

# Tolley<sup>®</sup> Exam Training

**CTA**

**AWARENESS PAPER**

**MODULE C – CORPORATION TAX**

**PRE REVISION QUESTION BANK**

**FA 2023 & F(No 2)A 2023**

May and November 2024 Sitzings

**PQ627C**

**Tolley<sup>®</sup>**

Tax intelligence  
from LexisNexis<sup>®</sup>

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## INTRODUCTION

This Pre Revision Question Bank for the Awareness paper contains two exam standard 12 question past paper tests with answers updated to Finance Act 2023 and Finance (No 2) Act 2023. This question bank forms an important part of your preparation for the examination - question practice is the key to passing exams.

As you answer the questions you may refer to either a hard copy or on-screen version of the **CTA Tax Tables 2024** and your own personalised version of the approved online legislation.

### Using this question bank

In the real exam each of your three chosen Modules will have 12 questions and each question carries five marks. You must answer all 12 of the questions from the three Modules you are sitting.

You should use the tests in this question bank to consolidate your knowledge after you have worked through all of the study packs for your three chosen Modules. They will be a useful part of your preparation for the pre revision mock examination.

We recommend that you attempt each test in this bank as if you were in the real exam, ideally doing "Test 1" for this Module along with both the "Test 1" questions from the pre revision question banks for your other two Modules, allowing yourself three hours 15 minutes to answer all three Modules.

We suggest you **allocate five minutes per question** which allows for five minutes review time as you finish each of the three Modules.

Your final score out of 180 is turned into a percentage – the pass mark is 50% overall, but with a **minimum mark for each Module** set at 21 marks out of the 60 marks available ie 35%. Even if a pass mark in excess of 50% overall has been achieved, if the minimum mark of 35% has not been achieved in all three modules, then the entire Awareness paper would need to be re-sat.

You should try to avoid just reading the answers to questions - it is all too easy to nod as you read the model answer saying "yes I know those points" - the test is, would you have actually put those points in your answer? You won't find this out, unless you **type up the answers and we recommend you do this using the on-screen version of this QB**. Ensuring you type up "proper" answers also gives you a good idea of how long each Module will take you to work through.

### Preparing your answers

Your answers should be **brief bullet points and/or summary computations** where appropriate. There are no presentation marks in this paper but bear in mind that the marker must be able to follow your answer and follow-through method marks cannot be awarded unless clear workings are shown.

You should make all calculations to the nearest month and pound unless stated otherwise.

### Reviewing your answers

It is essential to read through your answers when you have finished typing them – **before** you look at the model answer.

You may be able to make some small corrections at the review stage – you may find you have missed out a vital word such as "not" or you may at this stage think of another point or two to add while reading through your answers. This approach could increase your marks much more effectively than carrying on with the point you were making before you stopped to do this final review.

**CONTENTS**

**MODULE C – CORPORATION TAX**

Test 1

Test 2

Answers to Test 1

Answers to Test 2

**INCOME TAX - RATES AND THRESHOLDS**

	2023/24	2022/23
<b>Rates</b>	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	8.75	8.75
Dividend upper rate	33.75	33.75
Dividend additional rate and trust rate for dividends	39.35	39.35
<b>Thresholds</b>	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,700	1 – 37,700
Higher rate band	37,701 – 125,140	37,701 – 150,000
Dividend allowance	1,000	2,000
Savings allowance		
– Taxpayer with basic rate income	1,000	1,000
– Taxpayer with higher rate income	500	500
– Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
<b>Scottish Tax Rates<sup>(1)</sup></b>	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	41
Top rate	47	46
<b>Scottish Tax Thresholds<sup>(1)</sup></b>	£	£
Starter rate	1 – 2,162	1 – 2,162
Scottish basic rate	2,163 – 13,118	2,163 – 13,118
Intermediate rate	13,119 – 31,092	13,119 – 31,092
Higher rate	31,093 – 125,140	31,093 – 150,000
Top rate	125,140+	150,000 +

**INCOME TAX - RELIEFS**

	2023/24	2022/23
	£	£
Personal allowance <sup>(2)</sup>	12,570	12,570
Married couple's allowance <sup>(3)</sup>	10,375	9,415
– Maximum income before abatement of relief - £1 for £2	34,600	31,400
– Minimum allowance	4,010	3,640
Transferable Tax allowance for married couples and civil partners <sup>(4)</sup>	1,260	1,260
Blind person's allowance	2,870	2,600
Enterprise investment scheme relief limit <sup>(5)</sup>	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	200,000	100,000

- Notes:** (1) Scottish taxpayers pay Scottish income tax on non-savings income.
- (2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
- (3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
- (4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
- (5) The limit is £2 million, where over £1 million is invested in knowledge intensive companies.

# CTA EXAMINATIONS

2024

## TAX TABLES



ISA limits	2023/24 £	2022/23 £
Maximum subscription:		
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions	Annual allowance <sup>(1)</sup> £	Minimum pension age
2022/23	40,000	55
2023/24	60,000	55

Basic amount qualifying for tax relief £3,600

Maximum tax-free lump sum £268,275

**Note:** (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £260,000 (FA 2022: £240,000) for individuals with threshold income above £200,000. It cannot be reduced below £10,000 (FA 2022: £4,000).

Employer Supported Childcare	2023/24	2022/23
Exemption – basic rate taxpayer <sup>(2)</sup>	£55 per week	£55 per week

**Note:** (2) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

### ITEPA mileage rates

Car or van <sup>(3)</sup>	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

**Note:** (3) For NIC purposes, a rate of 45p applies irrespective of mileage.

### INCOME TAX - BENEFITS

#### Car benefits – 2023/24

Emissions	Electric range (miles)	Car benefit % <sup>(4)</sup>	
0g/km	N/A	2%	
1-50g/km	>130	2%	
1-50g/km	70-129	5%	
1-50g/km	40-69	8%	
1-50g/km	30-39	12%	
1-50g/km	<30	14%	
51-54g/km		15%	
55-59g/km		16%	
60-64g/km		17%	
65-69g/km		18%	
70-74g/km		19%	
75g/km or more		20%	+ 1% for every additional whole 5g/km above 75g/km
160g/km or more		37%	

**Note:** (4) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard (not to exceed maximum of 37%).

# CTA EXAMINATIONS

2024

## TAX TABLES



Fuel benefit base figure	2023/24	2022/23
	£	£
	27,800	25,300
Van benefits	2023/24	2022/23
	£	£
No CO <sub>2</sub> emissions	Nil	Nil
CO <sub>2</sub> emissions > 0g/km	3,960	3,600
Fuel benefit for vans	757	688
Official rate of interest	2.25%	2%

### INCOME TAX - CHARGES

Child benefit charge	Withdrawal rate
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

### CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) <sup>(1)</sup>	100%
WDA on plant and machinery in main pool <sup>(2)</sup>	18%
WDA on plant and machinery in special rate pool <sup>(3)</sup>	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) <sup>(4)</sup>	3%

- Notes:** (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019.  
(2) The main pool rate applies to cars with CO<sub>2</sub> emissions of not more than 50g/km (prior to April 2021 not more than 110g/km).  
(3) The special pool rate applies to cars with CO<sub>2</sub> emissions greater than 50g/km (prior to April 2021 greater than 110g/km).  
(4) A 10% rate applies in respect of freeport tax site expenditure (until 30 September 2026) and on investment zone expenditure.

### 100% First year allowances (FYA) available to all businesses

Capital expenditure incurred by a person on research and development.  
New zero-emission goods vehicles (until April 2025).  
New cars which either emit 0 g/km of CO<sub>2</sub> (50g/km prior to April 2021) or are electric (until April 2025).  
Electric vehicle charging points (until April 2025).

