

Tolley[®] Exam Training

CTA

AWARENESS PAPER

**MODULE E – UNINCORPORATED
BUSINESSES**

PRE REVISION QUESTION BANK

FA 2025

May and November 2026 Sittings

PQ127E

Tolley[®]

Tax intelligence
from LexisNexis[®]

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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 2025. 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 2026** 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 E – UNINCORPORATED BUSINESSES

Test 1

Test 2

Answers to Test 1

Answers to Test 2

INCOME TAX - RATES AND THRESHOLDS

	2025/26	2024/25
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	500
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
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	42	42
Advanced rate	45	45
Top rate	48	48
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,827	1 – 2,306
Scottish basic rate	2,828 – 14,921	2,307 – 13,991
Intermediate rate	14,922 – 31,092	13,992 – 31,092
Higher rate	31,093 – 62,430	31,093 – 62,430
Advanced rate	62,431 – 125,140	62,431 – 125,140
Top rate	125,140+	125,140+

INCOME TAX - RELIEFS

	2025/26	2024/25
	£	£
Personal allowance ⁽²⁾	12,570	12,570
Married couple's allowance ⁽³⁾	11,270	11,080
– Maximum income before abatement of relief - £1 for £2	37,700	37,000
– Minimum allowance	4,360	4,280
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,260	1,260
Blind person's allowance	3,130	3,070
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	500

- 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

2026

TAX TABLES



ISA limits	2025/26	2024/25
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	9,000	9,000

Pension contributions

	Annual allowance ⁽¹⁾	Minimum pension age
2025/26 and 2024/25	£60,000	55
Basic amount qualifying for tax relief	£3,600	
Lump sum allowance	£268,275	

Note: (1) 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.

ITEPA mileage rates

Car or van ⁽²⁾	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note: (2) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - BENEFITS

Car benefits – 2025/26

Emissions	Electric range (miles)	Car benefit %	
0g/km	N/A	3%	
1-50g/km	≥130	3%	
1-50g/km	70-129	6%	
1-50g/km	40-69	9%	
1-50g/km	30-39	13%	
1-50g/km	<30	15%	
51-54g/km		16%	
55-59g/km		17%	
60-64g/km		18%	
65-69g/km		19%	
70-74g/km		20%	
75g/km or more		21%	+ 1% for every additional whole 5g/km ab 75g/km
155g/km or more		37%	

	2025/26	2024/25
Fuel benefit base figure	£ 28,200	£ 27,800
Van benefits		
No CO ₂ emissions	Nil	Nil
CO ₂ emissions > 0g/km	4,020	3,960
Fuel benefit for vans	769	757

Official rate of interest (assumed)	from 6 April 2025 3.75%	from 6 April 2024 2.25%
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CTA EXAMINATIONS

2026

TAX TABLES



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 CO₂ 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 CO₂ 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 on research and development.
 New zero-emission goods vehicles (until 31 March/5 April 2025).
 New cars that either emit 0g/km of CO₂ (50g/km prior to April 2021) or are electric (until 31 March/ 5 April 2026).
 Electric vehicle charging points (until 31 March/5 April 2026).

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

	2025/26	2024/25
	£	£
'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

CTA EXAMINATIONS

2026

TAX TABLES



NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2025/26			2024/25		
	Annual	Monthly	Weekly	Annual	Monthly	Weekly
Lower earnings limit (LEL)	£6,500	£542	£125	£6,396	£533	£123
Primary threshold (PT)	£12,570	£1,048	£242	£12,570	£1,048	£242
Secondary threshold (ST)	£5,000	£417	£96	£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

Class 1 primary contribution rates

Earnings between PT and UEL	8%	8%
Earnings above UEL	2%	2%

Class 1 secondary contribution rates

Earnings above ST ⁽¹⁾	15%	13.8%
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Note: (1) Rate of secondary NICs between the ST and the UST, AUST & special tax sites upper secondary threshold is 0%.

	2025/26	2024/25
Employment allowance		
Per year, per employer	£10,500	£5,000
Class 1A contributions	15%	13.8%
Class 1B contributions	15%	13.8%
Class 2 contributions		
Rate	£3.50 pw	£3.45 pw
Small profits threshold (SPL) ⁽²⁾	£6,845	£6,725
Lower profits limit (LPL)	N/A	N/A

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.

Class 3 contributions	£17.75 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%	6%
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 £187.18 and 90% of AWE
Statutory shared parental pay /paternity pay/parental bereavement pay/neonatal pay	For each qualifying week, the lower of 90% of AWE and £187.18
Statutory sick pay	£118.75 per week

CTA EXAMINATIONS

2026

TAX TABLES



Student Loan	Plan 1:	9% of earnings exceeding £26,065 per year (£2,172.08 per month/ £501.25 per week)
	Plan 2:	9% of earnings exceeding £28,470 per year (£2,372.50 per month /£547.50 per week)
	Plan 4:	9% of earnings exceeding £32,745 per year (£2,728.75 per month /£629.71 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 2025 onwards)

Category of Worker	Rate per hour £	Category of Worker	Rate per hour £
Workers aged 21 and over	12.21	16–17 year olds	7.55
18–20 year olds	10	Apprentices	7.55

