
CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module C**

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

Answer-to-Question- 25

1. Givens Limited must notify HMRC of its chargeability to tax within 3 months of the start of its first Accounting period - 31st March 2021.

2. Max penalty = $70\% \times 175,750 = 123,025$

Minimum penalty with unprompted disclosure = $20\% \times 175,750 = 35,150$

3. As the return was filed more than 12 months late;
An immediate penalty for £200 will apply

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

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

Answer-to-Question- 26_

		1.10.20 - 30.9.21	1.10.21 - 31.3.2022
Tax adjusted Trading profit		360,000	180,000
Capiatl allowacnes	85000 x 18%	(15,300)	
	(85000-15300) x 18% x 6/12		(6,273)
Trade profit		344,700	173,727
Property income		24,000	12,000
QCD		(10,000)	
Taxable Trading profit		330,700	161,727

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

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

Answer-to-Question- 27

1. The £5,000 interest payable will be treated as a non-trading expense (debit) (Loan relationship). It is an allowable deduction from trade profits. No adjustment is required as it has already been deducted.

The early redemption penalty on loan stock of 25,000 will need to be added back to trading profits. it is not deductible by statute.

2. The restrictive covenant payment will be allowable as a trading expense as they are deemed contractual.

3. the dividend payment will be deducted from trading profits as it is exempt.

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

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

Answer-to-Question- 28_

	Y/e Nov 2019	10m/e Sep 2020	Y/e Sep 2021	Y/e Sep 2022
Trade profit	350,000	295,000	-	120,000
b/f loss				(45,417)
Property Income	-	18,750	25,000	25,000
Property income loss relief	(15,000)			
Capital gain	-	-	-	92,000
Capital loss b/f				(89,000)
	335,000	313,750	25,000	
Current year claim			(25,000)	
Carry back claim		(313,750)		
carry back x 2/12	(55,833)			
TTP	279,167	-	-	102,583

Max for carried forward trade loss = 4,991,000 + 50%
 (45,417-4,991,000)

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

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

Answer-to-Question- _29_

1.

2019/20: SBA = $(750,000 - 250,000) \times 3\% \times 3/12 = 3,750$

2020/21: SBA = $(750,000 - 250,000) \times 3\% = 15,000$

2021/22: SBA = $(750,000 - 250,000) \times 3\% = 15,000$

2.

Proceeds		900,000
Cost		(750,000)
Indexation allowance	-	-
Gain		150,000

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

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

Answer-to-Question-_30_

Proceeds of sale			200,000
Less TWDV of IFA:			
Acq Cost of Corpyright		180,000	
Amortisation value	4% x 180000	(7,200)	
			(172,800)
Income gain			27,200
Less: Rollover relief			(7,200)
Income gain taxable	(200000-180000)		20,000

Base Cost of patent = 195000 - 7200 = 187,800

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

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

Answer-to-Question-_31_

Qualifying expenditure on R&D =

Staff Costs			750,000
Consumables			450,000
Rent of lab premises			48,000
Computer software			250,000
clinical trials			350,000
Qualifying exp			1,848,000

* It is assumed that the consumables reflected in goods and services are not sold as part of the company's trade

Winona Ltd will be entitled to a cash payment in respect of Research and Development Expenditure Credit (RDEC). the cash payment is the lower of:

- the RDEC = $(1,848,000 \times 13\%) = 240,240$

- the net value of the RDEC $(240,240 \times (100\% - 19\%)) = 194,594$

i.e 194,594

the remainder 45,646 $(240,240 - 194,594)$ is treated as a credit for the next accounting period.

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

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

Answer-to-Question-_32_

		UK business	Overseas Interest	Overseas Property
Tax adjusted trading income		55,000		
Overseas Interest	43000 x 100/86		50,000	
Overseas property business	87600 x 100/73			120,000
UK property biz loss relief		(55,000)		
Taxable profit		-	50,000	120,000
CT @19%			9,500	22,800
Tax credit: Lower of - Foreign tax suffered - UK CT			(7,000)	(22,800)
			-	-

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

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

Answer-to-Question- _33_

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

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

Answer-to-Question- 34

The transfer of assets within a gians group is automatically at nil gain nil loss.

the base cost to Raiyand will be 875, 475 as shown below;

An election is available for the building to be taken into stock at the indexed cost. This avoids a chargeable gain arising in Raiyland Ltd

Deemed proceeds			875,475
Cost			(675,000)
Indexation		$675000 \times (278.1-214.4) / 214.4$	(200,475)
Gain			-

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

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

Answer-to-Question- _35_

2. The fixed plant and machinery is a depreciating asset. rollover relief works differently in that the the base cost of the asset is not reduced by the deferred gain. The gain instead and frozen and crystallises at the earliest of

- The asset being sold
- the asset stopped being used in the trade
- 10 years from acquisition of the depreciating asset

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

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

Answer-to-Question- _36_

Installment payments = $3/8 \times 2,850,000 = 1,068,750$

Installments:

