

Tolley[®] Exam Training

CTA

AWARENESS PAPER

MODULE C – CORPORATION TAX

PRE REVISION QUESTION BANK

FA 2019

May and November 2020 Sitzings

PQ727C
CTA

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INTRODUCTION

This Pre Revision Question Bank for Module C of the Awareness paper contains 2 full exam standard 12 question tests with answers updated to Finance Act 2019.

This question bank forms an important part of your preparation for the examination – question practice is the key to passing exams. We recommend that you use these tests 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.

In the real exam each Module will have 12 questions and each question carries 5 marks. You must answer all the questions from the three Modules you are sitting.

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.

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 3 hours to answer all three Modules.

You should answer questions in 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 read and follow your answer.

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

You may use a calculator and the CTA Tax Tables.

You should try to avoid just reading the answers to questions - it is all too easy to nod as you read our 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 write the answers out yourself.

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INCOME TAX - RATES AND THRESHOLDS

	2019/20	2018/19
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	7.5	7.5
Dividend upper rate	32.5	32.5
Dividend additional rate and trust rate for dividends	38.1	38.1
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,500	1 – 34,500
Higher rate band	37,501 – 150,000	34,501 – 150,000
Dividend allowance	2,000	2,000
Personal Savings Allowance		
- Taxpayer with basic rate income	1,000	1,000
- Taxpayer with higher rate income	500	500
- Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
Scottish Tax Rates⁽¹⁾	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
Scottish Tax Thresholds⁽¹⁾	£	£
Starter rate	1 – 2,049	1 – 2,000
Scottish basic rate	2,050 – 12,444	2,001 – 12,150
Intermediate rate	12,445 – 30,930	12,151 – 31,580
Higher rate	30,931 – 150,000	31,581 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2019/20	2018/19
	£	£
Personal allowance ⁽²⁾	12,500	11,850
Married couple's allowance ⁽³⁾	8,915	8,695
- Maximum income before abatement of relief - £1 for £2	29,600	28,900
- Minimum allowance	3,450	3,360
Transferable Tax allowance for married couples and civil partners ⁽⁴⁾	1,250	1,190
Blind person's allowance	2,450	2,390
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	100,000	100,000
Social investment relief	1,000,000	1,000,000

- Notes**
- (1) Scottish taxpayers pay Scottish income tax on non-savings income.
 - (2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
 - (3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
 - (4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
 - (5) From 6.4.18, the limit is £2 million, where over £1 million is invested in knowledge intensive companies.

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ISA limits	2019/20	2018/19
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	4,368	4,260

Pension contributions

	Annual allowance ⁽¹⁾	Lifetime allowance	Minimum pension age
	£	£	
2018/19	40,000	1,030,000	55
2019/20	40,000	1,055,000	55

Basic amount qualifying for tax relief £3,600

Notes (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £150,000 for individuals with threshold income above £110,000. It cannot be reduced below £10,000.

Employer Supported Childcare

Exemption – basic rate taxpayer⁽¹⁾ £55 per week £55 per week

Notes (1) 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 ⁽¹⁾	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Notes (1) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - CHARGES

Child benefit charge

Adjusted net income >£50,000
Adjusted net income >£60,000

Withdrawal rate

1% of benefit per £100 of income between £50,000 and £60,000
Full child benefit amount assessable in that tax year

INCOME TAX - BENEFITS

Car benefits

Emissions	2019/20 ⁽¹⁾	2018/19 ⁽¹⁾
0 – 50 g/km	16%	13%
51 – 75 g/km	19%	16%
76 – 94 g/km	22%	19%
95 g/km or more	23% + 1% for every additional whole 5g/km above threshold	20% + 1% for every additional whole 5g/km above threshold
165 g/km or more	37%	
180g/km or more		37%

Fuel benefit base figure

2019/20	2018/19
£24,100	£23,400

Notes (1) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard.

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Van benefits	2019/20	2018/19
	£	£
No CO ₂ emissions	2,058	1,340
CO ₂ emissions > 0g/km	3,430	3,350
Fuel benefit for vans	655	633

Official rate of interest	2019/20	2018/19
	2.5%	2.5%

INCOME TAX - SIMPLIFICATION MEASURES

Allowances	2019/20	2018/19
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

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

Cash Basis for Unincorporated Businesses

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

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⁾⁽⁴⁾	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) ⁽⁵⁾	2%

- Notes**
- (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2020 (£200,000 before 31 December 2018 & from 1 January 2021).
 - (2) The main pool rate applies to cars with CO₂ emissions of not more than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).
 - (3) The special pool rate applies to cars with CO₂ emissions greater than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).
 - (4) The special pool rate was 8% prior to 6 April 2019 (1 April 2019 for companies).
 - (5) The 2% rate applies to expenditure from 29 October 2018 on new qualifying non-residential structures and buildings on a straight-line basis.

