Institution **CIOT - CTA**
Course **Awareness**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 1	**162**	**748**	**901**
Section 2	**13**	**56**	**64**
Section 3	**65**	**264**	**309**
Section 4	**119**	**537**	**651**
Section 5	**144**	**563**	**681**
Section 6	**80**	**384**	**460**
Section 7	**15**	**67**	**80**
Section 8	**79**	**337**	**413**
Section 9	**55**	**256**	**291**
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Section 11	**43**	**191**	**228**
Section 12	**103**	**438**	**512**

Answer-to-Question-_1_

1)

Historic test - if taxable supplies are not over the VAT threshold in the last rolling 12 months and not expected to be in the next 12 months, then no compulsory VAT registration.

Her taxable supplies are £7,250 x 12 = £87,000 and the VAT threshold is currently £90,000 so she doesn't exceed the limit.

Future test - need to register if taxable supplies in the next 30 days alone are going to exceed the threshold. £7,250 is less than 90k so no compulsory registration.

2)

She can register on a voluntary basis.

If she has purchases that relate to the taxable supplies then she could claim back the input VAT on these.

More administration work which may mean she doesn't want to register voluntarily.

She may need to increase her prices if she registers - some customers may not like this so needs to weigh up business decision.

Being VAT registered can help with credibility for things like gaining loans.

--------------ANSWER-1-ABOVE---------------

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\--------------ANSWER-2-BELOW---------------

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Answer-to-Question-_2_

1) Standard Rated
2) Zero rated
3) Exempt
4) Exempt
5) Reduced rated

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\--------------ANSWER-2-ABOVE---------------

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--------------ANSWER-3-BELOW---------------

Answer-to-Question-_3_

1)

	£	Workings	
Output VAT SR supplies	40,000	200,000 x 20%	
Output VAT ZR supplies	-		
adj for bad debt relief	(320)	(900 + (2,100 - 1,400)) x 20%, can only claim for items written off in accounts plus 6 months after due date of invoice	
Input VAT SR purchases	(10,000)	50,000 x 20%	
Input VAT ZR purchases	-		
VAT Due	**29,680**		

2)
2 years

--------------ANSWER-3-ABOVE---------------

--------------ANSWER-4-BELOW---------------

Answer-to-Question-_4_

Jose can deregister if his expected taxable supplies in the next 12 months are less than the deregistration threshold.

Deregistration threshold is currently £88,000 which is more than £75,000 so Jose can voluntarily deregister if he wishes.

If he has assets on hand at the deregistration date that he has claimed input VAT on, then he must do an output VAT adjustment on the final VAT return for these amounts.

The assets should be valued at the replacement market price at the date of deregistration.

If the VAT due on the assets is less than £1,000 then HMRC waive the right to it and he won't need to pay it to them, or declare on the final VAT return.

--------------ANSWER-4-ABOVE---------------

--------------ANSWER-5-BELOW---------------

Answer-to-Question-_5_

For each late VAT filing, he will incur a penalty point - each of the VAT returns shown will incur a penalty point.

Late payment penalties only start when VAT is over 15 dyas late and is a percentage of the VAT due at day 15.

	Late Filing Penalty Point	Late Payment Penalty	Workings / comments
30 Jun 2024	1	-	not more than 15 days late
30 Sep 2024	1	£900	£45,000 x 2%
31 Dec 2024	1	-	VAT repayment so no late payment penalty
31 Mar 2025	1	£1,400	35,000 x 4%
Late filing penalty as reached 4 points	£200		
TOTAL PENALTIES	**£2,500**		

Late payment interest Sep 2024 45,000 x 20 / 365 x 7.75% = £191
Late payment interest Dec 2024 = nil as repayment
Layte payment interest Mar 2025 = 35,000 x 35 / 365 x 7.75% = £260

--------------ANSWER-5-ABOVE---------------

--------------ANSWER-6-BELOW---------------

Answer-to-Question-_6_

Need to be directly or indirectly at least 50% controlled by the same person - all companies are.

Needs to be UK established though so exclude Saapphine Inc.

Therefore VAT group = Goolld, Sielver, Broonze, Coppper. If Jasmine is in business/trading and VAT registered, she can also join the VAT group.

As Sielver has monthly VAT returns, it may not be beneficial to join the VAT group as they will need to change to quarterly returns, which could affect cashflow.

--------------ANSWER-6-ABOVE---------------

--------------ANSWER-7-BELOW---------------

Answer-to-Question-_7_

Standard rated:
1,500,000 x 4,000,000 / (4,000,000 + 2,000,000) x 1 / 6 = £16,667

--------------ANSWER-7-ABOVE---------------

--------------ANSWER-8-BELOW---------------

Answer-to-Question-_8_

VAT is based on the place of supply.

