

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module E**

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

Answer-to-Question-_49_

49)

1) Initial website costs are capital expenditure so will be disallowed in taxable trading profits.

2) Initial training for a proprietor is disallowed. This training is not relevant to her trade.

3) Pens at £10 each (less than £50) bearing the business website to give away are allowable as advertising costs.

4) Speeding fine incurred by staff are allowable in trade profits.

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

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

Answer-to-Question-_50_
50)

Adjusted trading profits	2,200
Capital allowances	(3,367)
Overlap profits	(800)

TTP	1,967
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Capital allowances:

	Pool	Car	CA's
WDV 1 Jan 20	8,000	3,000	
Disposals	<u>(7,000)</u>	<u>(6,500)</u>	
	1,000	3,500	
small pool	(1,000)		917
Balancing allowance		(3,500)	<u>2,450</u>
			3,367
WDV 30 Nov 20	nil	nil	

Balancing allowance restricted to business use of 70%.
Small pool claim scaled down for the 11 month period
x11/12.

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

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

Answer-to-Question-_51_
51)

The maximum trading loss of 2020/21 that may be relieved against net income of 2019/20 will be the greater of:

£50,000 or
25% of the adjusted total income; $160,000 \times 25/100 =$
£40,000

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

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

Answer-to-Question-_52_

52)

The bad debt receipt will be taxed in the year of receipt, so 2020/21, unless he wishes to elect to tax it in the year of cessation, if within 6 years.

Expenditure will be set against any post-cessation receipts, then any remaining expenditure will be set against income in the tax year of payment.

The expenditure could then be set against chargeable gains if there were any or carried forward against future post-cessation receipts.

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

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

Answer-to-Question-_53_

53)

The conditions to claim relief under s.86 ITA2007 are:

trade is transferred to a company
consideration is mainly in shares to the individual
total income for the year is derived from the company
the company carries on a trade within 5 years of the
date of transfer

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

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

Answer-to-Question-_54_

54)

Tax year of change is 31 Jan 2020 2019/20 or
31 May 2020 2020/21

The earliest of these is 2019/20

2018/19

CYB YE 31 Jan 19 36,000

2020/21

CYB 1 Jun 19-

31 May 20 57,600 x 12/16 = 43,200

GAP 2019/20

1 Feb 19-

31 May 19 57,600 x 4/16 = 14,400

36,000 x 8/12 = 24,000

38,400

Overlap b/f 4,000

Overlap 36,000 x 8 months 24,000

Overlap c/f 28,000

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

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

Answer-to-Question-_56_

56)

1) the £1,000 interest on the bank loan is qualifying interest to be deducted as a deductible payment to arrive at net income.

2) £1,600 x 12 monthly payments = 19,200
 less capital amount due (18,000)
 interest payable £1,200 will be allowable in arriving at taxable profits

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

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

Answer-to-Question-_57_

57)

	Premises	Goodwill
Gain	190,000	80,000

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

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

Answer-to-Question-_58_

58)

1) Latest date for Roger to amend his 2018/19 tax return is
31 January 2021

2) Latest date for HRMC to raise enquiry in to Roger's
2018/19 tax return is 22 August 2021

3) Penalties are a percentage of potential lost revenue,
minimum will be 30% with prompted disclosure or maximum 70%.

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

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

Answer-to-Question-_59_

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

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

Answer-to-Question-_60_
60)

Payments for 2020/21:

50% of 2019-20 liability = 13,163 due 31 January 2021

50% of 2019-20 liability = 13,163 due 31 July 2021

Balancing payment of £2,213 due 31 January 2022