100% First year allowances available to all businesses

- 1) New energy saving plant and machinery, and water efficient plant and machinery (until April 2020).
- 2) Capital expenditure incurred by a person on research and development.
- 3) New zero-emission goods vehicles (until April 2021).
- 4) New cars registered before 31 March 2021 if the car either emits not more than 50 g/km of CO₂ (75g/km before 1 April 2018) or it is electrically propelled.
- 5) Electric vehicle charging points expenditure incurred from 23 November 2016 until April 2023.

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NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	2019/20			2018/19		
	Annual £	Monthly £	Weekly £	Annual £	Monthly £	Weekly £
Lower earnings limit (LEL)	6,136	512	118	6,032	503	116
Primary threshold (PT)/ Secondary threshold (ST)	8,632	719	166	8,424	702	162
Upper earnings limit (UEL)/ Upper secondary threshold for under 21 (UST) ⁽¹⁾ / Apprentice upper secondary threshold for under 25 (AUST) ⁽²⁾	50,000	4,167	962	46,350	3,863	892
Class 1 primary contribution rates						
Earnings between PT and UEL				12%		12%
Earnings above UEL				2%		2%
Class 1 secondary contribution rates						
Earnings above ST ⁽¹⁾⁽²⁾				13.8%		13.8%

- Notes** (1) Rate of secondary NICs for employees < age 21 on earnings between ST&UST is 0%.
(2) Rate of secondary NICs for apprentices < age 25 on earnings between ST&AUST is 0%.

	2019/20	2018/19
Employment allowance		
Per year, per employer	£3,000	£3,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Normal rate	£3.00 pw	£2.95 pw
Small profits threshold	£6,365 pa	£6,205 pa
Class 3 contributions	£15.00 pw	£14.65 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£8,632	£8,424
Annual upper profits limit (UPL)	£50,000	£46,350
Percentage rate between LPL and UPL	9%	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 £148.68 and 90% of AWE
Statutory shared parental pay /paternity pay	For each qualifying week, the lower of 90% of AWE and £148.68
Student Loan	Plan 1: 9% of earnings exceeding £1,577 per month Plan 2: 9% of earnings exceeding £2,143 per month
Postgraduate Loan	6% of earnings exceeding £1,750 per month

National living/minimum wage (April 2019 onwards)

Category of Worker	Rate per hour	Category of Worker	Rate per hour
Workers aged 25 and over	£8.21	18–20 year olds	£6.15
21–24 year olds	£7.70	16–17 year olds	£4.35
		Apprentices	£3.90

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CAPITAL GAINS TAX

	2019/20	2018/19
Annual exempt amount for individuals	£12,000	£11,700

CGT rates for individuals, trusts and estates

Gains qualifying for entrepreneurs' relief/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band ⁽¹⁾	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates ⁽²⁾	20%	20%

Notes (1) The rate is 18% if the gain is in respect of a residential property

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

Entrepreneurs' relief and Investors' relief⁽¹⁾

	2019/20	2018/19
Relevant gains (lifetime maximum)	£10 million	£10 million

Notes (1) The first claims for investors' relief can be made in 2019/20.

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

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Lease percentage table

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

CORPORATION TAX

Financial year	2019	2018	2017
Main rate	19%	19%	19%

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.

VALUE ADDED TAX

	Standard rate	VAT fraction
From 4.1.11	20%	1/6

Limits	From 1.4.19	From 1.4.18
Annual registration limit	£85,000	£85,000
De-registration limit	£83,000	£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

OTHER INDIRECT TAXES

	2019/20	2018/19
Insurance premium tax⁽¹⁾		
Standard rate	12%	12%
Higher rate	20%	20%
Tobacco products duty	From 29.10.18	Until 28.10.18
Cigarettes	16.5% x retail price + £228.29 (or £293.95 ⁽²⁾) per thousand cigarettes	16.5% x retail price + £217.23 (or £280.15 ⁽²⁾) per thousand cigarettes
Cigars	£284.76 per kg	£270.96 per kg
Hand-rolling tobacco	£234.65 per kg	£221.18 per kg
Other smoking/chewing tobacco	£125.20 per kg	£119.13 per kg
Tobacco for heating from 1 July 2019	£234.65 per kg	N/A

- Notes** (1) Premium is tax inclusive (3/28 for 12% rate and 1/6 for 20% rate).
(2) The £293.95/£280.15 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).

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INHERITANCE TAX

Death rate 40%⁽¹⁾ Lifetime rate 20%

Notes (1) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2021	£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 2021	£175,000

Notes (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	£5,000
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 1.4.19	From 1.4.18
>£0.5m - ≤ 1m	£3,650	£3,600
> £1m - ≤ 2m	£7,400	£7,250
> £2m – ≤ 5m	£24,800	£24,250
> £5m – ≤ 10m	£57,900	£56,550
> £10m – ≤ 20m	£116,100	£113,400
> £20m	£232,350	£226,950

STAMP DUTY/SDRT

Stamp duty⁽¹⁾	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax⁽¹⁾	- 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.

