

Institution **CIOT - ATT**
Course **ATT Paper 4 Corporate Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word(s)	Char (s)	Char (s) (WS)
Section 1	40	186	193
Section 2	92	386	475
Section 3	39	200	241
Section 4	67	292	351
Section 5	109	483	577
Section 6	45	215	234
Section 7	52	323	363
Section 8	27	149	167
Section 9	68	345	409
Section 10	51	216	246
Section 11	97	474	562
Section 12	80	387	466

Answer-to-Question- _1_

	GP	SRP	AIA	FYA 100%	CA
TWDV	10525500	95000			
AIR CON			225000		
EQUIP MENT				950000	
CAR			55000		
TOTAL	10525500	95000	280000	950000	
WDA 18%					189459
WDA 6%					5700
AIA 100%					280000
FYA 100%					950000
				Total CA	1425159

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

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

Answer-to-Question- 2

If Vera undertook this activity as a salary then she would be taxed at the income tax rate of PAYE and National Insurance rates. The NIC's she would pay are Class 1 primary on her salary and the company would pay class 2 secondary NIC's too.

However she would be able to claim these NIC's at a deduction of 25% in her corporate tax return.

If she set up as a sole trader she would pay Class 2 and 4 NIC's on her self employment income which would need reporting on a personal tax return.

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

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

Answer-to-Question- 3

This is an asset grant, therefore the accountinfg entries would be

DR Bank £200000

CR Grant Account £200000

with the grant income received, then

DR Grant account £200000

CR Grant Income (200000x0.03) £6000

as the fixed asset is depreciated

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

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

Answer-to-Question- 4

Due date for corp return 31st March 2024

Therefore 6.5 months late to 15th OCTOBER 24

Owing 25000-7000 = £18000

More than 3 months - £200 flat rate penalty

4 months late to August 2024

Owing £7000

As 2022 31MARCH 2022 was late he will also owe a penalty on this dependedent on the duration of lateness.

Only second offence so no increase in flat rate penalty

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

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

Answer-to-Question- 5

Kevin will be eligible for business assets disposal relief on sale of the shares because

He is a more than 5% shareholder in the company.

Street Ltd is a trading company

He has held the shares for longer than 2 years prior to sale

Therefore his gains will be taxed at a lower capital gains rate of %10 as opposed to 20% without BADR.

He will be limited to £1million lifetime BADR limit however so 200000 will need to be taxed at 20%

1millx10%	100000		
200000x20%	40000		
Total tax	140000		
less aea			
	£134000		

The relief needs to be claimed before 31ST January 2026 onn his personal tax return.

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

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

Answer-to-Question- 6

		no shares cum.	£
Cost	22000	15000 shares	22000
2for 1 bonus	22000	15000 shares	
no IA			
add shares		12000	14000
Total		42000	36000
sale of 10000 shares			
Proceeds			16000
less cost	$(36000/40000) \times 10000$		
Chargeable gain			7000
If not claimed then LESS AEA			(6000)
			1000

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

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

Answer-to-Question- 7

Directors salaries	disallowed excessive salaries usually management expenses	
Repairs to rental	Included in UK Property business income Added to TTP	
Professional fees	Audit and accountancy fees	
Insurance	£7000 included in UK property business income £5500 to premise costs	
Donation	Treated as qualifying charitable donation and deducted from Taxable total profits last.	

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

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

Answer-to-Question- 8

first instalment is 14th day of month seven from start of AP	instalment = $3/9 \times 450000 = 150000$	
1. 14st December 2023	150000	
2. 14st March 2024	150000	
3. none		
4. 14th April 2024	300000	

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

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

Answer-to-Question- 9

Herring can firstly offset the loss against its own trading profits and NTLR respectively.

The shareholders in Herring LTD form a close company because more than 51% of the company's ownership is held by 5 or less associated companies.

In this case it is 85%.

Therefore Herring could provide loans to the other members of the close company, offsetting its NTLR loss and reducing the liability on the participants.

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

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

Answer-to-Question- 10

Quarterly accounting		Payment due	date due
CT61 AP END			14 day following end or return period
29 May 2023	$4000 \times 20/80 =$	1000	14 June
29 August 2023	$(20/80 \times 3000) + (20/80 \times 4000)$	250	14 Septemebr
29 November 2023	0	0	14 december
29 Feb 2024	$/80 \times 6000$	0	march 14 2024

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

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

Answer-to-Question- _11_

The expenditure on medical reseacrh qualifies for r and d relief at 186% because Shadow is an sme, it has:

it has less than 500 employees
annual turnover does not exceed £100 million

The first 100% is a decution under usual rules,86% is an additional deduction for expenses incurred after 1 april 2023.

Provided that the expenditure is qualifying, this must be:

Staff cost
software
relavent payments

not consumables- these do not count for deduction

Computer hardware - this also does not count as qualifying for r&d but can be deducted for capital allowances at fya 100%.

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

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

Answer-to-Question- 12

HMRC decides how Rushy should treat the payments made to Biddle by enforcing anti-avoidance rules. Rushy Ltd also makes the decision on how the payments should be treated. It will be included in the contract that they provide to Biddle LTD. Those payments are calculated to optimise profits because paying at income tax rates would allow Rushy to take a corporation deduction but paying a dividend would mean a lower tax rate for George and no NIC's for both parties.

