
CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module A**

Answer-to-Question-_1_

Module A

- 1) Preregistration expenses- can claim input vat on goods bought 4 years prior to registration; if still held at the date of registration.
- 2) Services- can only claim input vat of the services in the 6 months prior to the registration.
- 3) therefore can't claim for legal services incurred in february
- 4) He can claim input vat on all the goods held at 1.10.22
- 5) Provided that he has evidence to prove the input vat was incurred
- 6) Input vat can be recovered on the first vat return

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

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

Answer-to-Question-_2_

- 1) End of November look back previous 12 months
(11*6500+6500+20000)
- 2) Her taxable supplies at end of november is 98,000.
- 3) Which is above the registration threshold of 85,000.
- 4) Therefore under historic test she needs to notify HMRC by the 30th of December 2022.
- 5) And will be registered from 1st Jan 2023
- 6) No vat to be charged on the 18th November supply.
- 7) However vat must be charged on the 15th Feb 2023 supply

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

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

Answer-to-Question- 3_

- 1) Continuous contract for service ,hence only the payment and the invoice issue trigger the tax point
- 2)Payment was made before the invoice date therefore this is the tax point for this services
- 3) 28/09/2022 is the tax point

- 4) Regarding the photocopier 2nd october is the basic tax point
- 5) However invoice was raised earlier hence this is the tax point -20th september

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

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

Answer-to-Question-_4_

1) Input vat for cars are blocked, however when leasing a car can claim 50% of the input vat of the lease cost

2)input vat on lease = $120/2=60$

3) vat on the maintenance are not allowed if caliming mileage which includes allowance for maintenance

4) Can claim vat on the advisory fule rate in full, as she provided invoices to support her business journey more than the advisory fuel rate .

5) Input vat to claim $60/6= 10$

6) Total input vat to claim inrelation to the car is $10+60=70$

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

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

Answer-to-Question-_5_

- 1) Vat on the purchase of new freehold commercial building is at standard rated and can claim the input vat on the purchase
- 2) Due to the value being more than 250,000 capital goods scheme adjustments must be made in 10 annual intervals.
- 3) Formula to use = $\text{input vat}/10 * (\% \text{ of the initial } - \% \text{ actual usage })$
- 4) If the usage stays 60% throughout the end of the 10 year period there is a 1,600 repayment due to HMRC every vat year.
- 5) Adjustment is made on the 2nd vat return following the end of the vat year 31st march every ear in this is case .

Initial claim	70% taxable	160,000*70%			112,000	
At the end of 1st vat year	Sept 2022	160,000/10*(70%-70%)	no adjustment		0	
2nd vat year	Sept 2023	160,000/10(70%-60%)=	1,600 repayable to HMRC		(1,600)	

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

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

Answer-to-Question-_6_

1) Cost of the relevant goods

920 hair products

2) Capital expenditure not included in limited cost calculation

3) Vat not claimable on the computer as the vat inclusive cost is less than 2K

4) Rent is an exempt supply unless the Landlord was opted to tax

5) 2% of the turnover = 400

6) The hair products are higher than 2% of the turnover

7) And more than 1000 per annum limit which is 250

8) Hence it is not a limited cos business

9) 13% on the gross turnover must be paid to HMRC

10) $20,000 \times 13\% = 2,600$

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

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

Answer-to-Question- 7

- 1) can be revoked with in the 6 months of the election which is 31st jan 2023
- 2)Any input vat claimed in respect of the repair must be repaid
- 3) She needs to notify HMRC soon regarding the decision to revoke the option to tax .
- 4) other wise she needs to charge vat on the rent till she get confirmation from HMRC
- 5

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

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

Answer-to-Question- 8_

If the sale of the part of the buiness qualify for TOGC then no vat is charged on the sale of the part of the business.

