Tolley® Exam Training

CTA

AWARENESS PAPER

MODULE C – CORPORATION TAX

PRE REVISION QUESTION BANK

FA 2024 & F(No. 2)A 2024
May and November 2025 Sittings

PQ827C

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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 2024 and Finance (No. 2) Act 2024. 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 2025** 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 though 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-though 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.

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INCOME TAX - RATES AND THRESHOLDS

	2024/25	2023/24
Rates	%	%
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
Thresholds	£	£
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– 125,140
Dividend allowance	500	1,000
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	N/A	1,000
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	42
Advanced rate	45	N/A
Top rate	48	47
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,306	1 – 2,162
Scottish basic rate	2,307 – 13,991	2,163 – 13,118
Intermediate rate	13,992 – 31,092	13,119 – 31,092
Higher rate	31,093 – 62,430	31,093 – 125,140
Advanced rate	62,431 – 125,140	N/A
Top rate	125,140+	125,140+

INCOME TAX - RELIEFS

	2024/25	2023/24
	£	£
Personal allowance(2)	12,570	12,570
Married couple's allowance(3)	11,080	10,375
– Maximum income before abatement of relief - £1 for £2	37,000	34,600
– Minimum allowance	4,280	4,010
Transferable Tax allowance for married couples and civil partners(4)	1,260	1,260
Blind person's allowance	3,070	2,870
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	200,000	200,000
De minimis trusts amount	500	N/A

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.

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ISA limits	**2024/25**	**2023/24**
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions

	Annual allowance[(1)]	**Minimum pension age**
	£	
2023/24	60,000	55
2024/25	60,000	55

Basic amount qualifying for tax relief £3,600

Lump sum allowance £268,275

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

Employer Supported Childcare	**2024/25**	**2023/24**
Exemption – basic rate taxpayer[(2)]	£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[(3)]	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 – 2024/25

Emissions	**Electric range (miles)**	**Car benefit %[(4)]**	
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%).

Fuel benefit base figure	**2024/25**	**2023/24**
	£	£
	27,800	27,800

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Van benefits	**2024/25**	**2023/24**
	£	£
No CO_2 emissions	Nil	Nil
CO_2 emissions > 0g/km	3,960	3,960
Fuel benefit for vans	757	757
Official rate of interest	2.25%	2.25%

INCOME TAX - CHARGES

Child benefit charge	**Withdrawal rate**
Adjusted net income >£60,000	1% of benefit per £200 of income between £60,000 and £80,000
Adjusted net income >£80,000	Full child benefit amount assessable in that tax year

CAPITAL ALLOWANCES

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

Notes: (1) On first £1,000,000 of investment in plant & machinery (not cars).

(2) The main pool rate applies to cars with CO_2 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_2 emissions greater than 50g/km (prior to April 2021 greater than 110g/km).

(4) A 10% rate applies in respect of special tax site 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 1 or 6 April 2025).
New cars that either emit 0g/km of CO_2 (50g/km prior to April 2021) or are electric (until 1 April 2025).
Electric vehicle charging points (until 1 or 6 April 2025).

First year allowances (FYA) available to companies only

	Main pool assets	Special rate pool assets
Expenditure on new plant and machinery (other than cars) from 1 April 2023 onwards (5)	100%	50%
Expenditure on new plant and machinery (other than cars) in a special tax site	100%	100%

Notes: (5) 130% for main pool expenditure and 50% for special rate pool expenditure between 1 April 2021 and 31 March 2023.

INCOME TAX - SIMPLIFICATION MEASURES

	2024/25	**2023/24**
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses			
Cars or vans	First 10,000 business miles		45p per mile
	Additional business miles		25p per mile
Motorcycles			24p 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

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NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2024/25 Annual	2024/25 Monthly	2024/25 Weekly	2023/24 Annual	2023/24 Monthly	2023/24 Weekly
Lower earnings limit (LEL)	£6,396	£533	£123	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£12,570	£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
Special tax sites upper secondary threshold	£25,000	£2,083	£481	£25,000	£2,083	£481

	2024/25	2023/24
Class 1 primary contribution rates		
Earnings between PT and UEL	8%	12%
Earnings above UEL	2%	2%
Class 1 secondary contribution rates		
Earnings above ST (1)	13.8%	13.8%

Note: (1) Rate of secondary NICs between the ST and the UST, AUST & special tax sites upper secondary threshold is 0%.

	2024/25	2023/24
Employment allowance		
Per year, per employer	£5,000	£5,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Rate	£3.45 pw	£3.45 pw
Small profits threshold (SPL) (2)	£6,725	£6,725
Lower profits limit (LPL)	N/A	£12,570

Note: (2) From 2024/25, self-employed individuals with profits below the small profits threshold can pay Class 2 NICs voluntarily to get access to contributory benefits including the State Pension.

	2024/25	2023/24
Class 3 contributions	£17.45 pw	£17.45 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£12,570	£12,570
Annual upper profits limit (UPL)	£50,270	£50,270
Percentage rate between LPL and UPL	6%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay	First 6 weeks @ 90% of AWE Next 33 weeks @ the lower of £184.03 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay	For each qualifying week, the lower of 90% of AWE and £184.03
Statutory sick pay	£116.75 per week

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Student Loan	Plan 1:	9% of earnings exceeding £24,990 per year (£2,082.50 per month/ £480.57 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 £31,395 per year (£2,616.25 per month /£603.75 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 2024 onwards)

Category of Worker	Rate per hour	Category of Worker	Rate per hour
	£		£
Workers aged 21 and over	11.44	16–17 year olds	6.40
18–20 year olds	8.60	Apprentices	6.40

Accommodation Offset £9.99 per day

HMRC INTEREST RATES (assumed)

Late payment interest	7.75%
Interest on underpaid corporation tax instalments	6.25%
Repayment interest	4.25%
Interest on overpaid corporation tax instalments	5.00%

CAPITAL GAINS TAX

	2024/25	2023/24
Annual exempt amount for individuals	£3,000	£6,000
CGT rates for individuals, trusts and estates		
Gains qualifying for business asset disposal(1)/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band(2)	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates(3)	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 24% (28% in 2023/24) if the gain is in respect of a residential property

Business Asset Disposal relief	**2024/25**	**2023/24**
Relevant gains (lifetime maximum) (4)	£1 million	£1 million
Investors' relief		
Relevant gains (lifetime maximum)	£10 million	£10 million

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

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		

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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

CORPORATION TAX

Financial year	**2024**	**2023**
Main rate	25%	25%
Standard small profits rate	19%	19%
Augmented profit limit for standard small profits rate	£50,000	£50,000
Augmented profit limit for marginal relief	£250,000	£250,000
Standard marginal relief fraction	3/200	3/200
Marginal rate	26.5%	26.5%
Patent rate	10%	10%

EU definition of small and medium sized enterprises

	Small [(2)]	Medium [(2)]	Extended definition for R&D expenditure
Employees[(1)]	< 50	< 250	<500
Turnover[(1)]	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets[(1)]	≤ €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.

