

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 | 185 | 856 | 1039 |
| Section 2 | 20 | 84 | 100 |
| Section 3 | 213 | 887 | 1086 |
| Section 4 | 128 | 560 | 686 |
| Section 5 | 132 | 524 | 640 |
| Section 6 | 208 | 898 | 1107 |
| Section 7 | 78 | 376 | 444 |
| Section 8 | 99 | 418 | 515 |
| Section 9 | 50 | 218 | 261 |
| Section 10 | 62 | 274 | 332 |
| Section 11 | 21 | 88 | 107 |
| Section 12 | 118 | 517 | 628 |

Answer-to-Question- _1_

1.1 A trader has to register for VAT if their taxable turnover exceed £90,000 registration limit.

This is tested by either the historic test which looks at the previous 12 months of trade and if the traders taxable turnover is breaches the limit they must notify HMRC within 30 days from the end of the month of the breach and have to start charging VAT from the 1st day of the second month after the breach.

Only taxable supplies are included in the calculation of these limits. Debroah exepcts to make a monthly turnover of $£7,250 \times 12 = £87,000$ for 12 months. This is below the threshold.

Future test is not applicable to this scenario.

1.2 She should take into account her purchases and whether it would be likely that she would benefit from registering so that she could claim back the input VAT on purchases.

She should also take into account whether she sees her business growing and therefore turnover increasing - if it does increase and she breaches the threshold without knowing she will be liable to pay penalties on the breach.

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

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

Answer-to-Question- _2_

- 2.1 standard rated
- 2.2 zero rated
- 2.3 zero rated
- 2.4 Exempt - if from an eligible body
- 2.5 reduced rate

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

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

Answer-to-Question- _3_

| | | | | | |
|-----------------------|---------------|--|--|--|--|
| Output VAT | Amount | | | | |
| Standard Supplies | 40,000 | | | | |
| Zero rated | 0 | | | | |
| Input VAT | | | | | |
| Standard Puurchases | (10,000) | | | | |
| Zero rated | 0 | | | | |
| Output VAT due | 30,000 | | | | |
| | | | | | |

Note 1:Supplies

standard supplies : $200,000 \times 20\% = 40,000$

Zer rated supplies : $20,000 \times 0\% = 0$

Purchases

Standard rated : $50,000 \times 20\% = 10,000$

Zero rated : $2,000 \times 0\% = 0$

3.1 Bad debt relief can be claimed if 6 months have passed from the later of the due date of payment or supply of the goods or services , the debt has been written off in the traders account , they have already accounted and paid for the VAT and the trader holds the correct evidence.

Donkey Ltd for the quarter 31 March 2025 will be able to claim bad debt relief for

The invoice from 30TH August 2024 as 6 months have passed since the due date for payment (28th February 2025 woudl be 6 months) and he has written the debt off if the accounts.

As well as for the invoice 30th September 2024 as 6 months have also passed and the debt has been written off in the account.

He can claim bad debt relief for both invoices 31 March 2025. For the september invoice it will only be the amount remaining

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

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

Answer-to-Question- _4_

A trader can voluntarily deregister for VAT when there taxable turnover in the next 12 months drop below the threshold limit of £88,000 for 2024/25. As Jose expected turnover is estimated to be £75,000 he will be able to deregister

When Jose deregisters they will have to make a deemed supply of all the assets that they hold at the time of deregistration which they have already claimed input VAT on. The charge to VAT will be based on the replacement cost of the assets. If the total output VAT charge for all assets is below £1,000 then he will not need to account for the output. However if it is more than £1,000 Jose will have to account for the output VAT on his final VAT return.

