

Institution **CIOT - CTA**
Course **Awareness**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	162	742	905
Section 2	97	499	599
Section 3	52	235	280
Section 4	98	442	540
Section 5	58	253	311
Section 6	174	740	914
Section 7	10	46	56
Section 8	131	549	681
Section 9	37	146	183
Section 10	107	452	559
Section 11	48	217	265
Section 12	91	394	486

Answer-to-Question- _1_

1) VAT registration is compulsory if taxable turnover reaches the threshold of £90,000 under either the 'historic' or future' tests.

As Deborahs taxable turnover does not exceed £90,000 in a 12 month period she will not be required to VAT register under the historic test. ($7,250 \times 12 = 87,000$). The historic test looks at this turnover at the end of each month looking back as a 12 month period.

She is also not required by the future test as her expected turnover over a 30 day period is not expected to be more than 90,000.

2) She should consider whether her turnover may change and she may be compulsory required to register in the future. She will be subject to penalties if she does not register on time if it becomes compulsory.

She should consider whether she may voluntarily register to avoid a penalty in this case. She may also want to voluntarily register so that she can reclaim input tax.

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

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

Answer-to-Question- _2_

1) food is generally a zero rated supply. But chocolate biscuits are an exception to this and are standard rated.

2) newspapers are a zero rated supply. They are still zero rated if supplied electronically, provided not wholly/exclusively advertising for video/audio.

3) the first grant of a major interest of a construction for use of a dwelling is a zero rated supply.

4) membership of a professional body is exempt, provided that membership is restricted to persons getting a qualification appropriate for the profession concerned.

5) children's car seats are charged at the reduced rate - 5%

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

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

Answer-to-Question- _3_

			OUTPUT VAT
standard rated supplies	200,000	@20%	40,000
zero rated		@0%	0
			INPUT VAT
standrad purchases	50,000	@20%	(10,000)
zero purchased		@0	0
		VAT PAYABLE	

2)

bad debt must be 6 months late from later of due date payment and written off in accounts.

the claim must be made within 4 years.

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

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

Answer-to-Question- _4_

Jose may voluntarily deregister for VAT as his taxable turnover is expected to be less than £88,000.

If he deregisters, he must submit a final VAT return with all the assets at hand at the point of deregistration. There will be a deemed supply at the point of deregistration.

He will need to therefore account for the input tax already paid to HMRC and the value of goods at hand at registration, based on the replacement value of the goods.

If the VAT payable at deregistration is less than 1,000 no VAT is required to be paid to HMRC.

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

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

Answer-to-Question- _5_

LATE RETURNS

For every return filed late the company will recieve a penalty point.

Once the compnay has filed 4 returns late, the fourth penalty point will result in a charge.

LATE PAYMENT

where payment is less than 15 days late no finacial penalty is required.

$45,000 \times 2\% = 900$

$35,000 \times 2\% \text{ further } 2\% = 1,400$

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

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

Answer-to-Question- _6_

Jamsime can form a VAT group as an individual carrying on a business and body corporates are eligible to join the group. Where the body corporate is established or has a fixed establishment in the UK and Jamine has control of the corporate.

Assuming Jasmine is 'carrying on a business' as she has shares in these companies.

Saapphire Inc is not eligible to join a VAT group as it has no establishment in the UK.

Jasmine has 'control' (51%) of the other corporate bodies so the group can be formed of Jasmine

- Goolld Ltd
- Sielver Ltd
- Brooze Ltd
- Cooper Ltd

It may not be beneficial for Sielver to join the group as it makes wholly zero-rated supplies so it may distrust its VAT recovery as it does not have to pay output tax to HMRC.

The companies in a group would also be jointly and severally liable so may not want to join the group as any VAT penalties would be liable and based off the group as a whole.

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

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

Answer-to-Question- _7_

$$1,200,000 / 750,000 = 1.6\%$$

$$1,500,000 \times 1.6\% = 2,400,000$$

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

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

Answer-to-Question- _8_

VAT applies to the supply of goods/services in the UK

Goods:

Goods exported to the EU from GB will be treated as an export.

This will be treated as zero-rated for the purpose of UK VAT.

The supplier will need to issue a VAT invoice and can reclaim the 'output' VAT once it is shown the goods have left the UK.

Services:

B2B - the supply of services outside the UK will be treated as taking place where the consumer is. In this case the business is located in Spain, so the supply will be outside the scope of UK VAT.

There are exceptions, for example if the service is a supply for a cultural event this will be treated as supplied in the location to which the event takes place.

