot surrender its overseas property losses in the year ended 31 decmeber 2022. Overseas proprety losses must be carried forward tpo be offset in a future period.

Losses offset in a future period are subject to the dedcutions allowance.

The dedcutions allowance of 5m + 50% of total profits abaove 5m.

group relief allocation for year ended 31 decmeber 2023

Amarillion is resirteed how much group relief can be surrendred to howston as the company is leaving the group. Therefore time apportioned up to august 2023.

group relief	dalan plc	alpine	
dallan plc	2,500,000		
howston	(466,667)		
fromex	(700,000)		
amarillion 500k *50% ownership = 250k		250k	
hellenic SA	(400,000)		

howston 700k * 8/12 = 466,667 surrendrede

fromex can offset entire 700k for group relief against dallan plc

Hellenic can offset 400k of overseas property losses brougt ofrward from 2022.

Hellenic 2023, overseas property losses must be carried forward to be offset in a later period.

amazrillion should limit the amount of losses it can offset to alpine (consortim comoany) this is limited to losses for the period 500k * 50% ownership = 250k

This should be offset in priorirty in line with the groups policy.

group relief claims should be made within 2 years following the end of the relevant

accounting period. i.e by 31 december 2024 and 31 december 2025 respectively.

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

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

Answer-to-Question-_3_

3)

ch. gains for year end30 june 2024 for parthy plc:

a chargeable gains goup exists where a company directly owns 75% or indirectly owns 51% of another company. Therefore all companies in the group apart form Hobert SA form a gains group ass they are wholly owned and therefore stasify this ownership condition.

Sednoy ltd:

share trasnfer:
The transfer of shares within a gains group is a mandatory no gain no loss transfer. Therefore the market value of the shares (30m) and any consideration paid (10m)is igored for tax puroses. These assets are instead deemed to be trasneffred at their original cost + indeaxtion allowance/.

This is then the deemed cost carried forward on any future diposal of these shares.

The surrender of group relief without payment, can be deemed to form part of a depcreciatory trnasaction.

depreciatroy transaction is anti avoidance rules to prevent the artificial creation of a loss on disposal of shares, by transaction prior to disposal to reduce the value of these shares.

the disposal of sednoy shares is a chargeable disposal.
chargeable diposal:

proceeds	20m		
cost	(70m)		
IA	N/a		
loss on disposal	(50m)		

indeaxtion allowance cannot create or increase a loss. Therefore it is not applied.

indeaxtion allowance was frozen on 31 decemeber 2017.

DGC:
no degroping charge will arise on the share transfer a sthe shares were trasnffred to parthy, who remains in the group.

SSE:

SSE requires 3 conditions to be met.
requires a 10% sharehdpolding to be woned for a period of at least 12 months in the previous 6 years. The company being disposed of must be trading cpompamny.

AS Sednoy is an investment company, the trading condition is therefore not met and SSE therefore does not apply.

The capital loss of 50m will be subject to decpreciatory transactions rules.

HMRC may look to restrict the capital los available for PArthy plc.

HMRC cannot create a gain on this disposal.

Melburk:

Renting out commercial rpoperties is an invesmtnet activity. Therefore Melburk is an investmnet comapny.

value shifting

anti avoidance to prevet the artificial reduction in a chargeble gain that arises.

value shfting is deemed to take place:
whenthe transfer of assets materially reduces the value of shares.
This has been done to achieve a tax advnatage
This invovles more than just the payment of disbtrutions.

The transactions carried out immeditaely prior to disposal, invovles more than just the payment of disbtrutions.

The transfer of poroperties will be a no gain no loss, tax neutral trasnfer. This will create no chargeable gains on the transfer.

This was then followed by a dividend paid, to reduce the value of the the melburk shares.

IT therefore be concluded that this was done to achieve a tax advnatage.

Therefore the vaue shifting rules are deemed to apply to this transaction.

a tax advnatage is the increase in the tax repaid by HMRC or the decrease in tax laibility owed to HMRC.

HMRC will look to increase the consideration recieved for the shares on a just and reasonable basis.

HMRC will look to cinrease the consideration to the full "120m market value just prior to disposal.

Therefore the chargeeble gain will be

proceeds = 120m

cost (30m)

IA (2,337,209)

gain = 87,662,790

278.1 - 258 / 258 * 30m = 2,337,209

SSE will exempt any value shifting that has taken place.