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

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

Answer-to-Question- _5_

| VAT QUARTER | Late filing penalty | Late payment penalty | | | | |
|----------------------|---------------------------|---|--|--|--|--|
| 30 June 2024 | 1 penalty pont | Nothing as paid within 15 days | | | | |
| 30 September 2024 | 1 penalty point | 2% x 45,000 = £900 | | | | |
| 31 December 2024 | 1 penalty point | No libaility as they were owed input VAT | | | | |
| 31 March 2025 | 1 penalty point = £200 | 16-30 days 2% x 35,000 = 700 30 days 2% x 35,000 = 700 30+ 4% x 35,000 = | | | | |
| | | | | | | |
| | | | | | | |

The total interst and penalties due for

31 December 2024 nothing as there was no VAT payable to HMRC Domanian Ltd only
accrued a penalty point for late filing

31 March 2025

£200 for 4th penalty point + 700 + 700 = £1,600

There will also be an additional 4% per annum x 35,000 charged until the VAT is paid.

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

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

Answer-to-Question- _6_

In order to form a VAT group there must be at least 50% common control between the companies.

An overseas company can only join a VAT group if they have a permanent establishment in the UK. Therefore Saapphire Inc can not form part of the VAT group

An individual can join a VAT group if they are a relevant person who control a body corporate. As Jasmine is not in business she would not be able to be part of the group

Goold Ltd , Sielver Ltd Broonze Ltd and Copper Ltd will all be able to form a VAT group.

When companies join together to form a VAT group they become directly and severally liable for each others VAT liability. They will submit one return as a group.

It may not be beneficial for Sielver Ltd to join the VAT group as they will lose the advantage of being a repayment trader. At the moment they only make zero rated supplies which means they have no output VAT liability. Joining the group which makes standard rated supplies will mean they will be liable to pay output VAT. They also lose the cash flow advantage of making monthly returns and instead will have to do one annual return.

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

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

Answer-to-Question- _7_

Gross daily takings excl. x ESP standard rated goods excl. for 12 months/ ESP of taxable goods excl. for 12 months

$$1,250,000 \times 3,333,333 / 3,333,333 + 2,000,000$$

$$1,250,000 \times 3,333,333 / 5,333,333$$

$$= 781,250$$

Ouput VAT :

$$781,250 \times 1/6 = 130,208$$

Note 1: Gross daily takings

$$1,500,000 \times 1/6 = 250,000$$

$$1,500,000 - 250,000 = 1,250,000$$

Note 2: ESP Standard rated goods

$$4,000,000 \times 1.6 = 666,667$$

$$4,000,000 - 666,667 = 3,333,333$$

Note 3 : ESP zero rate goods = 2,000,000

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

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

Answer-to-Question- _8_

For goods supplied from the UK to Spain this is known as an export. The place of supply will be the UK and the goods will be zero rated as long as there is proper documentation that the goods have left the UK.

The supply of Ganndy Ltd of services to a business in Spain will follow the business to business rules of supplying services which means that the place of supply will be where the recipient is i.e Spain. Therefore the services of marketing will be in Spain and therefore not fall under the scope of UK VAT.

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

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

Answer-to-Question- _9_

| | | | | |
|--------------------------|-----------------|-------------------|--|--|
| Flate rate scheme | | Output VAT DUE | | |
| 95,000 x 120% | 114,000 x 10.5% | 11,970 | | |
| | | | | |
| Normal accounting | | | | |
| 95,000 X 20% | 19,000 | | | |
| Less input VAT | | | | |
| 20,000 x 20% | (4,000) | | | |
| Output VAT DUE | 15,000 | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Saving for the year for Nazeem using flat rate scheme instead of normal way :

$$15,000 - 11,970 = 3,030$$

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

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

Answer-to-Question- _10_

1. Business Activities - the effect of the transfer must put the new owner in a position to operate
2. Use of assets - same kind of business
3. VAT registration of buyer and seller
4. Consecutive transfers - must not be a series of immediate consecutive transfers
5. No significant break in trading
6. If transferring land - opt to tax

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

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

Answer-to-Question- _11_

Averil will be responsible for paying the stamp duty

$107,500 \times 0.5\% = 537.5$ rounded to the nearest £5 = £540

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

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

Answer-to-Question- _12_

12. 1

Sven will benefit from the first time buyer relief

| | | | | |
|--------------------------|-------|---------------------|--|--|
| | SDLT | | | |
| 425,000 @ 0% | 0 | FIRST TIME BUYER | | |
| 600,000 - 425,00 @ 5% | 8,750 | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

SDLT due is £8,750 which will be due for payment 14 days after transfer i.e 14th May 2025

12.2

As Stacey is not buying her first home and already has a main residence she will not benefit from the £425,000 first time buyer relief.