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Research and development expenditure

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

Financial year	**2024**
Enhanced R&D Intensive Support (ERIS) - total relief for loss making R&D intensive SMEs	186%
R&D tax credit for R&D intensive SME losses	14.5%
RDEC (merged scheme RDEC) (1)	20%

Note: (1) From 1 April 2024 the merged scheme RDEC is available to all companies.

VALUE ADDED TAX

	Standard rate	**VAT fraction**
Rate	20%	1/6

Limits	**2024/25**	**2023/24**
	£	£
Annual registration limit	90,000	85,000
De-registration limit	88,000	83,000

Thresholds	**Cash accounting**	**Annual accounting**
	£	£
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 2024)

Engine size	**Petrol**	**LPG**	**Engine size**	**Diesel**
1400cc or less	13p	11p	1600cc or less	12p
1401cc to 2000cc	15p	13p	1601cc to 2000cc	14p
Over 2000cc	24p	21p	Over 2000cc	19p

Electricity rate 9p

OTHER INDIRECT TAXES

	2024/25	**2023/24**
Insurance premium tax(2)		
Standard rate	12%	12%
Higher rate	20%	20%

Notes: (2) Premium is tax inclusive ($^3/_{28}$ for 12% rate and $^1/_6$ for 20% rate).

Landfill Tax (pro rated for part tonnes)		
Standard rate	£103.70 per tonne	£102.10 per tonne
Lower rate	£3.30 per tonne	£3.25 per tonne
Landfill Communities Fund (LCF) (3)	5.3% x landfill tax liability	5.3% x landfill tax liability

Notes: (3) Relief for 90% of qualifying contributions

Aggregates Levy (pro rated for part tonnes)	£2.03 per tonne	£2 per tonne
Plastic Packaging Tax (PPT) (pro rated for part tonnes)	£217.85 per tonne	£210.82 per tonne

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Climate Change Levy (CCL) [1]		
Electricity	0.775p per kwh	0.775p per kwh
Natural gas	0.775p per kwh	0.672p per kwh
Liquified petroleum gas (LPG)	2.175p per kg	2.175p per kg
Any other taxable commodity	6.064p per kg	5.258p per kg

Carbon Price Support (CPS) rates		
Natural gas	0.331 per kwh	0.331 per kwh
LPG	5.28p per kg	5.28p per kg
Coal & other taxable solid fossil fuels	£1.5479 per GJ on GCV	£1.5479 per GJ on GCV

Tobacco products duty	**From 22.11.2023**	**From 15.03.2023**
Cigarettes	16.5% x retail price + £316.70 per thousand cigarettes (or £422.80 per thousand cigarettes [2])	16.5% x retail price + £294.72 per thousand cigarettes (or £393.45 per thousand cigarettes [2])
Cigars	£395.03 per kg	£367.61 per kg
Hand-rolling tobacco	£412.32 per kg	£351.03 per kg
Other smoking/chewing tobacco	£173.68 per kg	£161.62 per kg
Tobacco for heating	£325.53 per kg	£302.93 per kg

Alcohol Duty [3] **From 1 August 2023 to 1 February 2025**

	Duty in £ for each litre of pure alcohol in the product		Duty in £ for each litre of pure alcohol in the product
Beer (ABV)		**Spirits/Spirit based products (ABV)**	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	21.01	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Cider (not sparkling) (ABV)		**Wine/sparkling wine (ABV)**	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 8.4%	9.67	3.5% to 8.4%	24.77
8.5% to 22%	28.50	8.5% to 22%	28.50
Stronger than 22%	31.64	Stronger than 22%	31.64
Sparkling cider (ABV)		**Other fermented products like fruit ciders (ABV)**	
0 to 1.2%	0.00	0 to 1.2%	0.00
1.3% to 3.4%	9.27	1.3% to 3.4%	9.27
3.5% to 5.5%	9.67	3.5% to 8.4%	24.77
5.6% to 8.4%	24.77	8.5% to 22%	28.50
8.5% to 22%	28.50	Stronger than 22%	31.64
Stronger than 22%	31.64		

Notes: (1) For holders of a Climate Change agreement (CCA), the rate charged is a percentage of the main rate given in the table. For 2024/25 (2023/24 in brackets) for electricity the rate is 8% (8%), for gas it is 11% (12%), for LPG it is 23% (23%) and 11% (12%) for any other taxable commodity

(2) The £422.80/£393.45 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

(3) There are reduced rates for qualifying draught products

CTA EXAMINATIONS

2025

TAX TABLES

INHERITANCE TAX

Death rate	40%[3]	**Lifetime rate**	20%

Note: (3) 36% rate if 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[4]

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 1.4.24	From 1.4.23
>£0.5m - ≤ 1m	£4,400	£4,150
> £1m - ≤ 2m	£9,000	£8,450
> £2m – ≤ 5m	£30,550	£28,650
> £5m – ≤ 10m	£71,500	£67,050
> £10m – ≤ 20m	£143,550	£134,550
> £20m	£287,500	£269,450

STAMP DUTY/SDRT

Stamp duty[1]	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax (SDRT)[2]	- On agreements to transfer shares[2]	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

2025

TAX TABLES

STAMP DUTY LAND TAX (SDLT)

Qualifying purchases in a Freeport receive full SDLT relief

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

Basic Rate %(3)(4)(5)(6)	Residential(3)(4)(5)(6)	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 %(1)(2)(3)	Residential	Rate %(1)	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(4) 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. During the nine-month accounting period ended 31 March 2025, Prinky Ltd purchased new machinery on 1 November 2024 at a cost of £970,000 and a car (with CO_2 emissions of 115g/km) at a cost of £21,500.