14.10.2021 = $3/8 \times 2,850,000 = 1,068,750$

14.01.2022 = $3/8 \times 2,850,000 = 1,068,750$

14.03.2022 = $2/8 \times 2,850,000 = 712,500$

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

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Paper: **CTA Awareness**

Part/Module: **Module D**

 -----ANSWER-37-BELOW-----

Answer-to-Question-_37_

		Non-savings	Savings	Dividend
State pension		9,339		
Pension		18,000		
Winter fuel allowance		200		
Child benefit		-		
Interest Income			1,200	
Shares in ISA				-
		27,339	1,200	
Less PA		(12,570)		
Taxable income		14,769	1,200	
Tax:				
14769 x 20%	2,954			
1000 x 0%	-			
200 x 20%	40			
	2,994			

 -----ANSWER-37-ABOVE-----

-----ANSWER-38-BELOW-----

Answer-to-Question- 38_

Rental income			160,000
Buildings insurance		7,000	
Window replacement		500	
Car	(5400 x 45p)	2,430	
Parking and tolls		172	
Total expenses			(10,102)
Property Income			149,898

-----ANSWER-38-ABOVE-----

 -----ANSWER-39-BELOW-----

Answer-to-Question-_39_

Reduncancy Pay		8,000
Ex-gratia payment		20,000
Car	12,210 x 4/12	4,070
Less Exempt limit		(30,000)
Taxable redundacny pay		2,070

Outplacemetn and counselling is atrading expense to the business

 -----ANSWER-39-ABOVE-----

-----ANSWER-40-BELOW-----

Answer-to-Question- 40

Holly hOuse:

Was furnished, in the UK, and available for let for more than 210 days.

It was also actually let for at least 210105 days in the year (17 weeks x 7 days = 119 days. Yes Holly house satisfies the conditions for furnished holiday lettings in 2021/22

Primrose Place:

Was furnished, in the UK, and available for let for more than 210 days (42 weeks x 7 days = 294 days). The longer term occupation was for no more than 155 days (10weeks x 7 days = 70 days).

Both cottages satisfy the conditions of Furnished holiday lettings

-----ANSWER-40-ABOVE-----

 -----ANSWER-41-BELOW-----

Answer-to-Question-_41_

List price			48,000
Accessories			
Alloy wheels		8,000	
Floor mats		95	
			8,095
Less Capital contibution	Max = 5,000		(5,000)
Revised list price			51,095
Car benefit	$51,095 \times 1\% \times 5/12$		213

 -----ANSWER-41-ABOVE-----

 -----ANSWER-42-BELOW-----

Answer-to-Question- 42

Grant - there is no tax on the grant of EMI options

Exercise: As the shares were granted at a discount, there is a tax charge on the discount value which is considered employment income:

The income tax on exercise will be:

Lower of:			
MV of shares at grant		3.80	
MV of shares at exercise		21.00	
Therefore			3.80
Less option price			3.50
			0.30
Employment income		50000 x 0.30	15,000

There will be a chargeable gain on the sale of the shares as shown below:

Procceds			1,200,000
Amount paid for shares	50,000 x 3.50		(175,000)
Lessa mount charged to income tax			(15,000)
Gain			1,010,000

The gain qualifies for Business Asset disposal relief.

-----ANSWER-42-ABOVE-----

-----ANSWER-43-BELOW-----

Answer-to-Question- _43_

Class 1 NIC = 36,000 + 1,000 = 37,000

Monthly slary = 36000/12 = 3000

Dec 2021 = 3000 + 1000 = 4000

Class 1 primary NIC:

11 Months (3000 - 797) x 12% x 11 = 2,908

Dec 21: (4000 - 797) x 12% = 385

Total Class 1 NIC = 3,293

Class 1 secondary NIC:

11 months = (3000-737) x 13.8% x11 = 3,435

Dec 21: (4000 -737) x 13.8% = 450

Total Class 1 Secondary NIC = 3,885

Class 1A: 180 x100/20 = 900 x 13.8% = 124

-----ANSWER-43-ABOVE-----

-----ANSWER-44-BELOW-----

Answer-to-Question- _44_

-----ANSWER-44-ABOVE-----

-----ANSWER-45-BELOW-----

Answer-to-Question- 45_

Cpompensation		15,000
Less	120,000 x 15000 / (15000 + 135,000)	(12,000)
		3,0000
On disposal		
Proceeds		200,000
Cost	(120,000 - 12,000)	108,000)
Restoration cost		10,000)
Chargeable gain		82,000

-----ANSWER-45-ABOVE-----

-----ANSWER-46-BELOW-----

Answer-to-Question- 46

Generally, only persons who are resident in the UK are subject to CGT. However, disposals of UK residential property by non-UK residents has become subject to CGT in the UK since 6.4.2015. Only gains arising after 6.4.15 are chargeable.

As the property was inherited/ acquired before 6.4.15, the default method could be used.