### First year allowances (FYA) available to companies only

	Assets in main pool	Assets in special rate pool
Expenditure on new plant and machinery (other than cars) between 1 April 2023 and 31 March 2026 <sup>(5)</sup>	100%	50%
Expenditure on new plant and machinery (other than cars) in a freeport tax site (until 30 September 2026)	100%	100%
Expenditure on new plant and machinery (other than cars) in an investment zone	100%	100%

**Notes:** (5) 130% for expenditure between 1 April 2021 and 31 March 2023.

### INCOME TAX - SIMPLIFICATION MEASURES

	2023/24	2022/23
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

# CTA EXAMINATIONS

2024

## TAX TABLES



### Flat Rate Expenses for Unincorporated Businesses

Motoring expenses	First 10,000 business miles	45p per mile
	Additional business miles	25p per mile
Business use of home	25 – 50 hours use	£10 per month
	51 – 100 hours use	£18 per month
	101+ hours use	£26 per month
Private use of business premises	No of persons living there:	1 £350 per month
		2 £500 per month
		3+ £650 per month

### Cash Basis for Unincorporated Businesses

Turnover threshold to join scheme	£150,000
Turnover threshold to leave scheme	£300,000

### NATIONAL INSURANCE CONTRIBUTIONS

#### Class 1 limits

	2023/24			2022/23		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£11,908	£1,048	£242
Secondary threshold (ST)	£9,100	£758	£175	£9,100	£758	£175
Upper earnings limit (UEL)	£50,270	£4,189	£967	£50,270	£4,189	£967
Upper secondary threshold for under 21 (UST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Apprentice upper secondary threshold for under 25 (AUST)	£50,270	£4,189	£967	£50,270	£4,189	£967
Freeport upper secondary threshold (FUST)	£25,000	£2,083	£481	£25,000	£2,083	£481

#### Class 1 primary contribution rates

Earnings between PT and UEL	12%	13.25%
Earnings above UEL	2%	3.25%

#### Class 1 secondary contribution rates

Earnings above ST <sup>(1)</sup>	13.8%	15.05%
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**Note:** (1) Rate of secondary NICs between the ST and the UST, AUST & FUST is 0%.

	2023/24	2022/23
<b>Employment allowance</b>		
Per year, per employer	£5,000	£5,000
<b>Class 1A contributions</b>	13.8%	15.05%
<b>Class 1B contributions</b>	13.8%	15.05%
<b>Class 2 contributions</b>		
Normal rate	£3.45 pw	£3.15 pw
Small profits threshold (SPL) <sup>(2)</sup>	£6,725	£6,725 pa
Lower profits limit (LPL) <sup>(2)</sup>	£12,570	£11,908

**Note:** (2) From 2022/23, Class 2 NICs are only payable where profits exceed the LPL. However, where profits are between the SPL and the LPL, there will be an entitlement to contributory benefits.

<b>Class 3 contributions</b>	£17.45	£15.85 pw
<b>Class 4 contributions</b>		
Annual lower profits limit (LPL)	£12,570	£11,908
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	9%	9.73%
Percentage rate above UPL	2%	2.73%



# CTA EXAMINATIONS

2024

## TAX TABLES



### OTHER PAYROLL INFORMATION

**Statutory maternity/adoption pay** First 6 weeks @ 90% of AWE  
Next 33 weeks @ the lower of £172.48 and 90% of AWE

**Statutory shared parental pay /paternity pay/parental bereavement pay** For each qualifying week, the lower of 90% of AWE and £172.48

**Statutory sick pay** £109.40 per week

**Student Loan**

Plan 1:	9% of earnings exceeding £22,015 per year (£1,834.58 per month/ £423.36 per week)
Plan 2:	9% of earnings exceeding £27,295 per year (£2,274.58 per month /£524.90 per week)
Plan 4:	9% of earnings exceeding £27,660 per year (£2,305 per month /£531.92 per week)

**Postgraduate Loan** 6% of earnings exceeding £21,000 per year (£1,750 per month/£403.84 per week)

**National living/minimum wage** (April 2023 onwards)

Category of Worker	Rate per hour £
Workers aged 23 and over	10.42
21–22 year olds	10.18
18–20 year olds	7.49
16–17 year olds	5.28
Apprentices	5.28

**Accommodation Offset** £9.10 per day

### HMRC INTEREST RATES (assumed)

Late payment interest	6.50%
Interest on underpaid corporation tax instalments	5.00%
Repayment interest	3.00%
Interest on overpaid corporation tax instalments	3.75%

# CTA EXAMINATIONS

2024

## TAX TABLES



### CAPITAL GAINS TAX

	2023/24	2022/23
Annual exempt amount for individuals	£6,000	£12,300

### CGT rates for individuals, trusts and estates

Gains qualifying for business asset disposal <sup>(1)</sup> /investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band <sup>(2)</sup>	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates <sup>(3)</sup>	20%	20%

**Notes:** (1) Formerly called entrepreneurs' relief

(2) The rate is 18% if the gain is in respect of a residential property

(3) The rate is 28% if the gain is in respect of a residential property

### Business Asset Disposal relief

	2023/24	2022/23
Relevant gains (lifetime maximum) <sup>(4)</sup>	£1 million	£1 million

### Investors' relief

	2023/24	2022/23
Relevant gains (lifetime maximum)	£10 million	£10 million

**Note:** (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.

### Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	—	—	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

**Lease percentage table**

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

**CORPORATION TAX**

Financial year	2023	2022
Main rate	25%	19%
Standard small profits rate	19%	N/A
Augmented profit limit for standard small profits rate	£50,000	N/A
Augmented profit limit for marginal relief	£250,000	N/A
Standard marginal relief fraction	3/200	N/A
Marginal rate	26.5%	N/A
Patent rate	10%	10%

**EU definition of small and medium sized enterprises**

	Small <sup>(2)</sup>	Medium <sup>(2)</sup>	Extended definition for R&D expenditure
Employees <sup>(1)</sup>	< 50	< 250	<500
Turnover <sup>(1)</sup>	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets <sup>(1)</sup>	≤ €10m	≤ €43m	≤ €86m

**Notes:** (1) Must meet employees criteria and either turnover or balance sheet assets criteria.

(2) Thresholds apply for transfer pricing and distributions received by small companies.

**Research and development expenditure**

Financial year	2023	2022
Total relief for Small & medium enterprises (SMEs)	186%	230%
R&D tax credit for SME losses	10%	14.5%
Large companies – RDEC	20%	13%

**VALUE ADDED TAX**

	<b>Standard rate</b>	<b>VAT fraction</b>
Rate	20%	1/6

**Limits**

	£
Annual registration limit	85,000
De-registration limit	83,000

**Thresholds**

	<b>Cash accounting</b>	<b>Annual accounting</b>
	£	£
Turnover threshold to join scheme	1,350,000	1,350,000
Turnover threshold to leave scheme	1,600,000	1,600,000

**ADVISORY FUEL RATES (as at 1 March 2023)**

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	13p	10p	1600cc or less	13p
1401cc to 2000cc	15p	11p	1601cc to 2000cc	15p
Over 2000cc	23p	17p	Over 2000cc	20p

**Electricity rate** 9p

**OTHER INDIRECT TAXES**

	<b>2023/24</b>	<b>2022/23</b>
<b>Insurance premium tax<sup>(1)</sup></b>		
Standard rate	12%	12%
Higher rate	20%	20%

**Tobacco products duty**

	<b>From 15.03.2023</b>	<b>From 27.10.2021</b>
Cigarettes	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes <sup>(2)</sup> )	16.5% x retail price + £262.90 per thousand cigarettes (or £347.86 per thousand cigarettes <sup>(2)</sup> )
Cigars	£367.61 per kg	£327.92 per kg
Hand-rolling tobacco	£351.03 per kg	£302.34 per kg
Other smoking/chewing tobacco	£161.62 per kg	£144.17 per kg
Tobacco for heating	£302.93 per kg	£270.22 per kg

**Notes:** (1) Premium is tax inclusive (<sup>3</sup>/<sub>28</sub> for 12% rate and <sup>1</sup>/<sub>6</sub> for 20% rate).