   The tax written down values brought forward on 1 July 2024 were £42,400 on the main pool and £33,800 on the special rate pool.

   Calculate the maximum capital allowances available for the nine-month accounting period ended 31 March 2025.

2. Osta plc's Corporation Tax liability for the eight-month accounting period ended 31 August 2025 was £285,000.

   Osta plc has always been a large company for Corporation Tax purposes. It is not a very large company.

   Briefly explain the amount(s) and due date(s) for payment of the Corporation Tax liability for the accounting period ended 31 August 2025.

3. For the year ended 31 December 2024, Kerb plc deducted the following items in calculating the trading profit:

   1) An accrued bonus payable to the Managing Director; the bonus was paid in August 2025.

   2) Gifts bearing the company logo to customers of diaries (costing £5 each) and boxes of chocolates (costing £12 each).

   3) A lease premium paid of £40,000 for a 10-year lease starting on 1 January 2024.

   Briefly explain, with supporting calculations, whether any adjustment to trading profit is necessary for Corporation Tax purposes, for each of the items.

4. Fold plc's pension expense in its recent financial statements was as follows:

	y/e 31 March 2025	y/e 31 March 2024	y/e 31 March 2023
	£	£	£
Pension expense	1,580,000	640,000	380,000

   The financial statements for the year to 31 March 2023 included an accrual of £50,000 that was paid in April 2023.

   Briefly explain, with supporting calculations, the allowable tax deduction from profits for each of the three years ending 31 March 2025 in relation to these pension contributions.

5. Plenko Ltd started trading on 1 January 2024 and prepared its first accounts for the 18-month period of account ended 30 June 2025. Figures for the 18-month period include:

	£
Trading profits before the deduction of capital allowances	459,000
Capital gain on a disposal made on 1 August 2024	44,000
Qualifying charitable donation paid on 12 December 2024	(5,000)

The only relevant items for capital allowances purposes are a new machine purchased on 10 May 2024 for £260,000 and a car (CO_2 emissions 146g/km) purchased on 1 June 2025 for £20,000.

Calculate the taxable total profits for the 18-month period of account ended 30 June 2025.

6. Arthur owns all the shares in Arthur Art Ltd (a company providing art restoration services in the private sector) and is the sole employee. Arthur has provided the following information for the year ended 5 April 2025:

		£
Turnover	From relevant engagements (all with small clients)	118,000
	From other engagements	12,000
		130,000
Expenses	Salary paid to Arthur	(18,000)
	Employer's National Insurance	(1,228)
	Mileage paid to Arthur to reimburse travel to client premises, using HMRC authorised rates	(880)
	Accountancy and legal fees	(2,400)

Calculate the deemed salary for Arthur for the year to 5 April 2025.

7. Applea Ltd, a manufacturing company, is the parent company of Bean Ltd, an investment company.

Applea Ltd transferred a commercial property (originally purchased for £80,000 in September 2007) to Bean Ltd on 1 May 2019 when the market value of the commercial property was £240,000.

On 1 September 2025 Applea Ltd sold its 100% shareholding in Bean Ltd for £680,000. The shares had an indexed cost at that date of £105,000. The market value of the commercial property at this date had increased to £320,000.

Calculate the chargeable gain arising as a result of the sale of shares of Bean Ltd.

8. During the year ended 31 March 2025, Traeze Ltd (a profitable company) spent the following amounts on research and development:

	£
Machinery and equipment	100,000
Staff exclusively employed for the project	40,000
Consumables used within the project	22,500
Software exclusively used within the project	8,200

Briefly explain the Corporation Tax relief available for the research and development expenditure.

9. Bilip Ltd had UK trading profits of £200,000 for the year ended 31 March 2025. In addition, it had overseas income of £48,000, net of overseas tax of £4,000. There is no double tax agreement between the UK and the country in which the overseas income was earned.

   During the same year, the company paid a qualifying charitable donation of £2,000.

   Calculate the Corporation Tax liability for Bilip Ltd for the year ended 31 March 2025.

10. On 1 April 2024, Serine Ltd sold a freehold commercial property that had been used in its trade for £680,000. The indexed gain arising was £400,000.

    On 1 October 2025, Serine Ltd purchased a 40-year lease on a commercial property to be used in its trade for £610,000.

    Briefly explain the implications of a claim for business asset rollover relief.

11. Broadzy Ltd is owned and controlled by Peter and his sister Jane. Accounts are prepared to 30 June each year and the company does not pay Corporation Tax in instalments.

    On 1 June 2023, Broadzy Ltd made a loan of £100,000 at a commercial rate to Peter.

    Peter repaid £10,000 of this loan in May 2024, but then borrowed a further £40,000 from Broadzy Ltd in February 2025.

    Briefly explain the Corporation Tax implications of the above loan transactions. You are NOT required to consider National Insurance.

12. Telno plc and its three wholly owned subsidiaries had the following results for the year ended 30 June 2025:

	Telno plc	Ultrone Ltd	Vilone Ltd	Wixile Ltd
	£	£	£	£
Trading profit	200,000	400,000	50,000	20,000
Capital gains/(losses)	(20,000)	60,000	–	10,000

    Wixile Ltd had capital losses brought forward at 1 July 2024 of £20,000 resulting from a disposal made in December 2015.

    The shares in Ultrone Ltd and Vilone Ltd have been owned for many years, but the shares in Wixile Ltd were purchased in September 2023.

    Briefly explain how the capital losses of Telno plc and Wixile Ltd can be used.

MODULE C – TEST 2

1. Trair Ltd's trade expenses for the year ended 30 September 2025 included the following costs:

	£
Pension contributions	36,000
Leasing costs relating to a car used by the sales director (CO_2 115g/km)	2,400
Premium paid on entering into a new 30-year lease on 1 April 2025	60,000

Of the pension contributions, £33,000 was paid during the year ended 30 September 2025. The balance of £3,000 was paid on 12 October 2025.