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STAMP DUTY LAND TAX

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

Basic Rate % ⁽¹⁾⁽²⁾⁽³⁾	Higher Rate % ⁽¹⁾⁽²⁾	Residential ⁽¹⁾⁽²⁾⁽³⁾	Non-Residential
0	3	£0 - £125,000	£0 - £150,000
2	5	£125,001 - £250,000	£150,001 - £250,000
5	8	£250,001 - £925,000	£250,001 +
10	13	£925,001 - £1,500,000	N/A
12	15	£1,500,001 +	N/A

- Notes** (1) The basic rates are increased by 3% where the purchase is of an additional residential property for individuals (see column 2 for the rates that apply). Companies and trusts pay the additional 3% on all purchases of residential properties, subject to note 2 below.
- (2) Companies pay 15% on purchases of residential property valued > £500,000.
- (3) First-time buyers purchasing a single dwelling as their only or main residence on or after 22.11.17 may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £300,000. For homes up to £500,000, SDLT will be payable on £200,000 at 5%. Homes bought for more than £500,000 will incur the rates as per column 1 of the table above.

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

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

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

Basic Rate % ⁽¹⁾⁽²⁾⁽³⁾	Residential	Rate % ⁽¹⁾⁽⁴⁾	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) An additional amount of tax equal to 4% (for effective dates on or after 25 January 2019) of the relevant consideration applies broadly to purchases of an additional dwelling by individuals and trusts (over which the beneficiary has substantial rights) and to purchases of a dwelling by certain businesses, companies and other trusts. Where the effective date is on or after 25 January 2019 but the contract was entered into prior to 12 December 2018, the 3% (prior) rate will apply.
- (3) For contracts entered into after 8 February 2018, where the effective date of the transaction is on or after 30 June 2018, there is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.
- (4) These rates apply where the effective date is on or after 25 January 2019. Prior to this date the 0% band was the same, £150,001-£350,000 was 3%, £350,001+ was 4.5%.

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

Rate (%)	Net present value of rent ⁽¹⁾
	Non-residential
Zero	Up to £150,000
1%	£150,001+

- Note** (1) Residential leases are generally exempt

MODULE C – TEST 1

1. Splendidot Ltd was incorporated on 1 January 2017, and was dormant until it began to trade on 1 July 2017. The company prepared its first set of accounts for the six months ended 31 December 2017, and then accounts for the year ended 31 December 2018.

On 18 September 2019, the company ceased to trade. The only income received by the company after this date was interest income on 30 November 2019, when the company closed its bank accounts.

Identify, with brief explanations, all accounting periods of Splendidot Ltd until 30 November 2019. You should clearly state the start and end dates of each period.

2. Hartley Ltd, a trading company, is classed as a SMALL company for all Corporation Tax purposes. The company incurred the following expenditure during the year ended 31 March 2020:

- 1) £100,000 on employing staff directly engaged in qualifying research and development activities.
- 2) £500 on tickets to entertain suppliers at a football match.
- 3) £50,000 paid in response to the blackmail of its finance director.
- 4) £4,000 for counselling for staff who were made redundant.
- 5) £2,000 on legal advice regarding employment contracts for new staff.

Briefly explain the treatment of each item of expenditure when calculating the tax-adjusted trading profits of Hartley Ltd for the year ended 31 March 2020.

3. Contin Ltd prepares accounts to 31 December each year. On 10 October 2019 the company sold a freehold factory for £800,000 with a resulting gain of £350,000.

Contin Ltd has made/intends making the following acquisitions:

		<u>Cost</u>
		£
November 2018	Leasehold factory (80 year lease)	690,000
August 2020	Forklift truck	20,000
December 2022	Freehold office building	150,000

Explain the rollover relief available to Contin Ltd for the disposal on 10 October 2019 and the future effect of the claim.

4. Hook Ltd acquired 100% of the share capital of Bucket Ltd on 1 January 2020. On that date, Hook Ltd began implementing a major change in the nature of Bucket Ltd's trade.

The trading profits/(losses) of each company for the two years ended 31 March 2020 are:

	<u>Year ended 31 March 2019</u>	<u>Year ended 31 March 2020</u>
	£	£
Bucket Ltd	80,000	(100,000)
Hook Ltd	20,000	20,000

The profits and losses are generated evenly throughout these periods. Neither company has any other income or gains. There are no other group companies.

It is group policy that the companies claim relief for losses as soon as possible.

State, with supporting calculations, how relief is obtained for Bucket Ltd's loss of £100,000 under the group policy.

5. Nary Ltd had tax written down values at 1 January 2019 of:

	£
Main pool	3,120
Special rate pool	15,700
Short life asset (computer system acquired June 2017)	40,000

During the year ended 31 December 2019, Nary Ltd sold a car for £10,000. This was the only asset in the special rate pool.

The company also sold energy-saving plant for £8,000 which had been purchased for £20,000 in April 2017.

Calculate the maximum capital allowances that can be claimed by Nary Ltd for the year ended 31 December 2019.

6. Rarpet Ltd submitted on time its Corporation Tax return for the six months ended 30 September 2019, showing a Corporation Tax liability of £94,200.

However, the return was completed incorrectly meaning that the amount declared as Taxable Total Profits was too low. The correct Taxable Total Profits are £580,000.