(2) The £393.45/£347.86 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

**INHERITANCE TAX**

Death rate	40% <sup>(3)</sup>	Lifetime rate	20%
------------	--------------------	---------------	-----

**Note:** (3) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

**Nil rate bands**

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2026	£325,000

**Residence nil rate bands<sup>(4)</sup>**

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2026	£175,000

**Note:** (4) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

**Taper relief**

Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

**Quick Succession relief**

Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

**Lifetime exemptions**

Annual exemption	£3,000
Small gifts	£250
Wedding gifts	Child £5,000
	Grandchild or remoter issue or other party to marriage £2,500
	Other £1,000

**ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)**

Residential property value	From 1.4.23	From 1.4.22
>£0.5m - ≤ 1m	£4,150	£3,800
> £1m - ≤ 2m	£8,450	£7,700
> £2m - ≤ 5m	£28,650	£26,050
> £5m - ≤ 10m	£67,050	£60,900
> £10m - ≤ 20m	£134,550	£122,250
> £20m	£269,450	£244,750

**STAMP DUTY/SDRT**

<b>Stamp duty<sup>(1)</sup></b>	- On shares transferred by physical stock transfer form	0.5%
<b>Stamp duty reserve tax<sup>(2)</sup></b>	- On agreements to transfer shares <sup>(2)</sup>	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

**Notes:** (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).

(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

# CTA EXAMINATIONS

2024

## TAX TABLES



### STAMP DUTY LAND TAX

Qualifying purchases in a Freeport receive full SDLT relief

#### Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI

Basic Rate % <sup>(3)(4)(5)(6)</sup>	Residential <sup>(3)(4)(5)(6)</sup>	Rate %	Non-Residential
0	£0 - £250,000	0	£0 - £150,000
5	£250,001 - £925,000	2	£150,001 - £250,000
10	£925,001 - £1,500,000	5	£250,001 +
12	£1,500,001+		

- Notes:** (3) The basic rates are increased by 3% (the 'higher rates') where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 3% on all purchases of residential properties, subject to Note 4 below.
- (4) Companies (and certain other entities) pay 15% on purchases of residential property valued > £500,000 (subject to exceptions).
- (5) First-time buyers purchasing a single dwelling as their only/main residence may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £425,000. For homes between £425,000 and £625,000, SDLT will be payable at 5% on the amount above the £425,000 threshold. Homes bought for more than £625,000 will incur the rates as per column 1 in above table.
- (6) Non-resident individuals and companies will pay an additional 2% surcharge for purchases of residential property. This is in addition to the basic rate, the higher rate (where applicable, in Note 3), and the 15% rate (where applicable, in Note 4).

#### New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent	
	Residential	Non-residential
0	Up to £250,000	Up to £150,000
1	Excess over £250,000	£150,001-£5m
2	N/A	Over £5m

#### Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate % <sup>(1)(2)(3)</sup>	Residential	Rate % <sup>(1)</sup>	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

- Notes:** (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.
- (2) The 'Additional Dwelling Supplement' of 6% of the relevant consideration applies broadly to purchases of an additional dwelling by individuals & trusts (over which the beneficiary has substantial rights) & to purchases of a dwelling by certain businesses, companies & other trusts.
- (3) There is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

#### New leases – Land and Buildings Transaction Tax (LBTT) on lease rentals - Scotland

Rate (%)	Net present value of rent <sup>(4)</sup>
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

- Note:** (4) Residential leases are generally exempt

## MODULE C – TEST 1

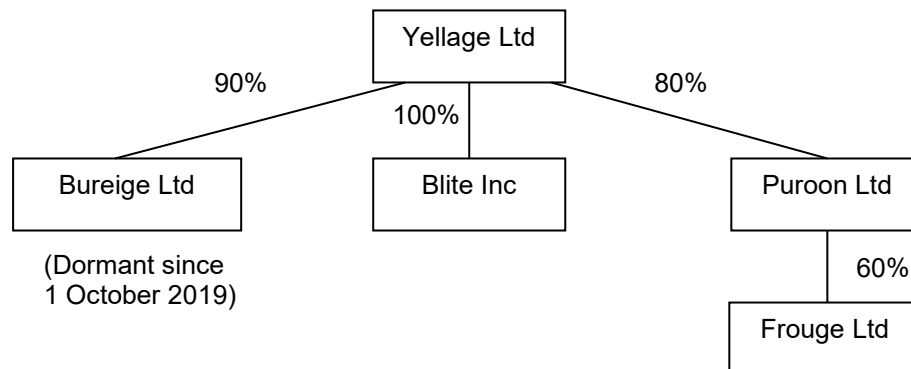
1. For the year ended 31 December 2023, Reen Ltd had an accounting profit of £800,000 after deducting the following employment costs:

	£
Bonus payments accrued for at the year-end	80,000
Pension contributions accrued for at the year-end	16,000
Cost of providing a buffet lunch for the weekly directors' meeting	2,000
Leasing costs relating to a director's car (CO <sub>2</sub> emissions 150g/km)	10,000
Restrictive covenant payment made on the termination of an employee's contract	40,000

The bonus payments were paid as follows: £70,000 in August 2024 and £10,000 in October 2024. The pension contributions were paid in January 2024.

**Calculate Reen Ltd's tax adjusted trading profit for the year ended 31 December 2023, clearly showing your treatment of all the costs listed above.**

2. Yellage Ltd owns shares in several subsidiaries. All group companies all prepare accounts to 30 June. The group structure at 30 June 2024 was as follows:

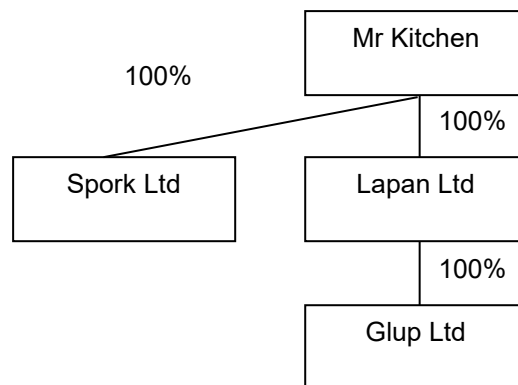


All of the companies are active unless otherwise stated. All of the companies are UK tax resident with the exception of Blite Inc which is tax resident in the United States of America.

On 1 June 2024, Yellage Ltd sold its 95% shareholding in Turgenta Ltd.

**Explain how many associated companies Yellage Ltd has in the year ended 30 June 2024.**

3. Mr Kitchen owns the following UK tax resident companies:



All three companies prepare accounts to 30 December. Each company had trading profits for the year ended 31 December 2023 against which capital allowances may be offset.

Spork Ltd carries on a construction trade from offices, which it owns.

Lapan Ltd lets a number of commercial properties.

Glup Ltd provides mobile hair and beauty treatments.

The affairs of Lapan Ltd and Glup Ltd are managed from office space in a commercial property owned by Lapan Ltd.

**Briefly explain, for each company, how the maximum amount of annual investment allowance for the year ended 31 December 2023 will be calculated.**

4. Letamp Ltd's draft accounts for the year ended 31 March 2024 show a trading profit of £400,000. This is after the write-off, on 1 October 2023, of a loan to a participator of £50,000. This loan had been made during the year ended 31 March 2021 and tax of £16,250 had been paid under s.455 CTA 2010 on 1 January 2022.

