

The Chartered Institute of Taxation

Awareness

Module C: Corporation Tax

May 2025

Suggested answers

Answer 25

Ganimeed Ltd

	UK profits £	Foreign profits £	
Trade profits	300,000		
Foreign profits (£70,000 + £30,000)		100,000	1
	<u>300,000</u>	<u>100,000</u>	
Tax at 25%	75,000	25,000	1
Less DTR restricted to 25%		(25,000)	1
Corporation Tax payable	<u>£75,000</u>	<u>£Nil</u>	

Total Corporation Tax payable = £75,000

Uropah Ltd

	£	
Trade profits of £40,000 at 25%	10,000	
Less, marginal relief profits between £25,000 and £125,000 (Note)		
$3/200 \times (£125,000 - £40,000) =$	(1,275)	1
Corporation Tax payable	<u>£8,725</u>	

Note

Lower limit: $£50,000/2 = £25,000$; Upper limit: $£250,000/2 = £125,000$ 1

Answer 26

	£	
Profit per accounts	2,400,000	
Add:		
Amortisation of goodwill	5,300	1
Interest payable on non-trading loan	13,000	1
Accrued pension contributions	8,000	1
Finance lease depreciation	-	1
Less:		
Staff bonuses accrued at 31 March 2024 and paid between 1 January 2025 and 31 March 2025	(120,000)	1
Tax adjusted profit	<u>£2,306,300</u>	

Answer 27

Expenditure is treated as incurred on the date on which the obligation to pay becomes unconditional (in this case, the date of delivery) **provided payment is made within four months of that date.**

1

Therefore, the payments of £20,000 and £15,000 were incurred for capital allowances purposes on 1 November 2024. As the payment of £5,000 was paid more than four months after 1 November 2024, it is treated as incurred on the date it was paid: 1 May 2025.

1

	General pool £	Capital allowances £	
Balance brought forward	42,000		
Additions	35,000		
Annual investment allowance	(35,000)	35,000	1
Disposal	(3,800)		1
	<hr/>		
	38,200		
WDA at 18%	(6,876)	6,876	1
	<hr/>		
Balance carried forward	£31,324		
Capital allowances claimed		<hr/> <hr/> £41,876	

Answer 28

No SBAs may be claimed in respect of the warehouse as it was constructed prior to 29 October 2018.

1

No SBAs may be claimed on the student accommodation as the building is used for residential purposes.

1

SBAs may be claimed on the office by reference to the original qualifying expenditure of £600,000 (ie not the cost of £800,000).

1

The SBAs that may be claimed are: $((3\% \text{ of } £600,000) \times (4/12)) = £6,000$

1+1

Answer 29

	£	
Rent paid for laboratory	-	1
Gas and electricity costs relating to the laboratory	2,000	1
Cost of acquiring plant and machinery used in the laboratory	-	1
Salary of staff member 85% engaged in R&D: £22,000 x 85%	18,700	1
Dividends paid to director/shareholder 50% engaged in R&D	-	1
	<hr/> <hr/> £20,700	

Answer 30

	£	£	
Proceeds		1,100,000	
Less, selling costs		(4,500)	1
		<hr/>	
		1,095,500	
Cost	600,000		
Less, amount rolled over (£450,000 – (£800,000 - £600,000))	<hr/> (250,000)		1+1
		(350,000)	
Less, enhancement expenditure		(120,000)	1
Less, indexation allowance on cost ((278.1 – 262.1) / 262.1) = 0.061 0.061 x £350,000		(21,350)	1
Gain		<hr/> <hr/>	
		£604,150	

Answer 31

The company does not have a s.455 tax liability in respect of the loan made to Mr Newton as the amount due is less than £15,000 and he does not have a material interest (ie more than 5%) in the company. 1

The company does have a potential liability to s.455 tax in respect of the loan made to Ms Hubble.

