The Chartered Tax Adviser Examination

Sample Paper – Pre-Seen Information

Application and Professional Skills

Taxation of Larger Companies and Groups

Client	-	Your clients are Diversified plc, a quoted holding company, and its subsidiaries.
	-	Diversified plc was incorporated in 1995.
	-	No shareholder owns more than 5% of the shares.

| Subsidiaries | - | All subsidiaries are 100% owned and are UK resident. |
| | - | Subsidiaries include Ares Ltd, Bishop Ltd and Cable Ltd. |

Ares Ltd	-	Ares Ltd operates a DIY wholesale business supplying goods throughout the UK from its warehouse in Huddersfield.
	-	Diversified plc acquired its entire share capital from a third party in March 2011 for £2.4 million.
	-	An increase of competitors in the DIY wholesale business has led to a recent decline in profits and as a result Ares Ltd has been renting out one third of its warehouse space since January 2016.

Bishop Ltd	-	Bishop Ltd manufactures furniture, which is then sold to third party UK retailers.
	-	Diversified plc borrowed funds to acquire the entire share capital from a third party on 17 December 2017 for £2 million.
	-	Bishop Ltd owns three properties, one of which (River House) is let to third parties.
	-	The rental income received on the investment property equates to approximately 10% of Bishop Ltd's annual income.
	-	The other two properties are used as the head office (Mountain View) and as base for the sales and distribution (Millwheel House).

| Cable Ltd | - | Cable Ltd manufactures beds and sofas, which are sold to third party UK retailers. |
| | - | Diversified plc acquired the entire share capital from a third party in January 2010 for £1.5 million. |

| Accounts | - | All companies in the group make up their accounts under FRS102 to 31 March annually. |
| | - | The consolidated accounts are prepared under IFRS. |

| VAT | - | There is a VAT group registration in place for all companies within the group and no option to tax has been made in respect of any of the properties owned within the group. |