Accommodation Offset £10.66 per day

CHILD BENEFIT

Year to 5 April 2026	Weekly rate £
First child	26.05
Each subsequent child	17.25

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

HMRC INTEREST RATES (assumed)

Late payment interest	7%
Interest on underpaid corporation tax instalments	5.50%
Repayment interest	3.50%
Interest on overpaid corporation tax instalments	4.25%

CAPITAL GAINS TAX

	2025/26	2024/25
Annual exempt amount for individuals	£3,000	£3,000

CGT rates for individuals, trusts and estates

Gains qualifying for business asset disposal ⁽¹⁾ /investors' relief ⁽¹⁾	14%	10%
Gains for individuals falling within remaining basic rate band ⁽²⁾	18%	18%
Gains for individuals exceeding basic rate band and gains for trusts and estates ⁽³⁾	24%	24%

- Notes:** (1) From 6 April 2026 the rate will be 18%
(2) For disposals prior to 30 October 2024, the rate was 10% for assets other than residential property
(3) For disposals prior to 30 October 2024, the rate was 20% for assets other than residential property

Business Asset Disposal relief	2025/26	2024/25
Relevant gains (lifetime maximum) ⁽⁴⁾	£1 million	£1 million

Investors' relief	2025/26	2024/25
Relevant gains (lifetime maximum) ⁽⁵⁾	£1 million	£1 million

- Note:** (4) For qualifying disposals made before 11 March 2020 the lifetime limit was £10 million.
(5) For qualifying disposals made before 30 October 2024 the lifetime limit was £10 million.

CTA EXAMINATIONS

2026

TAX TABLES



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		

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

CTA EXAMINATIONS

2026

TAX TABLES



CORPORATION TAX

Financial year	2025	2024
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.

Research and development expenditure

Financial year	2025 and 2024
RDEC	20%
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%

VALUE ADDED TAX

	Standard rate	VAT fraction
Rate	20%	1/6
Limits	2025/26	2024/25
	£	£
Annual registration limit	90,000	90,000
De-registration limit	88,000	88,000
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 (from 1 March 2025)

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	12p	11p	1600cc or less	12p
1401cc to 2000cc	15p	13p	1601cc to 2000cc	13p
Over 2000cc	23p	21p	Over 2000cc	17p
Electricity rate	7p			

CTA EXAMINATIONS

2026

TAX TABLES



OTHER INDIRECT TAXES

	2025/26	2024/25
Insurance premium tax⁽¹⁾		
Standard rate	12%	12%
Higher rate	20%	20%

Notes: (1) Premium is tax inclusive ($\frac{3}{28}$ for 12% rate and $\frac{1}{6}$ for 20% rate).

Landfill Tax (pro rated for part tonnes)

Standard rate	£126.15 per tonne	£103.70 per tonne
Lower rate	£4.05 per tonne	£3.30 per tonne

Landfill Communities Fund (LCF)⁽²⁾	5.3% x landfill tax liability	5.3% x landfill tax liability
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Notes: (2) Relief for 90% of qualifying contributions

Aggregates Levy (pro rated for part tonnes)	£2.08 per tonne	£2.03 per tonne
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Plastic Packaging Tax (PPT) (pro rated for part tonnes)	£223.69 per tonne	£217.85 per tonne
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Climate Change Levy (CCL)⁽³⁾

	2025/26	2024/25
Electricity	0.775p per kwh	0.775p per kwh
Natural gas	0.775p per kwh	0.775p per kwh
Liquified petroleum gas (LPG)	2.175p per kg	2.175p per kg
Any other taxable commodity	6.064p per kg	6.064p 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 6pm 30.10.2024	Before 6pm 30.10.2024
Cigarettes	16.5% x retail price + £334.58 per thousand cigarettes (or £446.67 per thousand cigarettes ⁽⁴⁾)	16.5% x retail price + £316.70 per thousand cigarettes (or £422.80 per thousand cigarettes ⁽⁴⁾)
Cigars	£417.33 per kg	£395.03 per kg
Hand-rolling tobacco	£476.83 per kg	£412.32 per kg
Other smoking/chewing tobacco	£183.49 per kg	£173.68 per kg
Tobacco for heating	£343.91 per kg	£325.53 per kg

Notes: (3) For holders of a Climate Change agreement (CCA), the rate charged is a percentage of the main rate given in the table. For 2025/26 (2024/25 in brackets) for electricity the rate is 8% (8%), for gas it is 11% (11%), for LPG it is 23% (23%) and 11% (11%) for any other taxable commodity

(4) The £446.67/£422.80 per thousand cigarettes is a minimum excise duty (if higher than the first calculation)

CTA EXAMINATIONS

2026

TAX TABLES



Alcohol Duty⁽¹⁾

From 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%	9.61	1.3% to 3.4%	9.61
3.5% to 8.4%	21.78	3.5% to 8.4%	25.67
8.5% to 22%	29.54	8.5% to 22%	29.54
Stronger than 22%	32.79	Stronger than 22%	32.79
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%	9.61	1.3% to 3.4%	9.61
3.5% to 8.4%	10.02	3.5% to 8.4%	25.67
8.5% to 22%	29.54	8.5% to 22%	29.54
Stronger than 22%	32.79	Stronger than 22%	32.79
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%	9.61	1.3% to 3.4%	9.61
3.5% to 5.5%	10.02	3.5% to 8.4%	25.67
5.6% to 8.4%	25.67	8.5% to 22%	29.54
8.5% to 22%	29.54	Stronger than 22%	32.79
Stronger than 22%	32.79		