Calculate the maximum penalty for an incorrect return that HM Revenue & Customs could impose, if this is considered to be:

- a careless error;
- a deliberate but not concealed error;
- a deliberate and concealed error

and explain how a potential penalty could be reduced.

7. King Ltd, which has no related 51% group companies, had Taxable Total Profits as follows:

	£
Year ended 31 March 2020	15 million
Six months ended 30 September 2020	4 million

In respect of the six months ended 30 September 2020, you are required to:

- 1) Explain briefly why quarterly instalments of Corporation Tax are payable.**
 - 2) Calculate, stating the due dates, the instalment payments required.**
8. On 1 January 2019 Sketchi Ltd purchased a 15% shareholding in Draw Ltd for £30,000.

On 1 March 2020 it disposed of an 8% shareholding in Draw Ltd for £10,000.

Sketchi Ltd has had no other transactions in Draw Ltd shares.

Both Sketchi Ltd and Draw Ltd have always been trading companies.

You are required to explain briefly:

- 1) Whether the disposal in March 2020 qualifies for the substantial shareholdings exemption (SSE).**
 - 2) The consequences for Sketchi Ltd if SSE does apply, and if it does not.**
9. On 1 July 2019, Bert Ltd sold a factory for £150,000. The company had bought the factory for £80,000 in July 2014, and at that time had made a rollover relief claim to fully defer a gain of £20,000 on the sale of a previous warehouse in August 2013.

On 1 December 2019, Bert Ltd sold one acre of a plot of land for £24,000. This was part of a larger plot of three acres that Bert Ltd had acquired on 5 December 2017 for £30,000. The remaining two acres were valued at £66,000 on 1 December 2019.

Bert Ltd had brought forward capital losses at 1 January 2019 of £100,000.

Calculate Bert Ltd's chargeable gains for the year ended 31 December 2019, assuming no further claims or elections are made.

You should ignore indexation.

10. Pretty Ltd is a UK resident trading company with 100 issued £1 ordinary shares owned as follows:

	<u>Number of ordinary £1 shares</u>
Lily Jones – managing director	6
Roger Jones – husband of Lily	5
Richard Balcont – finance director	5
Sandra Nico – marketing director	5
Mary Littam – sales director	5
Nathan Putter – HR director	5
Claire Arms – commercial manager	20
Individual shareholders owning one share each	<u>49</u>
	<u>100</u>

Except as detailed above, the shareholders are not employees or officers of Pretty Ltd and neither are they connected with one another.

Briefly explain whether Pretty Ltd is a close company.

11. Crumb Ltd is an investment company. Its income and expenditure for the year ended 31 December 2019 were as follows:

	£
Proceeds of the sale of loan stock in January 2019. The loan stock had been purchased in January 2015 for £75,000.	200,000
Interest receivable on bank deposits	19,000
Rental receivable on commercial properties	100,000
Interest payable on mortgages on commercial properties let by Crumb Ltd	5,000
Other expenditure relating to the renting of properties – all allowable	80,000

Crumb Ltd had a property loss brought forward at 1 January 2019 of £27,000.

Calculate the Taxable Total Profits of Crumb Ltd for the year ended 31 December 2019, showing clearly your treatment of each item of income and expenditure.

12. In January 2020 Downle Ltd, a trading company, acquired copyrights for use in its trade for £430,000.

Downle Ltd had sold patent rights used in its trade for £260,000 in December 2019. It had purchased these patent rights for £200,000 in December 2016. By the time of their sale, these patent rights had been written down to £175,000 in Downle Ltd's accounts.

Downle Ltd makes all beneficial claims and elections to mitigate or defer Corporation Tax.

Briefly explain, with supporting calculations, the Corporation Tax treatment of the profit on sale of the patent rights.

MODULE C – TEST 2

1. MP plc is a UK resident trading company, preparing accounts to 30 June annually. It is not required to pay Corporation Tax by instalments. The accountant acting for the company died on 1 June 2020, having not prepared or filed the company's return to 30 June 2019. The return was eventually filed on 1 November 2020 when the tax liability of £40,000 was also paid

State the penalties that will apply to MP plc as a result of the above.

2. Crocus Ltd prepared accounts for the 15-month period to 31 March 2020.

Trade profits were £1,700,000 for the period.

Profits were earned at the rate of £100,000 per month, with the exception of December 2019 when profits of £300,000 were generated in that month.

Crocus Ltd sold a property for £450,000 on 15 October 2019 which had cost £100,000 in July 2003.

Crocus Ltd let out excess space in its factory for £1,000 per month. The rent was paid monthly in advance although the payments for November and December 2019 were not received until January 2020.

Calculate Crocus Ltd's Taxable Total Profits for the chargeable accounting periods ending in the 15-month period.

3. During the year ended 31 March 2020, Screen Ltd made the following cash payments:

- 1) £9,000 paid under a finance lease. £2,000 of this payment represented interest charged for the year. The three year finance lease was taken out on 1 April 2019 for equipment with a capital cost of £21,000, and depreciation of £7,000 was charged in the accounts for the year.
- 2) A patent royalty payment of £8,000 to Sam Jeremy, the inventor of technology used by Screen Ltd in manufacturing.
- 3) £1,500 donation to a political party.