SSE requires the 3 conditions discussed above to be met. As Melburk is an invetsment company, the trading condition is not met and therefore SSE does not apply.

Hobert SA:

The disposl of Hobert SA is a chargeable diposal, will brought into account under the chargeable agins in the year ended 30 june 2024.

proceeds = 15m
cost = (10m)
IA = n/a

gain = 5m

the trasnaction takes place after 31 december 2017, when IA was frozen and therefore has not impact.

Dividend stripping rules apply to the payment of dividends out of pre acqusiiton reserves.

It is assumed that the payment of the dividend was out of reserves built up post acqusioitn and therefore ar enot subject to the decpreciatroy transacion rules.

The value shifting rules do not apply, as the transaction does not invovlde more than just the payment of a distrbution and therefore this condition is not staasifed.

Durwine ltd:

The disposal of druwine is a chargeble disposal, any gain made will be subject to CT in the year ended 30 june 2024.

proceeds = 12m
cost = (1m)
IA = n/a

gain on diposal = 11m

IA was frozen on 31 decmeber 2017 and therefore has no impact here.

The vaue shifting rules require more than just the paymentof an exempt distribution.

Therefore the payment of £1m prior to diposal does not represemnt value shfting.

the dividend of £1m paid will be exempt under the dividends recived from controlled compniaes exemption and therefore will not be taxable for parthy plc.

SSE:
SSE will apply to the diposal of Durwine ltd as the company has been wholly owned since april 2018, therefore stasifing the 10% ownership conditon for a period of 12 months in the last 6 years.

Durwine is also a trading company and is therefore meets this conditon.

The £11m gain is therefore exempt and will not be chargeable.

I would recommend that the group applies to HMRC for advance clearnces on the transactions to determine if the anti avoidance value shifting and depcreatiroy transaction rules apply.

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

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

Answer-to-Question-_4_

Danchar Ltd CT computation for the year ended 30 june 2024

	£		
PBT	19,752,000		
depreciation (a)	4,000,000		
loss on disposal (b)	1,000,000		
director bonus (c)	500,000		
gifts (d)	50,000		
QCD	50,000		
subsidiary loan (e)	2,000,000		
NTLR (2)	1,500,000		
other income (3)	(1,000,000)		
CA (4)	(10,204,500		
Total profits	17,647,500		
balacing charge	500,000		
NTLR (2)	(1,500,000)		
QCD	(50,000)		
TTP	16,097,500		
CT payable @25%	4,024,375		

CT payment dates:
Will have to make CT payments via Quartely instalment payments if over large threshold of (1.5) and very large threshold (20m).

These thresholds are divided by the number of associated companies in the Dancharg group. IT is assumed there is more than 1 company in the Danchar group.

Therefore likely will be above the very large threhsold.

have to pay on 14th day of 3rd, 6th , 9th, and 12th month fromm the start of the AP.

14th september

14th december
14th march
14th june

4,024,375 / 4 = £1,006,094 per instalment

interest payable of £3m should be investigated if this is a trading or non trading expense. Thi will impact if it is dedcutible under the non trading loan relationship (NTLR) rules or dedcuted from trading profits.

note 1:

A)
decpreication is not allowable according to statute and therefore this amount should be added back.

b)
loss on disposal of plant is a capital transaction. Therefore this amount is not allowable and should be added back.

this item will be dedcuted from the capital allowance pool.

net book value = 1.5m
loss on disposal (1m)
proceeds = 500k

The lower of the original cost (£2m) and the proceeds (500k) should be dedcuted from the capital allowance pool.

c)
the director bonuses are allowbale if they are paid within 9 months following the end of the accoutning period.

therefore the first instalemnt payments are alloable as they are apid within 9 months.

However, the third instalment on 1 may 2025, is over 9 motbhs after end of AP and therefore is not allowbale and should be added back.

1.5m * 1/3 = £500k

500k should be added back.

The bonuses for year ended 30 june 2023, are dedcutible in the previous accoutning period as they are paid on 1 november 2023, which is within 9 months of the end of the period.

d)

staff entertainment is allowable and therefore no adjustment is required to this amount.

gifts are allowable in they cost less than £50 each, display the copany name / logo and are not food / alchol.

as the gift is alcohol, this amount will not be allowable and threfore should be added back.

charity donation:
this is a qualfying charitable donation.
This should be added back and then deducted from total taxabale profits.

e)
the customer that has filed for bamkccrupctcy is a specific bad debt. Specfici bad debts are allowbvale and therefore no adjutsment is required.

the subsidiary is assumed to be a connected company.

companies are connected when one controls the toher.