Notes: (1) There are reduced rates for qualifying draught products

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	From 1.4.25	From 1.4.24
>£0.5m - ≤ 1m	£4,450	£4,400
> £1m - ≤ 2m	£9,150	£9,000
> £2m – ≤ 5m	£31,050	£30,550
> £5m – ≤ 10m	£72,700	£71,500
> £10m – ≤ 20m	£145,950	£143,550
> £20m	£292,350	£287,500

INHERITANCE TAX

Death rate	40% ⁽¹⁾	Lifetime rate	20%
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Note: (1) 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 2030	£325,000

Residence nil rate bands⁽²⁾

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 2030	£175,000

Note: (2) 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

STAMP DUTY/SDRT

Stamp duty⁽³⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax (SDRT)⁽⁴⁾	- On agreements to transfer shares ⁽²⁾	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes: (3) Does not apply to UK securities traded on a recognised growth market (eg AIM).

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

STAMP DUTY LAND TAX (SDLT)

Qualifying purchases in a Freeport receive full SDLT relief

CTA EXAMINATIONS

2026

TAX TABLES



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

From 1 April 2025

Basic Rate % ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Residential ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Rate %	Non-Residential
0	£0 - £125,000	0	£0 - £150,000
2	£125,001-£250,000	2	£150,001 - £250,000
5	£250,001 - £925,000	5	£250,001 +
10	£925,001 - £1,500,000		
12	£1,500,001+		

- Notes:** (1) The basic rates are increased by 5% (the 'higher rates') where the purchase is of an additional residential property for individuals. Companies and trusts pay the additional 5% on all purchases of residential properties, subject to Note 2 below.
- (2) Companies (and certain other entities) pay 17% on purchases of residential property valued > £500,000 (subject to exceptions).
- (3) 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 be 0% on the first £300,000, for a property bought for a maximum £500,000 (5% on the excess up to £500,000). No relief is available for a property over £500,000.
- (4) 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 1), and the 17% rate (where applicable, in Note 2).

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

Rate (%)	Net present value of rent	
	Residential	Non-residential
0	Up to £125,000	Up to £150,000
1	Excess over £125,000	£150,001-£5m
2	N/A	Over £5m

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

2025/26

Basic Rate % ⁽⁵⁾⁽⁶⁾⁽⁷⁾	Residential	Rate % ⁽⁵⁾	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:** (5) 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.
- (6) The 'Additional Dwelling Supplement' (ADS) of 8% 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.
- (7) 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 ⁽⁸⁾
	Non-residential
Zero	Up to £150,000
1%	£150,001 to £2,000,000
2%	£2,000,001+

- Note:** (8) Residential leases are generally exempt

MODULE E – TEST 1

1. Liam is a sole trader. On 6 April 2025, he employed a new assistant with a gross employment cost for 2025/26 of £42,150. Liam's draft taxable trade profits for the year ended 5 April 2026, before deducting the costs of the new employee, were £125,000.

Calculate the reduction in Liam's Income Tax and National Insurance in 2025/26 as a result of the employee costs.

2. Kerry ceased trading on 31 August 2025. She made an allowable trading loss in the five months ended 31 August 2025, having previously made profits. She has other income each year, including rental income and dividends.

Explain the loss relief available for the loss of the five months ended 31 August 2025.

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

Sally joined the partnership on 1 January 2026. The partnership agreement was amended from that date to allow for annual salaries of £10,000 to Donald and £12,000 to Sally, with remaining profits being shared equally between the three partners.

For the year ended 30 September 2026, the partnership's taxable trade profits were £60,000.

Calculate Sally's trading income for 2025/26.

4. Susan prepared accounts for the year ended 31 March 2026. She wishes to calculate taxable trade profits using the accruals basis. The following expenses have been deducted in the calculation of the taxable trade profits for the year:

- 1) Legal fees of £2,200 in connection with the renewal of a 30-year lease on the business warehouse.
- 2) Legal fees of £800 on the creation of employee contracts.
- 3) Lease premium amortisation of £1,800 which relates to a lease premium of £18,000 which was paid on 1 April 2025 for a new ten-year lease on a retail unit.

Briefly explain, with supporting calculations, any necessary adjustments to the taxable trade profits for each of these items.

5. Barry began trading on 1 July 2023 and prepares accounts to 31 March each year. The taxable trade profits for recent years were as follows:

	<u>Profit/(Loss)</u>
	£
2023/24	1,000
2024/25	3,000

In the year ended 31 March 2026, Barry made an allowable trading loss of £(20,000).

Prior to 1 July 2023, Barry had been employed on an annual salary of £18,000.

Show how the loss for the year ended 31 March 2026 would be relieved if Barry makes a claim for early years' relief, stating the deadline for the claim to be made.

6. Jacob made a trading loss in 2023/24 of £18,000 which he claimed to offset against his property income of £30,000 for the year.

The taxable trade profits for 2024/25 were £8,000. In the year ended 31 March 2026, taxable trade profits are £69,000.

Calculate the Class 4 National Insurance contributions payable by Jacob for 2025/26.

