

**Awareness**

**Module C: Corporation Tax**

**November 2024**

**Suggested answers**

25)

	£	
TTP of £155,000 at main rate of 25%	38,750	1
Less, marginal relief		1
$(3/200) \times (£187,500 - £170,000) \times (£155,000 / £170,000)$	(239)	1
Corporation Tax payable	<u>£38,511</u>	
Working: time apportion limits for 9 months		1
Lower limit: £50,000 x (9/12)	£37,500	
Upper limit: £250,000 x (9/12)	£187,500	
Due date: 1 January 2025		1

26)

	£	
Accounting profit	420,000	
Add:		
Pension contributions paid after year end	2,500	1
Loss on the disposal of a fixed asset	4,700	1
Leasing costs (15% disallowance as CO <sub>2</sub> emissions exceed 50g/km)	1,200	1
Theft by an employee	-	1
Depreciation	12,500	1
Tax adjusted trading profit before capital allowances	<u>£440,900</u>	

27)

	FYAs £	General pool £	Special rate pool £	CAs £	
Balance b/w/d		120,000	62,000		
Addition: integral features			40,000		1
Addition: goods vehicle	25,000				
100% FYA	(25,000)			25,000	1
AIA			(30,000)	30,000	1
Disposal proceeds		<u>(12,000)</u>			
		108,000	72,000		
WDA at <b>18%/6%</b> x (9/12)		(14,580)	(3,240)	17,820	1
Maximum CAs claim				<u>£72,820</u>	
Balance c/w/d		<u>£93,420</u>	<u>£68,760</u>		1*

**\*1 mark for time apportioning WDA and not time apportioning FYA**

28)

	£	
Rent receivable (accruals basis)	24,000	1
Less:		
Letting agent fees	(3,600)	1
Replacement boiler	(3,000)	1
New dishwasher (not a replacement)	-	1
Interest payable (NTLR debit)	-	1
Property business income	<u>£17,400</u>	

29)

- A restriction on the use of a trading loss applies where:
- There has been a change in ownership of the company, and 1
  - Within a 5-year period beginning up to 3 years before the change in ownership, there has been a **major change in the nature or conduct of the trade.** 1

Both conditions are satisfied here as Mr Tavy acquired **more than 50% of the share capital** and within the 5-year period, there has been a major change in the **customers** of the business. 1

As a result, trading losses incurred before the change of ownership on 1 July 2023 may not be offset against profits generated after that date. 1

The loss for the year ended 31 December 2023 is time-apportioned so that only £60,000 (£120,000 x 6/12) is available for offset against the company's profits for the year ended 31 December 2024. 1

30)

	YE 30/09/22 £	YE 30/09/23 £	YE 30/09/24 £	£
Trading profit	180,000		30,000	
UK property business income	10,000	12,000	14,000	
Capital gain			25,000	
Capital loss b fwd			<u>(22,000)</u>	1
			3,000	
	<u>190,000</u>	<u>12,000</u>	<u>47,000</u>	
Trading loss relief – CY		(12,000)		1
Trading loss relief – CB	(68,000)			1
Taxable total profits	<u>£122,000</u>	<u>£Nil</u>	<u>£47,000</u>	2*

**One mark for no deduction for the charitable donation and one mark for no relief claimed for the overseas property business loss.**

31)

Group relief may be claimed where companies are in a 75% group. Ayevon Ltd is in a 75% group with Tweeed Ltd as it is a 75% subsidiary of Tweeed Ltd. 1

The maximum amount that may be surrendered is the lower of Ayevon Ltd's available loss and Tweeed Ltd's available taxable total profits for the common period:

- Beginning on the date that Ayevon Ltd joined the group – i.e. 1 January 2024, and 1
- Ending on the last day of the common period – i.e. 30 June 2024 1

Therefore 6/10 of Ayevon Ltd's loss of £90,000 = £54,000. 1

Ayevon Ltd's remaining loss for the period ended 30 June 2024 will be available to surrender to Tweeed Ltd as brought-forward group relief once 5 years from the end of the accounting period in which the new group was joined has elapsed. 1

32)

In respect of Mrs Edn:

	£	
Balance at 31 December 2023 (£50,000 - £10,000)	40,000	1
Less amounts repaid/written off within nine months of the year end:		
Written-off on 19 June 2024	(15,000)	1
Repaid on 1 November 2024	-	1
	£25,000	
s.455 tax payable at 33.75%	£8,437	1

No s.455 tax payable in respect of Mr Dee as he is not a participator (not a shareholder) 1

33)

	Business Use (BU) 75% £	Non- business use 25% £	
Proceeds of Building One (£1,400,000)	1,050,000	350,000	
Less cost (£560,000)	(420,000)	(140,000)	
	630,000	210,000	1
Indexation: $[(278.1-241.8)/241.8] = 0.150$			
0.150 x £560,000 = £84,000	(63,000)	(21,000)	1
Gain	567,000	189,000	
Less rollover relief (BU = balancing figure)	(117,000)		1+1
Chargeable gain: BU = (£1,050,000 - £600,000)	450,000	189,000	
Total gain (£450,000 + £189,000)		£639,000	
Base cost of building Two (£600,000 - £117,000)		£483,000	1

34)

As Donnn Ltd leaves Teemm Ltd's group within 6 years of a no-gain-no-loss intra-group transfer of a chargeable asset, a degrouping charge arises. 1

The degrouping charge is calculated by reference to the market value of the asset at the date of the transfer. 1

The degrouping charge is added to the proceeds of the sale of the shares in Donnn Ltd. Should a degrouping loss arise, it is added to the allowable cost of the shares. 1

As Donnn Ltd is an investment company, the disposal of the shares will not be exempt under the substantial shareholdings exemption. 1

An election may be made for the degrouping gain or loss to be reallocated to another group member in the same way as any other gain or loss. 1

35)

The transfer pricing rules will apply as the following conditions are met:  
- The companies are connected as Ribl controls Bannn Ltd. 1  
- The transaction will take place on a non-arm's length basis. 1  
- Bannn Ltd has a UK tax advantage as a result of the transaction as its taxable profits in the UK are reduced. 1

The exemption for small and medium-sized enterprises will not apply as Bannn Ltd has over 250 employees. 1

As a result of the transfer pricing rules applying, Bannn Ltd must make an adjustment in its company tax return based on the arm's length price. 1

36)

		£	
<b>14/07/2024</b>	(3/8 x £960,000)	<b>360,000</b>	<b>2</b>
<b>14/10/2024</b>	(3/8 x £960,000)	360,000	<b>1</b>
<b>14/12/2024</b>	(2/8 x £960,000)	<b>240,000</b>	<b>2</b>
		<u>£960,000</u>	