On top of that the basic rates for residential property will be increased by 3% (the "higher rates") where purchase is of an additional residential property for individuals.

Therefore for stacey transaction she would pay SDLT as follows:

0 -250,000 @ 3% = 7,500
350,000 @ 8% = 28,000

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

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|------------|------------|------------|---------------|
| Section 25 | 98 | 510 | 585 |
| Section 26 | 33 | 191 | 215 |
| Section 27 | 169 | 746 | 895 |
| Section 28 | 159 | 659 | 816 |
| Section 29 | 57 | 272 | 321 |
| Section 30 | 108 | 582 | 665 |
| Section 31 | 228 | 928 | 1153 |
| Section 32 | 121 | 581 | 671 |
| Section 33 | 188 | 862 | 1031 |
| Section 34 | 49 | 291 | 321 |
| Section 35 | 142 | 584 | 724 |
| Section 36 | 169 | 664 | 832 |

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

Answer-to-Question- 25

| | | | | |
|----------------------------|----------|---------|---------------|--|
| Ganimeed Ltd | Total | UK | Foreign trade | |
| Trade profits | 300,000 | 300,000 | | |
| Foreign trade | 100,000 | | 100,000 | |
| TTP | 400,000 | | | |
| | | | | |
| Corporation tax Liability | | | | |
| 400,000 @ 25% | 100,000 | | 25,000 | |
| Foreign tax suffered | | | 30,000 | |
| Less DTR | (25,000) | | | |
| tAX LIABILITY | 75,000 | | | |
| | | | | |
| Uropah Ltd | | | | |
| Trade profits | 40,000 | | | |
| Corporation tax liability | | | | |
| 40,000 @ 25% | 10,000 | | | |
| Less marginal releif | (1,275) | | | |
| Corporation taqx liability | 8,725 | | | |
| | | | | |

Note 1 : Foreign Trade profit

$$70,000 + 30,000 = 100,000$$

Note 2:

Upper limit and lower limit are split between the 2 companies

$$50,000/2 = 25,000$$

$$250,000/2 = 125,000$$

Note 2: Marginal relief

$$3/200 \times (125,000 - 40,000)$$

$$3/200 \times 85,000 = 1,275$$

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

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

Answer-to-Question- _26_

| | | | |
|--------------------------------------|-----------|--|--|
| | | | |
| Accounting trade profits | 2,400,000 | | |
| Add back | | | |
| Amortisation of goodwill | 5,300 | | |
| Interest on loan | 13,000 | | |
| Pension contribution after year end | 8,000 | | |
| Finance lease | - | | |
| Less bonus included in previous year | 80,000 | | |
| Trade profit | 2,506,300 | | |
| | | | |

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

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

Answer-to-Question- 27

Expenditure on machines the date that they incurred for capital allowances is usually the day of delivery. However if the due payment date is 4 months after the delivery date then the later date of payment will be the date expenditure incurred. In this case the company took delivery of the item on the 1 November 2024 when they made there first payment howver the rest of the cost of the machine was only paid for on 1 February 2024 an 1 May 2025 which is more than 4 months after the delivery of the goods. therefore the date of expenditure for the goods will be the later date of 1 may 2025 for the remaining 20,000 of the second hand machine. The initial £20,000 will have been incurred on 1 November 20245

| | FYA | AIA | MAIN POOL | SPECI AL RATE | CA CLAIM | |
|---------------------------|-----|----------|--------------|---------------------|-------------|--|
| TWDV | | | 42,000 | | | |
| Sale of computer | | | (3,800) | | | |
| Additions | | | | | | |
| SECOND HAND MACHINE | | 20,000 | | | | |
| Total | | 20,000 | 38,200 | - | | |
| AIA @ | | (20,000) | | | 20,000 | |
| WDA @ 18% | | | (6,876) | | 6,876 | |
| Total CA Claim | | | | | 26,876 | |
| | | | | | | |

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

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

Answer-to-Question- 28

Structure and building allowance is allowed to be claimed for the construction of a building. The SBA is claimed over 33 1./3 years @ 3% per annum.