7. During the 15-month period ended 31 December 2025, Clara purchased machinery at a cost of £1,280,000 on 1 November 2024 and a new electric car at a cost of £11,500 on 1 July 2025. The car is used entirely for business purposes. Clara calculates taxable trade profits using the accruals basis.

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

Calculate the maximum capital allowances for the 15-month period to 31 December 2025.

8. On 1 April 2007, Ross purchased business premises from his father, John, for £130,000 when the market value was £168,000. John had originally purchased the property for £102,000 in 2003. Ross and John made a joint election for gift relief on the transfer.

On 1 January 2026, Ross sold his entire business to Ben for £500,000. The proceeds were allocated as £400,000 for the premises with the remaining £100,000 being for the stock and some small items of plant and machinery (all valued at less than £6,000 each).

Calculate the Capital Gains Tax liability for Ross on the sale of the business, clearly showing the effect of the gift relief claim in 2007.

9. Keith has provided the following information for the year ended 31 March 2026:

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

Keith wishes to claim flat rate expenses wherever possible. During the year ended 31 March 2026, he spent approximately eight hours per week working from one room in his home and travelled 14,000 miles for business purposes.

Calculate Keith's taxable trade profits for 2025/26.

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

	<u>2024/25</u>	<u>2025/26</u>
	£	£
Income Tax	6,480	6,920
Class 4 National Insurance	1,286	1,420
Capital Gains Tax (on sale of shares)	1,500	500

Briefly explain when the 2025/26 liabilities will be due for payment and the amount of each payment.

11. Julia, who is self-employed, purchased the following cars during the year ended 31 March 2026:

<u>Car</u>	<u>Used by</u>	<u>CO₂ emissions</u>	<u>Cost</u>
			£
1	Employee – 40% private use	118g	25,000
2	Julia – 30% private use	181g	30,000

The tax written down values brought forward at 1 April 2025 were £14,800 on the main pool and £16,200 on the special rate pool.

Calculate Julia's maximum capital allowances for the year ended 31 March 2026.

12. Rose has been a partner in the Xylex Partnership for many years but retired on 30 November 2025.

She sold her partnership share to Dean who subsequently joined the partnership on 1 December 2025. The property from which the partnership trades, which Rose owned 100% in her own name was sold to the remaining partners of the business.

Briefly explain whether the two disposals will qualify for business asset disposal relief for Capital Gains Tax purposes.

MODULE E – TEST 2

1. On 6 April 2025, Ted and Alice began trading in partnership, agreeing to share profits equally.

During April 2025, the partnership purchased a car for each partner. Ted's car cost £6,500 and has CO₂ emissions of 135g/km. Alice's car cost £8,000 and has CO₂ emissions of 39g/km. Both Ted and Alice used their cars 70% for business purposes.

For the year ended 5 April 2026, the partnership made taxable trade profits before capital allowances of £90,000.

Calculate Alice's trading income for 2025/26.

2. Esther has provided the following information for the year ended 5 April 2026:

	£
Cash receipts	70,000
Cash payments	96,000

The cash receipts include £4,450 proceeds from the sale of a van which was used 100% for business purposes.

The cash payments include £18,000 for the purchase of an estate car with CO₂ emissions of 119g/km. During the year ended 5 April 2026, Esther drove a total of 24,000 miles in the car, 60% of which were for private journeys.

The cash payments also include a parking fine of £100 which was incurred by Esther when she went to visit a potential new client.

Esther used a room in her home exclusively for business purposes for 35 hours each month. Esther wishes to claim flat-rate expenses wherever possible.

Calculate Esther's trading loss for the year ended 5 April 2026.

3. Sidney, a sole trader, had a tax written down value on his general pool of £9,200 at 1 December 2024.

Sidney decided to change his accounting date and prepared accounts for the 16-month period to 31 March 2026. In March 2025, he purchased a car with CO₂ emissions of 125g/km costing £14,000 which was used solely for business purposes. In August 2025, he disposed of plant and machinery for £8,000 (original cost £12,000).

Calculate the maximum capital allowances available for the 16-month period ended 31 March 2026, assuming taxable trade profits are calculated using the accruals basis.

4. Prisha ceased trading on 31 December 2025.

A number of her clients have not yet paid her for work carried out and she may have to pay for additional costs relating to the business following cessation.

Explain how any income received and expenses paid after the cessation of trade will be treated for tax purposes.

5. Nuala, a sole trader who calculates taxable trade profits using the accruals basis, ceased trading on 31 January 2026. Her accounting profit for the final period of trade included deductions for the following items:
- 1) Termination payments made to the three members of staff of £28,000 each. The statutory amount is £5,000.
 - 2) £4,400 paid out in bonuses of £1,100 each, to herself and each of the three members of staff.
 - 3) A profit of £12,500 on the disposal of Nuala's business premises.

Briefly explain the treatment of each item in calculating Nuala's taxable trading profits for the final period ended 31 January 2026.

6. Aedan reached pensionable age on 6 December 2025 and had recent tax-adjusted trading profits and losses as follows:

	£
2024/25	(14,000)
2025/26	69,000

Aedan made a claim to relieve the 2024/25 trading loss against his total income of that year.