If place of supply is where Ganndy is based then UK VAT will be chargeable at the required rate.

If place of supply is where cusotmer is based then that other coutnry will be the place of supply.

For a business to business transaction, the place of supply is where the customer is based - in this case SPain. Therefore, the exports of both goods and services will be zero rated.

--------------ANSWER-8-ABOVE---------------

--------------ANSWER-9-BELOW---------------

Answer-to-Question-_9_

Flate Rate scheme:

	£	Workings	
Output VAT	11,970	(95,000 x 120%) x 10.5%	
Input VAT	Nil	Can only claim asset of more than £2,000 inclusive)	
Payable	11,970		

Normal scheme:

	£	Workings	
Output VAT	19,000	95,000 x 20%	
Input VAT	(4,000)	20,000 x 20%	
Payable	15,000		

Therefore, the saving will be 15,000 - 11,970 = £3,030

--------------ANSWER-9-ABOVE---------------

--------------ANSWER-10-BELOW--------------

Answer-to-Question-_10_

Business must be a going concern.

Purchaser must register for VAT from the day they take over.

Jane must deregister from date of sale and adjust for any assets sold where input VAT was claimed.

Purchaser must mean to continue the business as it was previously when Jane had it.

--------------ANSWER-10-ABOVE--------------

--------------ANSWER-11-BELOW--------------

Answer-to-Question-_11_

Stamp duty is payable on the consideration paid - whether in cash or kind.

Therefore Stamp Duty:
(100,000 + 7,500) x 0.5% = £537.50
Rounded up to nearest £5 = £540

Payable by the purhcaser = Averil

Payable within 30 days of purchase.

--------------ANSWER-11-ABOVE--------------

--------------ANSWER-12-BELOW--------------

Answer-to-Question-_12_

1)

Band	Rate	Stamp Duty	Workings	
		£		
0 - 425,000	0%	-	First time buyer plus main residence. Total residence amount less than £625k so FTB residential rates applicable	
425,000 - 625,000	5%	8,750	(600,000 - 425,000) x 5%	
Total		8,750		

2)
Stacey is not a first time buyer so rates will be the standard residential ones rather than first time buyer.

She also owns and lives in another property so will have the additional 3% stamp duty on top.

STacey:	Rate	Stamp Duty	
		£	
0 - 250k	3%	7,500	250,000 x 3%
250k - 925k	8%	28,000	350,000 x 8%
Total		35,500	

--------------ANSWER-12-ABOVE--------------

Institution **CIOT - CTA**
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Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 13	**69**	**307**	**363**
Section 14	**65**	**289**	**334**
Section 15	**107**	**476**	**560**
Section 16	**55**	**253**	**285**
Section 17	**151**	**609**	**751**
Section 18	**78**	**373**	**435**
Section 19	**29**	**141**	**155**
Section 20	**58**	**310**	**344**
Section 21	**115**	**444**	**551**
Section 22	**61**	**273**	**304**
Section 23	**36**	**194**	**213**
Section 24	**125**	**522**	**642**

--------------ANSWER-13-BELOW--------------

Answer-to-Question-_13_

Value is the loss to the donor.

Must take into account related property rules so includes Albert's share

	£	Workings	
Value before transfer	585,000	6,000 / (6,000 + 2,000) x 780,000	
Value after transfer	Nil		
Value of transfer	585,000		

£3,000 AE used up by gifts to niece.

If she dies within 7 years then NRB can be used against this and value will be 585,000 - 325,000 = £260,000

--------------ANSWER-13-ABOVE--------------

--------------ANSWER-14-BELOW--------------

Answer-to-Question-_14_
1)

	£		
14/03/25 gift	450,000		
Less 2024/25 AE	(3,000)		
Less 2023/24 AE	(3,000)		
Less NRB	(325,000)		
Plus NRB used by prior transfer within 7 years	275,000		
Chargeable	394,000		
Lifetime IHT @ 20%	78,800		

Due date later of 6 months from month of transfer or 30 April 2025.
Therefore, due date = 30 Sep 2025

2)
Within 12 months from the month of transfer = 31/03/26

--------------ANSWER-14-ABOVE--------------

--------------ANSWER-15-BELOW--------------

Answer-to-Question-_15_

All in £:

Seth death:
family home left to direct descendant so RNRB available.

