

The Chartered Tax Adviser Examination

6 November 2019

AWARENESS

Module E – Taxation of Unincorporated Businesses

1. Mark began trading many years ago and had always prepared accounts to 30 June each year. However, he decided to change his accounting date to 31 December and recent results have been as follows:

Tax adjusted trading profits

	£
Year ended 30 June 2017	28,000
Year ended 30 June 2018	26,000
Six months ended 31 December 2018	21,000

Mark had nine months of overlap profits brought forward of £9,000.

Calculate:

- 1) The trading income assessment for 2018/19.
- 2) The Class 4 National Insurance payable by Mark for 2018/19.

D year of change = 18/19 treather of @	
* ye 30/6/16 26,000	
1/13/18-31/12/18	
(26,000 x 6/12) 13,000	
21,000	
24000.	
overlap increases by 13,000.	
(24,000-8424) ×9-1.	
= E1,402.	
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(2) As the earlier of when made to new	
accounting date or when not made to	
old accounting date.	

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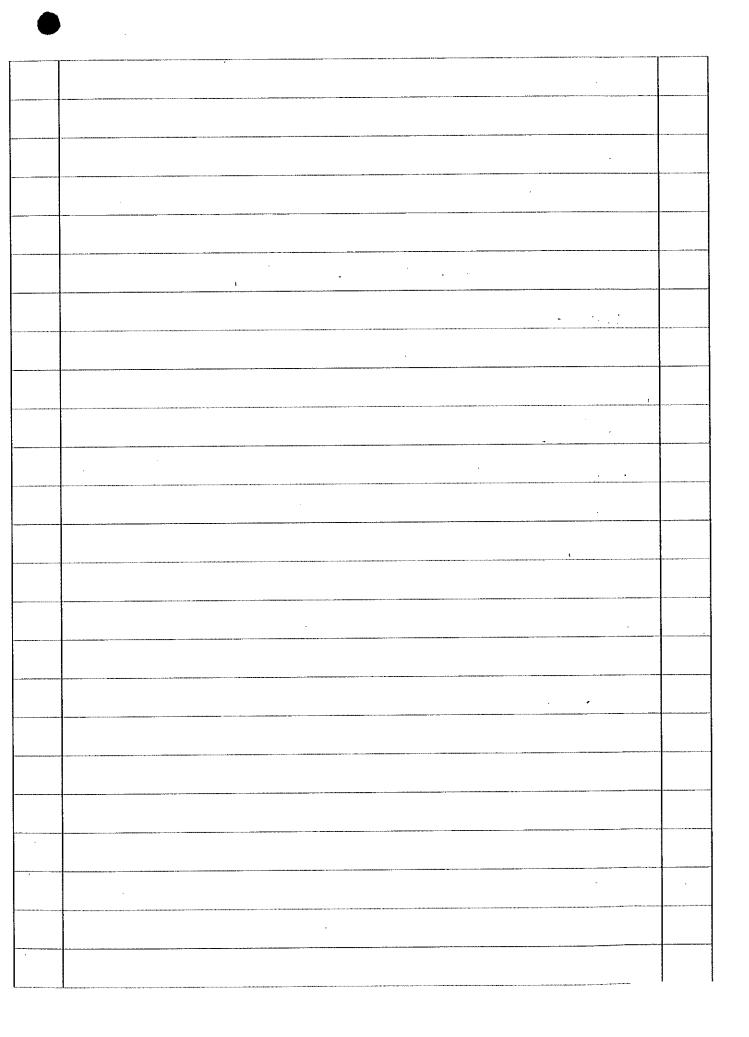
2. Kerry's tax adjusted trading profits for the year ended 31 December 2017 were £28,000.

Kerry ceased trading on 31 August 2018. The tax adjusted trading loss for the final period to 31 August 2018 was £24,000.

Kerry had three months of overlap profits brought forward of £5,500.

Calculate the amount of the loss available for terminal loss relief.