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

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

Answer-to-Question- _9_

$$95,000 \times 1.2 = 114,000$$

$$20,000 \times 1.2 = 24,000$$

$$\text{Normal input VAT recovery} = 19,000 - 4,000 = 15,000 \text{ VAT PAYABLE}$$

FLAT RATE -

$$\text{Taxable turnover} - 90,000 \times 10.5\% = 9,450$$

VAT saving is 5,550

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

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

Answer-to-Question- _10_

There needs to be a transafer of a business which is a going concern (ie will continue)

the assets are to be used by the transferee for the same kind of business - though does not need to be the same business itself (e.g still a cafe once transferred)

to a taxable person - or the transferee will be a taxable person immediatly after the transfer.

There are no property assets so there is no need to show a certififte of an option to tax, if required, on any buildings.

if the conditions are met the transfer of the business will be outside the scope of VAT.

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

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

Answer-to-Question- _11_

Averil will be responsible for paying the Stamp duty.

Stamp duty = $100,000 \times 0.5\% = \text{£}500$.

No need to round up as already to the nearest £5.

diamond necklace will not be considered to be part of the consideration for stamp duty purposes only the money transaferred.

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

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

Answer-to-Question- 12

1) Sven -

benefit from reduced rate for first time buyer of res. property

$$(600,000 - 425,000) \times 5\% = \text{£}8,750$$

2) Stacey -

Both are buying residential property not non-residential property so the residential rates will be used.

Stacey is not a first time buyer so will not benefit from the reduced rate. This is also an additional residence for Stacey so she will be liable to an additional 3% on the rates.

Therefore she will pay the below rates;

$$0 - 250,000 \times 3\%$$

$$250,000 - 600,000 \times 8\%$$

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

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Section 25	75	326	424
Section 26	47	268	311
Section 27	53	255	310
Section 28	79	349	425
Section 29	69	335	405
Section 30	81	437	524
Section 31	88	364	453
Section 32	63	304	367
Section 33	100	427	525
Section 34	30	154	188
Section 35	55	236	291
Section 36	38	173	211

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

Answer-to-Question- _25_

CT -

AP = TTP as no dividends recieved.

Upper Limit -

$$250,000 / 2 = 125,000$$

Lower Limit -

$$50,000 / 2 = 25,000$$

Ganimeeed LTD

	UK	Overseas	
UK trade profits	30,000		
Overseas		100,000	
CT @25%	7,500	25,000	

Tax relief lower of		(25,000)	
- 30,000			
- 25,000			
CT payable	7,500	Nil	

Uropah Ltd

UK trade profits		40,000	
@25%			10,000
Marginal releif	$\frac{3}{200} \times (125,000 - 40,000)$ $\times (40,000 / 40,000)$		(1,275)
CT payable			8,725

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

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

Answer-to-Question- _26_

Trade profit per accounts	notes		2,400,000
ADD: disallowable expenditure			
amortisation			5,300
interest (NT LR)			13,000
pension contributions	only allow when paid		8,000
depreciation on FL specifically allowable			
staff bonuses	allowed if paid from 9 months AP (so won't have been included in y/e 24)		120,000
TTP			2,546,300

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

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

Answer-to-Question- 27

AIA can be claimed up to year limit of = 1,000,000

cannot claim FYA as not 'new'

expenditure will be treated as incurred for CA when brought into use.

	AIA	main	specical	CA
bfwd		42,000		
+machine	40,000			
disposal computer		(3,800)		
total	40,000	38,200		
@100%	(40,000)			40,000
@18%		(6,876)		6,876
CA	NII	31,324		46,876

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

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

Answer-to-Question- 28

SBA is calculakated to give releif for 33years of assets lifetime - 3%

SBA is calculated on the expenditure of the previous owner. Therefore in respect of the warehouse and office this will be calculated on the previous owners expenditure and time apportioned for their date of purchase in the AP.

WAREHOUSE -

$$220,000 \times 3\% \times 9/12 = 4,950$$

OFFICE -

$$600,000 \times 3\% \times 4/12 = 6,000$$

STUDENT ACCOMODATION -

$$1,300,000 \times 3\% \times 8/12 = 26,000$$

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

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

Answer-to-Question- _29_

RDEC	notes		qualifying expenditure
rent	rent paid not qualifying expenditure		-
utilities	all allowed as all for lab which is used for r + d		2,000
P&M	claim for CA		-
staff salary	apportioned to staff on completing r+d	22,000 x 85%	18,700
dividend	not allowed appropriation of profit by proprietor.		-
RDEC qualifying expenditure			20,700

max credit at 20% = 4,140 credit.