RNRB at 10 April 2017 = 100,000.
Home less than this so:
(100,000 - 55,000) / 100,000 = 45% remaining to give to Matilda

Richard death:
family home left to direct descendant so RNRB available.

RNRB at death date = 150,000

Home less than this so:
(150,000 - 60,000) / 150,000 = 60% remaining to give to Matilda

Matilda death:

	£		
Matilda RNRB	175,000	available as left to son	
Seth RNRB	78,750	45% x 175,000	
Richard RNRB	96,250	55% x 175,000 - as total RNRB transferred is limited to 100%	
Total RNRB	350,000		

--------------ANSWER-15-ABOVE--------------

--------------ANSWER-16-BELOW--------------

Answer-to-Question-_16_

1)

	£	Workings	
Necklace	194,000		
Less AEs 2019/20 and 2018/19	(6,000)		
Less NRB	(325,000)		
Plus NRB already used by CLT	152,250		
Chargeable	15,250		
IHT @ 40%	6,100		
Taper relief	(3,660)	60% x 6,100	
IHT Payable	2,440		

2)
Payable by beneficiary = Catherine.

Payable by 6 months after the month of death = 31 Aug 2025.

--------------ANSWER-16-ABOVE--------------

--------------ANSWER-17-BELOW--------------

Answer-to-Question-_17_

1)
Margarethe is domiciled in Denmark and has not been resident in the UK for at least 15 out of the last 20 years and so is not deemed domicile in the UK either.

Normally spousal exemption exempts all things left to a spouse on death but if the spouse is not UK domicile (as in this case) then this is limited to £325,000.

2)
Margarethe could elect to be treated as UK domicile for IHT at any time before the death and up to 7 years after death.

This would mean that the full spousal exemption is available.

It would also mean that her enitre estate will be subject to UK IHT on her death.

3)
If she leaves the UK and doesn't return for more than 4 tax years (after 5 April 2030. then the election is revoked and she can once again be non UK domicile for IHT

--------------ANSWER-17-ABOVE--------------

--------------ANSWER-18-BELOW--------------

Answer-to-Question-_18_

APR would potentially be available at 100% on the agricultural value of the farmland (500,000) as the tenanted land had been owned for more than 7 years and farmed the whole time.

As the trust had sold the farmland though and not fully reinvested the proceeds in more farmland, APR is not available on his death.

Death estate	£		
Market Value	960,000		
NRB	(325,000)		
Chargeable	635,000		
IHT @ 40%	254,000		
Less IHT already paid	(33,750)		
IHT payable	220,250		

--------------ANSWER-18-ABOVE--------------

--------------ANSWER-19-BELOW--------------

Answer-to-Question-_19_

	£	Workings	
Death estate	895,000		
Less NRB	(325,000)		
Chargeable	570,000		
IHT @ 40%	228,000		
Less QSR	(30,881)	46,000 x 80% x 240,000 / (240,000 + 46,000)	
IHT Payable	197,119		

--------------ANSWER-19-ABOVE--------------

--------------ANSWER-20-BELOW--------------

Answer-to-Question-_20_

	£		
House	1,450,000		
Shares	100,000		
Cash & chattels	690,000		
Debts	(120,000)		
Estate before reliefs	2,120,000		
Less BPR	(100,000)		
Less NRB	(325,000)		
Plus NRB used by CLT	260,000		
Less RNRB	(115,000)	Restricted as estate more than 2 millions so taper away. 175,000 - ((2,120,000 - 2,000,000) / 2)	
Less Charity exemption	(500,000)		
Chargeable estate	1,340,000		
IHT @ 36%	482,400		

--------------ANSWER-20-ABOVE--------------

--------------ANSWER-21-BELOW--------------

Answer-to-Question-_21_

1)
As he is not UK domicile, only the UK assets are subject to UK IHT.

1 - Not applicable for UK IHT as partnership is based in Greece and it is where he partnership is located
2 - Yes subject to UK IHT, as property is located in the UK.
3 - Not subject to UK IHT as shares are where the share register is kept/company is resident (Canada)

2)
If he dies in the 2025/26 tax year, he will have been UK resident for 15 out of the last 20 tax years so he will be deemed UK domicile for IHT purposes.

Therefore, all his worldwide assets will be subject to UK IHT.