Briefly explain, with supporting calculations, the National Insurance Contributions payable by Aedan for 2025/26.

7. Freya was employed up to 31 August 2024. She had never had any other sources of income and had always paid any Income Tax due through the PAYE system.

She began trading on 1 September 2024. She notified HMRC of her start date on 18 September 2025 and was issued with a notice to file a tax return on 15 November 2025. Freya completed and filed an online return.

Briefly explain:

- 1) **The due dates for the filing of the return and the first payment of Income Tax under self-assessment.**
 - 2) **The potential penalties if Freya was six weeks late in filing her return and paying her first payment of Income Tax.**
8. Katie, Hannah and John had been in partnership for many years. The partnership profits and losses are shared as follows:

	<u>Katie</u>	<u>Hannah</u>	<u>John</u>
	£	£	£
Salary (per annum)	30,000	9,000	7,000
Balance shared	20%	30%	50%

The partnership's allowable trading loss for the year ended 31 December 2025 was £50,000.

Calculate each partner's share of the trading loss for the year ended 31 December 2025.

9. On 20 July 2010, Frank purchased four acres of land costing £12,750 for use in his business.

On 18 May 2025, he sold one of the four acres for £4,000 when the market value of the remaining three acres was £20,000. This was Frank's only disposal of land during 2025/26.

- 1) Calculate Frank's chargeable gain on the disposal of the one acre of land.
- 2) Briefly explain why a small part disposal election is available to Frank and the effect of such an election.

10. Olive has a trading loss for the year ended 31 March 2026 of £45,000. Her only other income for 2025/26 was property income totalling £19,500. She had no income for 2024/25.

Olive had net chargeable gains of £41,000 in 2025/26. She had a capital loss brought forward from 2024/25 of £22,500.

Calculate the maximum amount of trading loss that can be relieved against Olive's capital gains for 2025/26 and her taxable gains if a claim for this relief is made.

11. On 15 July 2025, George realised a capital gain of £90,000 when he sold a warehouse for £330,000, which had been partly used in his trade. The warehouse had always been too large for George's requirements so he had let out one third of it to an unconnected business.

On 20 June 2025, George purchased a smaller, replacement warehouse for £200,000 for use in his trade. A claim is to be made for the maximum possible rollover relief.

Calculate George's chargeable gain for 2025/26 and the base cost of the replacement warehouse.

12. On 25 March 2026, Jennifer sold a building to Emily for £900,000, which she had used in her sole trader business. Under the sale contract, the total proceeds of £900,000 are payable in 15 equal annual instalments of £60,000 starting on 25 March 2026. Jennifer's Capital Gains Tax liability on the sale of the building is £65,000.

Assuming that Jennifer elects to pay her Capital Gains Tax liability in instalments, state the due dates and amounts of each instalment.

ANSWERS TO MODULE E – TEST 1

Examiner's report:

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General Comments

This module was well attempted by a good number of candidates, but there were a number of instances where not all questions were attempted, possibly by candidates answering this module last.

1.

	£	
Allowable deduction against Liam's trading profits (gross employment cost)	<u>42,150</u>	
Reduction in Liam's Income Tax and Class 4 NIC liability (42%)	17,703	[2]
Reduction in Liam's Income Tax as now no restriction to his personal allowance £12,570 x 40%	<u>5,028</u>	[2]
Total reduction in Liam's Income Tax and National Insurance	<u>22,731</u>	[1]

Examiner's comments:

N/A as question replaced.

2. The loss of the period ended 31 August 2025 is a loss of the tax year 2025/26. [1]
- It can be set against Kerry's net income of 2025/26 and/or 2024/25 in any order. [1]
- The loss must be set off against net income of a year in full ie a partial claim is not permitted. [1]
- The relief for trading losses against non-trading income is restricted to the greater of £50,000 and 25% of adjusted total income. [1]
- Where a claim has been made against income, any remaining loss can be offset against net capital gains of that year. [1]
- Alternatively, as the loss was made in the final 12 months of trading it is a terminal loss and can be carried back against trading income of 2024/25, 2023/24 and 2022/23 in that order. [1]

Max 5

Examiner's comments:

N/A as question replaced.

3.

Year ended 30 September 2026		Donald	Paul	Sally	
		£	£	£	
From 1 January 2026 only					
9/12 × £60,000 = £45,000					
Salaries	£10,000 / £12,000 × 9/12	7,500		9,000	[1]
PSR	£(45,000 – 7,500 – 9,000) / 3	9,500	9,500	<u>9,500</u>	[1]
				<u>18,500</u>	
2025/26	1 January – 5 April 2026				
	3/9 × £18,500			<u>6,167</u>	[2]*

[*1 for correct period, 1 for taking from 9 months of profit]

Examiner's comments:

Generally this question, which was on a core topic, was very well answered with a significant number of candidates scoring full marks.

4. Legal fees in connection with the renewal of a short lease on the business warehouse are allowable as it is a renewal rather than a new lease, so no adjustment is necessary. [1]

Legal fees on the creation of employee contracts are also allowable as these are normal trade related revenue expenses, so again no adjustment is necessary. [1]

The lease premium amortisation of £1,800 needs to be added back and replaced with a deduction for the allowable part. [1]

This is calculated by splitting the £18,000 premium into capital/income elements, and then by spreading the income element over the life of the lease. [1]

The deduction can be calculated as:

	£
Premium	18,000
Less: £18,000 x (10-1) x 2%	<u>(3,240)</u>
	<u>14,760</u>

£14,760/10 = £1,476. [1]

Examiner's comments:

The only real error on this question seemed to arise where candidates thought a 30 year lease would be classed as long but otherwise this was again well answered.

