

The Chartered Tax Adviser Examination

May 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 name: The Abertol group

Parent company: Abertol plc

Date of incorporation: 1 March 2015

Country of incorporation and tax residence: UK

Ownership: Listed on London Stock Exchange. No shareholder holds more than 5% of the shares.

Board members:

Jane Abertol	Chief Executive Officer
Jack Hensforth	Chief Financial Officer
Jessie Brother	HR Director
Gordon Stephenson	Operations Director
Lord Greenacres	Non-executive Chairman
Leonard Brownfield	Non-executive Director
Mia Bowling	Non-executive Director

Total number of worldwide employees across the Abertol group: 15,000.

Background and history

The group's business of manufacturing and selling domestic electrical appliances was founded by John and Jane Abertol in 2002. It now manufactures digital home entertainment equipment (televisions, radios and audio) in the UK and sells the equipment both in the UK and overseas.

In 2015, Abertol plc was formed as the group holding company in order to raise capital through the listing of the company on the London Stock Exchange, which also happened in 2015.

The capital raised provided funding for a major expansion of activities. This included the acquisition of a competitor company (now called Abertol Farland Ltd) that owned some unique and valuable intellectual property. In addition, Abertol plc created several overseas retail sales operations to access overseas markets.

Abertol plc's activities comprise:

- 1) Owning shares of group subsidiary companies.
- 2) Providing management services to other group companies.
- 3) Receiving dividends from subsidiary companies and paying dividends to shareholders.

Abertol plc wholly owns three subsidiary companies: Abertol Manufacturing Ltd, Abertol Holdings Ltd, and Abertol Farland Ltd.

<u>Company name</u>	<u>Tax residency</u>	<u>Activities</u>
Abertol Manufacturing Ltd	UK	Manufactures all the group's products and sells these to the group's retail companies.
Abertol Holdings Ltd	UK	Wholly owns four retail companies that are tax resident and physically present in the UK, USA, Germany and Hong Kong, respectively: <ul style="list-style-type: none">• Abertol UK Ltd• Abertol USA Inc• Abertol Germany GmbH• Abertol Hong Kong Ltd
Abertol Farland Ltd	Farland (see Note)	This company no longer undertakes any manufacturing. Its only activity is to hold the registered patents of the intellectual property it originally created and to receive royalties for the use thereof from Abertol Manufacturing Ltd.

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Note

Farland is an independent country. Farland corporate law requires adherence to International Accounting Standards. Under its tax regime, corporate income tax is paid at 5% on taxable profits. No tax relief is given for expenditure on intangible fixed assets. There is a Double Taxation Treaty between Farland and the UK that follows the OECD Model Convention.

Financial information for Abertol plc groupIncome statement for the year ended 31 December.

	<u>2023</u>	<u>2022</u>
	£ million	£ million
Revenue	4,840	5,020
Cost of sales	<u>(1,810)</u>	<u>(1,860)</u>
Gross profit/(loss)	3,030	3,160
Administrative expenses	<u>(2,270)</u>	<u>(2,330)</u>
Profit before tax	760	830
Tax	<u>(150)</u>	<u>(170)</u>
Profit after tax	<u>610</u>	<u>660</u>

Balance Sheet as at 31 December

	<u>2023</u>	<u>2022</u>
	£ million	£ million
Fixed assets	4,160	4,370
Cash at bank and debtors	820	550
(Liabilities)	<u>(660)</u>	<u>(800)</u>
Net assets	<u>4,320</u>	<u>4,120</u>
Equity:		
Share capital	1,000	1,000
Reserves	<u>3,320</u>	<u>3,120</u>
Total equity	<u>4,320</u>	<u>4,120</u>

Corporate Tax

Company tax returns for all territories have been submitted on time and there are no open enquiries by any tax authorities.

There are no unutilised tax losses in the group as at 31 December 2023.

VAT

Abertol plc is the representative member of a group VAT registration in the UK, consisting of all UK-tax resident companies. The group is wholly taxable.