Impairments of loans brtrween connected companies does not create an allowbale tax expense. Therefore, this 2m should be added back on.

note 2:

interst payable = 3m * 1/2 = £1.5m

investment in taycroft is non trading. Therefore this inetrest payable of £1.5m is brought into account under NTLR debits. (Subject to interest deductibility rules).

This amount should therefore be added back and offset againts any NTLR credits arising in the period. Any excess NTLR debits can be dedcutde from total profits.

the remaining £1.5m interest payabe relates to new equipment, this a trade expense and therefore is allowable. No adjutsment is required on this amount.

note 3:
the dividends reieved will qualify for the small portfolio holdings exmeption. This requires a shareholding of less than 10%

As Dancher holds 8%, it qualfies for this exemption. Therefore this income should be deducted.

note 4: capital allowances

CA calculation for Dancher for year ended 30 June 2024

	FYA/AIA	MP	SRP		
b.f		2,000,000	1,500,000		
P&M (4b)	6,000,000				
integral features (4c) AIA	1,000,000				
integreal features (4c) 50% FYA	1,000,000				
Vans (4d)	1,250,000				
cars (4e)	500,000				
high emission cars (4f)			75,000		
WDA 18% / 6%		(360,000)	(94,500)		
Total CA	10,204,500				
c.f (4c)			1,000,000		

4b)
the machinery is qualfying capital expenditure, will therefore get CA relief.

This will qualify for the main pool. The main pool gets 18% WDa per annum.

As this asset was purchased between 1 april 2023 - 31 march 2026 and is assumed to have been bought new it will qualify for first year allowances (FYA). This will get 100% FYA.

The alterations to the building to install the machinery will also get the 100% FYA relief.

5m + 1m = 6m FYA

4c)
integreal features qualify for the specila rate pool.

The special rate pool gets 6% WDA per annum.
The integreal features were purchased bwteen 1 april 2021 - 31 march 2026, therefore they qualify for 50% first year allowances. The integral features ARE assumed to be acquired new.

THe AIA (discussed below) should be used againts asset that gets the lowest relief. Therefore should offset 1m against the integreal features that would otherwise only get 50% FYA.

1m AIA

remaining amount = 2m * 50% FYA = 1m

The remaining amount should be carried forward and be added to the spcieal rate pool at the start of the following AP.

4d)
vans qualfiy for main pool CA.

As they were acquired between 1 april 2023 - 31 march 2026, they get 100% FYA.

4e)
cars with emissions of 0g can qualify for 100% FYA. Therefore 500k gets 100% FYA.

depcreciation is not allowable for tax puroses and therefore any depcreciation should be added back.

500k * 20% = 100k depcriation should be added back.

the disposal of cars creates a balancing charge on disposal.

This is equal to the lower of the original cost (250k) and proceeds (150k). i.e 150k proceeds.

4f)
the carbon emissions over 50g, therefore these cars qualify for the spceila rate pool. AIA cannot be used on these amounts.
personal / business use is ignored for companies.

AIA cannot be utilised aginst cars.

AIA:
Groups of companies get an AIA of £1m per year to be split amongst the entire group. AS thee are no other compaies in the Danchar group claiming CA, Danchar has access to the full £1m.

AIA should be used on assets that get the lowest tax relief in priority, in order to get the biggest tax saving, and be most efficient.

the AIA should also be used in priority to FYA where available as the disposal of assets that have claimed AIA does not create a balancing charge on disposal, whereas assets that have claimed FYA does.

loss on disposal:
The loss on disposal of plant should be dedcuted from the capital allowance pool.

net book value = 1.5m
loss on disposal (1m)
proceeds = 500k

This asset was acquired between 1 april 201 - 31 march 2023, therefore will qualify for the super dedcution(130%).

Therefore a balcaning charge is created. This is added to the tax compuation. balancing charge is the lower of the proceeds and original cost. Therefore balcanancing charge = 500k

2)
integreal features disposal
the disposal of the integreal features will create balancing charge in the tax compuation because these assets claimed 50% FYA.

This balancing charge will be added to total profits in the ta computation.

the lower of the original cost and the proceeds will be dedcuted from the capital allowance pool.

income statement:

3m - 300k (depcreciation) = 2.7m NBV

2.7m - 1.8m (repruchase price) = 900k loss on disposal recognised in income statement.

cars disposal

The cars claimed 100% FYA and therefore will create a balcning charge on disposal.