The draft accounts do not yet take into consideration a five-year bank loan, which was taken out on 1 March 2024 for the purposes of the trade. The amount of the loan is £1.2 million on which interest of 5% per annum is payable. A one-off loan arrangement fee of £24,000 was paid on 1 March 2024.

Letamp Ltd does not pay its Corporation Tax liability in instalments.

**Calculate the Corporation Tax payable by the company on 1 January 2025.**



5. Mobrd Ltd is a large company carrying on a manufacturing trade. For the year ended 31 March 2024, its accounts showed a trading loss of £1 million after accounting for expenditure qualifying for the Research and Development Expenditure Credit (RDEC) of £4 million.

Mobrd Ltd is not part of a group and does not have any outstanding liabilities due to HM Revenue & Customs.

- 1) **Calculate Mobrd Ltd's tax adjusted trading profit/loss for the year ended 31 March 2024 assuming the company claims the RDEC.**
  - 2) **Briefly explain, with supporting calculations, how the company will obtain the benefit of the RDEC.**
6. Boozine Ltd carries on a UK trade in addition to letting properties in the UK and overseas. It had the following results for its year ended 30 June 2024:

	£
Trading income	3,000
UK property business loss	(12,000)
Overseas property business loss	(5,000)
Interest payable in respect of UK properties	(14,000)
Interest payable in respect of overseas properties	(7,000)
Capital gains	22,000

**Calculate Boozine Ltd's taxable total profits for the year ended 30 June 2024 assuming that all beneficial claims and elections are made. Show any amounts carried forward at 30 June 2024.**

7. Chesk Ltd is a manufacturing company with a year-end of 31 May.

In June 2020, the company bought a patent ('Patent A') for £210,000. On 1 May 2024, Patent A was sold for £380,000 when its tax written down value was £150,000. Legal expenses of £5,000 were incurred on the sale.

On 1 September 2023, the company bought a patent ('Patent B') for £300,000.

- 1) **Briefly explain whether the date of acquisition of Patent B falls within the specified period for rollover relief in respect of the gain on Patent A.**
- 2) **Calculate the income gain for the company in respect of the disposal of Patent A assuming that a claim for rollover relief is made.**

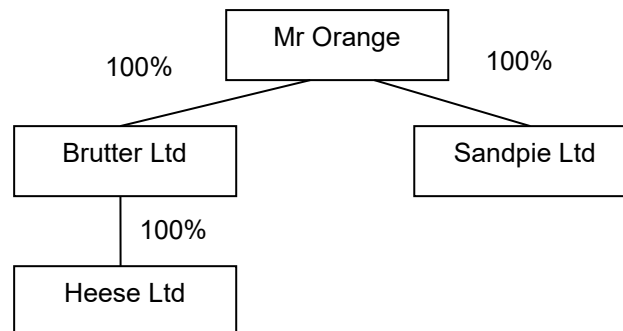
8. During its year ended 31 July 2024, Windor Ltd:
- 1) Disposed of land and buildings for proceeds of £360,000, giving rise to a chargeable gain of £220,000.
  - 2) Acquired fixed plant and machinery for £190,000.

The assets were used by Windor Ltd in its trade.

Windor Ltd intends to claim rollover relief in respect of the disposal of the land and buildings against its purchase of the fixed plant and machinery.

**Briefly explain:**

- 1) **The effect of the rollover relief claim on the base cost of the fixed plant and machinery.**
  - 2) **When the deferred gain will become chargeable.**
9. Mr Orange had the following interests in UK companies at 30 June 2024:



Mr Orange has owned his shares in Brutter Ltd and Sandpie Ltd for a number of years. Brutter Ltd acquired its shares in Heese Ltd on 1 April 2024.

The companies had the following results for the year ended 30 June 2024:

	<u>Brutter Ltd</u>	<u>Heese Ltd</u>	<u>Sandpie Ltd</u>
	£	£	£
Trading profit (loss)	88,000	(60,000)	80,000
UK property business profit	Nil	7,000	Nil

Brutter Ltd had trading losses of £40,000 brought forward at 1 July 2023.

- 1) **Briefly explain why Sandpie Ltd cannot claim group relief from Heese Ltd.**
- 2) **Calculate the taxable total profits for the year ended 30 June 2024 for both Brutter Ltd and Heese Ltd, assuming all beneficial claims and elections are made.**

10. In April 2011, Banapple Ltd bought 100% of the issued share capital of Pinery Ltd for £1.7 million. In December 2023, Banapple Ltd sold its entire shareholding in Pinery Ltd for proceeds of £4.3 million. The disposal does not qualify for the substantial shareholding exemption.

In April 2021, Banapple Ltd had transferred land and buildings to Pinery Ltd. Banapple Ltd had bought the land and buildings for £750,000 in April 2006. Pinery Ltd still owned the land and buildings in December 2023. The market value of the land and buildings was £1.3 million in April 2021 and £1,350,000 in December 2023.

**Calculate the total chargeable gain for Banapple Ltd for the year ended 31 December 2023 in respect of its disposal of shares in Pinery Ltd, clearly showing your treatment of all items.**

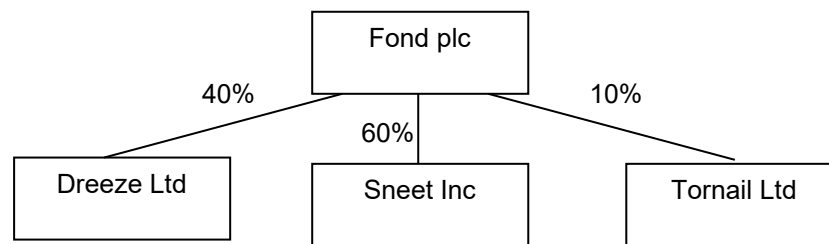
11. Liger Inc, a non-UK tax resident company, is owned by two unconnected UK tax resident companies: 80% by Bodile Ltd and 20% by Bish Ltd.

For its year ended 31 May 2024, Liger Inc had trading income of £500,000, which fell within one of the controlled foreign company (CFC) gateways but none of the exemptions applied. Liger Inc paid tax of £50,000 (at the rate of 10%) in its country of residence.

Bodile Ltd makes up its accounts to 30 June. For the year ended 30 June 2024 it had a liability to Corporation Tax of £266,000 (at the rate of 25%) before taking into account any adjustments required under the CFC rules.

- 1) **Explain why Bish Ltd is not required to make an adjustment under the CFC rules in respect of its interest in Liger Inc.**
- 2) **Calculate Bodile Ltd's Corporation Tax liability taking into account any adjustments required under the CFC rules.**

12. Fond plc had the following interests in other companies at 30 June 2024:



All of the companies are UK resident apart from Sneet Inc, which is resident in a territory that is a qualifying territory for transfer pricing purposes. The companies' results for the year ended 30 June 2024 are summarised below:

	<u>Number of Employees</u>	<u>Turnover Euros (m)</u>	<u>Balance Sheet Euros (m)</u>
Fond plc	180	25	42
Dreeze Ltd	10	12.5	20
Sneet Inc	25	4	8
Tornail Ltd	37	3	5

During the year ended 30 June 2024, Fond plc sold goods to Sneet Inc at a non-arms length price.

