

The Chartered Tax Adviser Examination

November 2024

Application and Professional Skills

Taxation of Owner-Managed Businesses

Pre-seen information

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

Clients

Briggs Ltd and its shareholders. You have acted for Briggs Ltd since October 2014.

Shareholdings

	<u>Shareholding</u> (£1 ordinary shares)	<u>Acquisition history</u>
Michael Briggs	7,200	Founder shares, issued at par value September 1998.
Pedro Hellas	2,000	Purchased from Michael Briggs in June 2017 for £60 per share. The shares were unrestricted and the market value at the time was £100 per share.
Dianna Peach	800	Founder shares issued at par value September 1998.
Henry Fall	<u>300</u>	Subscribed June 2016. Paid market value of £90 per share.
Total	<u>10,300</u>	

All shares rank equally and there are no restrictions attached to the shares.

Shareholder details

Michael Briggs	Aged 56. Founder and managing director of Briggs Ltd. He is married with three adult children.
Pedro Hellas	Aged 51. Senior sales director. Joined Briggs Ltd in June 2006.
Dianna Peach	Aged 76. Retired finance director. She is a widow and has two adult children.
Henry Fall	Aged 41. Non-executive director appointed in February 2020. He works 20 hours per month for Briggs Ltd. He has a similar role with four other unrelated companies.

All of the shareholders are unconnected and are UK resident.

None of the company's shareholders have made substantial chargeable gains in the past.

Briggs Ltd details

Briggs Ltd is a successful marketing business. Its principal activity is marketing and managing the on-line media presence for a range of UK manufacturing businesses. It was first registered on 8 September 1998 and commenced trading on 1 October 1998. The accounting reference date is 30 June each year.

Tax Information

VAT Registration number:	124657133
Registration date:	1 October 1998

All supplies are standard rated.

Continued

Briggs Ltd Profit & Loss account for the year ended 30 June 2024 (draft)

	<u>30 June</u> <u>2024</u>	<u>30 June</u> <u>2023</u>
	£	£
Turnover	2,235,000	2,947,000
Cost of Sales	<u>(1,249,600)</u>	<u>(1,704,800)</u>
Gross Profit	985,400	1,242,200
Administrative Expenses	(669,300)	(729,900)
Profit before Taxation	<u>316,100</u>	<u>512,300</u>
Tax on profit	<u>(97,200)</u>	<u>(112,075)</u>
Profit after Taxation	<u><u>218,900</u></u>	<u><u>400,225</u></u>
Average number of employees	13	14

Briggs Ltd Balance Sheet for the year ended 30 June 2024 (draft)

	<u>30 June</u> <u>2024</u>	<u>30 June</u> <u>2023</u>
	£	£
Fixed Assets:		
Tangible assets	989,000	914,000
Current Assets:		
Work in Progress	943,000	821,000
Debtors	282,400	213,000
Cash at Bank and in hand	<u>611,200</u>	<u>606,900</u>
	2,825,600	2,554,900
Creditors: Amounts Falling due within One Year	<u>(444,000)</u>	<u>(402,300)</u>
Net Current Assets/(liabilities)	2,381,600	2,152,600
Creditors: amounts falling due after more than one year	<u>(512,000)</u>	<u>(501,900)</u>
	<u><u>£1,869,600</u></u>	<u><u>£1,650,700</u></u>
Capital and Reserves:		
Called Up Share Capital	10,300	10,300
Profit and Loss Account	<u>1,859,300</u>	<u>1,640,400</u>
	<u><u>£1,869,600</u></u>	<u><u>£1,650,700</u></u>

The cash at bank represents accumulated trading profits, and Briggs Ltd is a qualifying trading company for the purposes of Business Asset Disposal Relief.