When there is a sale of a building that had claimed SBA the new owner can takeover the claim of SBA over the remaining 33 1./3 years. It will be pro rated if bought during a year. The SBA is available from when the building comes into use.

Construction of student accomodation

$$1,300,000 \times 3\% \times 8/12 = 26,000$$

The SBA for the watehouse and office will only be allowed to be claimed on its original cost prorated in the first year of sale for how long the properties have been in use in the company

$$\text{Warehouse} : 220,000 \times 3\% \times 9/12 = 4,950$$

$$\text{Office} : 600,000 \times 3\% \times 4/12 = 6,000$$

For the warehouse and the office SBA will only be claimable for the remainder of the 33 1/3 years.

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

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

Answer-to-Question- _29_

| | | | | |
|-------------------------|---------------|--|--|--|
| | | | | |
| Rent paid for labratory | 16,000 | | | |
| Gas and electricity | 2,000 | | | |
| Salary staff | 18,700 | | | |
| Dividends | - | | | |
| Maximum RDEC | 36,700 | | | |
| | | | | |

Note 1:

Salary will only be allowed for the amount related to the R&D work

$$22,000 \times 85\% = 18,700$$

Note 2:

Cost of acquiring plant and machinery will not receive RDEC but instead can get relief through capital allowances.

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

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

Answer-to-Question- _30_

| | | | | |
|-----------------------------------|-----------|--|--|--|
| Original sale of warehouse | | | | |
| Gain | 450,000 | | | |
| Less rollover relief | (250,000) | | | |
| Gain | 200,000 | | | |
| | | | | |
| Base cost of new warehouse | | | | |
| Cost | 600,000 | | | |
| Less rollover relief | (250,000) | | | |
| Revised base cost | 350,000 | | | |
| | | | | |
| Sale of Warehouse | | | | |
| Proceeds | 1,100,000 | | | |
| Less selling cost | (4,500) | | | |
| Net Proceeds | 1,095,500 | | | |
| Less cost | (350,000) | | | |
| Less extension | (120,000) | | | |
| Unindexed Gain | 625,500 | | | |
| Indexation allowance | (142,450) | | | |
| Indexed gain | 483,050 | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Note 1

Rollover relief on asset

$800,000 - 600,000 = 200,000$ immediately was chargeable

Rollover relief :

$450,000 - 200,000 = 250,000$

Note 2 : Indexation allowance

No indexataion allowance for the extension as itr is after 2017 .

Index on cost :

$278.1 - 197.7 / 197.7 \times 350,000 =$

$0.407 \times 350,000 = 142,450$

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

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

Answer-to-Question- _31_

When a close company makes a loan to a participator they become liable to an s.455 tax charge.

However if the loan is to an employee who has less than 5% interest in the company and the loan is for less than £15,000 they will not have to pay the s.455 tax charge. Therefore they will not have to pay the tax charge on the loan to Mr Newton as his ownership is below 5%.

The way the tax charge is calculated is on the lower of the loans outstanding at the end of the companies accounting period (30th June 2024) or there normal due date for paying their corporation tax which is usually 9 months and 1 day after the AP : 1 April 2025

The loan amounts outstanding will be charged to the tax rate of 33.75%.

The outstanding loan for Ms Hubble on the 1 April 2025 was 6,000 which is lower than the amount outstanding as of the end of the AP which was the full £30,000.