Calculate the total amount deductible in relation to these expenses in arriving at the company's taxable trading profits for the year ended 30 September 2025.

2. Froven Ltd made the following acquisitions of new assets in connection with its trade for the year ended 30 September 2025:

	£
1.1.25 Fleet of electric cars	145,000
1.3.25 Computer equipment	29,000
1.6.25 Air conditioning unit	63,000

Froven Ltd is part of a group. The maximum amount of annual investment allowance that it may claim for the year ended 30 September 2025 is £56,000.

The tax written down value of its main pool at 1 October 2024 was £347,000.

Calculate the company's maximum capital allowances claim for the year ended 30 September 2025 assuming that all beneficial claims and elections are made.

3. Trush Ltd owns shares in a number of UK-resident listed companies. For its accounting period ended 31 July 2025, it received dividends of £3,000 and incurred management expenses of £2,000 in respect of those investments.

On 1 July 2025, Trush Ltd gifted shares with a market value of £15,000 to a charity. For chargeable gains purposes, the gift is deemed to take place on a no-gain-no-loss basis.

Trush Ltd had UK property business income of £10,000 for the year ended 31 July 2025.

Calculate the company's taxable total profits for the year ended 31 July 2025, clearly showing your treatment of all items. Show any unrelieved amounts to be carried forward at that date.

4. Norlo Ltd is a close company. It prepares its accounts to 30 June and does not pay Corporation Tax by instalments. The company has made the following loans to full-time members of staff:

Date made	Recipient	£
1 May 2023	Maria (director)	10,000
1 August 2024	Tom (employee)	6,000
1 November 2024	Alice (director)	20,000

Maria repaid £2,000 on 14 April 2024. Up to 31 August 2024, Maria held 4% of the company's issued share capital. This increased to 8% on 1 September 2024.

Tom does not own any shares in the company.

Alice made a repayment of £3,000 on 12 July 2025. She holds 15% of the company's shares.

There are no family or other connections between Maria, Tom and Alice.

Briefly explain, with supporting calculations, the company's liability to tax under s.455 CTA 2010 in respect of its accounting period ended 30 June 2025.

5. Riking Ltd's recent results were as follows:

	Year ended 30 September 2023	Year ended 30 September 2024	Year ended 30 September 2025
	£	£	£
Trading income	15,000	6,000	26,000
Overseas property business income	4,200	–	1,000
Overseas property business loss	–	(1,200)	–
Non-trade profits (loan relationships)	900	–	1,400
Non-trade deficit (loan relationships)	–	(8,200)	–
Chargeable gain	–	–	46,000
Capital loss	–	(25,000)	–

Calculate the taxable total profits for each period assuming the company claims relief for losses and deficits as early as possible. Your answer should clearly show your treatment of the losses and deficits.

6. Remint Ltd is a small company for the purposes of research and development (R&D) tax relief that meets the criteria for enhanced R&D intensive support (ie R&D relief under the SME regime). During its year ended 31 July 2025, a full-time employee of the company was engaged 75% of the time on a new R&D project. The company's costs for the period in relation to the employee were as follows:

	£
Salary	50,000
Employer's Class 1 National Insurance Contributions	6,155
Private medical insurance	500

A deduction was made for all of the above costs in arriving at the company's trading loss for the period of £43,000. The company had non-trade loan relationship profits of £4,000 for the period.

The R&D relates to the creation of intellectual property.

Calculate the maximum trading loss the company may surrender for a R&D tax credit for the year ended 31 July 2025.

7. Puttle Ltd is 100% owned by a non-UK resident company, Laple Inc. During the year ended 31 October 2025, Laple Inc invoiced Puttle Ltd £4.2 million in respect of management services. Had the two companies not been connected, the value of the services would have been £3 million. Puttle Ltd's trading income for the year, after deducting the management charge, was £12.5 million.

The companies had the following data for the year ended 31 October 2025:

	Puttle Ltd	Laple Inc
Employees	42	315
Turnover	€21 million	€26 million
Balance sheet	€9 million	€30 million

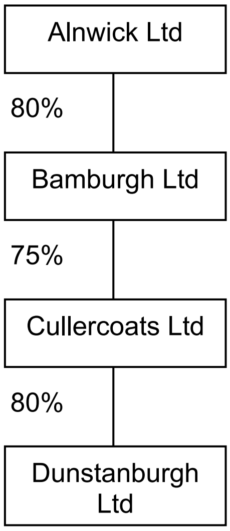
Briefly explain whether or not an adjustment under the transfer pricing rules is required in respect of the management charge.

8. Repiet Ltd carries on a manufacturing trade from a number of locations in the UK. On 1 December 2024, it bought a building for use as office space, paying £1.5 million.

On 31 July 2025, Repiet Ltd sold a warehouse that it had used in its trade for £1.8 million. The warehouse had been purchased for £700,000 in January 2006 and extended at a cost of £200,000 in March 2022.

Calculate the chargeable gain on the disposal of the warehouse, clearly showing your treatment of all items. You should assume that all beneficial claims and elections are made.

9. Alnwick Ltd is 100% owned by Mrs Northumberland and her children. It has the following interests in the share capital of other companies:



On 10 August 2025, Dunstanburgh Ltd sold a building to Cullercoats Ltd for £500,000. The building had a market value of £600,000 and an indexed cost of £280,000.

Briefly explain the amount that Dunstanburgh Ltd should use as proceeds in calculating its chargeable gain or allowable loss on the sale of the building.

10. Aclus Ltd acquired 60% of the issued share capital of Pator Ltd on 1 November 2022.

Pator Ltd manufactures children's toys. The company had always sold its toys to large retailers. However, the company's profit margin had reduced significantly in recent years and from 1 January 2023, the directors of Pator Ltd embarked on a strategy of selling the toys directly to the public through its website. By 31 December 2023, 90% of Pator Ltd's sales were made in this way.

Pator Ltd's results were as follows:

	Year ended 31 October 2023	Year ended 31 October 2024	Year ended 31 October 2025
	£	£	£
Trading income	8,000	45,000	280,000

Pator Ltd had trading losses brought forward at 1 November 2022 of £190,000.

Briefly explain why and how relief for Pator Ltd's brought forward trading losses is restricted.

