

Institution **CIOT - ATT**
Course **ATT Paper 2 Business Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word(s)	Char (s)	Char (s) (WS)
Section 1	27	141	176
Section 2	27	129	171
Section 3	0	0	0
Section 4	25	114	139
Section 5	77	398	475
Section 6	57	236	292
Section 7	143	605	744
Section 8	86	360	443
Section 9	0	0	0
Section 10	0	0	0
Section 11	0	0	0
Section 12	88	353	438
Section 13	36	149	183

Answer-to-Question- _1_

SBA					
Demolition cost	8,200				
construction costs	280,000				
planning permission	not allowed				
	288,200				

sba at 3%	8,646				
Pro rata for when first let out (2/12)	1,441 sba available				

-----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

Mileage				
7.600 miles at 45pm	3,420			
number of non business occupant 1 £350 per month for 4 months	1,400			
Expenses	41,400			
less	1,400			
plus	3,420			
Expenses	43,420			

-----ANSWER-2-ABOVE-----

-----ANSWER-3-BELOW-----

Answer-to-Question- 3

-----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- 4

As its over 12 months but the mistake was not deliberate or consilled the maximun penalty would be 10% assuming he adminds to the revneue.

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

Repetition and frequency Jinan is now uploading weekly videos. Profit-seeking motive Jinian is now uloading weekly video to maining intereat and also to increase advertising revenue. HMRC will also look at the financing aranaggments they have set up a website which is financed by a bank loan. There is an organistation i.e the subscrbers to Juinana videos have increased substancially. they will also look how the sales are made which again appear to be weekly and frequently.

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- 6

You can requested a review at any time. A review in an interal progress carried out by another HMRC officer who was not previously involved in the case. So she will have to contact HMRC . If she is still not happp with the outcome she cam make an appeal to the first teir tribunal tax chamber

-----ANSWER-6-ABOVE-----

-----ANSWER-7-BELOW-----

Answer-to-Question- 7

An engineer visited the factory on the 20th of June to carry out a safety review. This would be the basic tax point for services as this was the date the service was performed. The invoice was issued but this was 14 days after the basic tax point therefore the tax point for the engineering consultant will be the 20 June.

The basic tax point for goods is the date the goods are delivered/made available therefore the basic tax point is the 26th of June. However as the invoice was issued within 14 days of the basic tax point there is a later override at the tax point is the 2 July. However on the deposit that was paid earlier this will have a separate tax point of 23 April 2024.

INPUT VAT ON ENGINEERING CONSULTANT = 160

INPUT VAT ON 13,600 = 2,720

-----ANSWER-7-ABOVE-----

-----ANSWER-8-BELOW-----

Answer-to-Question- 8

Late filing

31 May 2021 return should have been filed by the 31st of May 2022 therefore the late filing penalty is £100.

31 May 2022 return should have been filed by the 31st of May 2023. Therefore they would receive a £100 late penalty. Then another £200 penalty as the return is more than 3 months late.

31 May 2023 the return there would be a £100 penalty plus an extra £200 plus a flat rate penalty of £1000. as it's the company's third offence

-----ANSWER-8-ABOVE-----

-----ANSWER-9-BELOW-----

Answer-to-Question- 9

-----ANSWER-9-ABOVE-----

-----ANSWER-10-BELOW-----

Answer-to-Question- 10

-----ANSWER-10-ABOVE-----

-----ANSWER-11-BELOW-----

Answer-to-Question- _11_

-----ANSWER-11-ABOVE-----

-----ANSWER-12-BELOW-----

Answer-to-Question- 12

The shop that he used and ceased to trade will be eligible for Business asset disposal relief. As he owned the shop since 2010 so has owned it for more than 2 year.

Yes he can claim relief as he owns at least 5% of the ordinary share capital and has owned them for over 2 years.

The shares in the office will not qualify for Business asset disposal relief as he owned them since January 2024 and you need to have owned 2 years prior to sale

-----ANSWER-12-ABOVE-----

-----ANSWER-13-BELOW-----

Answer-to-Question- 13

23/24 would be the gross income of 850 less the 300 costs so £500 will be taxed in 23/23.

