Module E
Taxation of Unincorporated Businesses

1. Pamela is a sole trader. For her year ended 31 March 2017, Pamela made a trading loss of £18,000. This was set against her general income of 2016/17 for Income Tax purposes.

   For her year ended 31 March 2018, Pamela had trading profit of £65,000.

   You are required to:

   1) Calculate the Class 4 National Insurance Contributions payable by Pamela for 2017/18.

   2) Briefly explain whether your answer would have been any different had Pamela reached pensionable age on 1 May 2017.

2. For the year ended 31 March 2018, William, who is a sole trader, incurred motoring expenses as follows:

	£
Purchase of a van on 10 April 2017	3,000
Fuel for the van	8,000

   During the period to 31 March 2018, William drove 24,000 miles in the van of which 18,000 were business miles.

   You are required to briefly explain how relief will be given for William's motor expenses in the year ended 31 March 2018 if:

   1) The actual costs are claimed.

   2) Flat rate expenses are claimed.

3. On 1 January 2008, Simon began trading making up his first set of accounts to 31 December 2008. He continued to prepare accounts to 31 December until last year when he decided to change his accounting date to 31 May. His tax adjusted trading profits for recent periods were as follows:

	£
Year ended 31 December 2016	90,000
Period ended 31 May 2017	32,000
Year ended 31 May 2018 (estimated)	110,000

   You are required to:

   1) Briefly explain whether the change of accounting date will be valid for tax purposes.

   2) Calculate the assessable trading income for 2017/18 assuming that the change of accounting date is valid.

4. On 1 December 2017, Anna bought an office building for use in her trade for £1.3 million. In the sale agreement, £260,000 was allocated to fixtures. The seller, Trevor, had claimed capital allowances in respect of the fixtures based on their original cost of £290,000.

   Briefly explain the action which must be taken if Anna is to claim capital allowances in respect of the fixtures.

5. On 1 April 2016, Moira ceased to be employed having worked for her employer for over five years. On 1 January 2017, Moira began trading, making up accounts to 31 December. Moira's accounts for the year ended 31 December 2017 showed a trading loss of £48,000.

   For all tax years up to and including 2015/16, Moira's only income was from her employment. Moira had no other income in 2016/17 or 2017/18.

   You are required to:

   1) Calculate Moira's trading loss for 2017/18.

   2) Briefly explain how Moira will obtain relief for her loss for 2017/18 assuming that she makes a claim for early trade loss relief.

6. On 1 January 2017, Sam began trading as an events organiser. You have been given the following information for the year ended 31 December 2017:

   1) Sales were invoiced of £57,000.

   2) Debtors totalled £2,400 at 31 December 2017.

   3) Purchases were made of £28,000 all of which were paid in full at 31 December 2017.

   4) Purchases included goods costing £400 which Sam took for his own use. The sales value of those items was £600.

   5) A computer was purchased for £800. Sam uses the computer 80% for business purposes.

   6) Interest of £1,200 was paid on a business loan.

   7) Sam works from home for 30 hours per month.

   Calculate Sam's taxable trading profits for the year ended 31 December 2017 using the cash basis of accounting.

7. Philip and Matthew have traded in partnership for many years, making up accounts to 31 March. On 1 September 2017, they admitted Simon as a partner. The partnership's tax adjusted trading profit for the year ended 31 March 2018 was £240,000.

Philip and Matthew do not draw a salary. Simon's salary for the period from 1 September 2017 to 31 March 2018 was £25,000.

Profits were shared as follows after the deduction of salaries:

	Philip	Matthew	Simon
To 31 August 2017	50%	50%	n/a
From 1 September 2017	40%	40%	20%

Calculate each partners' trading income for 2017/18.

8. Joe is a sole trader. During the year ended 31 March 2018, Joe acquired a newly-registered zero emissions car for £25,000 and disposed of a van, receiving proceeds of £8,000 (cost £20,000).

Joe also acquired a machine costing £400,000. The machine was delivered on 1 February 2018 at which point Joe had an unconditional obligation to pay for it. Joe paid for the new machine as follows: £40,000 on 1 February 2018, £180,000 on 1 May 2018 and £180,000 on 1 August 2018.

The tax written down value of Joe's main pool at 31 March 2017 was £90,000.

Calculate the maximum capital allowances available for the year ended 31 March 2018.

9. On 1 October 2012, Charlie bought 100% of the issued share capital in Charlz Ltd, a trading company, and was appointed a full-time director. On the same day, Charlie bought the freehold of a building used by Charlz Ltd in its trade.

On 30 September 2017, Charlie sold his shares in Charlz Ltd, realising a gain of £280,000. On the same day, he also sold the freehold of the building, realising a gain of £170,000.

Between 1 October 2015 and 30 September 2017, the company paid Charlie a market rent for the building. No rent was paid in the period up to 30 September 2015.

Charlie was a higher rate taxpayer for 2017/18 and has not used any of his lifetime limit of entrepreneurs' relief.

Calculate Charlie's Capital Gains Tax liability for 2017/18 assuming that he made no other capital disposals during the year.

10. Glynis is a sole trader. On 1 September 2017, Glynis bought new premises for use in her business, paying £510,000. On 1 December 2017, she sold her old premises for proceeds of £630,000 and moved into the new premises. Glynis had bought the old premises for £180,000.

    Glynis intends to claim rollover relief in respect of the disposal of the old premises.

    You are required to:

    1) State the start date and the end date for the period during which Glynis needed to buy qualifying assets for a claim for rollover relief to be possible.

    2) Calculate the rollover relief and the remaining chargeable gain on the sale of the old premises assuming that a valid claim for rollover relief is made.

11. On 28 February 2018, Eric sold an asset used in his business for proceeds of £400,000, payable in eight equal annual instalments. Eric received the first instalment of £50,000 on 28 February 2018.

    Eric's liability to Capital Gains Tax in respect of the disposal was £76,940 and he has applied to pay this amount in instalments.

    Briefly explain how each instalment of Capital Gains Tax will be calculated and the relevant due dates for payment.

12. On 1 August 2017, David gave shares in his personal trading company, Trublz Ltd, to his daughter, resulting in a gain of £89,000 based on the market value of the shares.

    Trublz Ltd held the following assets at 1 August 2017:

	Market value £
Premises	128,250
Shares in listed companies	6,750
Stock	4,800

    You are required to:

    1) Calculate David's chargeable gain after a claim for gift relief.

    2) State the date by which the claim for gift relief must be made.