11. On 1 August 2021, Frimon Ltd acquired 100% of the issued share capital of Tuesat Ltd. On 28 February 2025, Frimon Ltd accepted an offer from a third party for its shares in Tuesat Ltd. The disposal, which was completed on 31 March 2025, is covered by the substantial shareholding exemption.

    The companies have the following results for the year ended 30 September 2025:

	Frimon Ltd	Tuesat Ltd
	£	£
Trading income	65,000	–
UK property business losses	–	(52,000)
Non-trade profits: loan relationships	–	4,000
Non-trade losses: intangible fixed assets	–	(16,000)
Qualifying charitable donations	(5,000)	–

    Calculate the maximum amount of group relief that Frimon Ltd may claim from Tuesat Ltd in respect of its year ended 30 September 2025.

12. Odyam Ltd had taxable total profits of £6 million and a Corporation Tax liability of £1.5 million for the year ended 31 October 2025. It paid its Corporation Tax liability for the previous year by instalments.

    1) **Calculate the amount of each instalment payment for Odyam Ltd for the year ended 31 October 2025.**

    2) **State the date by which each instalment is due for payment.**

ANSWERS TO MODULE C – TEST 1

Examiner's report:
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General Comments

Generally the performance on this module was very good with some candidates scoring almost 100%.

1.

	FYA @100%	AIA @100%	Main pool £	Special rate pool £	Cas £	
TWDV b/f			42,400	33,800		
Addition	220,000	750,000				**[1]**
FYA @ 100% / AIA @100%						
(max AIA:£1m × 9/12 = £750k)	(220,000)	(750,000)			970,000	**[1]**
Car – CO_2 >50g/km				21,500		**[1]**
			42,400	55,300		
WDA – 18%/6% x 9/12			(5,724)	(2,489)	8,213	**[2]***
TWDV c/f			36,676	52,811		
Total allowances					978,213	

[* 1 for using 18/6% correctly and the other for pro-rating]

Tutorial Note:

The AIA is claimed in respect of the machine rather than the 100% temporary first year allowance (expenditure after 31.3.23) as this will avoid any potential balancing charge on the disposal of the machinery. Full credit still available if just 100% FYA was given as overall same CAs for the period and only asked to calculate the maximum CAs.

Examiner's report:

This question on a core topic was answered very well with many scoring full marks.

2. Instalment one is due 6m+13 days from start of CAP on 14 July 2025 **[1]**

Amount due is calculated as 3/8 x £285,000 = £106,875 **[1]**

Instalment two is due 9m+13 days from start of CAP/3 months after the first i.e. 14 October 2025 and will be for the same amount as instalment one (£106,875) **[1]**

The third, and final instalment is due no later than 3m+14 days from end of CAP ie 14 December 2025 rather than the normal quarter date of 14 January 2026. **[1]**

The amount payable will be the remainder of the liability (£285,000 – (£106,875 x 2)) = £71,250. **[1]**

Examiner's report:

This question on a core topic was answered very well with many scoring full marks.

3. The accrued bonus will not need to be disallowed as it was paid within 9 months of the year-end. **[1]**

The expenditure on the gifts to customers is below the £50 per donee limit and bear the company logo and so is not disallowed. However, any expenditure on a gift of food, drink or tobacco is disallowed and so the total cost of the gifts of the boxes of chocolates must be added back to trading profits. **[2]**

The lease premium payment cannot be deducted in full so should be added back to trading profits and replaced with the relevant allowable deduction.

The payment must be split between the capital and revenue elements as only the revenue element may be set against trading profits. The revenue element is:

	£	
Premium	40,000	
Less: 2% x 40,000 x (10-1)	(7,200)	
	32,800	**[1]**

[Alternative calculation: £40,000 x (50 – (10-1))/50 = £32,800]

This is then spread over the 10-year life of the lease to give an annual deduction of £3,280. **[1]**

Examiner's report:

This question on a core topic was answered very well with many scoring full marks. Some candidates seemed to have misread the question and treated the chocolates as not bearing a company logo. This highlights the need for candidates to ensure they read questions carefully.

4. Year ended 31 March 2023

The allowable deduction is restricted to the amount of contributions actually paid (rather than accrued) in the accounting period. The accrual of £50,000 would need to be added back to trading profit and would instead be an allowable deduction in the year ended 31 March 2024 when the contribution is paid. **[1]**

Year ended 31 March 2024

The contributions actually paid (rather than accrued) during the year are £690,000. **[1]**

The contributions paid are less than 210% of the previous year's contributions (£330,000 x 210% = £693,000), and so the full amount of contributions paid can be relieved against the profits for the year ended 31 March 2024. **[1]**

Year ended 31 March 2025

The contributions paid of £1,580,000 are more than 210% of the previous year's contributions (£690,000 x 210% = £1,449,000), and so the excess contributions need to be calculated (for the purposes of limiting the deductible amount of the year).

Excess contributions = £1,580,000 – (£690,000 x 110%) = £821,000 and this amount is deductible (ie spread) over two years. **[1]**

The allowable deduction for the year is therefore:

	£	
Contribution of current year	1,580,000	
Less: excess contributions deductible in y.e. 31 March 2026	410,500	**[1]**
Total deduction	1,169,500	

Examiner's report:

This question was reasonably well attempted but there was confusion in a number of cases about the application of the rules for when pension contributions should be spread.

5.

	12m CAP to 31 December 2024	6m CAP to 30 June 2025	
	£	£	
Trading profits before CA 12/18: 6/18	306,000	153,000	**[1]***
Capital allowances (W)	(260,000)	(600)	
Trade profit	46,000	152,400	
Capital gain	44,000	-	**[1]**
Total profits	90,000	152,400	
QCD	(5,000)	-	**[1]**
TTP	85,000	152,400	

Working

Machinery purchased	260,000		
AIA @ 100%	(260,000)		**[1]**
	Nil		
Car purchased (Special Rate pool)		20,000	
WDA 6% x 6/12		(600)	**[1]****
TWDV c/f		19,400	

[*Mark only given if correctly allocated across CAPs as 12:6 months
****Mark awarded based on own split of period]**

Examiner's report:

This question was answered well.

6.