The tax charge will therefore be

$16,000 \times 33.75\% = 5,400$ which will be added to the companies corporation tax liability

If any of the amount of the loan is repaid or written off in the next accounting period the company will be able to claim a tax refund for the amount paid or written off.

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

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

Answer-to-Question- _32_

| | Year ended 31 March 2023 | Year ended 31 March 2024 | Year ended 31 March 2025 | |
|---|-----------------------------|--------------------------------|-----------------------------|--|
| Trade profit | 5,000 | 16,000 | 13,000 | |
| Uk Property business | 6,000 | - | 8,000 | |
| Overseas Property | | - | -* | |
| Total | 11,000 | 16,000 | 21,000 | |
| Current year claim Uk property loss | | (16,000) | | |
| Carry forward claim of UK property loss | | | (21,000) | |
| QCD | - | WASTED | - | |
| TTP | 11,000 | - | - | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Note 1: Oversease property loss is carried forward and automatically set against the overseas property income

Remaining overseas property income to carry forward :

$$(10,000) - 4,000 = (6,000)$$

Note 2: Uk property loss can not be carried back it can only be carried forward against future profits.

UK property loss : (40,000)
Less current year claim : 16,000
Carry forward claim : 21,000

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

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

Answer-to-Question- _33_

To be in a loss group there has to be 75% direct and indirect ownership

Althair , Belatricks Ltd and Canopuz Ltd are in a lost group together. Denbowla is below the threshold. They are also in a gains group

| | | | | |
|---|----------------|--|--|--|
| | Belatricks Ltd | | | |
| Trade profit | 90,000 | | | |
| Capital Gains | 30,000 | | | |
| Less reallocation of gain | (20,000) | | | |
| Total | 100,000 | | | |
| Less group relief trade profit | (40,000) | | | |
| Less non trade deficit group relief | (8,667) | | | |
| Less excess QCD | (1,333) | | | |
| ttp | 50,000 | | | |
| | | | | |
| | | | | |
| | | | | |

Note 1: The groups don't have the same accounting period

Canopuz Ltd AP

1 May 2024 - 30th April 2025

Belatricks Ltd AP

1 January 2024 -31 December 2024

Common period = 1 May 2024 - 31 December 2024

Belatricks Ltd

90,000 X 8/12 = 60,000 trade profit

30,000 X 8/12 = 20,000 capital gains

Canopus Ltd losses

60,000 x 8/12 = 40,000

13,000 x 8/12 = 8,667

2,000 x 8/12 = 1,333

42,000 x 8/12 = 28,000

Capital gains to be reallocated to Belatricks Ltd will be limited to the maximum of the lower of surrendering companies unrelieved loss and the claimant companies capital gain available i.e 20,000 restricted for the common period

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

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

Answer-to-Question- _34_

| | | | |
|---------------------------|-----------|--|--|
| Degrouping chagre | | | |
| MV of office building | 600,000 | | |
| Less cost | (720,000) | | |
| Loss | (120,000) | | |
| degrouing charge | 120,000 | | |
| Gain | - | | |
| | | | |
| Sale of shares | 2,000,000 | | |
| Less cost | (800,000) | | |
| Less incidental cost | (10,000) | | |
| Gain | 1,190,000 | | |
| Add degrouping charge | 120,000 | | |
| Chargeable gain on shares | 1,310,000 | | |
| | | | |
| Sale of warehouse | | | |
| Proceeds | 750,000 | | |
| Less cost | (500,000) | | |
| Gain | 250,000 | | |
| | | | |
| | | | |
| | | | |

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

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

Answer-to-Question- _35_

For CFC a company with a 25% holding or more will have their proportion of the profits in a CFC liable to coporation tax at 25%. They will be able to claim a deduction for creditable foreign tax paid.

As Tellesto Ltd only holds 20% of the CFC they will not be held liable for the CFC charge however Tietn Ltd will.

Tietn Ltd will be charged on 80% of the profits of Kalipsew Ltd for 31 December 2024 with their profits of 200,000 as we look at the CFC AP that ended during the companies AP

$\pounds 200,000 @ 25\% = \pounds 50,000$.