1/1/17 - 31/12/	$17 \rightarrow 28,000 \qquad (12m)$	
 1/1/18 - 31/8/18	$8 \rightarrow (24, \infty) \qquad (8m)$	
over lap	\rightarrow (ss ∞) (3 m)	
6/4/16 - 31/8/10:	= Smonths	٠
5/8 x 24,000	(15,000)	
overlap	(5300)	
•	(50,200)	
119/17 - 5/4/18		
 4/12 × 28,000	9,333	
 3/8 x 24,000	(9000)	
-	333 → nil approfil	
terminal loss	(20,500)	
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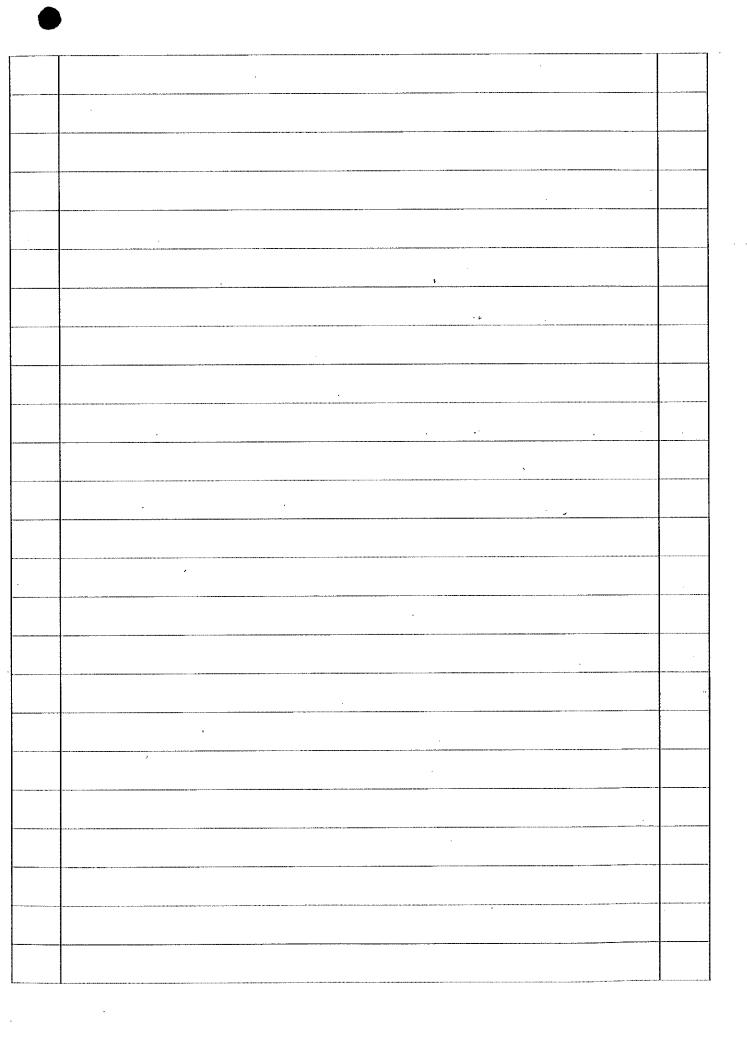


 Donald and Paul have been in partnership for many years. The partnership prepared accounts to 30 September each year and profits were shared equally.

Sally joined the partnership on 1 January 2019. The partnership agreement was amended from that date to allow for annual salaries of £10,000 to Donald and £12,000 to Sally, with remaining profits being shared equally between the three partners.

For the year ended 30 September 2019 the partnership's tax adjusted trading profit was £60,000.

	Tobl	Donald	Paul	Sally.
36/1/10/19-31/12		20/16/10	1 20)	33119.
60,000x3/12	•	7560	7500	
1/1/19-30/9/19			Alexander Alexander and Alexan	
60,000 × 9/12	45,000			
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(si/° x 000,01)	(7500)	75 <i>0</i> 0		
(12,000 x9/12)	(9000)	NOTANINA MARIA	MBRITANI (AND AND AND AND AND AND AND AND AND AND	9000
	28,500			
PSR(1:1:1)	(28,500)	9500	9500	9500
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1/1/19 - 5/4/10	4 =3m			
3/9 × 18,500	= 6167.			
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- 4.
 - Susan prepared accounts for the year ended 31 March 2019. The following expenses have been deducted in the calculation of the trading profit for the year:
 - 1) Legal fees of £2,200 in connection with the renewal of a 30-year lease on the business warehouse.
 - 2) Legal fees of £800 on the creation of employee contracts.
 - 3) Lease premium amortisation of £1,800 which relates to a lease premium of £18,000 which was paid on 1 April 2018 for a new 10-year lease on a retail unit.

Briefly explain, with supporting calculations, any necessary adjustments to the trading profit for each of these items.

triese items.	
O Thu is an allowable deduction as relates to	
a short leave (less than so years). As such	
no adjustment is required.	
This must be added back as legal fees	
are only deductible if relates to a short	
lewe.	
3) premium= 18,000×21,× (10-1)	
7 324 v allowable as well as	
E1800	
→ need to deduct further £324.	

