

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	64	335	397
Section 2	90	408	498
Section 3	134	595	714
Section 4	123	507	629
Section 5	115	512	627
Section 6	123	511	633
Section 7	180	732	911
Section 8	156	626	780
Section 9	27	127	150
Section 10	151	673	824
Section 11	135	522	656
Section 12	107	425	531
Section 13	100	444	544

Answer-to-Question- 1

SBA's

Planning permission does not qualify for structures and buildings allowance.

Demolition and construction costs are both allowable for SBA's.

$280,000 + 8200 = 288,200 \times 0.03\%$ for 2 months $2/12 = 1444.10$ allowance for 31st
march 2024

allowance for SBA's start once the building is in use.

Plumbing and heating systems qualify for capital allowances under special rate pool as
an integral feature.

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

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

Answer-to-Question- 2

claiming to use the expenses for business purposes would generate a larger deduction for tax purposes.

Due to the house having 4 floors 1 is used privtly menas that 75% is use for business purposes.

total expenses of $41,400 \times 0.75 = 31,050$ allowable business deduction.

with regards to the car we can have a flat rate expense which will give the following deduction

$7600 \times 0.45 = \pounds 3420$ new deduction for her car.

Flat rates for cars are 45p per mile.

total expenses claimed $31,050 + 3420 = \pounds 34,470$

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

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

Answer-to-Question- 3

Due to the company just starting to trade it qualifies for early trade loss relief.

this is when the losses incurred in the first 4 tax years of trading can be used against net income of the pervious 3 tax years preceeding the year ofthe loss on FIFO basis.

Rental income from 2019 is before 4 years ago so it cant be used.

Notes	Rental income 2020	6 mth 31 mrch 2022	31st march 2023	31st march 2024
Trading profits		25000	65000	Nil
Rental income	80,000	80,000	80,000	80,000
total loss 175,000		(10000)	(115,000)	(50,000)
Net income	80000	95000	30,000	30,000

80,000 rental income net income can only be used by

50,000 or the greater of 25% x total adjusted income

2023 65,000 + 80,000 = 145,000 x 0.25 = 36250

50,000 max deduction

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

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

Answer-to-Question- 4

So the Emissions of the car would make this a special rate pool car and would only have 80% of business use

31250 would be put into the capital allowances table and be written down at 6% adjusted to 80% business and by 6 months only

$31250 \times 0.06 \times 8/12 \times 80\% = 1000$ deducion only

means that there will be a balancing charge to amend this figure of 30250.

this would mean this figure will be subject to penalties of mininum of 30% subject to change i this is made with prompt disclosure(15%) or unprompt disclosure (0%) to be sure we can get the maximum penalty of this which is

$30250 \times 0.3\% = \pounds 9075$ depending on his next steps.

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

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

Answer-to-Question- 5

The reason HMRC will decide to treat the income earned by jinan is because they have manage to overlap with the following badges of trade.

- organisation the set up of a website to sell these t shirts and makeup designs.
- Repitition of the sales of the tshirts sold to her viewers.
- Financing arrangements such as a bank loan to fund the website.
- Similar trading activities between the beauty salon and selling beauty products such as makeup designs.
- The profit seeking motive to sell the Tshirts in the first place.

Overall these meet the badges of trade and will follow the rules and will have to be sorted as a trade.

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

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

Answer-to-Question- 6

Gwyn can make an amendment with the return 12 months from the normal filing date as this is 31st January 2024. so she can still make the amendment.

however there are futher steps she can take if she decides to appeal to the decision HMRC have made. so this can be made as notices of appealing can be made wihin 30 days of an amendment. The notice should give grounds for an appeal.

Appeals are made in first instance to HMRC and if this cant be settled HMRC may offer a review

If the review is not done the taxpayer can ask them to do itif not a tribunal can do the review. they are a independant legal body for these specific cases.

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

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

Answer-to-Question- 7

VAT

The basic tax point for goods is the date the goods are delivered / made available or collected.

The basic tax point for services is the date the service is performed. (completed.)

1) So the basic tax point for the service is dated 20 June 2024 service date it was performed

so the date of the invoice was issued after 14 days of the basic tax point so the late overrider does not apply in this situation.

excluding VAT is net of VAT so $800 \times 0.2 = 160$ input VAT able to claim on the tax point

2) Basic tax point for the goods is the date it was delivered/made available - 26 June 2024. as the invoice was not issued / a receipt for the deposit and deposits are separated from this.

as the invoice was issued within 14 days after the delivery the basic tax point is overridden by the invoice issue date 2 July 2024 is the new tax point.

Same here its Net of VAT so $13,600 \times 0.2 = 2720$ input VAT reclaimable.

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

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

Answer-to-Question- 8

So we can break this down into the 3 tax years and the penalties that are seperate with the years.

31st may 2021 filing date is 31st may 2022 so this was filed in 20 July 2022 2 months late so it will have a flat rate penalty of £100

no tax geared penalty

31st may 2022 filing deadline is 31st may 2023 actually filed on 11 October 2023 just under the tax geared penalty.