This will be equal to the proceeds of 150k. This amount should be added to the total profits in the tax compuation.

Nothing will be recognised in the capital allowances pool as these assets werenot in a pool.

in the income statement these NBV value of the assets i.e the oriignal cost - decpreciation that has been recognised in the accounts at 20%.

This net book value will be deducted and any proceeds will be brought into account.
a loss on disposal of

500k - 100k (depcreciaiton) = 400k NBV.

the proceeds = 150k.

400k - 150k = 250k loss on disposal will be recognsied in the income statement on the cars.

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

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

Answer-to-Question-_5_

5)

Jabert is Uk tax resident company. companies are deemed to be uk tax resident when they are incorporated in the UK or centrally managed and controlled in the UK.

UK tax resident companies are subject to Uk corproation tax ontheir worlwide income and gains.

CT will be charged on totla taxabale profits at 25% on total taxable profits.

double tax relief:
Jabert ltd may benefit from double tax relief on profits that are subject to UK CT and tax on its profits in the US. US tax advaice should be taken to understand the Tax implications on the JAberts profits.

Double tax relief is deducted from Jaberts corporation tax laibility. It is given as the lower of the UK tax owed and the overseas tax amount owed.

payment of CT:
if JAbert has profits that exceed £1.5m for an accoutning period it ill be large company and if they exceed £20m, it will be deemed to be avery large company.

These companies have to pay their corproation tax paymnets in quartely instalment payments.

These threhsolds are divided by the number of associated comapnies in the worlwdide group.

Associated companies are deemed to b those under common 51% control.

As the group is a worlwidie group it is assumed to have many associated companies in the the group. As jaberts pre tax profits are currntly 3m and will continue to rise significantly, it is assumed that the company will be over the very large trehsold.

It will therefore have to pay its corproation tax amounts on the 14th day of the 3rd, 6th, 9th and 12th month from the start of the accountingn period.

i.e

14th march 2024
14th june 2024
14th september 2024
14th decemebr 2024

Tax return:
The tax return of Jabert should be submited electocally via IxBRL, within 12 months following the end of the relevant accoutning period. i.e by 31 decmeber 2025

penalties will apply for the late submission of the company tax return. Inclduing £100 penalty if this is late, this will be increased to £200 if more than 3 months later.

This will be further increased to tax geared penalties if it is more than 6 months. 10% of the tax that is owed will be the penalty after 6 months alte and 20% of the tax owed if more than 12 months late.,

JAbert should also ntofiy to HMRC its chargebaility to corporation tax if this has not already been done, within 12 months following thend of the accoutning period i.e by 31 december 2025

NTLR:
the £50,000 financing costs can be deemed to be interst payable. This is brought into account under the non trading loan relationship rules.

These interest payablees are NTLR debits. These are offset agsints NTLR credits obtained in the year.

ANy excess debits i.e 50,000, can be dedcuted fom total profits in the year eneded 31 decmeber 2024.

transfer pricing:

Transfer pricing requires transactoins between connected companies to be made at arms length.

Companies are deemed to be connected if one controls the other.

Control is deemed to eb when one company has more than 50% of the oridinary share capitalk, voting rights, economic rights or assets on widning up of the other company.

Therefore as Curtis purchased all of the shares of Jabert, this is a wholly owned company and they are therefore connected.

The provision of managmenet services from curtis to jabert and the license agreement will therefore be subject to UK transfer pricing legilsation.

arms length is the price that would be obtained by an unconnected third party for the trasnaction. i.e the market price.

Curtis Inc and JAbert should undergo an OECD benchmarking analysis to determine and calulate the arms length price. This could use any of the OECD transfer pricing methods. The trasnactional profit methods should be used as these aredeemed to be more objective by HMRC.

For example, could compare the price that is charged for license agreements in compraison to other companies in the transport, security, sotrage industry.

IF the transactions are not deemed to be atr arms length, then HMRC may determine that a transfer pricing adjustment may be required in the tax computation of the advnatged company.

Any tax adjutsmnets made will be subject to corporation tax at 25%.

This impcts tax only and does not impatc the actual price paid for the accounts etc.

if a TP adjutsment is required, the other party to the transaction can obtain a corresoding compensating adjutsment.