Briefly explain how each item should be treated when calculating the taxable trading profits of Screen Ltd for the year ended 31 March 2020.

4. Modulate Ltd and Dawl Ltd are 60% subsidiaries of MDH Ltd. All companies in the group are UK resident and are large for transfer pricing purposes.

Dawl Ltd had brought forward trading losses at 1 April 2019 of £2 million, and a small trading profit before loss relief in the year ended 31 March 2020. All other companies are profitable.

In September 2019, Modulate Ltd sold goods at their cost price of £500,000 to Dawl Ltd. Dawl Ltd immediately sold the goods to customers for £800,000.

You are required to:

- 1) **Explain why the transfer pricing rules apply to the transaction in September 2019;**
 - 2) **Explain the transfer pricing adjustment required to Modulate Ltd's taxable trading profits for the year ended 31 March 2020.**
5. Space Ltd has a 100% subsidiary, Vivor Ltd. Space Ltd owns a portfolio of office buildings, which it rents to various tenants. Vivor Ltd has a trade of buying and selling commercial property.

Space Ltd purchased Regal House for £750,000 in February 2013. The property was difficult to let out and so Space Ltd sold it to Vivor Ltd in April 2018 for £550,000 when the market value was £900,000.

In March 2020, Vivor Ltd sold the property for £1,080,000 to a third party.

All companies have a year end of 31 March.

Explain, with supporting calculations, the Corporation Tax implications for the companies of the transactions involving Regal House in the years ended 31 March 2019 and 31 March 2020.

You should ignore indexation.

6. Tracery Ltd is a medium sized company for research and development (R&D) expenditure purposes.

For the year ended 31 March 2020, the company:

- 1) had a trading loss of £100,000 before taking account of costs of £150,000, which qualified as R&D expenditure; and
- 2) received bank interest of £75,000.

Calculate, with brief supporting explanations, the maximum possible R&D tax credit that Tracery Ltd can claim in respect of the year ended 31 March 2020.

7. Charing Inc and Kuchen Inc are unconnected companies incorporated overseas.
- 1) Charing Inc has factories and distribution depots overseas. Decisions regarding the company's business are made at a monthly Board meeting held in London.
 - 2) Kuchen Inc has several divisions. The KTX division carries out the only UK activity of the company, being the operation of a storage facility in Aberdeen. The facility receives finished goods from one overseas country before they are transported onwards to another continent.

Briefly explain the UK Corporation Tax treatment of the trading profits of Charing Inc and the KTX division of Kuchen Inc.

8. Sage Ltd, which is not part of a group, has the following results:

	<u>Year ended</u> 31 March 2019	<u>Year ended</u> 31 March 2020	<u>Year ended 31</u> March 2021 (estimated)
	£	£	£
Trading profit/ (loss)	20,000	(73,000)	14,000
Property income	10,000	10,000	10,000
Qualifying charitable donations	(5,000)	(2,000)	(1,000)

You are required to:

- 1) Calculate the Taxable Total Profits for the three accounting periods, assuming loss relief is given as early as possible. Indicate the order in which losses are relieved; and
 - 2) State the amount of any losses to be carried forward at 31 March 2021.
9. Scholy Ltd has been an investment company for many years. It had the following income and expenditure for the year ended 30 September 2019:

	£
<u>Income:</u>	
Rental income	500,000
Dividends received from UK quoted companies	120,000
Interest received on bank deposits	60,000
Interest received from HMRC on overpaid Corporation Tax	125
<u>Expenses:</u>	
Interest paid on property mortgages	25,000
Property management expenses	90,000
Accountancy fees for preparing accounts	1,000

Calculate the Taxable Total Profits of Scholy Ltd for the year ended 30 September 2019, showing clearly your treatment of each item.

10. Knight Ltd prepared accounts for the nine months ended 31 December 2019. The capital transactions of the company during the period were as follows:

	<u>Cost/(proceeds)</u>
	£
Disposal of short life asset, original cost £15,000 when purchased two years ago	(2,500)
Purchase of packaging equipment	843,250
<u>Tax written down values at 1 April 2019</u>	£
Main pool	16,580
Short life asset	9,600

Calculate the maximum capital allowances that can be claimed by Knight Ltd for the nine months ended 31 December 2019.

11. Woodenham Ltd is a trading company which is not a member of a group. It prepares its accounts to 31 March.

The company owns a workshop which is no longer required for use in the trade. On 1 April 2019 the company granted a 16 year lease to a tenant for a premium of £10,000 and an annual rent of £8,000.

In June 2019 Woodenham Ltd paid £1,200 for the construction of a new wall in front of the workshop. It also had to pay flood repair costs of £19,000 in December 2019 when a water pipe burst at the workshop.