Initial flat rate penalty of £100 and doubles to £200 due to it being late for more than 3 months.

31st may 2023 must be filed in 31st may 2024 which has been submitted on 14 december 2024

2 flat rate penalties of 200 as it doubles as mentioned above

Tax geared penalty as late by more than 18 months of AP

31 November deadline before tax geared penalty

4600 was unpaid so $4600 \times 0.1 = £460$ tax geared penalty.

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

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

Answer-to-Question- 9

Grant of a long lease calculation is below

Sales proceeds - 285,000

Less cost $(250,000 / 250,000 + 203,000) \times 169,000 = 93,267.11$

Total gain = 191,732.89

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

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

Answer-to-Question- 10

So any expenses that have been incurred within the year can be used to offset any post cessation receipts that have also incurred within the year so for example the 16,000 can be reduced by the 3600 he paid to rectify the work as post cessation receipts can be reduced by post cessation payments. However the legal fees have to be added back as they are not allowable for tax.

However due to the last year of trading being in a loss making position we can carry forward these payments and reduce the post cessation receipts against the carried forward trading losses. as this will allow us to pay no tax on the post cessation receipt. Last years profit of 2019 should have been offset with a S64 claim reducing the profits he made unless he didn't have any other income that year then he should have used the Personal allowance.

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

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

Answer-to-Question- 11

BADR Requirements that he meets

5% shareholding 5% iof voting rights and 5% o assets on winding up as hes a sole trader he has all if this.

-The gain that he had made on the shop can qualify for BADR as this is an asset used in their business this will qualify as hes had the asset for more than 3 years and is till ceasing up.

- The partnership shares also qualify as he has more than 5% in the pertnership and the shares have been owned for more than 2 years 28 february 2022 - february 2024 jsut more than 2 years.

- However the final share in the offices will not qualify as he has not owned the assets for more than 2 years as it has only been 3 months.

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

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

Answer-to-Question- 12

as the augmentive profits are 1,100,000 we need to calculate if they will be in quaterly installment payment periods as its shortened due to it being 8 months long

$8/12 \times 1,500,000 = 1,000,000$ so they have to pay in QUIPS

main 9 months and 1 day from end of AP is 9 mnts and 1 day from march 2025 = 1 january 2024

need to get quips oayments in there.

7 months and 14 day from the accounting period = 31st July 2024 - 31s march 2025

14 october rest is payable 1st january 2026 as a balncing oayment

$3/8 \times 209,000 = 78375$ per payment

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

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

Answer-to-Question- 13

Depending on what the accounting periods would be he would have trade in as these are known as accounting periods as the accounting eriod corresponds with the tax year the profits assesed in the tax year will be profits of the accointing period

he may have to apporion his costs from 05 april 2023 - 05 april 2024 and the same with the next tax year.

The income you recieve willrecieved can be deducted from the expenses you incur as long as they are deductible for tax. such as expenses that are wholly and exclusivly for the purpose of trade.

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

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Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 14	321	1481	1721
Section 15	245	1027	1261
Section 16	350	1587	1897
Section 17	329	1448	1773

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

Answer-to-Question- _14_

Capital allowances - Solar panels are SRP and the installation is apart of the cost

SRP qualifies for AIA

notes	AIA/FYA£	MRP£	SRP£	Allowance
WDV b/f		10000	14000	
Additions SP	15000			
Disposals		(3500)		
Total	15000	6500	14000	
AIA 100%	(15000)			15000
WDA 18%		(1170)		1170
WDA 6%			(840)	840
Totals	0	5330	13160	17010

TTP workout below
 NTLR debits 500 + 600

Notes	£	£	
Net profit		156000	
Add backs			
Party for customers	3200		
Depreciation	8600		
Loss on disposal	940		
Non trade loan relationship debits	1100		
Total add backs	13840	13840	

Less:			
Dividends	(4000)		
Bank interest	(2500)		
Capital allowances	(17,170)		
Total less	(23670)	(23670)	
TTP		146,170	

2) Gerly LTD

NTLR are pooled together

Notes		£
TTP		146170
Other income		
NTLR 2500 - 1100		1400
TTP		147,570
Add dividends		4000
Augmentive profits		151,570

No chngae in the band rate so marginal relief applies

Standard 25%

$$147,570 \times 25\% = \text{£}36892.50$$

Less marginal relief

$$\frac{3}{200} \times (250,000 - 151,570) \times \left(\frac{147,570}{151,570}\right) = (1437.48)$$

Tax liability of 35455.02

3) as the company has recived a notice to file 2 months before the accounting peirod ends the deadline is then extended the filidng deadline to 3 months from the receipt of the filing notice.

Corporation tax returns must be filed online with a full copy of the companies accounts suitably tagged in IXBRL format.

deadline to submit will be 31st april 2024 as of the CT603 letter

4)Due to gerly LTD being a late filer the time period for enquirys is extended.

