

CIOT - ATT-CTA

Paper: **CTA Awareness**

Part/Module: **Module C**

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

Answer-to-Question-_25_

AIA = 1,000,000

	Mp	SRP	FYAs	CAs
TWDV b/f	126400	28750		
Additions				
EV			21400	
21400				
Van	18100			
AIA	(18100)			
18100				
Disposals	(88100)			
Totals	38300	28750		
WDA @ 18%	(6894)			
6894				
WDA @ 6%		(1725)		
1725				
TWDV C/f	31406	27025		
48119				

Total CAs = 48119

Disposal = 1900 more than MV

1900 x 0.18 = 342

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

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

Answer-to-Question-_26_

If augmented profits exceed 1.5 million, large company so CT needs to be paid in instalments. 2 companies so this is reduced to 750000.

Augmented profits = TTP + Dividend income =

ye 30.9.18 = 690,000

ye 30.9.19 = 800,000 = qualifies but not large in previous year so no instalments.

ye 30.9.20 = 910,000 = pay by instalments

pe 30.6.21 = 730,000 = 9 months, profits would need to exceed 562500 which they do, so yeas pay by instalments.

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

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

Answer-to-Question-_27_

Sep 2017 = 275.1
May 1998 = 163.5
Jan 2018 = 278.1
Feb 2021 = 278.1

Indexation
 $240000 \times (275.1 - 163.5 / 163.5)$
 $240000 \times 0.683 = 163,920$

600000
(240000)
360000
(163920)
196,080 Gain

All proceeds reinvested so no gain, $710000 - 196080 = 513920$
= new base cost of factory.

Feb 2021
Proceeds 900000
Cost (513920)
Gain 386080

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

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

Answer-to-Question-_28_

The purpose of the loan was for trade. Because of this, the loan interest is deducted from trade profits. Interest that Flashkey receives which is from trade, would also be included in the trade profits. If the loan was not used for trade, then it would be put against any other NTLR's that Flashkey have, non trading loan relationships, however the £900,000 loan has been used to generate trading income, fund working capital and to purchase plant and machinery, so it is definitely a trading loan.

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

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

Answer-to-Question- _29_

Start date is when interest started to be earned through the interest-bearing bank account, which was 2 November 2019. The end date is when the company ceases to trade and has nothing earning income, ie the bank account is cleared and closed, no assets etc.

17.10.19 - 16.10.20

17.10.20 - 18.03.21

2) The Corporation tax returns are due 45 months after the end of the period of account, being 16.10.21 for the first period, and 18.03.22 for the second.

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

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

Answer-to-Question-30

1.5.20 - 30.4.21

1200 monthly rent, being for May, June, July, August,
September, October and November = 7 months = 8,400

5,000 on expenses

Premium 18000

Less

$18000 \times 2\% \times (5-1) = 1440$

16,560

Quarterly rent from 1 January

8400

21000

(5000)

(1440)

27460 property income for ye 30.4.21

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

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

Answer-to-Question-_31_

Trade loss		Capital loss	
2470000		7000	
(14000)			
233000			
(106000)			
127000			
	ye 31.3.18	pe 31.12.18	ye 31.12
ye 31.12.20			
TTP	125000	98000	-
62000			
Prop	12000	8000	14000
15000			
Capital	14000	-	-
5000			
Total	151000	106000	14000
82000			
Less TP CY/CB		(106000)	(14000)
Less CGT loss			
(5000)			
Totals	151000	Nil	Nil
77000			
QCDs	(1000)		(1200)
TTP	150000	Nil	Nil
77000			

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

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

Answer-to-Question- 32 _

Requires 75% relationship between companies, sub-sidiaries can be including providing there is a 50% effective holding.

1) The group can consist of Raink Ltd, Umbrelly Inc, Sunshink Ltd and Wellinkton Ltd as there is at least a 75% holding, and effective holding of 50%. Tornady does not have a 75% relationship with Raink Ltd.

2) Tornady's losses cannot be relieved between the group, however it can carry its capital loss forward to any future capital gains it has.

Sunshink can elect to give its capital loss to Raink Ltd to use against Raink Ltd's capital gain, reducing the gain by £100,000 providing it is claim by 30 April 2020, as this is within two years of the accounting period where the loss arose for Sunshink Ltd.

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

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

Answer-to-Question-_33_

240000
115000
87000
5800

Total = 447,800 x 1.3 = 582,140 allowable cost in accounts.

Building solely fgor R&D is allowable
Staff costs relating to R&D including NICs is allowable, not
allowable for gewneral admin staff
Specialist machinery and software costs ias allowable.

If there is a lossd the surrenderable amount isthe lower of
447,800 x 230% = 1,029,940 or the unrelieved trading losses.

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

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

Answer-to-Question-_34_

Incoem from engagements	148000
Less 5%	(7400)
expnses	(2400)
	(2500)
Less salary	(24000)
Less NICs (24000 x 13.8/113.8)	(2910.4)
Net deemed salary	156,789.60

Annual train ticket is not an allowable cost for an employee.

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

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

Answer-to-Question-_35_

The overseas property income is taxable in the UK if a UK resident company earns this income

A UK resident company is taxed on its worldwide income, so the overseas property income will increase the Corporation tax payable by Kerby plc.

Double tax relief is the lower of the UK tax suffered on the o/s income, or the o/s tax paid itself.

$52000 \times 19\% = 9880$, so there will be a £9,880 tax credit.

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

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

Answer-to-Question-_36_

Mike
10000 income
(2000) tax
8000 net

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