- 1) **Calculate the employee, turnover and balance sheet figures for Fond plc for the purposes of determining if the exemption from the transfer pricing rules for Small or Medium-Sized enterprises (SMEs) is available.**
- 2) **Briefly explain whether or not Fond plc qualifies for the SME exemption**

## MODULE C – TEST 2

1. Carbrough Ltd made pension contributions in connection with its trade as follows:

	£
Year ended 31 December 2022	1,200,000
Year ended 31 December 2023	2,700,000

**Briefly explain, with supporting calculations, how the deduction for Corporation Tax purposes will be given for the pension contributions made for the year ended 31 December 2023.**

2. Manpool Ltd had the following results for the 15-month period ended 31 March 2024:

	<u>Note</u>	<u>Income</u> £
Tax-adjusted trading profit	1	500,000
Non-trade loan relationship credits	2	9,000

Note 1: This is before the deduction of available capital allowances. The tax written down value on the general pool at 1 January 2023 was £55,000.

Note 2: This relates to a loan made on commercial terms on 1 July 2023.

**Calculate the Corporation Tax liability for the 15-month period ended 31 March 2024, clearly showing your treatment of all items.**

3. Mike provides his consultancy services through Yarham Ltd, a personal service company wholly owned by Mike.

In the year ended 31 March 2024, each month Yarham invoiced Rosewait plc £7,500 plus VAT of £1,500. Mike is paid a salary of £2,000 per month. The off-payroll working legislation applies to this engagement.

Rosewait plc has 100 employees and an annual turnover of £15 million.

- 1) **Explain whether Rosewait plc is a large client for the purposes of the off-payroll working legislation.**
- 2) **Explain the consequences for Yarham Ltd if Rosewait plc is a large client.**

4. Edgow Ltd's results are as follows:

	<u>Y/e</u> <u>31.12.21</u> £	<u>3 m/e</u> <u>31.3.22</u> £	<u>Y/e</u> <u>31.3.23</u> £	<u>Y/e</u> <u>31.3.24</u> £
Trade profit/(loss)	70,000	30,000	(164,000)	40,000
UK property business income	Nil	Nil	12,000	12,000
Capital gain/(loss)	Nil	25,000	Nil	(20,000)

**Calculate Edgow Ltd's taxable total profit for all periods assuming that relief for losses is claimed as early as possible and show any losses carried forward at 31 March 2024.**

5. Edinbury Ltd is a small enterprise for the purposes of Research and Development (R&D) tax relief.

For the year ended 30 April 2024, the company had a trading loss of £220,000 and no other income. The following expenditure had been deducted in arriving at the loss:

	Salary	Employer's National Insurance Contributions
	£	£
Research assistant, engaged entirely on R&D	40,000	4,650
Director (engaged 30% of the time on R&D)	8,000	Nil

The R&D is in relation to the creation of intellectual property.

**Calculate the maximum payable R&D tax credit that Edinbury Ltd may claim.**

6. On 1 July 2023, Mildon Ltd bought 100% of the issued share capital of Londale Ltd. Both companies prepare accounts to 31 March. The companies' results for the year ended 31 March 2024 were as follows:

	<u>Mildon Ltd</u>	<u>Londale Ltd</u>
	£	£
Trade profit/(loss)	(200,000)	180,000
Non-trade loan relationship debits	Nil	(10,000)

Londale Ltd had trade losses brought forward from the year ended 31 March 2023 of £30,000.

**Calculate Londale Ltd's taxable total profits for the year ended 31 March 2024, assuming that all beneficial claims are made.**

7. Eddie is a director and shareholder of Kilee Ltd, a close company. Kilee Ltd makes up its accounts to 31 January.

On 1 June 2022, Kilee Ltd made a loan of £40,000 to Eddie. Eddie repaid the loan as follows

<u>Date of repayment</u>	<u>Amount repaid</u>
	£
30 November 2022	10,000
31 May 2023	10,000
30 November 2023	10,000
31 May 2024	10,000

**Calculate the tax payable by/repayable to Kilee Ltd under s.455 CTA 2010 for the years ended 31 January 2023 and 31 January 2024, stating the due date.**

8. On 1 March 2013, Darland Ltd bought 20,000 ordinary shares in Birford Ltd, a company with an issued share capital of 100,000 ordinary shares. Birford Ltd began trading on 1 January 2014.

Darland Ltd sold 12,000 shares on 28 February 2020 and the remaining 8,000 shares on 28 February 2024.

**Briefly explain whether the substantial shareholdings exemption will apply to the disposal of 8,000 shares on 28 February 2024.**

9. Newley Ltd is a trading company. On 1 October 2023, it sold a building that it had occupied as office space for £800,000, realising a gain of £400,000. On 1 April 2024, it bought a warehouse for use in its trade, paying £500,000.

**Briefly explain whether rollover relief is available for the gain arising on the disposal of the building, and the effect of making a claim.**

10. Petergate Ltd and Kenrith Ltd are members of the same capital gains group.

On 31 January 2012, Kenrith Ltd bought a factory for £1,300,000. It transferred the factory to Petergate Ltd on 1 October 2023 at its cost price. The market value at that time was £2,800,000. On 1 May 2024, Petergate Ltd sold the factory to a third party for £2,950,000.

Kenrith Ltd had held the factory as a capital asset and Petergate Ltd had held it as trading stock

**Calculate Petergate Ltd's capital gain and/or trading income in respect of the transfer of the factory and its sale on the basis that:**

- 1) **Petergate Ltd does not make an election under s.161 TCGA 1992.**
  - 2) **Petergate Ltd does make an election under s.161 TCGA 1992.**
11. Kesdal Ltd trades mainly in the UK. It has an overseas permanent establishment and it owns 80% of the issued share capital of Hartbury Co., a Controlled Foreign Company.

For the year ended 31 March 2024, Kesdal Ltd had the following results:

	£
UK trade profit	480,000
Overseas permanent establishment trade profit (after deduction of foreign tax of £30,000)	60,000

Hartbury Co. had profits of £160,000 for the year ended 31 March 2024 that passed through a Controlled Foreign Company gateway. No tax was paid overseas on these profits.

**Calculate the Corporation Tax liability for Kesdal Ltd for the year ended 31 March 2024.**

12. On 1 June 2023, Bofield Ltd borrowed £100,000 from Mr Sanders and £200,000 from Middbury Ltd. Neither Mr Sanders nor Middbury Ltd have any other connection with Bofield Ltd.

Bofield Ltd is due to make the following interest payments on 31 May 2024:

	£
Mr Sanders	5,000
Middbury Ltd	10,000

Bofield Ltd prepares its accounts to 31 December.

**Briefly explain, with supporting calculations, how Bofield Ltd is required to account for Income Tax on these interest payments.**

## ANSWERS TO MODULE C – TEST 1

### Examiner's report:

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### General Comments on Module C

Many candidates failed to stick to the requirement; for example, by providing explanations where calculations were required or by addressing points that were not raised in the requirement. Time spent in this way on the earlier questions contributed to lost marks on later questions. Candidates should give more thought to how they present their calculations; by using the accepted format, the candidate is more likely to cover all of the required points. In some questions, candidates appeared to confuse different sets of rules; for example, the rules for the RDEC and the rules for R&D tax relief for SMEs. This may be due to a failure to read the requirement or it may highlight gaps in the candidates' knowledge.

1.

	£	
Accounting profit per question	800,000	
Adjustments:		
Accrued bonuses paid within 9 months of year-end	Nil	
Accrued bonuses paid more than 9 months after year-end	10,000	[1]
Accrued pension contributions	16,000	[1]
Staff entertaining	Nil	[1]
High emission car (15% disallowance for leasing costs)	1,500	[1]
Restrictive covenant	Nil	[1]
Tax adjusted trading profit	<u>827,500</u>	

### Examiner's report:

A significant number of candidates did not adjust for the accrued pension contributions in the mistaken belief that the 9-month rule for remuneration also applies here. The hire car adjustment proved difficult for many candidates with some adding back all or none of the expenditure and some adding back 85% of the expenditure.