MAP

As this involves overseas transactions, a mutual agreement procedure may be agreed between the relevant compoetent authories to determine how the transaction should be taxed to ensure duble taxation doesnt take place.

a company is large for transfer pricing purposes if it has over 250 employees or turnover of over £50m. Therefore as JAbert has turnover of 60m, this condition is therefore stassified and it is therefore a alrge company for transfer pricing purposes.

Therefore the company does not benfifit from any of the small or medium sized enterprise TP exemptions.

The curtis group should etend its TP policy to include the the transactions witjh JAbert ltd. It should also maintain for 6 years following the end of the accounting period i.e 31 decmeber 2029

royaltiy payments:

Curtis inc's tracking system can be deemed to be an intangible fixed asset. Intgaible fixed assets are assets that cannot be seen, touched or moved but provide future revenue or compeitive advnatage for a company.

The license agreement put in place, will invovle the payment of royalties by Jabert ltd.

The royalty payments from a Uk company (JAbert) to a non uk company (Curtis) will give rise to witholding tax on these payments amounts.

Withodling tax should be withheld at 20% on the royalty paid for the use of the information and tracking system.

any witholding tax that is due should be paid alongside submittinga CT61 form, within 14 days following the end of the relevant quarter. i.e (31 march, 30 jne, 31 september, 31 december.

OECD model treaty:

If the UK has a double tax treaty with the US that follows the OECD modela tax treaty, them JAbert may be abale ot benefiti from a preferential rate on the WHT.

If it is a OECD model treaty, WHT on royalty payemnts may be reduced to 0%.

Further information should be taken to determine if there is a double tax tretay betrween the UK and the US.

stamp duty:
stamp duty will arise on the acqusiiton of abert ltd. This is payable in the Uk by the purchaser (Curtis Inc).

Stamp duty should be paid and a tamp duty form filed to HMRC within 30 days of the transaction. i.e by 1 August 2024.

stamp duty = 0.5% * consideration.

£50m * 0.5% = £250k.

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

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

Answer-to-Question-_6_

UK tax resident:

A company will be uk tax resident if its is incorporated in the UK or its cnetral mangement and control is in the UK.

A Uk tax resident company is ubject to UK corporation tax on itsworlwide income and gains.

Double tax felief may be available on profits that are taxed both in the UK and overseas.

Gardania:
As gardania has the same residnce tests as the UK, Sylmarc SA is currently Gardania tax resident as it is incorpoated there and centrally managed and controlled there.

Therefore there is not currently a UK CT laibility.

UK PE:
A permanenet estalishment is formed when a entity has a fixed place of buiness (for over 6 months) or a depdent agent who was the auhtority to habitually conclude and negiottiate contracts on behalf o the company, that are in the UK.

As the staff will be working from a office accomdation in the UK, this qualifies as a fixed place of buiness. Thetrefore this conditoin is met.

Aditioinally, the staff have the auhtority to reenew contracts. Therefore this secnd condition is satsified.

Therefore the plan to send staff over will creat a UK PE.

The profits of a UK PE are subject to UK corporation tax.

Adiitionally the work is not jiusyt of a preparoty or auxiliary nature. If the work was ofa prepartory or auxiliary anture then it would be exempt from forming a PE in the UK and hence would not be subject to UK CT. As the staff are concluding contracts, there work is not a a auxilairy anture and this exemption does not apply.

TYhe profits of the UK PE would be subject to UK CT at 25%.

The central mangement and control is based on the senrior mnagemnt staff and where key strategic business deciions arebeing made, not on where the employes are located.

Therefore, as senior managment staff are not intending to be located in the UK then the cnetral mangement and control of the company would be inn Gardania.

UK presence:
If a new company was established that was incorporated in the UK but cnetrally managed and controlled in Gardania, then this would deemed to be a dual resident company.

Because there is an OECD model tax tretay between the UK and Gardania, this will include a tie breaker clause.

The tie breaker clause will determine ewhere the comapny is deemed to be tax resident based on its place of effective mangement.

The place of effective mangement looks at where board meetings are held, where key business deciiosn a re made, where the board of directors are resident.

As the senior mangament are intending to stay located in Gardania, it is likely that the tie breaker clause will determine the company gardania tax resident.

It will therefore not be subject to Uk corporation tax on its profits.

Instead only subject to Gardnia tax.

I would therefore recommend incoproating a UK resident company, but maintaing the senior mNGEMENT PERSONELL IN gARDANIA IF THE GROUP WANST TO AVOID HAVING A uk ct LAIBILITY.