You are required to:

- 1) **Calculate the property business loss of Woodenham Ltd for the year ended 31 March 2020;**
 - 2) **Explain briefly how the loss could be relieved.**
12. James is a director and the sole shareholder of James Max Ltd, a personal service company to which the IR35 rules apply.

For the year ended 5 April 2020, the company received £105,000 from relevant engagements with Big Business Ltd, and no other income.

James received an annual salary of £40,000 from James Max Ltd, on which the company paid Class 1 secondary national insurance contributions of £4,329. James also received a dividend from the company of £18,000 on 31 December 2019.

Calculate the deemed employment payment taxable on James in 2019/20.

ANSWERS TO MODULE C – TEST 1

1. 1 July 2017 – 31 December 2017
First accounting period starts when company starts trading, and ends with period of account of the company. [1] + [1]
- 1 January 2018 – 31 December 2018 [1]
Period of account of company
- 1 January 2019 – 18 September 2019 [1]
Starts day after previous accounting period ends, ends with cessation of trade
- 19 September 2019 – 30 November 2019 [1]
Starts day after previous accounting period ends, ends when ceases to be liable to CT
- 2.
- 1) 230% of £100,000 is allowable so a further 130% × £100,000 = £130,000 is deducted from the accounting profits. [1]
- 2) £500 on entertaining suppliers is specifically disallowable by statute so this is added back. [1]
- 3) £50,000 is disallowable as it is crime-related so is added back if it has been deducted in the accounts. [1]
- 4) £4,000 is specifically allowable by statute as a trading deduction, so no adjustment is required to accounting profits. [1]
- 5) £2,000 is allowable as a trading deduction so no adjustment is required to accounting profits. [1]
3. Contin Ltd can claim rollover relief for reinvestments in 'qualifying business assets' within 12 months before to 3 years after the disposal of the freehold factory.
- The leasehold factory is a qualifying asset purchased within the relevant period of 12 months before the disposal of the freehold factory. [1]
- The forklift truck is NOT a qualifying asset as it is not 'fixed' plant and machinery. [1]
- The freehold office building is a qualifying asset but purchased more than 3 years after the disposal. [1]
- As only £690,000 of the proceeds are reinvested in purchases eligible for rollover relief, there is an immediate chargeable gain of £110,000 (800,000 - 690,000). [1]
- The rolled over gain of £240,000 (350,000 - 110,000) reduces the base cost of the leasehold factory to £450,000 (690,000 - 240,000) for future disposal. [1]

4. Loss is carried back against Bucket Ltd's prior year profits [1]
 to a maximum of $9/12 \times \text{£}100,000 = \text{£}75,000$ [1]
(restriction due to the major change in the nature or conduct of the trade)

Loss is surrendered to Hook Ltd by group relief, being the lower of:
 $3/12 \times \text{£}100,000 = \text{£}25,000$ [1]
 $3/12 \times \text{£}20,000 = \text{£}5,000$ i.e. group relief of $\text{£}5,000$ [1]

The remaining loss of $\text{£}100,000 - \text{£}75,000 - \text{£}5,000 = \text{£}20,000$ may be carried forward for use against future total profits of Bucket Ltd. [1]

To the extent that it is not possible to use the brought forward losses against Bucket Ltd's profits of a later accounting period, they may be surrendered for group relief. [1]

Max 5

5.

	Main pool £	Special rate pool £	Short life asset £	Capital allowances £	
TWDV 1 Jan 2019	3,120	15,700	40,000		
Disposals	<u>(8,000)</u>	<u>(10,000)</u>			[1]
	(4,880)	5,700			
Balancing charge	<u>4,880</u>			(4,880)	[1]
WDA @ 6.5% (W)		<u>(371)</u>		371	[1]
WDA @ 18%			<u>(7,200)</u>	<u>7,200</u>	[1]
		<u>5,329</u>	<u>32,800</u>		
Maximum capital allowances- y/e 31 December 2019				<u>2,691</u>	
Working					
					$(8\% \times 3/12) + (6\% \times 9/12) = 6.5\%$ [1]

6.

Corporation tax actually due (580,000 @ 19%)	£ 110,200	
Less: Amount originally calculated	<u>(94,200)</u>	
Potential lost revenue	<u>16,000</u>	[1]
Careless error 16,000 @ 30%	<u>4,800</u>	[1]
Deliberate but not concealed error 16,000 @ 70%	<u>11,200</u>	[1]
Deliberate and concealed error 16,000 @ 100%	<u>16,000</u>	[1]
A potential penalty could be reduced by the company making a disclosure (prompted or unprompted) to HMRC		[1]

7.

1)

Instalments are due because:

King Ltd was a large company for the six months ended 30 September 2020 (threshold for large companies of £1.5m x 6/12 exceeded but not threshold for very large companies of £20m x 6/12) [1]

and was a large company for the previous period (year ended 31 March 2020). [1]

2)

14 October 2020 [1]

14 January 2021 [1]

Payment due per date = £4 million x 19% x 3/6 = £380,000 [1]

8.