2. Yellage Ltd has 4 associated companies for the year ended 30 June 2024.

Yellage Ltd owns more than 50% [1] (and therefore has control of) both Puroon Ltd and Blite Inc. Therefore, Yellage Ltd and Puroon Ltd and Blite Inc are associated companies for Yellage Ltd. Worldwide companies are included. [1]

Puroon Ltd owns more than 50% of Frouge Ltd. Therefore, Frouge Ltd is an associated company for Yellage Ltd [1] – the effective interest of Yellage in Frouge (48%) is not relevant here.

Bureige Ltd is not an associated company for Yellage Ltd as it is dormant for the whole period. [1]

Turgenta Ltd is an associated company as Yellage Ltd owned more than 50% of Turgenta Ltd until 1 June 2024. Companies owned for part of the period are included. [1]

### Examiner's report:

Perhaps because they were unfamiliar with the rules for related associated companies, or perhaps because they misread the question, a significant number of candidates applied the rules for determining loss relief or capital gains groups.



3. The maximum AIA for the year ended 31 December 2023 is £1,000,000 per company per annum.

However, the annual investment allowance (AIA) is shared between companies in two circumstances:

- 1) Where related companies are under common control.
- 2) Where companies are part of a group (parent and 51% subsidiaries). **[1]**

Spork Ltd is under common control with Lapan Ltd but it is not a related company because: **[1]**

- 1) it does not share premises with, and
- 2) it does not carry on activities similar to that carried on by either Lapan Ltd or Glup Ltd **[1]**

Therefore, Spork Ltd is entitled to a maximum AIA of £1,000,000.

Lapan Ltd and Glup Ltd are part of a group (parent and 51% subsidiary) and so they must share the maximum AIA of £1,000,000. **[1]**

This can be allocated as the companies see fit. **[1]**

#### Examiner's report:

Although many candidates recognised that Spork Ltd did not have to share the AIA, they were unable to give the correct explanation for why this was the case, often as a result of applying the rules for determining a loss relief group. A significant minority of candidates believed that the two group companies had to split the AIA equally, rather than as they saw fit to give the best result for the group.

4.

	£	
Trading profit per question	400,000	
Add loan written off	50,000	<b>[1]</b>
Less trading interest payable ((1/12) x (£1,200,000 x 5%))	(5,000)	<b>[1]</b>
Less loan arrangement fee ((1/12) x (£24,000/5))	<u>(400)</u>	<b>[1]</b>
Tax adjusted trading profit	<u>444,600</u>	
Corporation Tax at 25%	111,150	<b>[1]</b>
Less s.455 tax repayable	<u>(16,250)</u>	<b>[1]</b>
Corporation Tax payable on 1 January 2025	<u>94,900</u>	

#### Examiner's report:

Common errors were to deduct the full amount of the loan arrangement fee and to fail to add back the amount of the loan written off.

5.

1)

	£	
Trading loss per question	(1,000,000)	
RDEC (£4m x 20%)	<u>800,000</u>	[1]+ [1]*
Tax adjusted trading loss	<u>(200,000)</u>	

2)

The company is entitled to cash payment in respect of the RDEC. [1]

The cash payment is the lower of the RDEC of £800,000 and net value of the RDEC ( $800,000 \times ((100\% - 25\%)) = £600,000$ ).

Therefore £600,000. [1]\*\*

The remainder (£200,000) is carried forward and treated as a credit for the next accounting period. [1]

**[\* 1 for bringing credit in as taxable income plus 1 mark for correct amount**

**\*\*Credit given if the candidate referred instead to the PAYE cap]**

#### Examiner's report:

In general, candidates scored well in the first part of this question, where they were asked to provide calculations, but not in the second part, where they were asked to provide explanations; indeed, many candidates did not attempt Part 2. Despite being told that the company was a large company, some candidates applied aspects of the rules for SMEs, for example: deducting the relief in calculating the trading loss, applying the rate of 10% and surrendering the loss to HMRC.

6.

	£	£	
Trading income		3,000	
Capital gain		<u>22,000</u>	
		25,000	[1]
Non-trade loan relationship deficit (£14,000 + £7,000)		(21,000)	[2]*
UK property business loss		<u>(4,000)</u>	[1]
Taxable total profits		<u>Nil</u>	
	UK property business loss	Overseas property business loss	
	£	£	
Realised in period	12,000	5,000	
Offset in current year	<u>(4,000)</u>	<u>Nil</u>	
Carried forward	<u>8,000</u>	<u>5,000</u>	[1]

[\* 1 for deducting non-trade LR deficit plus 1 for in priority to UK property business loss]

**Examiner's report:**

This question looked at how relief may be given for a UK property business loss, an overseas property business loss and non-trade loan relationship debits, and the order in which that relief is given. To demonstrate their knowledge in this area, candidates were asked to calculate a company's taxable total profits and to clearly show any losses carried forward. Many candidates did not follow the requirement and instead listed the company's income, gains and losses to give a net loss figure. From this, it was not possible to see how relief had been given for each type of loss and as a result, those candidates lost marks.

7.

1)

The specified period begins 1 year before and ends 3 years after the date of disposal. Therefore, from 1 May 2023 to 30 April 2027. The purchase date (1 September 2023) is within this period. [1]

2)

	£	
Proceeds (£380,000 - £5,000)	375,000	[1]
TWDV	<u>(150,000)</u>	[1]
	225,000	
Rollover relief (W1)	<u>(90,000)</u>	
Income gain	<u>135,000</u>	
W1)		
Proceeds reinvested	300,000	[1]
Cost of Patent A	<u>(210,000)</u>	[1]
Rollover relief	<u>90,000</u>	

**Examiner's report:**

The candidates were required to calculate the income gain on the disposal of an intangible asset and this was set out quite clearly in the requirement. However, a common error was to apply all or aspects of, the rules for capital gains.

8.

1)

The fixed plant and machinery is a depreciating asset. [1]

Therefore, the deferred gain is frozen and is not deducted from the base cost of the fixed plant and machinery. The base cost of the fixed plant and machinery remains at £190,000. [1]

2)

The deferred gain will become chargeable on the earliest of:

- i) The date the fixed plant and machinery is sold; [1]
- ii) The date the fixed plant and machinery ceases to be used in the trade; and [1]
- iii) 10 years from acquisition of the fixed plant and machinery. [1]

### Examiner's report:

Most candidates performed well in this question, showing a good knowledge of rollover relief involving depreciating assets. Although the requirement was for the candidate to explain how the rules applied in the circumstances, quite a few candidates provided calculations.

9.

1)

For group relief to be available, one company must be a 75% subsidiary of the other or both must be 75% subsidiaries of a third company. Sandpie Ltd does not fulfil either of these conditions. [1]\*

2)

	Brutter Ltd Year ended 30 June 2024 £	Heese Ltd Year ended 30 June 2024 £	
Trading profit	88,000	Nil	
UK property business	Nil	7,000	
Trading loss bfw	(40,000)	Nil	[1]
Current year trading loss	Nil	(7,000)	[1]
	48,000	Nil	
Group relief (working)	(12,000)	Nil	
Taxable total profits	36,000	Nil	

### Working:

Common period: 01/04/24 to 30/06/24 = 3m [1]

Lower of:

3/12 x £48,000; and 12,000 [1]  
3/12 x £60,000 15,000

**[\*Mark awarded for recognising 75% ownership by a company is necessary]**

### Examiner's report:

A common error was to fail to restrict group relief to the common period. Many candidates could have presented their answers more logically and had they done this, they may have made fewer errors, for example, failing to deduct the brought forward trade losses.

10.

