

The Chartered Tax Adviser Examination

November 2024

Application and Professional Skills

Taxation of Larger Companies and Groups

Pre-seen information

You may print this copy of the pre-seen information but you will not be permitted to take this into the test centre. It will be contained in the final Exhibit in each question.

Pre-seen information

Client information

Norwal Inc

Norwal Inc was incorporated and is resident in Ruritania. It was founded in 2016 and since then, it has been a retailer, operating principally through online channels, although retail premises have been established in a number of flagship locations worldwide.

Directors

Managing Director – Jeff Spillar
Finance Director – Alex Schmidt

Each of the directors holds 5% of the share capital of the company with the remaining 90% owned by private equity group.

Summarised group structure

In addition to online operations, Norwal Inc trades through overseas branches in the United Kingdom, Portugal, Poland and Spain where its flagship retail premises are located. It does not hold shares in any companies.

Norwal Inc and its branches employs approximately 5,000 staff worldwide.

Norwal Inc and its branches prepare accounts to 30 June.

Ruritanian information

One Ruritanian Yen is worth approximately £2.

Ruritania taxes all profits of overseas branches, with full relief for any overseas tax suffered in the absence of specific double tax treaties providing otherwise.

Financial information for Norwal Inc

Income Statement

Year ended 30 June	<u>2024</u>	<u>2023</u>
	R Yen	R Yen
	(million)	(million)
Revenue	2,460	2,320
Cost of sales	<u>(1,476)</u>	<u>(1,400)</u>
Gross profit	984	920
Administrative expenses	<u>(935)</u>	<u>(897)</u>
Profit before tax	49	23
Tax expense	<u>(10)</u>	<u>(7)</u>
Profit after tax	<u><u>39</u></u>	<u><u>16</u></u>

Continued

Statement of Financial Position

At 30 June	<u>2024</u> R Yen (million)	<u>2023</u> R Yen (million)
Fixed assets:		
Land and buildings	740	750
Plant and machinery	460	425
Intangibles	<u>50</u>	<u>50</u>
	1,250	1,225
Current assets	2,084	2,062
Current liabilities	(140)	(132)
Long term creditors	<u>(1)</u>	<u>(1)</u>
Net assets	<u>3,193</u>	<u>3,154</u>
Equity:		
Share capital	10	10
Retained earnings	<u>3,183</u>	<u>3,144</u>
Total equity	<u>3,193</u>	<u>3,154</u>

Corporation Tax information

The UK company tax return in respect of the UK branch for the year ended 30 June 2023 was filed on 15 April 2024, showing taxable profits of £2.5 million. The 2024 company tax return has not yet been filed.

There are no open enquiries with HMRC nor outstanding returns or tax liabilities.

There are no UK trading or other losses carried forward.

VAT

The UK branch is registered for VAT in the UK. The option to tax has been exercised on the freehold properties held by the UK branch.