

The Chartered Tax Adviser Examination

May 2021

Application and Professional Skills

Taxation of Larger Companies and Groups

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

Client Information

Company name:	Woodley Adams Ltd
Date of incorporation:	1 February 2001
Country of incorporation:	United Kingdom
Ownership:	Woodley Adams Ltd is a wholly owned subsidiary of Woodley Adams Corp. Woodley Adams Corp was incorporated in and is tax resident in Ruritania. It is owned by four Ruritanian domiciled and resident individuals. Woodley Adams Corp has a number of subsidiaries in Europe and North America. Apart from Woodley Adams Ltd, there are no other companies in the group that were either incorporated or are tax resident in the UK.
Finance Director:	Olivia Peters
Number of employees:	750
Nature of business:	Woodley Adams Ltd distributes a range of adult crafting activity kits including sewing, cross-stitch and papercraft sets throughout the UK through direct online retail and supply to independent retailers. The products are largely produced by fellow group companies with a small number, considered niche to the UK market, purchased directly from third party suppliers.

Group information

All companies in the group make up their accounts to 31 December and for the year ended 31 December 2020, all group companies were profitable. The group has no external debt.

Financial information

Woodley Adams Ltd's income statement for the year ended 31 December:

	<u>2020</u>	<u>2019</u>
	<u>£million</u>	<u>£million</u>
Revenue	116.0	91.2
Cost of sales	<u>(61.5)</u>	<u>(48.5)</u>
Gross profit	54.5	42.7
Administrative expenses	<u>(50.5)</u>	<u>(38.2)</u>
Operating profit	4.0	4.5
Finance expense	<u>(1.2)</u>	<u>(1.3)</u>
Profit before tax	2.8	3.2
Tax expense	<u>(0.5)</u>	<u>(0.6)</u>
Profit after tax	<u><u>2.3</u></u>	<u><u>2.6</u></u>

Continued

Continuation

Woodley Adams Ltd's balance sheet at 31 December:

	<u>2020</u> <u>£million</u>	<u>2019</u> <u>£million</u>
Fixed assets:		
Land and Buildings	1.0	1.1
Plant and machinery	18.0	19.9
Intangibles	1.0	1.2
Net current assets	25.3	18.1
Current liabilities	(15.2)	(10.0)
Long term creditors	<u>(19.0)</u>	<u>(19.5)</u>
Net assets	<u>£11.1</u>	<u>£10.8</u>
Equity:		
Share capital	8.0	8.0
Reserves	<u>3.1</u>	<u>2.8</u>
Total equity	<u>£11.1</u>	<u>£10.8</u>

Corporation Tax information

The Company Tax return for the accounting period ended 31 December 2019 was submitted on 22 November 2020 showing taxable profits of £2.5 million.

All previous returns were submitted within the statutory deadlines.

There are no open enquiries by HMRC into any of the returns.

The company has capital allowance pools with tax written down values carried forward at 31 December 2019 of £7.5 million (plant and machinery pool) and £1.2 million (special rate pool).

There are no trading or other losses brought forward as at 31 December 2019.

VAT

Woodley Adams Ltd is registered for VAT.

All of the company's outputs are taxable, so it recovers all input tax.

The company occupies rented premises. The landlord has not exercised the option to tax.