Although TOGC is not a supply for vat purpose this does not prevent the deduction of input tax on related expenses. It varies for seller and buyer .

for Rudy since the sale of the business is TOGC is not a supply the input tax incurred on the professinal cost can not be recoverable as per genral rule. Hoever this has direct and immediate link to the taxable supply hence can claim input on the professional fee

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

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

Answer-to-Question-_9_

Selvog can chose to becoem a vat group with the partnership
Cant be in vat group with Rups PLC as is doesnto have
permanent establishment in UK
vat will charged on the sale of Telb Ltd shares
Can chose Esit not be part of the vat group once become
dormant

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

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

Answer-to-Question-_10_

Errors on vat

Can correct this return in the next vat return as the total error is less than 10,000 [8000+500] and less than 1% of the turnover (subject 50K limit)

Box 6=900,000+40,000=940,000

1% = 9400

As the errors are understatement of 8500 vat can be claimed in the next return

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

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

Answer-to-Question-_11_

Kate is responsible as she is the buyer for SD

This is a transaction between unconnected party hence the total consideration is used instead of MV

Consideration = 142,500+debt (10,000)=152,500

Stamp duty at .5% of the consideration = $152500 * .5\% = 762.5$

Rounded up to 765

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

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

Answer-to-Question-_12_

SDLT return needs to be submitted by 14 days of completion
which is 18th of November 2022

Vat inclusive amount used

Consideration =264,000

up to 150,000 =0% =0

114,000 at 2%=2280

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

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Part/Module: **Module B**

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

Answer-to-Question-_13_

10.4.2014 PET to Son [50,000-6000AE]=44,000

5.8.2019 Pet 10K-6K Ae

Residential NRB is not deducted when calculating baseline amount

At least 46,100 [see below] left to chaity to be able to qualify for 36% IHT on the estate

					10.8.22	
		2014	2019			
Gift		50,000	10,000		782,000	
		no need to consid er out side 7 years				
	AE 2years		6,000			
	CT		4,000			
	NRB 325,00 0-4		(4,000)			
	NRB left				321,000	
	baseli ne				461,000	

	amount					
	10% of the Base line amount				46,100	

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

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

Answer-to-Question-_14_

1) Value of the shares

quarter up rule

(spread price) $1/4$ + lower value of 310 = $311.05 = 3.12$

Average marked bargain = $(318+311)/2 = 314.5 = 3.15$

Lowerst is the quarter up price

hence the value = $1,000 * 3.12 = \underline{3,120}$

2) related property valuation

see below value = 8,050

	Stand alone		r elated		higher
Before the gift	60,000	5/8 of 130,000	81,250		81,250
After	56,000	4500/7500 of 122,000	73200		73,200
Loss to the donor					8,050

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

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

Answer-to-Question-_15_

Beneficiary paying the tax hence only 100K loss to the trust

Intail value		480,000	C and A in formula		
No related trust					
NRB					
no previous transfer		(325,000)			
		155,000			
Notional tax	20%	31,000			
ER	31/480	.0645			
AR	30%*ER	1.93%			
Exit charge	100,000*1.93%	1930			

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

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

Answer-to-Question-_16_

		GBP				
		Estate				
Net asset		540,000				
BPR		(144,000)				
		396,000				
	value	540,000				
	payments					
	Charity	(5,000+144,000)				
	IHT death estate	(92,400)				
Brother has to be the tax on failed PET						
	balance left	298,600				
	children will get	149,300 each				

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

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

Answer-to-Question-_17_

As he is leaving the residential home to his son RNRB will be available. However this is tapered due to the estate being more than 2m

RNRB for 21/22 is 175,000

this is reduced by 1 for every 2 over the 2 million limit .

The net value here is asset less liability before any relief for charity =2,267,200

tapered by $267,200/2=133,600$

Available RNRB = $175,000-133,600 = \underline{\underline{41,400}}$

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

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

Answer-to-Question-_18_

To Son

Under section 108 IHTA 1984 she aggregated her husbands qualifying BPR period .

And within the two years she trnasferred this to her son Under S109 IHTA 1984 this transfer also qualify for BPR . beacuse the eariler transfer qualified this is a successive transfer in a two year period. Earlier transfer was at her husbands death

To daughter

As the assests sales procedds were reinvested for non qulifying assest. This will not qualify for BPR

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

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

Answer-to-Question-_19_

It is is GWROB .

Hence the gift is trated as at MV in this estate.
And if he die with in 7 years the PET will also become chargeable.