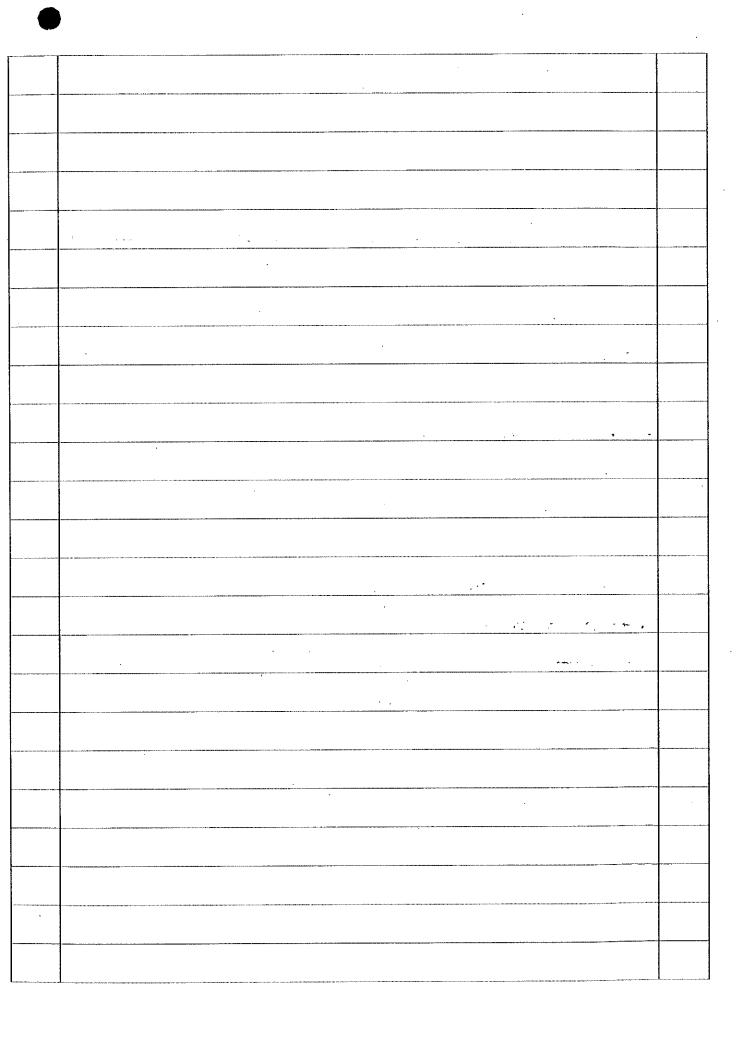
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5. Barry began trading on 1 July 2016 and prepares accounts to 31 March each year. The tax-adjusted trading profits for recent periods were as follows:

Prior to 1 July 2016, Barry had been employed on an annual salary of £18,000.

Show how the loss for the year ended 31 March 2019 would be relieved if Barry makes a claim for early years' relief, stating the deadline for the claim to be made.

- loss can be set against 36 months prior	
to trading on a FIFO basis of loss	
made within 9 first 4 years of trading.	alaka a kasifakta a saka d
-only - set against 94/15, 15/16 13/14/11	
and 15/16 Salary.	
- only 9 months	
12/13 13/14 14/12 12/16	
5913ry 18,000 18,000 18,000	
184 (9/12 x 20,000)	
$\frac{3}{12} \times 20,000 (5000) (15,000)$	
13,000 3,000 (6,000 18,000).	
	B-A
- must daim by anniversary of 31 January	,
following period end.	
→31 January 2021.	



6. Jacob made a trading loss in the year ended 31 March 2017 of £18,000 which he claimed to offset against his property income of £30,000 for the year.

The tax adjusted trading profits for the years ended 31 March 2018 and 31 March 2019 were £8,000 and £59,000 respectively.

Calculate the total National Insurance payable by Jacob for 2018/19.

Tax adjusted trading 59,000	
loss - even though (10,000)	~~~
set against properly income 44,000.49,000.	
shill corried forward	
-> 8000 set against 17/16 profit.	
Class 2 national insurance	
2.98 x 52 - 153.	
Claw 4.	
(41,000-8424) +9-1, +8983	
(46,350-8424) × 9-1. 3413	
(49,000 + 66,350), 21 = 53	
3466	
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 During the 15-month period ended 31 March 2019, Clara purchased machinery at a cost of £280,000 and a new car (CO₂ emissions 40g) at a cost of £11,500. The car is used entirely for business purposes.