--------------ANSWER-21-ABOVE--------------

--------------ANSWER-22-BELOW--------------

Answer-to-Question-_22_

1)

	£	Workings	
	Dividend		
Income	250,000		
Less Man exps	(6,000)	Grossed up 5,475 x 100 / 91.25	
Taxable dividends	244,000		
Tax on dividends @ 39.35%	96,014	244,000 x 39.35%	
Tax on man exps @ 8.75%	525	6,000 x 8.75%	
Income Tax Payable	**96,539**		

2)

Tax Pool	£		
b/f	500		
Plus Tax Paid	96,539		
Less Distrubitons	(33,000)		
Tax Pool c/f 05/04/25	64,039		

--------------ANSWER-22-ABOVE--------------

--------------ANSWER-23-BELOW--------------

Answer-to-Question-_23_

	£	Workings	
Proceeds	950,000		
Less selling costs	(12,500)		
Less original cost	(793,000)	950,000 / (600,000 + 950,000) = 61% 61% x 1,300,000 = 793,000	
Annual Exemption	(1,500)		
Chargeable	143,000		
IHT@ 20%	28,600		

No indexation as land.

--------------ANSWER-23-ABOVE--------------

--------------ANSWER-24-BELOW--------------

Answer-to-Question-_24_

The gift of the house to Maryam is a PET and in theory won't form part of his estate and be potentially chargeable to IHT unless he dies within 7 years.

However, as he conitnued to live in the house alone (had exclusive use of it) and did not pay market rent to Maryam, this will fall under the Gift With Reservation of Benefits rules.

Is he had paid market rent then the house could be excluded from his estate but he did not.

Therefore, the house will therefore form a part of his estate on his death.

As he is leaving his estate to a direct descendant, the Residence Nil Rate Band of 175,000 will be available for him to use against the house.

--------------ANSWER-24-ABOVE--------------

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Count(s)	Word(s)	Char(s)	Char(s) (WS)
Section 25	**106**	**452**	**524**
Section 26	**47**	**251**	**279**
Section 27	**69**	**295**	**341**
Section 28	**100**	**430**	**511**
Section 29	**74**	**369**	**421**
Section 30	**73**	**386**	**442**
Section 31	**94**	**392**	**465**
Section 32	**63**	**320**	**354**
Section 33	**95**	**424**	**504**
Section 34	**28**	**169**	**175**
Section 35	**97**	**449**	**532**
Section 36	**103**	**423**	**520**

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

Answer-to-Question-_25_

2 associated comapnies (as foreign trade is not confirmed to be from a controlled company so exclude)

Higher Limit = 250,000 / 2 = 125,000

Lower limit = 50,000 / 2 = 25,000

Ganimeed:	£	£	Comments
	UK	Foreign	
Trade Profits	300,000	100,000	add tax paid to profits for the foreign amount
CT @ 25%	75,000	25,000	
Less foreign tax credit		(25,000)	being the lower of the UK tax due and the foreign tax paid
CT payable	75,000	Nil	

Uropah pays at marginal rate

Uropah:	£	Workings	
CT at 19%	4,750	25,000 x 19%	
CT @ 26.5%	3,975	(40,000 - 25,000) x 26.5%	
CT Payable	8,725		

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

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

Answer-to-Question-_26_

	£		
Accounting profit	2,400,000		
Add back:			
Amortisation	5,300		
Loan Interest	13,000	Not a trading loan so add back but deduct from NTLR income	
Pension conts.	8,000	Pensions must be paid within the year	
Finance lease depreciation	3,000	add back 15%	
Less:			
Staff bonuses	(200,000)		
Trade profits	2,229,300		

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

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

Answer-to-Question-_27_

£20,000 is treated as incurred 1 Nov 2024.
Payments need to be paid within 6 months to be included at the same time. - 15,000 was but 1 May is just after the 6 month limit by 1 day.

	£	AIA			CAs
	Main Pool				
b/f	42,000				
2nd hand machine		35,000 (35,000)			(35,000)
computer disposal	(3,800)				
Subtotal	38,200				
WDA @ 18%	(6,876)				(6,876)
WDV c/f 31/12/24	31,324				
Total CAs					**41,876**

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

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

Answer-to-Question-_28_

All in £:

	Warehouse			
Value for SBA	220,000	Warehouse needs to be calculated based on the construction value		
SBA @ 3%	(4,950)	220,000 x 9 months / 12 x 3%. Apportioned for time used in financial year		

	Student Acc		
Value for SBA	1,300,000		
SBA @ 3%	(26,000)	1,300,000 x 8 months / 12 x 3%. Apportioned for time used in financial year	

	Office		
Value for SBA	600,000	Office needs to be calculated based on the construction value	
SBA @ 3%	(6,000)	600,000 x 4 months / 12 x 3%. Apportioned for time used in financial year	

TOtal SBA = £36,950

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

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

Answer-to-Question-_29_

Assume merged scheme as no conditions for SME intensive mentiuoned.
RDEC credit is 20% of the qualifying R&D expenditure.

