

The Chartered Tax Adviser Examination

May 2021

Application and Professional Skills

Human Capital Taxes

Pre-seen information

You may print this copy of the pre-seen information for your exam, however it will be contained in the final Exhibit in each question.

Pre-seen information

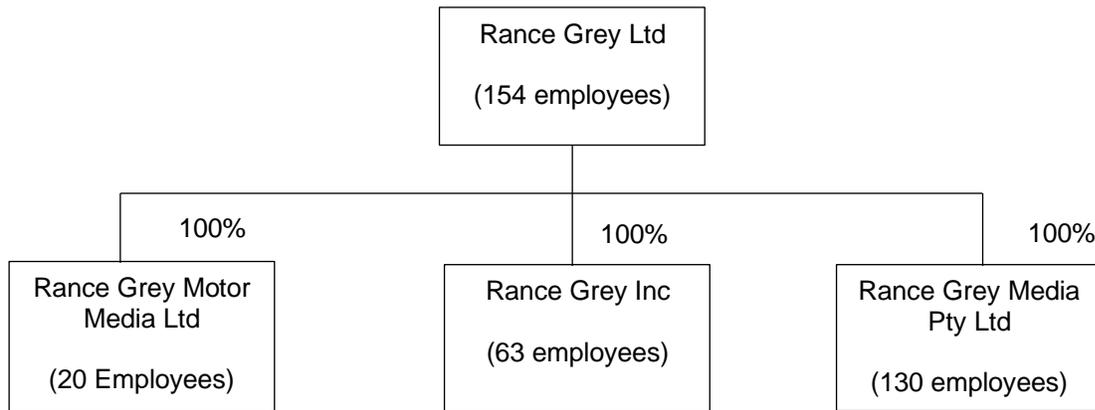
Clients

Rance Grey Ltd and Rance Grey Motor Media Ltd.

Business Description

Rance Grey Ltd is a privately owned digital advertising and media business providing campaigns and social media services to a range of businesses mainly in the UK, US and Australia. It was formed in 1994 and moved from traditional to online advertising and media in 2005.

Group Structure



Rance Grey Inc is incorporated and tax resident in the US.

Rance Grey Media Pty Ltd is incorporated and tax resident in Australia.

Company Ownership

Rance Grey Ltd has 200 ordinary shares of £1 held as follows:

	<u>Number of Shares</u>
Rance Toms	120
Amparo Grey	80

Directors

Managing Director	Rance Toms
Operations Director	Amparo Grey
HR Director	Jinny Barbayas
Finance Director	Freya Archibald

Pension Arrangements

Rance Grey Ltd and Rance Grey Motor Media Ltd each have a defined contribution company pension scheme. Employees may start to receive pension benefits at age 55.

Continued

Continuation

Profit Before Tax Year Ended 31 December 2020

	<u>Rance Grey Ltd</u>		<u>Rance Grey Motor Media Ltd</u>	
	£	£	£	£
Turnover		37,729,650		1,936,490
Non-Trading Income		101,050		-
Less: Cost of sales		<u>(11,750,045)</u>		<u>(229,450)</u>
Gross Profit		26,080,655		1,707,040
Bank interest receivable		14,500		0
Expenditure				
Wages and salaries	12,105,000		880,000	
Depreciation expense	65,850		12,500	
Cash donations to charity	35,000		-	
Motor expenses	921,750		38,150	
Office expenses	<u>3,251,860</u>		<u>824,640</u>	
		<u>(16,379,460)</u>		<u>(1,755,290)</u>
Profit (Loss) before tax		<u>£9,715,695</u>		<u>£(48,250)</u>

Balance Sheets at 31 December 2020

	<u>Rance Grey Ltd</u>	<u>Rance Grey Motor Media Ltd</u>
	£	£
Freehold property	2,400,000	-
Plant & machinery	1,800,500	139,000
Debtors/inventory	850,000	39,000
Bank current account	1,250,000	175,500
Bank deposit account	2,950,000	340,500
Less: creditors	<u>(85,000)</u>	<u>(359,000)</u>
	<u>£9,165,500</u>	<u>£335,000</u>
Capital & Reserves		
Share capital	200	100
Profit & Loss	<u>9,165,300</u>	<u>334,900</u>
	<u>£9,165,500</u>	<u>£335,000</u>