This will be added to the corporation tax liability for the period. No loss relief will be able to be used to reduce this charge however they will be able to receive credit for the foreign tax paid of $\pounds 20,000$.

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

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

Answer-to-Question- _36_

When a company pays interest on a loan to an individual they have to pay the amount net of tax. The will have to withhold 20% of this interest paid to the individual and account for this on a C61 form.

$$200,000 \times 5\% = 10,000$$

$$10,000 \times 20\% = \text{£}2,000 \text{ will be withheld.}$$

The company also suffers income tax when the royalty is paid to them so they will need to account for this on the form as well.

$$\text{£}3,000 \times 20/80 = \text{£}750 \text{ suffered}$$

At the end of the quarter the company will have to total all income tax suffered and withheld at source on payments to individuals and if there is a liability payable to HMRC they will need to pay this to HMRC 14 Days after the end of the quarter.

As the company have withheld £2,000 and only suffered £750 of income tax they will need to pay £1,250 over to HMRC at the 14 days after the end of the quarter i.e 14th

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

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| Section 49 | 154 | 741 | 891 |
| Section 50 | 104 | 473 | 571 |
| Section 51 | 28 | 140 | 157 |
| Section 52 | 31 | 131 | 151 |
| Section 53 | 53 | 232 | 255 |
| Section 54 | 38 | 175 | 202 |
| Section 55 | 198 | 879 | 1074 |
| Section 56 | 65 | 295 | 342 |
| Section 57 | 68 | 353 | 394 |
| Section 58 | 196 | 844 | 1026 |
| Section 59 | 58 | 310 | 343 |
| Section 60 | 57 | 276 | 313 |

-----ANSWER-49-BELOW-----

Answer-to-Question- _49_

HMRC is likley to continue to treat Claire as an employee because :

Mutual obligation - Claire has set times of working. Self employed workings usually have more flexible working hours, not set times during the week. This agreement is also set to continue indefinitely and with a 6 month notice period if either wishes to end the services. This suggest that she is employed as normally self employed staff have less regularity with their services and can chose who they work for and have more control over ending services for a client.

Provided with equipment - usually self employed staff have to provide their own equipement. As she has been provided equipment by Filledes Ltd this would suggest she is employed.

Claire also used to work for Filedes Ltd before as an employed cleaner this would then suggest as she is continuing to work for the company that she has maintained being employed.

-----ANSWER-49-ABOVE-----

-----ANSWER-50-BELOW-----

Answer-to-Question- _50_

50.1

Deliberate and not concealed errors on a tax return are subject to a penalty based on the potential lost to revenue.

The maximum penalty would be 70% with reductions for unprompted or prompted disclosures. As HMRC have opened an enquiry this will not be an unprompted disclosure.

Therefore the minimum she would be charged is 35% of the PLR

As she is an additional rate taxpayer her liability would have been

$50,000 @ 45\% = 22,500$

Therefore the penalty will be based on the liability outstanding of £22,500

$22,500 @ 70\% = 15,750$

$22,500 @ 35\% = 7,875$

50.2 Within 30 days .

-----ANSWER-50-ABOVE-----

 -----ANSWER-51-BELOW-----

Answer-to-Question- _51_

| | | | |
|-------------------------|----------|--|--|
| | | | |
| Taxable trade profit | 42,500 | | |
| Less personal allowance | (12,570) | | |
| Taxable income | 29,930 | | |
| Income tax due | | | |
| 29,930 @ 20% | 5,986 | | |
| | | | |
| CG | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Total amount payable :

$$£5,970 + £5,986 = 11,956$$

 -----ANSWER-51-ABOVE-----

-----ANSWER-52-BELOW-----

Answer-to-Question- _52_

| | | | |
|--|--------|--|--|
| | | | |
| Tax adjusted profit | 56,000 | | |
| Add back | | | |
| Interest from ISA | 250 | | |
| Donation via gift aid | 800 | | |
| Parking fine | - | | |
| Car leasing 3,750 @ 15% x 60% for private use | 338 | | |
| Total | 57,388 | | |
| | | | |
| | | | |
| | | | |