The tax written down value brought forward on the main pool was £22,600.

Calculate the maximum capital allowances for the 15-month period to 31 March 2019.

	AJA	FXA	main	claim
ω _b ∨		N//AWA	22,600	
additions-machine	250,000		30,000	
Car		11,200		
	250,000	11,500	52,600 -	
ATA				
(200,000× 12/15)	(200,000)			250,000
ÉΥΑ	,	(11,500)		11,500
WONE 187.2 15/12			(11,835)	11,837
	_	· ·	- <u></u>	273,335
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8. On 1 April 2002, Ross purchased business premises from his father, John, for £130,000 when the market value was £168,000. John had originally purchased the property for £102,000 in 1998. Ross and John made a joint election for gift relief on the transfer.

On 1 January 2019 Ross sold his entire business to Ben for £500,000. The proceeds were allocated as £400,000 for the premises with the remaining £100,000 being for the stock and some small items of plant and machinery (all valued at less than £6,000 each).

Calculate the Capital Gains Tax liability for Ross on the sale of the business, clearly showing the effect of the gift relief claim in 2002.

·		
	gift selie	
,	2002	
	168,000 proceeds 130,000	
	(102,000)	
	66,∞0 23,∞≤ 0	
	gift relief (38,000) = 168,000 - 130,000.	
	28,000	-
	* deduct gift relief from base cost ok	
	base cost 130,000 438,000 = 1-68,000.	
	= 92,000.	
	-plant + machinery not included as exempt	
	due to being test than 16000 proceeds	
	being less than £6000	
		,

	2019 <u>C</u>	
	proceeds 500,000 (92,000)	
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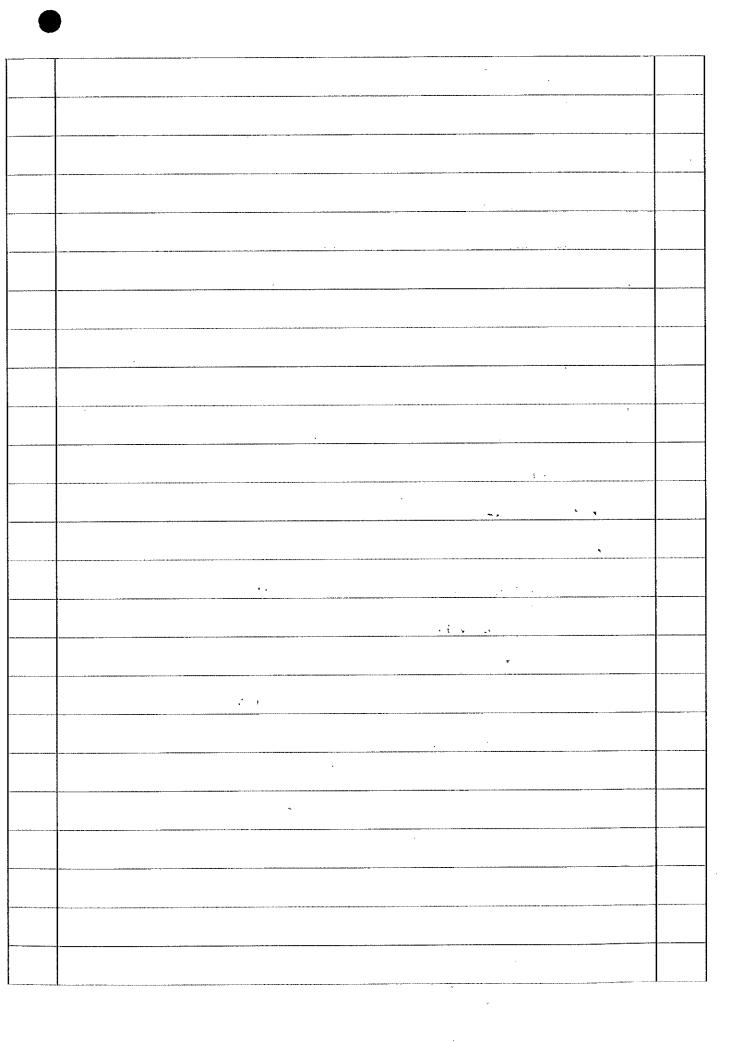
9. Keith has provided the following information for the year ended 31 December 2018:

	£
Sales invoices issued to customers	78,000 🔀
Cash received from customers	60,000 🗸
Cash received on the sale of a piece of machinery	2,000 🗸
Purchase invoices received from suppliers	46,000 🗸
Payments made to suppliers	31,000
Payment for purchase of a replacement van	12,000
Utility expenses paid for his home (total of eight rooms)	1,850
Interest paid on a loan taken to purchase business equipment	870

Keith has elected to use the cash basis of accounting and wishes to claim flat rate expenses wherever possible. During the year ended 31 December 2018 he spent approximately six hours per week working from one room in his home and travelled 14,000 miles for business purposes.

Calculate Keith's taxable trading profit for 2018/19.

	<u>E</u>
cash received from customes	60,000
cash - machinery	2000
payments - suppliers	(31,000)
Van - 100.1. AIA	(12,000)
interest - maximum soo	(500)
home use - no flat rate	
- utilities (irso x1/8)	(231).
mileage ((0,000 x 43p), (4000 x 25p))	(oo2z)
	12,769.



10. Jeff had the following Tax and National Insurance liabilities:

	2017/18	2018/19
•	£	£
Income Tax	6,480	6,920ر
Class 2 National Insurance	148	153
Class 4 National Insurance	1,286	1,420
Capital Gains Tax	1,500	500

Briefly explain when the 2018/19 liabilities will be due for payment and the amount of each payment.

- pay in instalment as the liability	
is above £1000 and 80% has not been	<u> </u>
deduted from source.	
· ·	
- 50-1. of the tax due.	
→ 31 Jan wary 2019	
= ((6480 + 1286)/2) 3883.	
-> 31 January 2019 3883.	
→ 31 January 2020 = balancing payment.	
	Date of the second seco
balancing #3574	W. C.
Class 5 NJC 123	
CGT SOO	
1227.	
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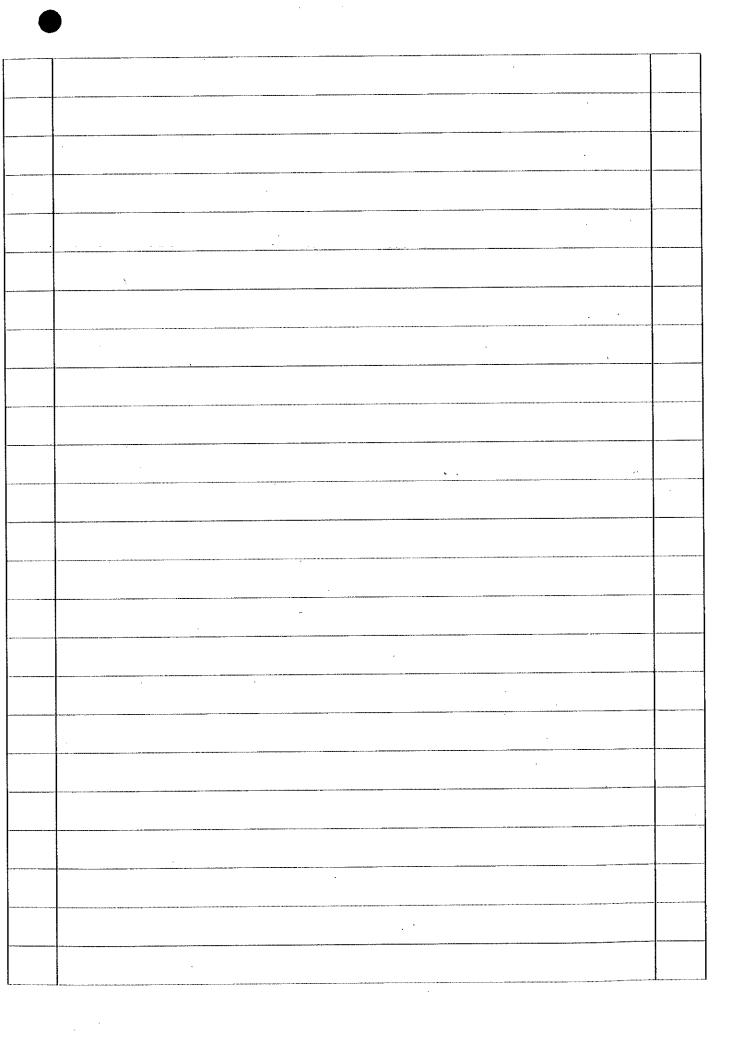
11. Julia, who is self employed, purchased the following cars during the year ended 31 March 2019:

<u>Car</u>	<u>Used by</u>	CO ₂ emissions	Cost £		
1 2	Employee – 40% private use Julia – 30% private use	118g 181g	25,000 30,000	+n0	private.