24/25 would be te expected gross income of £1,600 less 750=850 income would be taxed in 244/25

-----ANSWER-13-ABOVE-----

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Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 14	312	1575	2014
Section 15	136	645	813
Section 16	233	1067	1289
Section 17	295	1362	1646

 -----ANSWER-14-BELOW-----

Answer-to-Question- _14

Gerly Ltd March 2024			
Accounting Profits	£156,000		
Add back following expenses			
Party for customers	3,200		
Depreciation	8,600		
loss on disposal of cutting equipment	940		
Non trading interest payable	500		
Solar panels and installation	14,000		
Shareholding in Kind Ltd	20,000		
Deduct following Income			
Dividends received from Kind Ltd exept	4,000		
TAX ADJUSTED TRADING PROFITS	199,240		
DEDUCT CAPITAL ALLOWANCE WDA	2,640		
Annual investment on solar panels and installation	15,000		

Total taxable profits	181,600		
Main rate of corporation tax 25% Standard Small profits rate 19%			
Tax at 25%	45,400		
3/200 x(250,000-203,240)x(199,240/203,240)	(687)		
CORPORATION TAX Payable	44,713		
CAPITAL ALLOWANCES			
ANNUAL INVESTMENT ALLOWANCE AVAILABLE ON NEW SOLAR PANELS AND INSTALLATION	15,000		
	General Pool	Special rate pool	
Balance bfwd	10,000	14,000	
18%	1,800		
6%		840	
Balance cfwd	8,200	13,160	

3. The CT600 return must and the financial statements of the company must be submitted

to HMRC by the later of 12 months of the accounting period .Corporation tax returns must be filed online, with a fill copy of the comapny accounts. Suitably tagged in IXBRL format.

4. For the year ended March 2023, if the return was filed on time then it would be 12 month from the actual filing deadline. However as the return was filed late it will be 12 months from the next quarter date which will be 31st of July 2025.

HMRC have the right to raise discovery assesments if the loss of tax was brought about carelessly or deliberatley by the company or HMRC has not been provided with sufficient information to allow them to make a correct assessment of the company profits. The time period in the case of deliberate action would be 20 years from the end of the accounting period therefore would be 31 March 2043.

Records must be kept by a company for 6 years from the end of the accounting period. Therefore this would be 31 March 2029.

-----ANSWER-14-ABOVE-----

-----ANSWER-15-BELOW-----

Answer-to-Question- _15_

Sale of land			
Sale proceeds	100,000		
Legal costs	1,000		
PART DISPOSAL	31,304		
$100,000 / (100,000 + 475,000) \times 180,000$			
Gain on the sale of the land	67,696		
Annual exemption	6,000		
Basic rate band	37,700		
Used	,000		
$(37,700 - 28,000)$	9,700		
9,700 AT 10%	970		
Remaining at 20%	10,399		
Other disposals			
Disposal of watch	Exempt		
Painting	Transfer between spouses and civil partners are at a no gain no loss		

Shares			

3.

Angie can not used the loss she made against the watch as a watch is exempt for capital gains tax. Angie loss in the sale of the painting well this has been sold to her spouse and this is a connected person and assets transferted between spouses are at a no gain loss. Adding to the loss on disposals to connected personsons can only be used against future disposals to that same person.

-----ANSWER-15-ABOVE-----

5.

The partnership became VAT registered under the historic testing from the 1st of January 2024. The historic test looks at past taxable supplies from the previous 12 months. This shows that the cumulative taxable supplies have exceeded the VAT registration threshold of £85k. The partnership must have had to notify HMRC within the next 30 days. The business will be registered and VAT is charged on supplies from the start of the following month. The historic test is carried out at the end of every month. By the 30th of November we can determine that the historic test would have shown they were going to hit the threshold they would then have had 30 days from this date 30 December to notify HMRC.

-----ANSWER-16-ABOVE-----

-----ANSWER-17-BELOW-----

Answer-to-Question- 17

1.

1st of August is the date trading commenced and that will be an accounting period to the 31st of March 2024.

This

2.

National insurance for both Rick and Porthaber would be class 1 national insurance both primary and secondary. Class 1 primary will be suffered on earning earned by Rick through Porthaber. The first £242 is tax free. The amounts between £242 and 967 are taxed at 12%. And any earnings over this will be taxed at 2%.

Porthaber will have to pay class 1 secondary NI this is charged at 13.8% on the excess above the threshold of £175pw. (9,100 annually)

There are no taxable benefits so Rick will not have to pay any class 1a.

As Geri is a freelancer and not an employee of the company he will face other NI contributions. He will pay class 2 and Class 4 NI. This will be due by the 31st of January on his tax return. Class 2 is charged at £3.45pw ehre profits exceed the lower profit limits of £12,570. Class 4 will be charged between 9% for amounts between 12,570 and 50,270. Anything above the 50,270 is charged an extra 2%

3.

Rick can expect a number of rights these include Voting rights. Shareholders can vote on significant decisions. Dividend rights shareholders are entitled to a proportion of the company profits called dividends. Shareholders also have right to inspect corporate documents shareholders can inspect corporate documents. Also relating to shares they have the right to transfer of ownership. So they can transfer the ownership of there shares. They also have the right to sue. If they are not happy if those who run the company i.e the directors do not act in their intended duty.

Share capital 1/11/24 2,100.

4.