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

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Section 13	297	1529	1766
Section 14	240	1088	1297
Section 15	312	1569	1864
Section 16	97	507	541

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

Answer-to-Question- 13

Altrees			
Trading profit			370000
NTLR income	Interest		25000
TTP BEFORE LOSS			395000
Bf losses			(395000)
TTP			0
ALLTREES LOSS LOG			12500000
current claim			(395000)
Brownmere loss			(4654000)
loss Carried forward			7451000
Brownmere			
Trading profit			4654000
Add dividend	less than 51% shareholding		19000
Augmented profits			4673000
loss limit	£5million +50% tp		
Therefore			
TTP			4654000
less bf losses due to group relief			(4654000)

TTP AFTER LOSS			NIL

2.

Corp tax payable.

Large company has income greater than 1.5 million in group

Therefore large company threshold is 1.5/3companies in group

500000 threshold.

Brownmere surpasses the threshold and must pay instalments towards its FY24 liability

BROWNME RE			
Augmented profits	ttp+dividend(less than 51% shareholding)	4654000+19000	4673000
TTP before losses		4654000	
instalment amount		1163500	
Alltrees	not large company	augmented profits below 500000	Therefore no instalment due and no tax liability for FY23
Deanridge	within alltrees group	no corp tax due unless more information provided	

3.

Alltrees may be committing an offence by receiving payments from a third party it is breaking the law of tax evasion as it is a form of tax evasion.

Moreover it could be argued that as they know they are being tax advantaged by this that

it is concealing the information as well.

This can lead to serious penalty fines and potentially criminal conviction if not disclosed.

To cover itself Alltrees must at once stop trade with Greenmoss Ltd and make clear to the tax authority and police of the offence that Greenmoss and itself has committed. By disclosing this as soon as it became aware the charges may be less severe.

The fines for a deliberate and concealed tax incurrence can be as high as 100%.

If it can be argued that Alltrees was simply careless these fines can drop to as low as 15% on lost revenue.

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

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

Answer-to-Question- 14

1.

ALT ONE			
Gain on unit 5	CONSDIERATION		475000
	LESSs Cost		210000
			265000
Gain on computer equipment	no gain as below 6000		
Gain on cash	no gain		
tOTAL			265000
INCORPORATIO N RELIEF	800/950 X GAIN		(223158)
Chargeable gain			41842

2.

You do not recieve any incorporation relief if all of your assets are not transferred, and as you have chosen to keep Unit 5 you will receive no incorporation relief.

However Unit 5 is the most signifcant asset that the company holds.

With the assets that you do transfer you may be able to benefit from gift relief instead, gift relief will roll the gains against the base cost of the asset in the hands the company (not against the base cost of the shares) thus deferring the gain. The time limit for claiminhg gift relief is four years from the end of the tax year.

There may also be potential for BADR which will reduce your capital gains liability.

3.

Assuming you choose alternative one. The transfer will be of going concern.

The transfer will be out the scope of VAT and no VAT is chargeable on the transfer.

Conditions:

Business transferred as going concern

The assets are used to carry on the same type of trade

There is no significant break in trading

Your company is VAT registered.

If these conditions are not met VAT would be chargeable on the transfer but I believe in this case they are.

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

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

Answer-to-Question- _15_
Recipient

Dear Julie,

I hope you are well.

Please see my notes on XYZ international:

We will require some further information to determine if transfer pricing rules apply:

1. I will need the prices that are not consistent with market prices
2. I will also require the market prices of these goods to determine the "arms length" price
3. I will need to know which companies paid below the market prices and which companies paid above the market price as well as their sellers.
4. I will also require the size of the companies to determine whether SME exemptions have been applied.
5. I will need to know which countries these companies operate in and their tax jurisdictions.

Once this is known we can calculate which companies have been tax advantaged by the sales. They will then have to account for this in their profit and loss statement by disclosing the market of the good on the basis that the arm's length good was paid.

For the companies that have been tax-disadvantaged by these sales, they may be able to make a corresponding adjustment depending on the rules of their jurisdiction.

2) The firms that my firm follow enables me to be able to advise on the tax planning scheme. They are as follows:

Client specific- tax planning must be specific to your situation, fact and circumstances, you will be alerted to wider risk and course of action

Lawful - members act with integrity, tax planning is based on a credible view of the law

Disclosure and transparency - Must disclose all facts and never rely on HMRC not having the facts for effectiveness.

Advising on tax planning arrangements- do not create or encourage arrangements that are against the planning of parliament.

Professional judgement - applying requirements to particular client advisory situations requires professionalism and members should expect to take notes on a timely basis to keep record of judgement made.

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

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

Answer-to-Question- 16

Bank			
TATP			1100000
add loan note			250000
LESS			
INTEREST FOR PROPERTY	trading		
less property income			
ttp			1102339
NTLR			
LOAN NOTE BAD DEBT			
INTEREST PAYABLE on bank			
overdue VAT			
BANK HOUSE			
accrued interest			0
staff loan			1000
total			
Overseas Property income			
PROPERTY A			

rent			112000
gross up		$112000 \times 100/80$	140000
		FTC	38000
Property B			
RENT			55000
GROSS UP		$55000 \times 100/60$	91667
		FTC	36667
total property			231667
TaTP			11102339
NTLR			
OVERSEAS RENTAL			231667
ttp			1003000

2.

corp tax			
TTP			1003000
CORP TAX AT 25%			250750
IESS ftc Property	$38000 + 36667$		(74667)
Total tax			176083

f1

144

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