	£	
Consideration	4,300,000	
Degrouping gain (working)	<u>238,750</u>	
	4,538,750	[1]*
Cost	(1,700,000)	
Indexation $((278.1 - 234.4) / 234.4) \times £1,700,000$	<u>(316,937)</u>	[1]
Chargeable gain	<u>2,521,813</u>	
Working:		
Market value at date of intragroup transfer	1,300,000	[1]
Cost	(750,000)	[1]
Indexation $((278.1 - 196.5) / 196.5) = 0.415 \times £750,000$	<u>(311,250)</u>	[1]
Degrouping gain	<u>238,750</u>	

[\* mark awarded for adding gain to consideration]

**Examiner's report:**

Quite a few candidates provided detailed explanations alongside their calculations. This was not required and the time could have been better spent on aspects of the calculations; for example, the indexation allowance, which many candidates chose to estimate.

11.

1)		
No apportionment is made as Bish Ltd owns less than 25% of the CFC.		[1]
2)		
	£	
CT liability per question.	266,000	
Add CFC charge:		
(Full profits for AP ended 31/5/24: £500,000 x 80% x 25%)	100,000	[1]+[1]+[1]
Less Creditable tax:		[1]
(Full tax paid for AP ended 31/5/24: £50,000 x 80%)	<u>(40,000)</u>	
	<u>326,000</u>	

**Examiner's report:**

In Part 1, some candidates appeared to confuse the CFC and transfer pricing rules, stating that Bish Ltd was not required to make a CFC adjustment because it held less than 40% of Liger Inc. A common error in Part 2 of the question was to time apportion the results for the accounting period.

12.

1)

	Employees	Turnover Euros (m)	Balance Sheet Euros (m)	
Fond plc	180	25	42	
Dreeze Ltd (40% as >25% but <50%)	4	5	8	[1]
Sneet Inc (100% as >50%)	25	4	8	[1]
Tornail Ltd (nil as <25%)	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	[1]
Total	<u>209</u>	<u>34</u>	<u>58</u>	

2)

Limits	250	50	43	[1]
--------	-----	----	----	-----

The SME exemption is available as Fond plc is under the employees limit and under at least one of the turnover and balance sheet limits. [1]

**Tutorial Note:**

The data of an enterprise's linked and partnership enterprises are included when determining whether it is small or medium sized.

For linked enterprises (where a company has a majority of the shareholding, voting and contractual rights) the total data is included. Sneet Inc is a linked enterprise.

For partnership enterprises (where one company holds  $\geq 25\%$  < 50% of the capital or voting rights of the other) the relevant proportion is included. Dreeze Ltd is a partnership enterprise.

**Examiner's report:**

Many candidates did not attempt this question. Those that did showed a good knowledge of the rules.

## ANSWERS TO MODULE C – TEST 2

### Examiner's report:

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### General Comments on Module C

There were noticeable gaps in the candidates' knowledge in some key areas, for example: R&D tax relief; loans to participators; the substantial shareholding exemption; and the CT61 procedure. Many candidates wasted time addressing points outside of the requirement or by providing explanations where calculations were required, and vice versa. Candidates should give more thought to how they present their answer, as this helps to ensure that no points are missed.

1. Pension contributions are deductible in calculating trading profit for the accounting period in which the contributions are paid. **[1]**

However, relief is spread where both of the following conditions are satisfied:

Condition 1: The contributions paid are more than 210% of the prior year's contributions – Yes as £2,700,000 exceeds £2,520,000 (£1,200,000 x 210%). **[1]**

Condition 2: The excess over 110% of the prior year's contributions is more than £500,000 – Yes as £1,380,000 (£2,700,000 – (£1,200,000 x 110%)) exceeds £500,000. **[1]**

As the excess amount - £1,380,000 – is between £1,000,000 and £2,000,000 it is spread equally over 3 years. Therefore, relief is given as follows:

	£	
110% x £1,200,000	1,320,000	<b>[1]</b>
1/3 x £1,380,000	<u>460,000</u>	<b>[1]</b>
Deduction for year ended 31 December 2023	<u>1,780,000</u>	
Deduction for each of years ended 31 December 2024 and 31 December 2025	460,000	<b>[1]</b>

**Max 5**

### Examiner's report:

Many candidates did not attempt this question. Although most candidates recognised that spreading applied, few were able to explain why this was the case and the impact on the company's tax calculations.

2.

	12 months ended 31/12/2023 £	3 months ended 31/03/2024 £	
Trade income before CAs (12:3)	400,000	100,000	[1]
Capital allowances (Working)	<u>(9,900)</u>	<u>(2,030)</u>	[1+1]*
Taxable trade profit	390,100	97,970	
Non-trade loan relationship credits (6:3)	<u>6,000</u>	<u>3,000</u>	[1]
Taxable total profits	<u>396,100</u>	<u>100,970</u>	
Corporation Tax at (19% x 9/12 + 25% x 9/12) = 23.5% at 25%	<u>93,084</u>	<u>25,243</u>	[1]
Working: Capital allowances	£	£	
TWDV b/fwd	55,000	45,100	
WDA at 18%			
- Full year	(9,900)		
- 3 months (3/12)		<u>(2,030)</u>	
TWDV c/fwd	<u>45,100</u>	<u>43,070</u>	

[\*1 for 12 month/3 month calculation plus 1 for correct capital allowances claim]

#### Examiner's report:

Most candidates performed this question well with many scoring full marks. The treatment of the loan relationship credits caused most problems for candidates with some treating them as debits. The question asked the candidate to calculate the company's Corporation Tax liability but some candidates did not do this, stopping at taxable profits, and so missing out on a mark.

3.

1)

Rosewait plc is a large client because it will not be in the small companies regime as it fails two of the three tests:

- employees > 50
- annual turnover > £10.2 million

[1]

2)

Rosewait plc will make a deemed direct payment of £7,500 per month which will be subject to PAYE and Class 1 NICs.

[1]

The net payment plus VAT of £1,500 will be paid to Yarham Ltd.

[1]

The salary of £2,000 per month paid to Mike by Yarham Ltd will not be subject to PAYE/NICs.

[1]

Yarham Ltd will not be taxed on the deemed direct payment.

[1]

#### Examiner's report:

N/A as question replaced.



4.

	Y/e 31.12.21 £	3 m/e 31.3.22 £	Y/e 31.3.23 £	Y/e 31.3.24 £
Trade profit UK	70,000	30,000	Nil	40,000
property business income		Nil	12,000	12,000
Capital gain	<u>70,000</u>	<u>25,000</u>	<u>Nil</u>	<u>Nil</u>
		55,000	12,000	52,000
Current year relief			(12,000)	[1]
Carry back		(55,000)		[1]
Carry back (9/12 only)	(52,500)			[1]
Brought forward	<u>          </u>	<u>          </u>	<u>          </u>	(44,500) [1]
Taxable total profit	17,500	Nil	Nil	7,500

Loss  
memo:

	Trade loss £	Capital loss £	
	164,000	20,000	
Utilised:			
Year ended 31.3.23	(12,000)		
Period ended 31.3.22	(55,000)		
Year ended 31.3.21	(52,500)		
Year ended 31.3.24	<u>(44,500)</u>		
Carried forward	Nil	<u>20,000</u>	[1]

**Examiner's report:**

The capital gain and loss caused most problems; the most common error being to set the capital loss against other profits of the same year. Quite a few candidates could have presented their answers better, for example, by using columns. This may have helped them to keep better track of the numbers.

5.