So the late filing means the enquiry can be within the next 12 months from the ext quarter day andin this case it was filed on 18 June 2024 so the next quater is 31st july 2025

For deliberate action HMRC have 20 years from the ed of the accounting period due to it being deliberate action.

Records must be kept by a company for more than 6 years from the end of the AP.

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

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

Answer-to-Question- 15

1) due to the land being a part disposal the calculation is different
Add improvement of miling system to BC $180,000 + 69,000 = 249,000$

$100,000 / (100,000 + 475,000) \times 249,000 = 43,304.35$ base cost

100,000 SP

Less
43,304.35 BC
1,000 LF

CG = 55,695.65

She can claim BADR on the sale of the hectares as they have been used in her trade for more than 2 years she owns the company and is a trading company

$55,695.65 \times 10\% = 5,569.56$ CGT to pay. less her AIA (6,000)

Capital loss 430.35

2)

- Assets transferred to married couples are transferred at a Nil gain Nil loss so no chargeable gain/loss will arise on the sale of the painting

- The watch is classed as a wasting chattel which has an expected life of 50 years or less. This asset will be exempt from CGT

- The shares that have been transferred to her business partner have reduced in value creating a capital loss however this will not be allowed to use against normal capital gains as the disposal was made to a connected person this means that the loss created can only be used against the same person.

- Again the wasting chattel rule comes into play for this table as the table does not have an expected life of more than 50 years as this is important to understand its not chargeable to CGT therefore not making a loss to use.

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

-----ANSWER-16-BELOW-----

Answer-to-Question- _16_

1) the capital gain consequences of the sale of the commercial building are as follows.

- The partnership will not pay CGT this is charged on the individuals based on the profit sharing ratios.

However the details of the gain must be disclosed on the partnership tax return

so this would mean that the Gain on the commercial building will be charged to both baptiste and celine on their ratio of 50/50.

2) 30 June 2023 drawings taken by the partners are ignored for tax purposes.

3 months $80,000 \times \frac{3}{12} = 20,000$

notes	Total	Baptiste	Celine
Total profits	50000		
50/50 split		25000	25000
total		25000	25000
23/24 3 months	20,000		
Split equally		10000	10000
Total		10000	10000

Notes	Total	Baptiste	Celine	Doug
Total profits 9/12	60000			
Salaries 12,000 x 9/120	(18000)	9000	9000	
share of profits equally	(42,000)	14000	14,000	14,000
Total		23000	23000	14000

3) the 2 partners that are existing fall under the transitional rules. 23/24 runs from 06 april

2023 - 05 april 2024

- Baptiste 1013

$$25,000 \times 3/12 = 6250$$

$$6250 + 10,000 + (23,000 \times 6/9)15333 = 31,583$$

Celine

6250 worked from aboe=ve

10,000

23,000 x 6/9 = 315833 assesable profits.

Doug =

$$14,000 / 6/9 = 9333$$

4) the double entry to record the entry of drawings are below

Dr Baptiste Current account 10,000

CR Bank 10,000

For the prfits allocated to the partner

$$23,000 + 10,000 + 25,000 = 57,000$$

DR P/L t A/C 57,000

CR PArtners current account 57,000

5) As the partnership had ran into the historic test the partnership had to register for VAT what this is looking back at the previous 12 months and carries out at the end of each calander month.

this must mean from the period of 1st janaury 2023 - 30th dcemeber 2024 their taxable supplies must have reached over 85,000 which is the register threshold for VAT. So this means that the last 30 days before 1st january 2024 they had to notify HMRC that they had reached the threshold and they must charing VAT in the following month 1st january 2024.

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

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

Answer-to-Question- 17

1) Due to the bank account not being interest bearing they did not start trading until 1st august 2023 starting with a 9 month accounting period

- 1st august 2023 - 31st march 2024 first 9 month accountin period.

Due to this the company must have informed HMRC in 3 months at the start of the accounting period.

So the date the return must have been submitted for that accounting period will be 31st march 2025.

However this could change dependig on a notice to file letter (CT603)

payment dates are 9 months and 1 day after 31st march 2024.

2) the National insurance that is suffered by the company is as follows.

- Class 1 secondary on the salary paid to Rick. as rick is technically an employee. as well as the shares.

Rick

- class 1 primary on the salary he is paid. and on the shares he bought as they are readily convertible assets.

on Geri he will have to pay the following as he is self employed.

- Class 2 of 3.45 per week

- Class 3 on 9% between 12,570 - 50,270 and 2% on anything above.

3) Ordinary shares typically carry the right to vote to be paid dividends and to recieve surplus assets upon winding up. they can also carry voting rights to a certain extent.

they have issued 100 shares at the beginning costing £100

further 2000 shares have been issued giving a total amount of shares of 2100 but only £1700 has been paid for as the rest have been called up and it hasnt been paid in full.

4) upfront fee payments can have a impact on the independence of Carter LLp and their objectivity to act.

always insure VAT correctly accounted for on such amounts.

This is beacuse once already recieving payment regarding a job they may choose not to act with such carefulness and may not put total effort into the job. this clearly reflects objectivity and independence.