5.

	2022/23	2023/24	2024/25	2025/26	
	£	£	£	£	
Trading profits		1,000	3,000	Nil	[1]
Salary	18,000				[1]
April 2023 – June 2023 (3/12 × £18,000)		4,500			
Loss offset	(18,000)	(2,000)			
<u>Loss Memo</u>				£	
2025/26 loss				20,000	
Carry back 3 years (FIFO)					
2022/23				18,000	[1]*
2023/24				<u>2,000</u>	[1]
				<u>Nil</u>	

[*Must be clear offset on FIFO basis]

The deadline for claiming the relief will be 31 January 2028. [1]

Examiner's comments:

Some candidates hedged their bets by stating that the losses would be set off on a FIFO basis but then actually set them off on a LIFO basis.

6.

2025/26 trading profit = £69,000 – (18,000 – 8,000) = £59,000		[1] + [1]
£12,570 × 0%	Nil	[1]
£(50,270 – 12,570) × 6%	2,262	[1]
£(59,000 – 50,270) × 2%	<u>175</u>	[1]
	<u>2,437</u>	

Tutorial Note:

The trading loss from 2023/24 is set against 2024/25 trading profit of £8,000 then the balance of £10,000 is carried forward against the trading profit in 2025/26.

Examiner's comments:

This question was answered very well in the majority of cases.

7.

	£	Main pool £	Allowances £	
Tax wdv b/f		22,600		
AIA addition	1,280,000			
Max = (£1m x 15/12 = £1.25m)	<u>(1,250,000)</u>		1,250,000	[1]
		<u>30,000</u>		
FYA addition	11,500			
100% FYA (not pro-rated)	<u>(11,500)</u>		11,500	[2]
		52,600		
WDA 18% x 15/12		<u>(11,835)</u>	<u>11,835</u>	[2]
Tax wdv c/f		<u>40,765</u>		
Total allowances			<u>1,273,335</u>	

Examiner's comments:

This question was answered very well in the majority of cases.

8.

Proceeds	Premises only	£	
Less: Base cost (W)		400,000	[1]
		<u>(130,000)</u>	
		270,000	
Less: AEA		<u>(3,000)</u>	[1]
Taxable gain		<u>267,000</u>	
CGT at 14% (BADR)		<u>37,380</u>	[1]
<u>Working</u>			
MV when transferred		168,000	
Original cost		<u>(102,000)</u>	
		66,000	
Held over gain		<u>(38,000)</u>	
Charged on John	£130,000 – £102,000	<u>28,000</u>	[1]
Base cost for Ross	£168,000 – £38,000	<u>130,000</u>	[1]

Tutorial Note:

As the question does not refer to any previous disposals by Ross, it has been assumed that none of the lifetime limit for business asset disposal relief has been utilised.

Examiner's comments:

This question was answered very well in the majority of cases.

9.

	£	
Cash received from customers	60,000	
Cash received on the sale of a piece of machinery	2,000	[1]
Payments made to credit suppliers	(31,000)	
Purchase of van [- flat rate mileage claimed instead]	Nil	
Mileage claim (10,000 x 45p + 4,000 x 25p)	(5,500)	[1]
Use of home claim (£10 per month)	(120)	[1]
Interest paid on a loan taken to purchase the business equipment	(870)	[1]
Taxable profit for year	<u>24,510</u>	[1]*

[*Final mark only awarded if sales/purchases based on cash rather than invoice values and no deduction made for the van purchase]

Examiner's comments:

This question was answered very well in the majority of cases.

10. Payments on account will be due on 31 January 2026 and 31 July 2026. [1]

These are based on 50% × (Income Tax and Class 4 NIC only) from 2024/25 so will amount to £3,883 each. [1]

A balancing payment is due on 31 January 2027 to cover the remaining Income Tax and Class 4 NICs and also the capital gains tax due for the year. [1]

The total payable on 31 January 2027 will be:

£(6,920 + 1,420 + 500) – POAs made = £1,074. [2]

Examiner's comments:

This question was answered very well in the majority of cases.

11.

	Main pool £	Special rate pool £	Private use Car £	Allowances £	
Tax wdv b/f	14,800	16,200			
Employee car (ignore private use)		<u>25,000</u>			[1]
Julia's car			30,000		[1]
		41,200			
WDA 18% / 6%	<u>(2,664)</u>	<u>(2,472)</u>		5,136	[1]
6%			<u>(1,800)</u>	1,260	[2]
Tax wdv c/f	<u>12,136</u>	<u>38,728</u>	<u>28,200</u>		
Total allowances				<u>6,396</u>	

Examiner's comments:

Whilst candidates seemed to understand this core topic, frequently they made silly mistakes as a result of the poor layout of their answers.