HMRC allow some relief for reservation by allowing two calculation.
calculating the pet as zero and including it on death estate,

And calulating the vcharge on PEt if died in 7 years.

whihc ever produce higher amount of tax is used for IHT

The payment by the donor for the use of the assest must be market rent or mrket value of the usage. His use is not insignificat

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

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

Answer-to-Question-_20_

He qualifies for instalment payment. The fact that it was
qulaified

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

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

Answer-to-Question- _21_

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

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

Answer-to-Question-22

A/e $6150/6=1025$ Minimum 1230

Total payable =9217.6
 paid= 7664
 blance =1553.6 payable

			RP			
Chatle s		14,000				
Porper ty			28600			
Loss			-4450			
Ae			-1230			
			22,920			
28%			6417.6			
20%		2800				

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

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

Answer-to-Question-23

No penalty for late payment only interest will be charged.

Intial penalty of 100 and a daily penalty if court dealred the failure.

If not another 100 if the return is more than 6 months late . If the return is more than 1 year late aditional penalty up to 3000 can be levied

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

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

Answer-to-Question-_24_

FDR = become domiciled if stayed

in the uk for two tax years immediatleyb before preceeding
the relevant year

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

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Part/Module: **Module C**

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

Answer-to-Question-_25_

- 1) Must have notified by 31.12.2021
- 2) Maximum 70% of PLR penalty = $175,750 \times 70\% = 123,025$

Minimum- unprompted hence 20% = 35,150

- 3) there is no penalty for late payment. Late filing 100 initial charge
another 100 3 months late . tax geared penalty not applied as it is not late more than 18 months after the AP

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

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

Answer-to-Question-_26_

CA

Main pool b/f =85,000
 18% for ye 30.9.2021 =15,300

C/f to 1.10.2021 =69,700

18% *(6/12) of 69,700 for pe 31.03.2022 =6273

Total taxable profit for the period ended March 2022
 =472,427

	12m to 30.9.2021	1.10.2 1 to 31.03. 22			
profit *(12or 6/18)	360,000	180,00 0			
CA [see above]	(15,300)	(6,273)			
rent from 1.4.2021	(18,000)	(18,00 0)			
QCD	(10,000)				
	316,700	155,72		472,42	

			7		7	

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

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

Answer-to-Question-_27_

1) I is part of non trading loan relationship , hence dealt under the non trading rule. Add back the 5000 and set against other nontrading loan profit

2) As it is paid allowable for decution, no need to adjust

3) Dividend genrally exempt for corporation tax purpose hence needs to deduct from the profit

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

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

Answer-to-Question-_28_

2019

Set the losses against the total profit and 2 months worth of profit from 30 September 2021 due to extended carry back chargeable will be $246,000 - 73,333 = 172,666.67$

2020

Carry back the 10 month profit from September 2021 = therefore no chargeable profit

$295,000 + 18,750 = 313,750$ used against the loss

2021

Loss left

$440,000 - 25,000 = 415,000$

Carried back 2019 73,333

Carried back 2020 = 313,750

C/f = 27,917 against the 2022 profit

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

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

Answer-to-Question-_29_

SBA not for land						
750-250	500,000					
SBA at 3%						
p/e 31.03.2020	15000 * (3/12)	3,750				
ye 31.03.2021		15,000				
ye 31.03.2022		15,000				
total		33,750				
2) Sales proceeds			900,000			
Cost			500,000			
SBA			(33,750)			
Gain			433,750			

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

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

Answer-to-Question-_30_

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

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

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

Answer-to-Question-_32_

Adjusted trading income			55,000			
UK property loss	5 k c/f		(55,000)			
			0			
Overseas	interest		43,000			
	property		120,000			
				163000		
			at 19%	30970		
		32400	credit	30970		
				0		

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

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

Answer-to-Question-_33_

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

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

Answer-to-Question-_34_

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

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

Answer-to-Question-_35_

The sales proceeds are reinvested in qualifying assests hence rollover relief availbale

reinvested 600,000 hence

If the sales proceeds are replaced with depreciationg assests rolled over gain in frpzen till the replaced asst is sold or ceased using in business or sold. The base cosof the P&M is not affected

The bases cost of the factory is recdcued by the rolled over gain

SP	900,000					
Gain	135,000					
Rolled over	gain not reinvested become charge able	reinvested 600,000				
He						

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

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

Answer-to-Question-_36_

Vary large company

3/n* the liability $(2.85m * (3/8)) = 1,068,750$ instalment

14th day of the month three 14.10.2021 1,068,750

2nd -14.01.2022- 1,068,750

3rd 14.03.2022 1,068,750

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