

# **The Chartered Tax Adviser Examination**

May 2024

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## **Application and Professional Skills**

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### **Taxation of Owner-Managed Businesses**

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Pre-seen information

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**You may print this copy of the pre-seen information but you will not be permitted to take this into the test centre. It will be contained in the final Exhibit in each question.**

## Pre-seen information

### Client Names

Adam Alfaro  
Charlotte Ceramics Ltd

### Client Background

Adam was born on 15 June 1964.  
He married his wife Charlotte on 31 August 1990.  
Charlotte died in a car accident on 31 March 2021 and Adam remains single.  
The couple do not have any children.

### Charlotte Ceramics Ltd

Charlotte Ceramics Ltd manufactures high end ceramics. The company was incorporated on 30 June 1998 by Charlotte Alfaro who subscribed for 20,000 fully paid up ordinary £1 shares. The share capital of £20,000 introduced was used to buy the trade and assets of a small unconnected ceramics company on 15 July 1998 (including £10,000 for goodwill).

Charlotte gifted 9,800 of her shares to Adam on 30 June 2002, on which date he also became a director in the company. These shares were worth £25,000 on that date.

Adam inherited the remaining shares in Charlotte Ceramics Ltd on 31 March 2021 upon the death of his wife. The probate value of the shares inherited on that date was £275,000.

The company accounts are made up to 30 June each year.

### Tax information

#### Personal

##### Adam Alfaro

Adam is UK tax resident and domiciled.

Adam takes a salary and dividends of £25,000 and £35,000 respectively each year from Charlotte Ceramics Ltd.

Apart from a small amount of interest income he does not have any other sources of income.

With the exception of his shares in Charlotte Ceramics Ltd and his own house Adam does not have any other substantial capital assets.

Adam has previously used £650,000 of his lifetime allowance for business asset disposal relief purposes, following the disposal in 2021 of another business that he ran.

#### Corporate

The company tax return for the year ended 30 June 2023 shows:

	£
Taxable trading income (and taxable total profits)	48,350
Corporation Tax at 19%	<u>9,186</u>

The tax written down values for Charlotte Ceramics Ltd as at 30 June 2023 are as follows:

Main pool	£18,500
Special rate pool	nil

All capital allowances have been claimed to the maximum extent as early as possible.

Charlotte Ceramics Ltd has a capital loss of £25,000 brought forward from the accounting period ended 30 June 2019. This related to the disposal of a property which had previously been used by the company but which had become surplus and fallen into disrepair.

Continued

Continuation

VAT

Registered entity Charlotte Ceramics Ltd  
Registration number 987 6543 21  
Effective registration date 15 July 1998

All of Charlotte Ceramics Ltd supplies are standard rated.

Most recent accounts for Charlotte Ceramics Ltd

Profit and Loss Account

	<u>30 June 2023</u>	<u>30 June 2022</u>
	£	£
Turnover	842,500	806,350
Cost of Sales	<u>(631,875)</u>	<u>(604,763)</u>
Gross Profit	210,625	201,587
Administrative Expenses	<u>(163,476)</u>	<u>(152,349)</u>
Profit before Taxation	47,149	49,238
Tax on profit	<u>(9,186)</u>	<u>(8,705)</u>
Profit after Taxation	<u><u>37,963</u></u>	<u><u>40,533</u></u>

Balance Sheet

	<u>30 June 2023</u>	<u>30 June 2022</u>
	£	£
Fixed assets:		
Tangible assets	590,050	587,642
Investments	<u>1,000</u>	<u>1,000</u>
	591,050	588,642
Current assets:		
Stock	33,400	35,600
Debtors	75,905	76,542
Cash at bank and in hand	<u>63,975</u>	<u>59,435</u>
	173,820	171,577
Creditors: Amounts falling due within one year	<u>(85,842)</u>	<u>(84,694)</u>
Net current assets	87,438	86,883
	<u><u>678,488</u></u>	<u><u>675,525</u></u>
Capital and reserves		
Called up Share Capital	20,000	20,000
Profit and Loss Account	<u>658,488</u>	<u>655,525</u>
	<u><u>678,488</u></u>	<u><u>675,525</u></u>