The tax written down values brought forward at 1 April 2018 were £14,800 on the main pool and £16,200 on the special rate pool.

Calculate Julia's maximum capital allowances for the year ended 31 March 2019.

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		Car	main	Sp	doin
	(1189)	(1819)	100		MANUFIC BUILD AND AND AND AND AND AND AND AND AND AN
WbV			14,000	16,200	-
additions	25,000	30,000			*
	25,600	30,000	14800	16200.	
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wp4@18-/1		h Markata da a marka	(2664)		2664
won @8-1			(1296)	1296
	23,000	27,600	17,136 . [1	+.904	7640,
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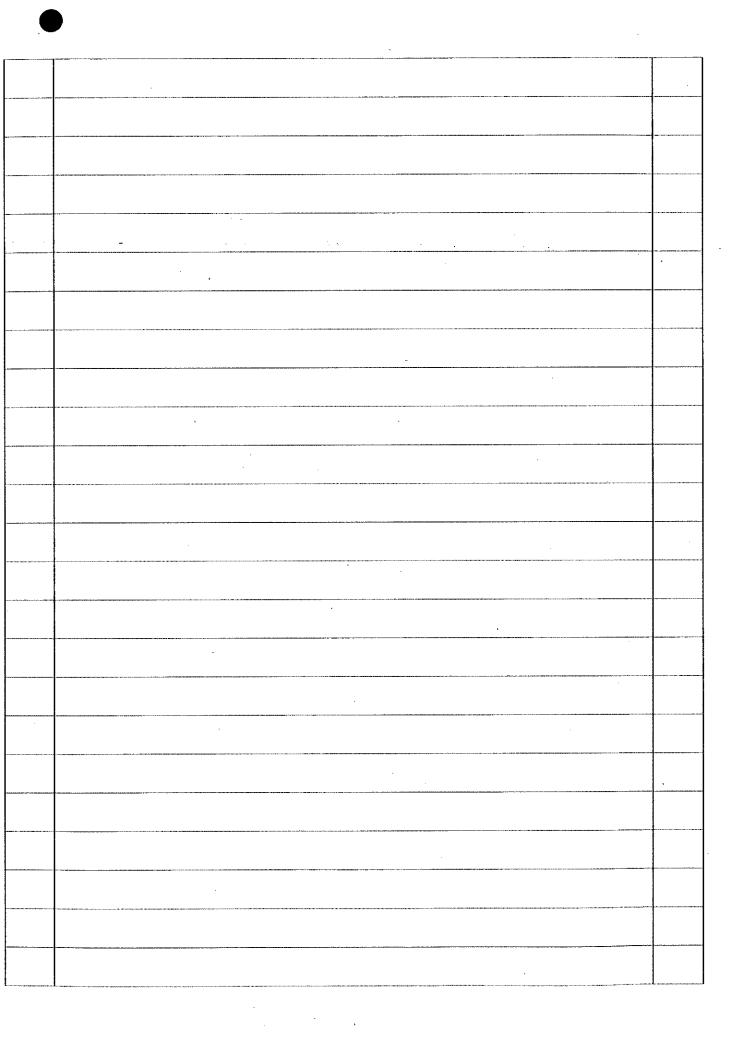


Rose has been a partner in the Xylex Partnership for many years but retired on 30 November 2018.

She sold her partnership share to Dean who subsequently joined the partnership on 1 December 2018. The property from which the partnership trades, which Rose owned 100% in her own name was sold to the remaining partners of the business.

Briefly explain whether the two disposals will qualify for entrepreneurs' relief for Capital Gains Tax purposes.

	- In order to qualify for entrepreneurs relief: most be:
	→ a material disposal of an asset
-	- disposal of assert disposal of whole or
	part of a business.
	- the shares will qualify for ?
	entrepreneurs relief as she
	(as long as she holds over sil interest).
	the building will also qualify to fa
	it is deemed an assecrated disposal
	- the building was also held for a period
	of over one year ending
	- the building will only qualify if Rose
-	- the building will not qualify for as
	it was not an auet within the partnership.
	As such it cannot be classified as an associated duposal.
	as an associated duposal.
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