	£	
Loss before additional deduction	220,000	
Additional deduction: Qualifying expenditure £47,050 (W) x 86%	<u>40,463</u>	[1]
Trade loss after additional deduction	<u>260,463</u>	
Surrender lower of:		
Loss: £260,463; and		
186% of qualifying expenditure: £87,513.		
Therefore, £87,513		
R&D tax credit £87,513 x 10%	<u>8,751</u>	[1+1]
Working: Qualifying expenditure		
Employee: (£40,000 + £4,650) x 100%	44,650	[1]
Director: £8,000 x 30%	<u>2,400</u>	[1]
	<u>47,050</u>	

**Examiner's report:**

Although most candidates did well in this question, there were a number of common errors including: treating the NICs as non-qualifying expenditure; treating the director's salary as non-qualifying expenditure; applying an incorrect rate for the payable tax credit; and applying the rate for the credit to an amount equivalent to 100% or 86% - not 186% - of the R&D expenditure.

6.

	Year ended 31 March 2024	
	£	
Trade profit	180,000	
Non trade loan relationship debits	(10,000)	[1]
Trade losses b/wd	<u>(30,000)</u>	[1]
Profits before group relief	140,000	
Group relief (Working)	<u>(105,000)</u>	
Taxable total profits	35,000	
Working: Group relief		
Lower of:		
(9/12) x loss of £200,000 = £150,000		[1]
(9/12) x profits of £140,000 = £105,000		[1+1]
Therefore, £105,000		

**Examiner's report:**

Overall, candidates performed well in this question with quite a few scoring full marks. The question required the candidate to restrict the group relief claim by reference to the common period. Many candidates did not attempt this and for those that did, a common error was to time apportion the surrendering company's loss but not the claimant company's profit.

7.

	Year ended 31 January 2023	
	£	
Loan made during period	40,000	
Amount repaid during period	<u>(10,000)</u>	[1]
Outstanding at year end	30,000	
Repaid before Corporation Tax due date	<u>(10,000)</u>	[1]
Amount chargeable to s.455 tax	<u>20,000</u>	
 s.455 tax at 33.75%	 6,750	 [1]
Due date for payment	01/11/2023	[1]*
	Year ended 31 January 2024	
s.455 tax repayable in respect of amount repaid in period (£10,000 x 33.75%)	<u>3,375</u>	[1]
Due date for repayment	01/11/2024	[1]*

[\*1 for both correct due dates]

Max 5

**Tutorial Note:**

The loan was made after 6 April 2022 therefore the rate of s.455 tax is 33.75%.

**Examiner's report:**

This proved to be a challenging question for many candidates who struggled to apply the rules with regard to loans to participants. Quite a few candidates lost marks in relatively simple areas such as the rate of the charge (19%, 25%, 30% and 38.1% were all used a number of times) and the due date for payment/repayment (31 January; date loan made/repaid). Although the question asked for calculations only, quite a few candidates provided explanations, wasting time.

8. For SSE to apply, the shares must meet two conditions:

1) Substantial shareholding:

- Darland Ltd held at least 10% of the shares [1]
- throughout a 12 month period [1]
- beginning within 6 years of the date of the disposal [1]

Yes – Darland Ltd held a 20% interest in Birford Ltd between 01/03/2013 and 28/02/2020.

2) Trading company:

Birford Ltd was a trading company [1] throughout the period beginning with the start of the latest 12-month period in which the substantial shareholding requirement was met and ending with the date of disposal. [1]

Yes – Birford Ltd became a trading company on 1 January 2014 and continued to be so until 28 February 2024.

**Examiner's report:**

A significant minority of candidates seemed to be unfamiliar with the conditions for the substantial shareholding requirement, for example, many thought the shares sold had to equate to a shareholding of at least 10%. Of those candidates who were able to explain the conditions applying to the investor company, few went on to consider the condition applying with regard to the investee company.

9. Rollover relief is available provided the following conditions are met:

- Both assets are used for the purposes of the company's trade - Yes. [1]
- Both assets are qualifying assets – Yes. [1]
- The replacement asset (the warehouse) was bought within the specified period of one year before and three years after the date of disposal - Yes. [1]

An amount of the gain equal to the amount of proceeds not reinvested (£300,000) is immediately chargeable to Corporation Tax. [1]

The remaining amount of the gain (£100,000) is rolled over against the base cost of the warehouse and will become chargeable on disposal of the warehouse in the future. [1]

**Examiner's report:**

Most candidates displayed a good knowledge of rollover relief. Where marks were lost, it was generally for not explaining fully the conditions for a claim for rollover relief to be made.

**10. Part 1: No election**

Note: A capital gain arises on the appropriation to trading stock based on the market value on 1 October 2023. Indexation is available to set against the gain, but only up to December 2017.

	£	£	
Deemed proceeds		2,800,000	[1]
Cost	1,300,000		
Indexation $[(278.1-238/238) = 0.168] \times £1.3m$	<u>218,400</u>		[1]
Indexed cost		<u>(1,518,400)</u>	
Capital gain		<u>1,281,600</u>	

Note: The increase in value from 1 October 2023 to 1 May 2024 is then treated as a trading profit.

	£	
Trading income on sale (£2,950,000 – £2,800,000)	<u>150,000</u>	[1]

**Part 2: Election made**

An election can be made to treat the appropriation to stock as being made on a nil gain/nil loss basis. [1]

	£	
Proceeds	1,518,400	[1]
Indexed cost (as above)	<u>(1,518,400)</u>	
Gain	<u>Nil</u>	[1]
Trading income on sale (£2,950,000 – £1,518,400)	<u>1,431,600</u>	[1]

**Max 5****Examiner's report:**

This was a low-scoring question for most candidates, perhaps because they were unfamiliar with the rules applying in this area. Also, many candidates did not take sufficient care in presenting their answer, for example, not indicating which part of the question they were answering and not stating whether a profit figure was trade income or a capital gain. Although most candidates recognised that a capital gain arose, few calculated indexation allowance and fewer still calculated it correctly.

11.

	Total £	UK source £	Foreign source £	
UK trade income	480,000	480,000		
Foreign trade income (£60,000 + £30,000)	<u>90,000</u>		<u>90,000</u>	[1]
Taxable total profits	<u>570,000</u>	<u>480,000</u>	<u>90,000</u>	
Corporation Tax at 25%	142,500	120,000	22,500	
DTR: Lower of				[1+1]
(i) overseas tax £30,000				
(ii) UK tax £22,500 (25% x £90,000)	<u>(22,500)</u>			
	142,500		<u>(22,500)</u>	
CFC charge ((80% x £160,000) x 25%)	<u>32,000</u>	142,500	Nil	[1+1]
Corporation Tax liability	<u>174,500</u>			

**Examiner's report:**

Most candidates did well in this question with many scoring full marks. A common error was not to gross up the foreign profits for the foreign tax suffered. Overall, candidates were more comfortable with the Double Tax Relief calculation than the Controlled Foreign Companies calculation.

12. Bofield Ltd will be required to complete and submit a form CT61 to report any Income Tax deductions made from interest payments. [1]

The CT61 is completed quarterly so for payments made on 31 May 2024, this will need to be entered on a form for the quarter to 30 June 2024. [1]

The Income Tax deducted is due to be paid by the same deadline as the return needs to be filed, which is on or before 14 July 2024 (within 14 days of the end of the quarter). [1]

Income Tax only needs to be deducted from payments made to individuals – interest paid to companies is not subject to any deduction of tax. [1]

The Income Tax is deducted at basic rate, so the £5,000 interest due to Mr Sanders will be subject to a deduction of £1,000 of Income Tax (5,000 x 20%). [1]

**Examiner's report:**

Although the requirement was to discuss how the company would account for Income Tax on the payments, quite a few candidates discussed the Corporation Tax loan relationships rules. Few candidates were able to explain confidently the CT61 procedure.