		£	
Turnover	From relevant engagements only	118,000	**[1]**
Deductions	5% Statutory deduction (5% x £118,000)	(5,900)	**[1]**
	Salary paid to Arthur	(18,000)	
	Employer's National Insurance	(1,228)	
	Mileage paid to Arthur to reimburse travel to client premises	(880)	**[1]**
	Accountancy and legal fees	Nil	**[1]**
Deemed salary including employers NIC		91,992	
Less: Employers NIC £91,992 x 13.8 / 113.8		(11,155)	**[1]**
Deemed salary		80,837	

Tutorial Note:

It is assumed that the travel to client premises is qualifying travel.

Examiner's report:

This question was generally well answered but it is worth noting that a small number of candidates incorrectly added the employers national insurance to the deemed salary rather than deducting it.

7.

	£	£	
Proceeds (W)		813,040	
Less: indexed cost		(105,000)	
Chargeable gain		708,040	**[1]**

Working

Proceeds for shares		680,000	
Degrouping charge			**[1]**
MV of property May 2019	240,000		**[1]**
Original cost	(80,000)		
Indexation Sep 2007 – December 2017			
278.1 – 208.0/208.0 = 0.337 x 80,000	(26,960)		**[1]**
		133,040	
		813,040	**[1]**

Examiner's report:

Most candidates were able to demonstrate their understanding of the degrouping position and to calculate the figures correctly. Few candidates remembered that the indexation factor should be rounded to three decimal places.

8. The cost of the machinery and equipment is capital expenditure and will qualify for a 100% first year allowance under the capital allowance provisions. **[1]**

The remaining costs are all revenue expenditure and so be given R&D relief under the all-company regime by way of an RDEC. **[1]**

So, the company takes a normal deduction from profits for the revenue expenditure incurred on R&D. **[1]**

In addition, a tax credit is calculated at 20% of the expenditure that is then:

1) Added to taxable trading profits, initially increasing the tax charge arising. **[1]**

2) Deducted from the tax liability to reduce the tax payable. **[1]**

Tutorial Note:

The expenditure on the plant and machinery qualifies for capital allowances. The 100% FYA for research and development capital expenditure is claimed. This is preferable to ‘full expensing’ relief as it does not give rise to a balancing charge on a future disposal.

Examiner's report:

Answers to this question were mixed: those who knew the topic generally scored at least 4 of the 5 marks available, but a number of candidates discussed the SME relief for R&D (which from 1 Aril 2024 is only available for loss making R&D intensive SMEs) and/or seemed to think the company could choose which form of relief to claim.

9.

	UK income		Overseas income	
	£		£	
Trade income	200,000			
Overseas income (48,000 + 4,000)			52,000	**[1]**
QCD	(2,000)		Nil	**[1]**
TTP	198,000		52,000	
Corporation tax @ 25%	49,500		13,000	**[1]**
Less double tax relief: Lower of:				**[1]**
(i) UK tax £13,000				
(ii) Overseas tax £4,000	Nil		(4,000)	**[1]**
Corporation tax payable	49,500		9,000	
		58,500		

Examiner's report:

This question was very well answered.

10. £70,000 of the proceeds from the first sale have not been reinvested in qualifying replacement assets and so will be chargeable in the year of disposal. **[1]**

As the new 40-year lease is a depreciating asset, the remaining gain of £330,000 will not be deducted from the base cost of the lease but will be deferred until the earlier of: **[1*]**

1) The date the leasehold property ceases to be used in a trade **[1]**

2) The date the leasehold property is sold **[1]**

3) The 10 year anniversary of the purchase of the leasehold property **[1]**

[If candidate fails to realise this is not normal rollover relief, they would still gain 1 for saying the deferred gain becomes chargeable when replacement property sold]

[*Awarded only if answer makes it clear the deferred gain is not set against the base cost of the replacement property]

Examiner's report:

This question was very well answered.

11. Broadzy Ltd is a close company as it is controlled by 5 or fewer participators, or any number of shareholding directors. **[1]**

As a close company, Broadzy Ltd is potentially liable to pay a s.455 CTA 2010 tax charge on loans to participators outstanding at the year end. **[1]**

As at 30 June 2023, there is a loan to Peter of £100,000 which is not repaid (in full or in part) within 9 months of the year-end. The charge would therefore be 33.75% of the loan and is payable along with the company's normal Corporation Tax. **[1]**

As at 30 June 2024, the loan has been reduced by the £10,000 repaid in May 2024. This means that Broadzy Ltd can reclaim tax on the part of the loan repaid, with the repayment being due on the normal corporation tax due date for the year ended 30 June 2024. **[1]**

As at 30 June 2025, the loan balance has increased again (by £40,000) so a further s.455 CTA 2010 charge at 33.75% will be due, again on the normal Corporation Tax due date for this year. **[1]**

Tutorial Note:

It is assumed at the time of the repayment there were no arrangements to draw further loans from the company

Examiner's report:

This question was very well answered.

12. Telno plc current year capital loss £20,000

As the companies are in a capital gains group, this loss can be set against the capital gains arising in the same year in Ultrone Ltd or Wixile Ltd, either by way of transferring the loss from Telno plc to Ultrone Ltd/Wixile Ltd or transferring some or all of the gain of Ultrone Ltd/Wixile Ltd to Telno plc. **[1]**

Wixile Ltd capital losses brought forward £20,000

This loss is a pre-entry capital loss since it arose before Wixile Ltd became part of the group. **[1]**

This loss cannot be used within the group so it is not possible to transfer gains from other group members to Wixile Ltd to make use of this loss. **[1]**

However, Wixile Ltd can use the loss to offset its own gains on assets held at the time the company joined the group (a pre-entry asset) or on assets used in the trade carried on by the company, acquired from outside the group since joining. **[1]**

Otherwise the loss will be carried forward to set against future capital gains arising in Wixile Ltd (again on assets already owned when the company joined the group or purchased from outside the group in normal commercial transactions since joining). **[1]**

Examiner's report:

This was the least well answered question on this module. A significant number of candidates answered on the basis of group relief rules rather than capital gains groups.

ANSWERS TO MODULE C – TEST 2

Examiner's comments:
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General Comments

Most candidates performed well, showing a good knowledge of the rules. Candidates should take care to read the scenarios and requirements thoroughly and to take care in performing calculations.

