

# **The Chartered Tax Adviser Examination**

May 2025

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## **Application and Professional Skills**

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### **Taxation of Owner-Managed Businesses**

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Pre-seen information

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**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 names

John Austin  
Margaret Austin

### Client address

Low Beck Farm  
Anytown  
Cumbria

### Client background

John was born on 17 April 1970 and Margaret was born on 10 May 1972.

They married on 26 September 1998.

They have one son, Fred Austin, born 1 June 2000. Fred is single and lives in a rented home. He has his own sole trade building business and is not a client.

All are UK resident and domiciled.

John and Margaret are trading in partnership as Low Beck Farm.

The farm is a 400 acre arable farm. John and Margaret have lived in the Low Beck farmhouse since their marriage. There are various outbuildings used for storage.

John inherited Low Beck Farm from his father on his death on 26 June 1999 and started farming it as a sole trader. Margaret was made an equal partner on 1 August 2000. There is no formal partnership agreement and all profits/losses are shared equally. All the assets inherited from John's father are on the farm balance sheet at their probate value.

John also inherited a field from his mother on her death on 27 July 2000 with a probate value of £100,000. He continues to own this in his own name outside the partnership. The field is used by the partnership, but no rent is charged by John.

### Capital Gains

Losses brought forward – nil.

Previous claims for business asset disposal relief – nil.

### VAT

Registration date 26 June 1999.  
Registration number 987 6543 21.  
Registered entity John and Margaret Austin.

### Wills

John and Margaret have wills that mirror each other leaving all their assets to each other and then to Fred on the second death.

### Inheritance Tax

Gifts in the last seven years – none.

### Other information

Neither John nor Margaret have any other taxable income nor any other assets. No previous gifts have been made by either John or Margaret.

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Summary of profit and loss account

	<u>Year ended 31 March</u>	
	<u>2024</u>	<u>2023</u>
	£	£
Turnover	656,000	523,000
Cost of sales	<u>(178,000)</u>	<u>(139,000)</u>
Gross profit	478,000	384,000
Administrative expenses	<u>(334,000)</u>	<u>(265,000)</u>
Profit for the year	<u>£144,000</u>	<u>£119,000</u>

Balance Sheet

	<u>As at 31 March</u>	
	<u>2024</u>	<u>2023</u>
	£	£
Fixed assets:		
Land and buildings	1,200,000	1,200,000
Plant and machinery	182,000	216,000
	<u>1,382,000</u>	<u>1,416,000</u>
Current assets (stock/debtors/cash)	123,000	154,000
Current liabilities	<u>(148,000)</u>	<u>(162,000)</u>
Net assets	<u>£1,357,000</u>	<u>£1,408,000</u>
Partners capital and current accounts (joint)	<u>£1,357,000</u>	<u>£1,408,000</u>