12. The disposal of the partnership share will qualify for business asset disposal relief as it is:

1) A material disposal of business assets. [1]

2) Owned for at least 2 years. [1]

The sale of the premises will only qualify if it can be treated as an associated disposal. [1]

The property itself must have been used by the partnership for at least 2 years and owned by Rose for the 3 years prior to disposal. [1]

The premises can only be subject to a claim for business asset disposal relief if Rose has not received rent from the partnership (at market rates) for the use of the premises. [1]

Business asset disposal relief may only be claimed if Rose has not already fully used up her £1 million lifetime limit on any previous business asset disposal relief gains. [1]

Max 5

Examiner's comments:

This was generally very well answered with most candidates appearing to be well prepared on the topic, as would be expected.

ANSWERS TO MODULE E – TEST 2

Examiner's report:

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General Comments

Performance in this module was reasonable. Most candidates had clearly prepared well and had a good grasp of a broad range of topics, however others struggled to answer questions on relatively core areas of the syllabus.

1.

	£	
Taxable trade profits before capital allowances	90,000	
Less capital allowances (working)	<u>(1,281)</u>	
Taxable trading profit after capital allowances	<u>88,719</u>	[1]
Alice's share: 50% x £88,719	<u>44,360</u>	[1]

Working – capital allowances for the year ended 5 April 2026

	Ted's car £		Alice's car £		Allowances £	
Additions	6,500		8,000			
WDA 6%	(390)	@70%			273	[1]
WDA 18%			<u>(1,440)</u>	@ 70%	<u>1,008</u>	[1+1]*
Tax wdv c/f	<u>6,110</u>		<u>6,560</u>		<u>1,281</u>	

[*Private use restriction for both cars]

Examiner's comments:

Performance on this question on partnerships was generally well done, but a common error was to split the profit before the deduction of capital allowances, which were often only calculated on Alice's car.

2.

	£	
Cash receipts (<u>including</u> the proceeds from the sale of the van)	70,000	[1]
Cash payments (<u>excluding</u> the cost of the car and the fine) £(96,000 – 18,000-100)	(77,900)	[1]
Fixed rate mileage allowance for business mileage only 24,000 x 40% = 9,600 miles at 45p per mile	(4,320)	[1]
Use of home for business 12 months at £10 per month	<u>(120)</u>	[1]
Allowable trading loss	<u>(12,340)</u>	

Examiner's comments:

This question was not well done and was the most omitted question on the paper. Despite the question stating that Esther claimed flat rate expenses wherever possible, candidates frequently claimed capital allowances on the car or even deducted the full cost.

3.

16-month period ended 31 March 2026	General pool £	Special rate pool £	Allowances £	
Tax wdv b/f	9,200			
Additions – no AIA		14,000		[1]
Disposals	<u>(8,000)</u>			[1]
	1,200	14,000		
Small pools WDA (W)	(1,200)		1,200	[1]
WDA 6% x 16/12		<u>(1,120)</u>	<u>1,120</u>	[2]
Tax wdv c/f	<u>Nil</u>	<u>12,880</u>	<u>2,320</u>	

Working

Small pools WDA as the balance on the pool is no more than £1,000 x 16/12 = £1,333.

Examiner's comments:

Common errors were to split the 16-month accounting period into two periods of 12 months and 4 months and to put the car in the general pool. A disappointing performance on a core area of the syllabus.

4. An income tax charge will arise in the year of receipt where trading income is received after cessation. [1]

Relief is available for any post-cessation expenses paid which would have been allowable if trade had continued. [1]

However, Prisha could elect to have a post cessation receipt taxed in the year of cessation instead. [1]

This is provided that the payment is received in a tax year beginning no later than 6 years following cessation of trade. [1]

Where certain qualifying post-cessation expenses are paid, such as debt collection expenses, a claim can be made to deduct them in arriving at net income of the year of payment. [1]

This applies to payments made in the 7 years after cessation. [1]

Max 5**Tutorial Note:**

Credit would also be given for identifying that relief for post-cessation expenses is subject to the cap restricting the total amount of certain reliefs which can be deducted in arriving at taxable income. The relief is restricted to the greater of £50,000 and 25% of adjusted total income.

Examiner's comments:

N/A as question replaced

5.

1)

Termination payments on cessation of trade are allowable, but only up to four times the statutory amount, allowing $4 \times £5,000 = £20,000$ per staff member, and therefore add back the excess of $£8,000 \times 3 = £24,000$ to accounting profit to arrive at taxable trading profits. [1+1]

2)

Bonuses paid to staff are allowable expenses, but the ‘bonus’ paid to Nuala is disallowed as an appropriation of profit, and therefore £1,100 must be added back. [1+1]

3)

The profit on the disposal of the business premises (which is a capital asset) is not trading income and must therefore be deducted. [1]

Examiner’s comments:

No comments

6. For Class 4 National Insurance Contribution purposes, trading losses are relieved against trading profits only, therefore the claim to set against total income of 2024/25 is irrelevant for National Insurance. [1]

The £14,000 loss from 2024/25 is brought forward and reduces the trading profit of 2025/26 to £55,000. [1]

Liability to Class 4 National Insurance Contributions ceases from the start of the tax year after the year in which pensionable age is reached, therefore, Aedan continues to be liable for 2025/26. [1]

His liability for 2025/26 is:

	£	
12,570 @ 0%	Nil	[1]
50,270 – 12,570 @ 6%	2,262	[1]
55,000 – 50,270 @ 2%	<u>94</u>	[1]
	<u>2,356</u>	

Max 5**Examiner’s comments:**

Most candidates failed to appreciate the effect of reaching retirement age on NICs. For those that recognised that this was relevant, quite often inadequate explanations and/or application of the rules were given.