-----ANSWER-52-ABOVE-----

-----ANSWER-53-BELOW-----

Answer-to-Question- _53_

| | FYA | AIA | MAIN POOL | SPECIA L RATE | CA CLAIM | |
|---------------------------------------|---------|-----|--------------|------------------|-------------|--|
| TWDV | | | 12,000 | 8,000 | | |
| Disposal | | | (10,800) | | | |
| Additions | | | | | | |
| Electric car charging points | 7,000 | | | | | |
| Car | | | | 33,000 | | |
| Total | 7,000 | - | 1,200 | 41,000 | | |
| FYA @ 100% | (7,000) | | | | 7,000 | |
| wda @ 18% x 15/12 | | | (270) | | 270 | |
| WDA @ 6% X 15/12 | | | | (3,075) | 3,075 | |
| TWDV C/F | - | - | 930 | 37,925 | | |
| Capital allowanc e | | | | | | |
| | | | | | | |
| | | | | | | |

-----ANSWER-53-ABOVE-----

 -----ANSWER-54-BELOW-----

Answer-to-Question- 54

Tax adjusted profit for 2024/25

6th April 2024 - 5th April 2025

Loss for 2024/25

$9,700 \times 12/17 = (6,847)$

Balancing charge = 1,200

Profit = 5,647

| | | | | | | |
|------------------|---------|--------|--|--|--|--|
| | Car | bu 80% | | | | |
| TWDV | 4,400 | | | | | |
| Disposal | (5,900) | | | | | |
| Balancing charge | 1,500 | 1,200 | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

 -----ANSWER-54-ABOVE-----

-----ANSWER-55-BELOW-----

Answer-to-Question- 55

When a sole trader starts trading and In the first 4 years of trading they make a loss they can claim to have the trading loss carried back and used against the previous years income. Brithe will be able to carry it back 3 years ending immediately before the start of the loss making period i.e Brithe can carry the loss back to 2021. This will be on a LIFO basis and will be able to be set against her income during those periods.

She could also chose to do a s.64 claim and carry the trading loss back against previous 12 months of profit in 2023/24.

s.64 claim is restricted when being set against non-trading income to the greater of :

£50,000 and 25% of adjusted net income.

Having made a s.64 claim if Brithe had any unrelieved gains she could make a section 71 claim to use the loss against the gains. However this would be restricted to the maximum of unrelieved loss and relevant maximum which is the gains less any brought forward losses.

Brithe could also choose to carry forward the loss which will automatically be offset against future profits from the same trade

-----ANSWER-55-ABOVE-----

-----ANSWER-56-BELOW-----

Answer-to-Question- _56_

| | | | |
|---------------------------------|---------|------------------|--|
| Terminal loss | | | |
| | | | |
| 6 April 2025 - 30th April 2025 | | | |
| 8,000 x 1/4 | (2,000) | | |
| | | | |
| 12 months prior | | | |
| 8,000 x 3/4 | (6,000) | | |
| 24,000 x 8/12 | - | profit so ignore | |
| Terminal loss | (8,000) | | |
| | | | |
| Tax years | | | |
| 6th April 2024 - 5th April 2025 | | | |
| 24,000 x 9/12 | 18,000 | | |
| 8,000 x 3/2 | (6,000) | | |
| Profit | 12,000 | | |
| | | | |
| Terminal Loss | (8,000) | | |
| Less loss already used | 6,000 | | |
| Terminal loss available | (2,000) | | |
| | | | |
| | | | |