Qualifying Expenditure:

	£		
Rent	-	Rent not qualifying exp.	
Gas & Elec	2,000		
P&M	-	Not qualifying for R&D - can claim CAs though	
Salary of staff member	18,700	22,000 x 85%	
Dividends	-	Not qualifying within staff costs - only wages, bonuses etc. DIvidends are excluded.	
Total Qualifying expenditure	20,700		
RDEC AT 20%	4,140		

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

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

Answer-to-Question-_30_

Proceeds not fully reinvested in 2016 so 800,000 - 600,000 = 200,000 must be left chargeable.

Therefore 450,000 - 200,000 = 250,000 available for rollover relief to decrease the base cost of the new factory

	£		
Proceeds	1,100,000		
Selling legal fees	(4,500)		
Less COst	(600,000)		
Plus Rollvover relief	250,000		
Less Extension	(120,000)		
Unindexed Gain	625,500		
Indexation	(21,350)	(278.1 - 262.1) / 262.1 rounded to 3d.p = 0.061. 0.061 x 350,000	
Capital Gain	**604,150**		

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

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

Answer-to-Question-_31_

Mr Newton does not own more than 5% of the company so can ignore the loan to him for S455 purposes.

For Mrs Hubble, corporation tax will be calculated on the lower amount of the loan still outstanding:
1 - at the year end
OR
2 - 9 months and 1 day after the YE

Mrs Hubble Loan	£		
Mar 2024	30,000		
Loan at 30/06/24	**30,000**		
Jan 2025	(16,000)		
25/03/25	(10,000)		
28/03/25	10,000		
Loan at 01/04/25	**14,000**		

Therefore, CT will be payable by Narvee at 33.75 % of £14,000 = £4,725

Payable on 01/04/25

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

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

Answer-to-Question-_32_

	YE 31/03/23	YE31/03/24	YE 31/03/25	
Trade Profit	5,000	16,000	13,000	
UK Prop income	6,000	-	8,000	
Overseas prop income	3,000	-	4,000	
Current year UK prop relief		(16,000)		
Carry back UK Prop loss against Trade Profit & UK prop Income	(11,000)			
Carry forward UK Prop income against trade profit			(13,000)	
C/F Overseas loss against overseas income			(4,000)	
Chaity		Wasted		
TTP	3,000	Nil	8,000	

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

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

Answer-to-Question-_33_

For group loss relief, direct control by the same entity must be 75% and indirect must also be 75%.
Gains groups can be 75% direct control and 50% indirect contorll

Denbowla is only 90% x 80% = 72% controlled so can't group relieve losses.

	£		
Trade profit	90,000		
Trade loss relieved from Canopuz	(40,000)	60,000 x 8 / 12 as resitrcited by common period = 8 months	
Capital gain	30,000		
Capital loss group relieved	(20,000)	30,000 x 8 / 12. Restricted to 8 months as above but based on the gain available amount	
TTP	60,000		

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

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

Answer-to-Question-_34_

Shares	£		
Proceeds	2,000,000		
Cost	(800,000)		
Legal COsts	(10,000)		
Degrouping charge	120,000	720,000 - 600,000	
Gain	1,310,000		

Warehouse	£		
Proceeds	750,000		
Cost	(500,000)	Use market value	
Gain	250,000		

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

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

Answer-to-Question-_35_

CFC charge is only levied on companies that own at least 25% of the CFC.

Therefore, Tellesto does not need to include CFC charge in it's account.

Tietn will need to include a proportion of Kalipsew's profits in it's accounts - apportioned for its 80% shareholding.

The charge is levied on the profits for the CFC year ended that falls within Tietn's financial year. Therefore, for Tietns YE 31 December, we will use the 31 March 2024 figures.

Titen	£		
CFC charge	176,000	220,000 x 80%	
CT@ 25%	44,000		
Less Foreign tax paid	(20,000)		
Tax paid	24,000		

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

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

Answer-to-Question-_36_

As Mr Hally is an individual, Urydome will need to pay him the interest net of 20% tax.

For tax year ended 05/04/25, they will need to pay 10,000 - (10,000 x 20%) = £8,000.

He will then claim the tax witheld as a credit in his 2024/25 tax return as it relates to that year, even though it was paid in the 2025/26 tax year.

Urydone will need to accrue for the interest paid in its accounts.

Urydome will need to submit a CT61 to HMRC detailing the interest paid and tax witheld.

Urdome will need to do a quarterly CT61 return.

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