1) SSE is available on the disposal because:

Draw Ltd is a trading company [1]

Sketchi Ltd has owned a substantial shareholding (10% or more) [1]

For at least 12 months in the last six years [1]

2) If SSE applies, there is no allowable loss [1]

If SSE does not apply, the allowable loss is £10,000 – (8/15 x 30,000) = £6,000 [1]

9.

Gain on sale of factory		£	
Proceeds	150,000		
Less: Base cost (80,000 - 20,000)	<u>(60,000)</u>		[1]* + [1]
		90,000	
Gain on the disposal of plot of land			
Proceeds	24,000		
Less: Cost	<u>(8,000)</u>		[1]* + [1]
£30,000 x 24,000/(24,000+66,000)		16,000	
Less: Capital loss b/f		<u>(100,000)</u>	[1]
Chargeable gains		<u>6,000</u>	

[*proceeds less a cost figure]

Tutorial Note:

Where a part disposal occurs, the allowable cost is calculated as:

Original cost x A/A + B

where A = gross sale proceeds and B = value of the part retained

10. Pretty Ltd is a close company if controlled (>50%) by: [1]
 Five or fewer participators [1]
 Any number of directors [1]

Lily's shareholding includes that of her husband who is her associate, i.e. she owns 11%. [1]

Claire Arms is treated as a director as she is a manager who owns at least 20% of the ordinary share capital of the company. [1]

Therefore, control is achieved by the six directors (11 + 5 + 5 + 5 + 5 + 20 = 51 shares), i.e. Pretty Ltd is a close company. [1]

Max 5

11.

	£	£	
Non-trade loan relationships:			
Profit on loan stock (200,000 - 75,000)	125,000		[1]
Interest receivable on bank deposits	19,000		[1]
Interest payable on mortgages	<u>(5,000)</u>		[1]
		139,000	
Property income:			
Rental income receivable	100,000		
Allowable rental expenditure	<u>(80,000)</u>		
		20,000	[1]
Less: Brought forward property loss		<u>(27,000)</u>	[1]
Taxable Total Profits		<u>132,000</u>	

12. The profit on the sale of patent rights would usually be taxed as trading income. [1]

However, as the entire proceeds on the sale of intangible fixed assets (patent rights) have been reinvested in other intangible fixed assets (copyrights) for use in the trade, [1]

within a period of three years after the disposal, [1]

then £60,000 (260,000 - 200,000) can be rolled over/deferred until sale of the copyrights. [1]

Only £25,000 (200,000 - 175,000) is taxed as trading income. [1]

ANSWERS TO MODULE C – TEST 2

1. The Corporation Tax was due to be paid 9 months and 1 day after the end of the accounting period, i.e. by 1 April 2020 so the tax was paid late. [1]

The Corporation Tax return was due to be filed by 30 June 2020 so was filed late. [1]

As the Corporation Tax liability of £40,000 was outstanding after the filing date of the return (30 June 2020) a penalty of 5% of the liability will be charged, i.e. £2,000 (40,000 @ 5%). [1]

As the tax of £40,000 was also outstanding more than 3 months after the filing date a further 5% penalty will be charged. [1]

The late filing penalties are:

- An initial fixed penalty due of £100
- Additional daily penalties of £10 per day may be charged where a return is more than 3 months late. Daily penalties can be imposed for a maximum of 90 days. [1]

2.

Crocus Ltd

	12 months to 31.12.19 £	3 months to 31.3.20 £	
Trade profit $(1,700,000 \times \frac{12}{15}) / (1,700,000 \times \frac{3}{15})$	1,360,000	340,000	[1]
UK Property business $(1,000 \times 12) / (1,000 \times 3)$	12,000	3,000	[1]
Chargeable Gain (W)	<u>296,600</u>	<u>-</u>	[1]
TTP	<u>£1,668,600</u>	<u>343,000</u>	

Working

Sale Proceeds	£ 450,000	
Less: Cost	<u>(100,000)</u>	[1]
	350,000	
Less: Indexation Allowance $(278.1 - 181.3 / 181.3) = 0.534 \times 100,000$	<u>(53,400)</u>	[1]
Gain	<u>296,600</u>	

3.

- 1) As the lease is a finance lease, both the depreciation and the interest element are deductible trading expenses. [2]
- 2) The patent royalty is an allowable trading deduction, but the actual payment [1] was made after deduction of income tax at 20% so the gross royalty amount deductible is $£8,000 \times 100/80 = £10,000$. [1]

[Credit given if gross figure assumed to be £8,000, if adequately explained.]