Subject to PAYE and NIC restriction.

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

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

Answer-to-Question- 30

Initial sale factory:

sale proceeds			800,000
gain			450,000

sale proceeds (800,000) - reinvested (600,000) = 200,000 chargeable immediatley on sale of first factory.

Revised Base cost of warehouse -

cost			600,000
Less: rollover relief			(250,000)
revised base cost			350,000

Sale of warehouse

Sale proceeds			1,100,000
Less legal fees			(4,500)
Less: revised base cost		(350,000)	
Less index allowance	$(278.1 - 262.1) / 262.1 = 0.061 \times 350,000$	(21,350)	

Less enhancmenent		(120,000)	
No IA on enhancement after dec 17'		-	
Gain			604,150

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

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

Answer-to-Question- _31_

Ms Hubble

the loan will be calculated on the lower of amount borrowed

- at the end of accounting period
- when tax payable (ie 9 month 1 day after AP)

Therefore amount assessable -

$$30,000 - 16,000 - 10,000 = 4,000$$

4,000

within 30 days of the repayment she borrows 10,000 more

so amount assessable is 14,000

$$14,000 \times 33.75\% = \text{£}4,725.$$

Mr Newton

This will be exempt from s.455 as his shareholding is only 3% - less than 5% . And is less than 15,000 loan.

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

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

Answer-to-Question- _32_

	y/e 23	y/e 24	y/e 25	
trade profit	5,000	16,000	13,000	
CY		(16,000)		
UK property	6,000	nil	8,000	
CB UK property	(6,000)		(8,000)	
overseas	3,000	nil	4,000	
Overseas CB	(3,000)		(4,000)	
QCD		unrelieved)		
TTP		nil		

Loss memo:

UK property loss - 40,000

CY trade profit - (16,000)

CB against UK property only (6,000)

Cfwd (8,000)

overseas property

CB - (3,000)

CFWD (4,000)

(7,000)

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

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

Answer-to-Question- _33_

Althair Ltd, Belatricks Ltd and Canopus Ltd are in a group for loss relief purposes.

Denbora is not in the group as the control is not $75\% - 0.9 \times 0.8 = 72\%$.

upper limit = $250,000 / 4 = 62,500$

lower limit = $50,000 / 4 = 12,500$

	B	C	D	
trade profits	90,000	nil		
Group relief trade profits	(60,000)			
non-trading LR		nil		
chargeable gains	30,000	nil		
group relief against C chargeable loss	(30,000)			
QCD				
TTP	30,000			

NT LR - cannot be releived with group releif as Belatricks does not have any NT loan relationship profits to offset against.

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

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

Answer-to-Question- _34_

Sale shares -

not a trading company for SSE -

sale proceeds			2,000,000
less: cost			(800,000)
less: legal fees			(10,000)

warehouse transfer at MV appropriation of trading stock - 500,000.

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

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

Answer-to-Question- _35_

the CFC charge is charged on the UK companies at the main rate - 25% CT.

the liability will be in proportion to their holding of the foreign company. IE 80:20.

There accounting periods are different so they will be charged 25% on the profits of the CFC on the period which overlap their APs.

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

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

Answer-to-Question- _36_

interest payments made to an individual are made net of 20% income tax.

patent royalties recieved from an indiivudal are to be made net of 20% Income tax.
company to acccount for the gross amount in CT return.

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

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Section 49	144	697	841
Section 50	61	290	352
Section 51	47	228	275
Section 52	41	223	263
Section 53	44	203	246
Section 54	45	192	237
Section 55	100	422	522
Section 56	47	196	243
Section 57	39	188	219
Section 58	71	300	371
Section 59	67	299	367
Section 60	79	353	431

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

Answer-to-Question- _49_

HMRC is likkely to consider this employment as -

the work is carried out and performed only by Claire. HMRC conider if the work could be done by anyone and Claire can send someone in to do the work the worker is considered to be self employed.

the equipment is provided by the company. This suggests the worker is an employee as employers typically give their employees the equipment to perfom their duties.

the arrangment requires the worker and employee to give notice of termination. This suggets a mutality of obligtaion which suggets the relationship is employer and employee.

However, claire is not paid by PAYE with Income tax deducted at source which suggets a self employed arrangment.

However, overall it is liekly HMRC would consider the arrnagment to be employee looking at the circumstances as a whole on a case by case basis.