1.

	£	
Pension contributions paid during the year	33,000	**[1]**
High emission leased car (£2,400 x (100% – 15%))	2,040	**[1]**
Premium on lease:		
£60,000 x ((50 – 29)/50) = £25,200 (rental element)		**[1]**
£25,200/30 = £840		**[1]**
£840 x 6/12 (see Note)	420	**[1]**
Total amount deductible	35,460	

Note:

An alternative method to calculate the lease deduction is as follows:

Premium	60,000	
Less: 2% x (30-1) x 60,000	(34,800)	
Landlord taxable premium	25,200	divided by 30 years = £840 deduction pa

Deduction this period 6/12 x £840 = £420

Examiner's comments:

Many candidates lost marks on the deduction for the period in respect of the premium. Common errors were to omit to spread the relief over the length of the lease and/or to adjust the amount for the fact that the lease was entered into halfway through the year.

2.

	AIA @ 100%	FYA 50%	FYA @100%	Main pool £	Special rate pool £	CAs £	
TWDV b/f				347,000			
New Electric cars			145,000				
FYA @ 100%			(145,000)			145,000	**[1]**
Computer			29,000				
FYA @ 100%			(29,000)			29,000	**[1]**
Air conditioning unit	56,000	7,000					
AIA @ 100%	(56,000)					56,000	**[1]**
FYA @ 50%		(3,500)				3,500	**[1]**
		3,500		347,000			
WDA @ 18%				(62,460)		62,460	**[1]**
Transfer balance to SR pool		(3,500)			3,500		
TWDV c/f				284,540	3,500		
Capital allowances						295,960	

Tutorial Note:

The expenditure on the air conditioning unit qualifies for the 50% FYA as it was incurred before 31 March 2026. The available AIA is allocated in priority to the FYA to this expenditure. The computer equipment was bought after 1 April 2023 so 100% FYAs are available under full expensing.

3.

	£	
Property income	10,000	
Dividends (exempt)	Nil	**[1]**
Total profits	10,000	
Less: management expenses (Note 1)	(2,000)	**[1]**
Less: qualifying charitable donation (Note 2)	(8,000)	
Total taxable profits (TTP)	Nil	

Note 1: management expenses

Incurred for the year	2,000	
Offset in current year	(2,000)	
Carried forward	Nil	

Note 2: qualifying charitable donation

Relievable amount = market value of shares gifted	15,000	
Offset in current year (restricted to TTP after deduction of management expenses)	(8,000)	**[1+1]***
Extinguished	(7,000)	
Carried forward	Nil	**[1]**

[*1 mark for deduction against total profits plus 1 mark for correct amount]

Examiner's comments:

Some candidates calculated a negative figure for total taxable profits, perhaps confusing TTP with trade profit/loss.

4. [As a close company, Norlo Ltd must pay tax under s.455 CTA 2010 in respect of loans made to participators during the year ended 30 June 2025 that are outstanding 9 months and 1 day from the end of the period (i.e. 1 April 2026).]

The loan to Maria was not made during the year ended 30 June 2025. However, it came within the scope of s.455 tax on 1 September 2024 (i.e. during the year ended 30 June 2025) when she first held a material interest in the company (i.e. more than 5% of the share capital). **[1]**

The relevant amount of the loan is the balance outstanding on 30 June 2025: £10,000 - £2,000 = £8,000. The s.455 tax is £8,000 x 33.75% = £2,700. **[1+1]***

Tom does not own shares in the company and so is not a participator. Therefore, there is no liability to s.455 tax in respect of the loan to Tom. **[1]**

The relevant amount of the loan for Alice takes into account the repayment made within nine months and 1 day of the year end. Therefore, the s.455 tax payable in respect of the loan made to Alice is ((£20,000 - £3,000) x 33.75%) = £5,738. **[1]**

[*1 mark awarded for correct application of the rate of tax]

Examiner's comments:

Overall, candidates showed a good knowledge of the loans to participators rules. However, a significant minority used an incorrect rate (19%, 25% and 39.35% were often used).

5.

		y/e 30 September 2023	y/e 30 September 2024	y/e 30 September 2025		
		£	£	£	£	
Trading income		15,000	6,000		26,000	
O/S property business income:						
Current year profit		4,200		1,000		
Less loss b/f				(1,000)		**[1]**
					Nil	
Non-trade profit (LR)						
Current year profit	900				1,400	
Less deficit carried back	(900)					**[1]**
		Nil				
Capital gains:						
Current year gains				46,000		
Less loss b/fwd				(25,000)		**[1]**
					21,000	
Total profits		19,200	6,000		48,400	
Non-trade deficit (LR) – CY		Nil	(6,000)		Nil	**[1]**
Non-trade deficit (LR) b/f		Nil	Nil		(1,300)	**[1]**
Taxable total profits		19,200	Nil		47,100	

Examiner's Note:

The following workings are provided for the purposes of clarity; they were not expected to be provided by candidates:

Loss memo: Overseas property business income

	£
Incurred y/e 30 September 2024	1,200
Utilised y/e 30 September 2025	(1,000)
Carried forward	200

Loss memo: non-trade deficit (LR)

Incurred y/e 30 September 2024	8,200
Utilised y/e 30 September 2024	(6,000)
Utilised y/e 30 September 2023	(900)
Utilised y/e 30 September 2025	(1,300)
Carried forward	Nil

Loss memo: capital loss

Incurred y/e 30 September 2024	25,000
Utilised y/e 30 September 2025	(25,000)
Carried forward	Nil

Examiner's comments:

Many candidates scored full marks. However, some candidates struggled, perhaps due to gaps in their knowledge. A common error was to carry-back the overseas property business loss.

6.

The company may surrender the lower of: **[1]**

	£	
Unrelieved trading loss:		
Trading loss per question	43,000	
Additional deduction for RDQE: £42,116 (note) x 86%	36,220	**[1]**
Less: potential loss relief for NTLR income	(4,000)	**[1]**
	75,220	
Total R&D deduction		
£42,116 (note) x 186%	78,336	**[1]**

Therefore, £75,220 is the amount of the loss that can be 'surrendered' for a tax credit.