The liability is calculated at the rate of 33.75% on the balance of the loan outstanding at 30 June 2024: £30,000 at 33.75% = £10,125. 1

Relief is given for repayments made before the date for paying the tax (1 April 2025) where anti-avoidance rules do not apply.

The repayment of £16,000 meets these conditions and therefore the liability is reduced to £4,725 (£10,125 – (£16,000 x 33.75%)). 1

Relief is not given for the repayment of £10,000 as, within a period of 30 days, there was both a repayment of £5,000 or more and new borrowing of £5,000 or more. 1

Answer 32

	Year ended 31 March 2023	Year ended 31 March 2024	Year ended 31 March 2025	
	£	£	£	
Trade profit	5,000	16,000	13,000	
UK property business profit	6,000		8,000	
Overseas property business profit	3,000		4,000	
Overseas property business loss c/wd			(4,000)	1
Total income and gains	14,000	16,000	21,000	
Relief for property business loss:				
- Current year		(16,000)		1
- C/wd and treated as current year			(21,000)	1
Charitable donations made (lost)		Nil		1
Taxable total profits	£14,000	£Nil	£Nil	1*

Loss memo (not required for answer)

	UK property business loss	Overseas property business loss
	£	£
Loss in year ended 31 March 2024	40,000	10,000
Offset in current year	(16,000)	
Offset in year ended 31 March 2025	(21,000)	(4,000)
Loss carried forward at 31 March 2025	£3,000	£6,000

***For not carrying back property business losses against income of year ended 31 March 2023**

Answer 33

	£	£	
Trade profit		90,000	
Capital gain	30,000		
Capital loss reallocated from Canopuz Ltd	(30,000)		1
		Nil	
Profits before group relief		90,000	
Group relief surrendered by Canopuz Ltd (Note)		(50,000)	
Taxable total profits		£40,000	1*

***Mark awarded for no group relief from Denbowla Ltd (as effective interest is less than 75%)**

Note:

Group relief is lower of available profits and losses for the common period (8/12 th):	1+1
- Available losses 8/12 th of (£60,000 + £13,000 + £2,000) = £50,000	1
- Available profits 8/12 th of £90,000 = £60,000	
Therefore, £50,000.	

Answer 34

Gain on shares

	£	
Proceeds	2,000,000	
Cost of shares	(800,000)	
Legal costs	(10,000)	1
Degrouping charge (£600,000 - £720,000)	(120,000)	1+1
	(930,000)	
Gain	<u>£1,070,000</u>	1*

Gain on warehouse

	£	
Proceeds	750,000	
Cost (MV at date of transfer)	(500,000)	
Gain	<u>£250,000</u>	1

***For no substantial shareholding exemption**

Answer 35

A CFC charge will not be made on Tellesto Ltd as its interest in Kallipsew is less than 25%. 1

For Tietn Ltd, the CFC charge is brought in as a tax liability and in the first instance is calculated as the apportioned profits at the main rate of Corporation Tax (25%). 1

The apportioned profits for the year ended 31 December 2024 are equal to 80% of Kallipsew's profits for the year ended 31 March 2024 as this is the period which ended during the year ended 31 December 2024 (80% of £200,000 = £160,000). 1+1

The apportioned foreign tax paid on those profits (the creditable tax) is then deducted from the Corporation Tax on the apportioned profits. 1

Answer 36

The company is required to deduct Income Tax at the basic rate from interest paid on the loan from Mr Hally as he is an individual. 1

The Income Tax should be reported and paid to HMRC using form CT61. 1

The company received the patent royalties after deduction of Income Tax of £750 (£3,000 x 20/80). The income tax suffered can be offset against the income tax withheld to be paid to HMRC. 1

Therefore, Income Tax of £1,250 (20% of £10,000 less £750) must be reported to HMRC on form CT61 for the **quarter ending 30 June 2025**. 1

The deadline for submitting the return and paying the Income Tax to HMRC is 14 days from the end of the return period: 14 July 2025. 1