7.

1)

An online return would have needed to be submitted by the later of 31 January 2026 or three months after the issue of the notice to file a return (15 February 2026). [1+1]

The first amount due under self-assessment would have been payable by 31 January 2026. [1+1]

2)

Penalty for late submission of the return = £100. [1]

Penalty for late payment of Income Tax = 5% of the unpaid tax

Examiner's comments:

Income Tax self-assessment is another core area of the syllabus that candidates should be familiar with, and most answered this question well. A common error was to discuss payments on account, despite the fact that this was irrelevant as Freya had only just started trading and the question asked for the date of her first payment.

8.

	Total £	Katie £	Hannah £	John £	
Year ended 31 December 2025	(50,000)				
Salaries	<u>(46,000)</u>	30,000	9,000	7,000	
	(96,000)				[1]
Balance shared (20%/30%/50%)	<u>96,000</u>	<u>(19,200)</u>	<u>(28,800)</u>	<u>(48,000)</u>	[1]
	<u>Nil</u>	10,800	(19,800)	(41,000)	
Reallocate Katie's notional profit					[1]
To Hannah:					
19,800/(19,800 + 41,000) x £10,800		(3,517)	3,517		[1]
To John:					
41,000/(41,000 + 19,800) x £10,800		<u>(7,283)</u>		<u>7,283</u>	[1]
Totals	<u>(50,000)</u>	Nil	<u>(16,283)</u>	<u>(33,717)</u>	

Examiner's comments:

This question on partnerships was generally poorly answered. The most common errors were to split the loss of £50,000 before deducting salaries, to treat losses as profits and the failure to recognise that Katie had a notional profit which needed to be reallocated to the other partners.

9.

1)

	£	
Proceeds	4,000	
Cost: $4,000 / (4,000 + 20,000) \times £12,750$	<u>(2,125)</u>	[1+1]
Chargeable gain	<u>1,875</u>	

2)

A small part disposal election is available to Frank as:

- The proceeds of all land disposals during the year is no more than £20,000 and [1]
- The proceeds of the part disposal is no more than 20% of the value of the entire land at the date of disposal. [1]

The effect of the election is that Frank will have no chargeable gain in 2025/26. [1]

Instead, the proceeds of the small part disposal will be deducted from the cost of the land for a future disposal of the remainder.

Examiner's comments:

No comments

10. Maximum s.261B claim is the lower of:

The trading loss remaining after a s.64 claim against income	£	£	
£45,000 – £19,500		<u>25,500</u>	[1]
Net current year gains less capital losses brought forward			
Net current year gains	41,000		
Capital losses brought forward (deemed offset)	<u>(22,500)</u>		
		<u>18,500</u>	[1]
Hence maximum offset against gains		<u>18,500</u>	
Net current year gains		41,000	
Maximum s.261B claim		<u>(18,500)</u>	[1]
		22,500	
Less annual exempt amount		<u>(3,000)</u>	[1]
		19,500	
Less brought forward loss		<u>(19,500)</u>	[1]
Taxable gains		<u>nil</u>	

Examiner's comments:

Performance on this question was generally very poor. Although most candidates appreciated that a claim against income under s.64 must be made before a s.261B claim, most candidates did not realise that the maximum s.261B claim was the lower of two figures, and simply netted off the current year capital gains against the brought forward capital losses before then offsetting the remaining trading loss.

11.

	Total £	Business use 2/3 £	Non- business use 1/3 £	
Proceeds	<u>330,000</u>	<u>220,000</u>	<u>110,000</u>	
Gain	90,000	60,000	30,000	[1]
Less rollover relief (balancing figure)	<u>(40,000)</u>	<u>(40,000)</u>	-	[1]
Gain chargeable = proceeds not reinvested				
£220,000 – £200,000	<u>50,000</u>	<u>20,000*</u>	<u>30,000</u>	[1+1]

*comparing the business use proportion only.

The base cost of the replacement warehouse	£	
Cost	200,000	
Less gain rolled over	<u>(40,000)</u>	
	<u>160,000</u>	[1]

Examiner’s comments:

Performance on this question was very mixed. Those candidates who did well often scored full marks, whereas others failed to recognise that only the proportion of the gain relating to the business use could possibly be deferred and therefore did not recognise that the partial reinvestment rules needed to be considered. Some candidates managed to rollover a gain of £130,000, despite the gain, which was given in the question, only being £90,000. The calculation of the base cost of the replacement warehouse was frequently omitted.

12.

<u>Instalments received from Emily</u>	<u>Instalments of CGT</u>	<u>Amount due</u> £	
25 March 2026	50% × £60,000 (due 31 January 2027)	30,000	[1+1+1]
25 March 2027	50% × £60,000 (due 25 March 2027*)	30,000	[1]*
25 March 2028	balance of CGT due (due 25 March 2028*)	5,000	[1]

[* For the second instalment and the balance of CGT being due on 25 March 2027 and 25 March 2028 respectively.]

Examiner’s comments:

No comments