Note: Qualifying R&D expenditure (RDQE)		
Salary + NICs	56,155	**[1]**
Qualifying proportion: 75%	42,116	**[1]**

Max 5

Examiner's comments:

A common error was to cap the surrenderable amount by reference to the amount of the trade loss given in the question (£43,000), and not to adjust that amount for the R&D additional deduction and the potential offset against the NTLR profits.

7. An adjustment is required under the transfer pricing rules with regard to the management charge because:

Laple Inc controls Puttle Ltd. **[1]**

There is a UK tax advantage as Puttle Ltd's taxable profits are reduced by the excessive charge. **[1]**

The UK tax advantage arises as a result of a non-arm's length provision. **[1]**

The exemption for SMEs does not apply as the combined figure for employees (357) exceeds 250. **[1+1]***

[*1 mark for using the combined figure plus 1 for applying the test correctly]

Examiner's comments:

Quite a few candidates did not attempt this question and of those that did, few scored high marks. A common error was to consider the SME exemption using the figures for Puttle Ltd and not for the group as a whole.

8.

	£	£	
Proceeds		1,800,000	
Cost	700,000		
Indexation allowance (Jan 2006 – Dec 2017)			
((278.1-193.4/193.4) = 0.438 x £700,000	306,600		**[1]**
		(1,006,600)	
Enhancement expenditure	200,000		**[1]**
Indexation allowance			
(£nil as after 31 December 2017)	Nil		**[1]**
		(200,000)	
Gain before rollover relief		593,400	
Rollover relief (balancing figure)		(293,400)	**[1+1]***
Chargeable gain (£1,800,000 - £1,500,000)		300,000	

[*1 mark for including rollover relief plus 1 mark for correct amount]

Examiner's comments:

Although almost all candidates recognised that rollover relief may be claimed, a significant number did not restrict this to take into account that not all of the proceeds had been reinvested. Most candidates struggled to calculate the correct amount of indexation allowance relating to the cost of the building.

9. The transfer of the building is deemed to take place on a no-gain-no loss basis (i.e. proceeds equal indexed cost of £280,000) if Cullercoats Ltd and Dunstanburgh Ltd are part of a gains group. **[1]**

Cullercoats Ltd is part of Alnwick Ltd's gains group as:

1) Alnwick Ltd has a direct interest in Bamburgh Ltd of at least 75% and Bamburgh Ltd has a direct interest in Cullercoats Ltd of at least 75%, and

2) Alnwick Ltd has an indirect interest in Cullercoats Ltd of more than 50% (80% x 75% = 60%).

Dunstanburgh Ltd is not part of the Alnwick Ltd group as Alnwick Ltd does not have an indirect interest in Dustanburgh Ltd of more than 50% (80% x 75% x 80% = 48%). **[1+1]***

Cullercoats Ltd and Dunstanburgh Ltd cannot form a capital gains group as Cullercoats Ltd is already part of the Alnwick Ltd group. **[1]**

Therefore, no-gain-no-loss treatment of the transfer does not apply.

As the transfer of the building was not made on an arms' length basis, proceeds are equal to the market value of the asset, £600,000. **[1]****

[*1 mark for correctly identifying Alnwick Ltd group companies plus 1 mark for correct explanation].

[Mark awarded if market value is used because the companies are connected].**

Examiner's comments:

A significant minority of candidates only considered Cullercoats Ltd and Dunstanburgh Ltd in determining whether or not the two companies were part of a group, ignoring the parent company, Alnwick Ltd.

10. There was a change in the ownership of Pator Ltd on 1 November 2022 as on that date, Aclus Ltd acquired more than 50% of Pator Ltd's share capital. **[1]**

Therefore, it is necessary to consider if, within the 8-year period beginning 3 years before the change in ownership and ending fives after the change in owbership, there is a major change in the nature or conduct of Pator Ltd's trade. **[1]**

A 'major change in the nature or conduct' of the trade includes a major change in the customers of the trade. Pator Ltd's customer base changed from selling only to retailers to selling largely to the public within the 8-year period and so this condition is met. **[1]**

Trading losses incurred by Pator Ltd before 1 November 2022 (i.e. the date of change in its ownership) cannot be offset against the company's profits incurred from 1 November 2022 onwards. **[1+1]***

[*1 mark for effect of the restriction plus 1 mark for correct date]

Examiner's comments:

Most candidates performed well on this question. A small number missed that this question was concerned with the 'major change in nature or conduct of trade' provisions.

11. Maximum group relief is the lower of the relevant proportion of the surrendering company's loss and the claimant company's taxable total profits.

Tuesat Ltd:	£	
UK property business losses	52,000	
Non-trade IFAs losses	16,000	
Available losses	68,000	**[1]**
Profit	(4,000)	**[1]**
Excess loss available for surrender as group relief	64,000	
Restrict to overlapping period (Note): 5/12 x £64,000	26,667	

Frimon Ltd:	£	
Trade income	65,000	
Qualifying charitable donation	(5,000)	
Total taxable profits relievable by way of group relief	60,000	**[1]**
Restrict to overlapping period (Note): 5/12 x £60,000	25,000	

Therefore, the maximum possible group relief claim is £25,000. **[1]***

Note:

The overlapping period is 5 months from 1 October 2024 to 28 February 2025 (group relief ceases when there are arrangements in place for Tuesat Ltd to leave the group). **[1]**

[*Mark awarded for correct application of the 'lower of' test].

Examiner's comments:

Quite a few candidates did not attempt this question and of those that did, only a relatively small number achieved full marks. A common error was not to restrict the loss by reference to the (correct) overlapping period.

12.

1)

The company is large for these purposes as its profits of £6m fall between the lower limit of £1.5m and the upper limit of £20m

The amount of each instalment is £1,500,000 / 4 = £375,000. **[1]**

2)

Due date of Instalments:

14 May 2025 (14th day of month 7) **[1]**

14 August 2025 (3 months from date of previous payment) **[1]**

14 November 2025 (3 months from date of previous payment) **[1]**

14 February 2026 (3 months and 14 days from the end of the period) **[1]**

Examiner's comments:

This was a high-scoring question for most candidates. Some candidates did not take enough care with their answers; for example, the requirement was to state the date of payment but some candidates did not provide all three of date, month and year.