Default method: $\text{Gain} = 875,000 - 600,000 = 275,000$

Time apportioned method: $\text{Gain} = 875,000 - 350,000 = 525,000$

$6.4.15 - 5.4.2022 = 7 \text{ years}$

$7/14 \times 525,000 = 262,500$

If she makes an election to use the time apportioned method, the taxable gain will be 262,500.

-----ANSWER-46-ABOVE-----

-----ANSWER-47-BELOW-----

Answer-to-Question- 47 _

-----ANSWER-47-ABOVE-----

-----ANSWER-48-BELOW-----

Answer-to-Question- _48_

-----ANSWER-48-ABOVE-----

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Paper: **CTA Awareness**

Part/Module: **Module E**

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

Answer-to-Question- 49_

Y/e to 31.12.20			24,800
P/e to 30.6.21			10,900
Overlap profits			(540)
Assesable profit			35,160

Class2 NIC = $3.05 \times 52 = 159$

Class 4 NIC = $(35160 - 9568) \times 9\% = 2,303$

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

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

Answer-to-Question- 50_

Sales receipts		58,400 x 90%	52,560
Buildings insurance			(980)
Machinery			(10,600)
Loan interest		Limit is 500	(500)
Cost of travelling		1440 x 45p	(648)
TTP			39,832

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

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

Answer-to-Question- 51

Losses incurred in the first 4 tax years of trading can be used against net income of the 3 years preceding the year of the loss on a FIFO basis.

there is a restriction to the amount that must be set off against profits of other trades under s.72. The limit is the greater of :

- 50,000
- 25% of adjusted total income

the restriction does not apply where the loss is set against income from the same trade.

If Zoe makes the claim now, she could get a repayment from HMRC for over paid INCOME TAX IN PRIOR YEARS

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

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

Answer-to-Question- _52_

		Phil	Ray	Susan
11mths to 28.2.22				
Trade profit x 11/12	104,500			
Salary x 11/12	(16500)	3850	5500	7150
	88,000			
PSR(4:4:2)	(88,000)	35,200	35,200	17,600
1 month to 31.3.22				
Trade profit x 1/12	9,500			
Salary x 1/12	(1000)	350	-	650
	8500			
PSR (1:1)	(8500	4250		4250
less overlap profit	-		(1500)	
Assesable profit		43,650	39,200	29,650

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

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

Answer-to-Question- _53_

31.07.2022:

Second payment on account = $(7250 + 1230) \times 50\% = 4,240$

31.01.2023:

Class 2 NIC = 159

Capital gains tax = 4180

Balancing payment = $(8600 + 1440) - (4240 \times 2) = 1560$

1st payment on account = $(8600 + 1440) \times 50\% = 3,580$

Total payments due on 31.1.23 = 9,479

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

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

Answer-to-Question- _54_

	FYA	AIA	Main pool	Special rate	Allowance
WDV b/f			21,400	11,300	
Disposal				(4000)	
Electric car	21,000				
Machinery		140,000			
		140,000	21,400	7,300	
FYA @ 100%	(21000)				21000
AIA 100%		(140,000)			140000
WDA @ 18%			3852)		3,852
WDA @ 6%				(438)	438
Capital allowances	-	-	17548	6862	165,290

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

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

Answer-to-Question- _55_

- Nadia provides her own equipment. This is typical of self employment.

- Degree of integration into the organisation. Nadia has a duty to report the performance of apprentices to the managers

- Nadia went from working casual hours to working two days a week.

- nadia bears the financial risk as she is mainly offered work when extra help is needed. This is typical of self employment.

- Nadia has taken on other engagements with grow4, training their apprentices.

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

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

Answer-to-Question-_56_

		BADR gains	non-BADR gains
Goodwill	(38000 - 0)	38,000	
Premises	(160000 - 125,000)	35,000	
Painting			4,000
		73,000	4,000
Less AEA		8,300)	(4,000)
taxable gain		64,700	-
CGT @ 10%		6,470	

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

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

Answer-to-Question- 57

Gain on disposal of factory = 280,000 - 110,000 = 170,000

As not all proceeds were reinvested in the purchase of the replacement asset, a chargeable gain arises on the portion of the gain not reinvested: (280,000 - 230,000) = 50,000
50,000 will be chargeable in 2021/22

As the replacement asset is a depreciating asset, the remaining gain (170,000 - 50,000 = 120,000) is frozen and crystallises at the earliest of - the sale of the depreciating asset,
- ceasing to use the depreciating asset for trade purposes
- 10 years from acquisition of depreciating asset

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

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

Answer-to-Question- 58

1 - medical insurance is not allowable by statute as a trading expense and will need to be added back to trading profits.

2 - the operating lease cost is not allowable trading expense by statute and will have to be added back to the trading profits.

3. As the wages accrued are paid within 9 months of the end of the accounting period, the cost is allowable. no adjustment is required.

4. The loss is not allowable as the printing equipment is a fully depreciated asset. It will need to be added back

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

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

Answer-to-Question- 59

The transfer of the property will be treated as a disposal
for CGT purposes

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

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

Answer-to-Question-_60_

6.4.21 to 31.7.21	18000 x		(