- 3) The donation to the political party is disallowed (as not for trading purposes) [1]

- 4.
- 1) The transaction is between companies which are under common control. [1]
The transaction is not at arm's length. [1]
A UK tax advantage accrues as Modulate Ltd's taxable profits are decreased [1] (by increasing the profits of Dawl Ltd and using its losses.)
- 2) Modulate Ltd should increase its taxable trading profits [1] by £300,000 to reflect the transaction at arm's length. [1]
5. Space Ltd owns >75% of Vivor Ltd and so the companies are in a capital gains group. [1]
The transfer in April 2018 is therefore at nil gain nil loss, Space Ltd having held the property as a non-current (fixed) asset. [1]
Vivor Ltd holds the property as trading stock, so appropriating it into stock gives a chargeable gain in Vivor Ltd of £150,000 (900,000 - 750,000). [1]
When Vivor Ltd sells the property in March 2020, it generates a trading profit of £180,000 (1,080,000 - 900,000). [1]
If Vivor Ltd makes an election, the property will be taken into stock at cost of £750,000 such that there is no capital gain. On the sale of the property, an increased profit of £330,000 (1,080,000 - 750,000) will arise. [1]
- 6.
- | | £ | £ | |
|----------------------------------------------------|-----------|------------------|-----|
| Trading loss before R&D | | (100,000) | |
| Less: Qualifying R&D expenditure (230% x 150,000) | | <u>(345,000)</u> | [1] |
| | | (445,000) | |
| Less: Current year loss claim against other income | | <u>75,000</u> | |
| Unrelieved trading loss | | <u>(370,000)</u> | [1] |
| Surrenderable loss is the lower of: | | | [1] |
| Unrelieved trading loss | (370,000) | | |
| 230% of £150,000 | (345,000) | i.e. (345,000) | [1] |
| The R&D tax credit is | | | |
| 14.5% of £345,000 | | <u>50,025</u> | [1] |
7. Charing Inc is a UK resident company because its central management and control is in the UK. [1]
The company is therefore liable to UK Corporation Tax on its worldwide profits. [1]
Double taxation relief (DTR) is available if profits are also taxed overseas. [1]
The activities of the KTX division, being storage and delivery of goods, do not make it a permanent establishment in the UK. [1]
Therefore, there is no charge to UK Corporation Tax on its trading profits. [1]

8.

1)

	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021 (estimated)	
	£	£	£	
Trading income	20,000		14,000	
Property income	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	
	30,000	10,000	24,000	
Loss relief (s.37 CTA 2010)	(30,000)	(10,000)		***[1]
Loss relief (s.45A CTA 2010)			(24,000)	
Qualifying charitable donations	<u>(5,000)</u>	<u>(2,000)</u>	<u>(1,000)</u>	
Taxable Total Profits	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	

Loss memo

	£	
Trading loss	73,000	
Relieved y/e 31 March 2020 (current year)	(10,000)	*[1]
Relieved y/e 31 March 2019 (carry back)	(30,000)	*[1]
Relieved y/e 31 March 2021 (carry forward)	<u>(24,000)</u>	**[1]
Carried forward at 31 March 2021	<u>9,000</u>	

[* These marks are for correct order, i.e. current year then carry back
(can be shown on loss memo or by clearly indicating on the loss working)

** For being last loss relief AND in the correct place
(ie all income but before qualifying charitable donations)

*** For being in the correct place
(ie all income but before qualifying charitable donations)

2)

The loss carried forward at 31 March 2021 is £9,000 [1]

9.

	£	£	
Property income:			
Rental income	500,000		
Less: Property management expenses	<u>(90,000)</u>		[1]
Property income		410,000	
Dividend income – exempt			[1]
Non-trade loan relationship:			
Interest received on bank deposits	60,000		
Interest received from HMRC on overpaid tax	125		[1]
Less: Interest paid on property mortgages	<u>(25,000)</u>		[1]
		35,125	
Less: Expenses of management – accountancy fees		<u>(1,000)</u>	[1]
Taxable total profits		<u>444,125</u>	

10.

	Main pool	Short life asset	Allowances	
	£	£	£	
TWDV b/f	16,580	9,600		
Disposal		<u>(2,500)</u>		[1]
		7,100		
Balancing allowance		<u>(7,100)</u>	7,100	[1]
Additions				
Packaging equipment	843,250			
AIA (1,000,000 x 9/12)	<u>(750,000)</u>		750,000	[1]
	<u>93,250</u>			
	109,830			
WDA @ 18% x 9/12	<u>(14,827)</u>		<u>14,827</u>	[1] + [1]
	95,003			
Total allowances			<u>771,927</u>	

11.

1)

Rental income	£		
	8,000		
Less: Flood repair costs	(19,000)		[1]
New wall - capital	-		[1]
Income element of lease premium (10,000 x (50 – 15)/50)	<u>7,000</u>		[1]
Property loss	<u>(4,000)</u>		

2)

The loss is automatically set off against the other income and gains of the company in the year ended 31 March 2020. [1]

If there are insufficient profits in the current year, the loss is carried forward as a property business loss of the following period/to be used against income and gains in the following period. [1]

12.

Amounts received from relevant engagements	£		
	105,000		
Less: 5% deduction	<u>(5,250)</u>		
	99,750		[1]
Less: James' salary	(40,000)		[1]
Employers' NIC	(4,329)		
Dividend	-		[1]
	<u>55,421</u>		
Less: James Max Ltd's NIC on deemed employment payment			
£55,421 x 13.8/113.8	<u>(6,721)</u>		[1]
Deemed employment payment for 2019/20	<u>48,700</u>		[1]