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

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

Answer-to-Question- _50_

Florence submitted her Tax Return on time so there is no penatly for late filing.

However, she has deliberatly concealed income. This is subject to a tax geared penatly of the potential lost revenue.

therefore 70% of the 50,000 is liable to penalty = £35,000

However, she makes a prompted disclosure so the maximum amount of penalty is reduced to 50%.

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

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

Answer-to-Question- _51_

trading income			42,500
Personal Allowance			(12,570)
total			29,930

Capital gains:

assuming AEA has already been deducted for amount due (3,000)

and the gain is not eligible for BADR

$37700 - 29,930 = 7,770$ remianing in basic rate band.

$5,970 \times 10\% = \pounds 597$

amount payable = $\pounds 30,527$

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

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

Answer-to-Question- _52_

trade per accounts	notes		56,000
add back disallowable expendiute			
interst from ISA	(not trading income)		250
donation to chairty	not allowed under Gift Aid		800
parking fine	allowable employee at client		100
car lease	15% disallowable		563
adjusted trade profit			57,713

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

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

Answer-to-Question- _53_

15 month period

AIA 1,000,000 x 15/12 = 125,000

	main	special		AIA		CA
bfgd	12,000	8,000				
sold	(10,800)					
electric				7,000		
car		33,000				
@18% x 15/12	(270)					270
@6% x 15/12		(3,075)				3,075
@100%				(7,000)		7,000

AIA more benefical than FYA as no balancing charge.

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

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

Answer-to-Question- _54_

Capital allowance on car

TWDV $4,400 \times 6\% \times 17/12 = 374$ - ajust for private use of proprietor 80%

CA = 299

tax adjusted trading loss			(9,700)
CA			(299)
			(9,999)

Take car after business cease - appropriation of stock at market value - 5,900.

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

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

Answer-to-Question- _55_

As Brie is a 'new trader' her loss can be carried back for three years (before she was trading) on a FIFO basis. This would relieve her employment income first from her salary of 100,000.

She may want to make a claim to relieve her loss in the future year. This carried forward amount is restricted to the lower of

- 50,000

- 25% of her total adjusted net income.

As she does not have any sources of income she cannot relieve this against any capital losses. / relieve against current year as there is no income to offset.

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

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

Answer-to-Question- _56_

12 months prior to ceasing trade -

(8,000) 4 months

$24,000 \times 8/12 = 16,000$

12 months profit - 8,000

LIFO -

	y/e 23	y/e 24	period 25
trading profit	30,000	24,000	nil
Loss releif LIFO		(8,000)	
	30,000	8,000	

claim should be made by 31 January 2027

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

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

Answer-to-Question- 57

1 October - 30 June

$$165,000 \times 9/12 = 123,750$$

	Total	W	B	G
165,000 x 9/12	123,750			
salary	(15,000)	15,000		
	(108,750)	54,375	54,375	
165,000 x 3/12	41,250			
salary	(6,000)	6,000		
	(35,250)	11,750	11,750	11,750
TOTAL		87,125	66,125	11,750

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

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

Answer-to-Question- _58_

PART DISPOSAL: this will create an 'allowable cost' deduction based on the value of the land remaining.

sale proceeds			18,000
allowable cost	$18,000 / (18,000 + 190,000) \times 150,000$		(12,981)
NO AEA to use			
Gain			5,019
x 24%			289

He may be able to claim BADR on the disposal if he is making a disosal of his interest in the business. This is up to a lifetime limit of 1 million.

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

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

Answer-to-Question- _59_

Transfer to his sister (connected person) at a reduced cost so will be a transfer at market value.

chargeable gain			2,072,800
AEA			-
BADR 1,0000,000 x 10%			100,000
1,072,800 x 20%			214,560
goodwill x 20%			35,000

BADR will apply at 10% rate up to lifetime limit of 1 million.

BADR not availble on goodwill and will be liable to 20% as BADR gains will be chargeable first.

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

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

Answer-to-Question- _60_

Sale at undervalue of the shares. will be considered at MV
 Can claim gift relief

sale at MV			100,000
Less Cost			(60,000)
Gift relief			(40,000)
Gain			Nil

Revised base cost -

MV			100,000
Less gift relief			(40,000)
revised base cost			60,000

Onward sale by Kirsten

sale proceeds			58,000
Less cost			(30,000)
less AEA			(3,000)

Gain			25,000
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assuming does not get SSE - don't know if hold 10% of the shares and not been held by Kirsten for 12 months.