31 January 2029 due date

-----ANSWER-56-ABOVE-----

 -----ANSWER-57-BELOW-----

Answer-to-Question- 57

| Before george joins | Total | Will | Ben | George |
|----------------------------|----------|--------|--------|--------|
| Partnership profits | 123,750 | | | |
| Will salary | (15,000) | 15,000 | | |
| PSR split 50/50 | 108,750 | 54,375 | 54,375 | |
| After George Joines | | | | |
| Partnership profits | 41,250 | | | |
| Will salary | (6,00) | 6,000 | | |
| PSR split equaly | 35,250 | 11,750 | 11,750 | 11,750 |
| Total | | 87,125 | 66,125 | 11,750 |

Note 1: Partnership profits

$$165,000 \times 9/12 = 123,750$$

Will salary

$$20,000 \times 9/12 = 15,000$$

Note 2:

$$24,000 \times 3/12 = 6,000$$

$$165,000 \times 3/12 = 41,250$$

 -----ANSWER-57-ABOVE-----

 -----ANSWER-58-BELOW-----

Answer-to-Question- _58_

When a taxpayer makes a part disposal a gain will arise on the part of the land that is sold that is calculated as gross proceeds of part sold/ total value of the land remaining and part sold x cost.

However as the sale was for only £18,000 and is less than 20% of the total value of the land ($18,000/150,000 \times 100 = 12\%$) an election can be made that instead of the gain of the part disposal becoming immediately chargeable, the proceeds are instead rolled over and reduces the base cost of the existing land so when that land is eventually sold the base cost is lower and it will result in a larger gain.

If the election had not been made the gain would have been :

| | | | |
|--|----------|-----|--|
| | | | |
| Proceeds | 18,000 | | |
| Less Cost: $18,000/18,000+190,000 \times 150,000$ | (12,981) | | |
| Gain | 5,019 | | |
| 5,019 @ 20% | 1,004 | CGT | |

However, If the election was made the base cost of the land would have been reduced with the sale proceeds instead of cost

$$150,000 - 18,000 = 132,000$$

The eventual sale of the land would have been as follows

| | | | |
|-----------|-----------|--|--|
| | | | |
| Proceeds | 225,000 | | |
| Less cost | (132,000) | | |
| Gain | 93,000 | | |
| CGT @ 20% | 18,600 | | |
| | | | |
| | | | |

-----ANSWER-58-ABOVE-----

 -----ANSWER-59-BELOW-----

Answer-to-Question- _59_

| | Workshop | Retail Premises | Goodwill |
|--------------|-----------|-----------------|----------|
| Market Valeu | 850,000 | 1,200,000 | 175,000 |
| Cost | (885,000) | (280,000) | - |
| Gain/loss | (35,000) | 920,000 | 175,000 |
| | | | |
| Total Gain | 1,060,000 | | |
| | | | |
| | | | |

| | Gains eligible for BADR | Gains not eligible for BADR | |
|--------------|----------------------------|--------------------------------|--|
| Gains | 1,000,000 | 60,000 | |
| BADR @ 10% | 100,000 | | |
| 60,000 @ 20% | | 12,000 | |
| | | | |
| Total CGT | 112,000 | | |

Note 1:

Gain 175,000 + 920,000 - 35,000 = 1,060,000

Note 2: BADR only 1,000,000

 -----ANSWER-59-ABOVE-----

 -----ANSWER-60-BELOW-----

Answer-to-Question- _60_

| | | | |
|-----------------------------------|---------------|--|--|
| Sven sale of shares | | | |
| Proceeds | 100,000 | | |
| Less cost | (60,000) | | |
| Gain | 40,000 | | |
| Gift Relief | (25,000) | | |
| Chargeable Gain (75,000 - 60,000) | 15,000 | | |
| | | | |
| Kirsten base cost of shares | | | |
| Cost @ MV | 100,000 | | |
| Less Gift relief | (25,000) | | |
| Base Cost | 75,000 | | |
| | | | |
| Gain on sale of shares | | | |
| Proceeds | 58,000 | | |
| Less cost | (37,500) | | |
| Chargeable Gain | 20,500 | | |
| | | | |
| | | | |
| | | | |

Note 1:

Cost 75,000 /2 = 37,500