
Answers

		Notes	€	€	Marks
1 (a)	<u>Gavin</u>				
	Salary – Schedule E		75,000		1
	Benefit in kind €50,000 x 18%		9,000		2
	Dividends – Schedule F		2,500		1
	Rental income – Case V		<u>4,500</u>		1
				91,000	1
	<u>Deirdre</u>				
	Salary – Schedule E		35,000		1
	Deposit interest – Case IV		<u>500</u>	<u>35,500</u>	1
				<u>126,500</u>	
	Less:				
	Medical expenses		650		1
	Less annual amount disallowed	1	<u>125</u>	<u>525</u>	1
				<u>125,975</u>	
	Tax:				
	€56,000 x 20%		11,200		1
	€500 at 20%		100		
	€69,475 x 42%		29,180	<u>40,480</u>	1
	Less:				
	Married couple credit		3,040		1
	Trade union subscriptions	2	26		2
	PAYE credit (Gavin)		1,040		1
	PAYE credit (Deirdre)		1,040		1
	Dividend withholding tax (€2,500 x 20%)		500		1
	DIRT credit (€500 x 20%)		<u>100</u>	<u>5,746</u>	1
				34,734	
	Deduct PAYE				
	Gavin		20,000		1
	Deirdre		<u>14,000</u>	<u>34,000</u>	1
	Tax Payable			<u>734</u>	
					<u>21</u>

Notes

- As the medical expenses related only to Gavin, the restriction was €125
- The trade union subscription qualifying for tax credit relief is €130 at 20% = €26

				Marks
(b) Michael's Case V income and allowances are as follows:				
	Notes	€	€	
Gross rents			10,000	1
<i>Less:</i>				
Interest paid	1	6,000		1/2
Service charge	2	1,667		1/2
Advertising	3	<u>250</u>	<u>7,917</u>	1
Case V			<u>2,083</u>	1/2
Capital allowances:	4		<u>833</u>	1/2
 Notes				
1	Preletting interest is not allowable. The interest relief is therefore calculated as follows: $€7,200 \times 10/12 = €6,000$			1
2	Preletting expenses are not allowable. The service charge which qualifies for tax relief is therefore as follows: $€2,000 \times 10/12 = €1,667$			1
3	Advertising for tenants, even though a preletting expense, is allowable.			1
4	Capital allowances are available on the furniture and fittings as follows:			
		€		
		8,000		
		1,000		1
		10 months		
		833		<u>1</u>
				<u>9</u>
			Total marks	<u>30</u>

2 Trade News Ltd
Corporation tax computation for year ended 31 December 2004.

Profit per accounts		€	737,050	
<i>Deduct</i>			<u>4,000</u>	1
Dividends received			733,050	
<i>Add back</i>	Notes	€		
Depreciation		115,000		1
Loss on sale of fixed assets		5,000		1
Motor expenses	1	6,533		1/2
Increase in general bad debts provision	2	6,000		1/2
Donations to political parties	3	1,500		
Interest to Revenue	4	<u>4,000</u>	<u>138,033</u>	1/2
			871,083	
<i>Less</i>				
Capital Allowances	7		<u>814,800</u>	1
Case I income			56,283	
Total profits			56,283	
Corporation Tax at 12.5%			<u>7,035</u>	1

Notes

1 Motor expenses restriction:

	€	
Lexus 00 XX 1234		
€10,000 x $\frac{(60,000 - 22,000)}{60,000}$	6,333	2
Parking tickets and clamping	200	1
Total motor expenses add-back	6,533	
The remaining items are allowable		1/2

2 Bad debts

The increase in the general bad debts provision is not allowable. 1/2
 The remaining items are allowable/chargeable. 1/2

3 Donations

Donations to political parties are not allowable. 1/2
 Donations to registered charities are allowable. 1/2

4 Interest

Interest paid to the Revenue for late payment of tax is not allowable. 1/2
 Interest for trade purposes is allowable. 1/2

5 Professional fees

Professional fees incurred in connection with copyright protection are allowable as they were incurred for the purposes of the trade. 1

6 Subscriptions

These are all allowable. The golf club subscription is treated as a benefit in kind for the director. 1

7 Capital Allowances – Wear and Tear

	Fixtures & Equipment (20% S.L.) €	Car (20% S.L.) €	Van (20% S.L.) €	Total €	
Original cost (tax adjusted)	4,000,000	22,000	21,000	4,043,000	1
Less disposals	(20,000)	0	(21,000)	(41,000)	1
	3,980,000	22,000	0	4,002,000	
Written down value 1 Jan 2004	3,000,000	13,200	8,400	3,021,600	
Disposals in year <i>W1&2</i>	12,000	0	8,400	20,400	2
	2,988,000	13,200	0	3,001,200	
Wear & Tear <i>W3</i>	796,000	4,400	0	800,400	2
TWDV 31 Dec 2004	2,192,000	8,800	0	2,200,800	

Capital Allowances – Balancing Allowance/Charge

			€	
Equipment	Sales proceeds		0	1
	TWDV 1 Jan 2004 <i>W1</i>		12,000	
	Balancing allowance		12,000	1
Motor Vehicle	Sales proceeds		6,000	1
	TWDV 1 Jan 2004 <i>W2</i>		8,400	
	Balancing allowance		2,400	1

Capital Allowances summary

		€	
		800,400	
		12,000	
		<u>2,400</u>	
		<u>814,800</u>	
W1	The tax written down value on the equipment sold is as follows:		(20% S.L.)
		€	€
	Original cost year ended 31 December 2002		20,000
	Wear & Tear – 2002	4,000	
	Wear & Tear – 2003	4,000	<u>8,000</u>
	TWDV at 31 December 2003		<u>12,000</u> 1
W2	The tax written down value on the van sold is as follows:		(20% S.L.)
		€	€
	Original cost year ended 31 December 2001		21,000
	Wear & Tear – 2001	4,200	
	Wear & Tear – 2002	4,200	
	Wear & Tear – 2003	4,200	<u>12,600</u>
	TWDV at 31 December 2003		<u>8,400</u> 1
			<u>27</u>
1(b)	The latest date for filing the company's tax return is 21 September 2005.		1
1(c)	The due dates for payment of the company's 2004 corporation tax liability and the percentage payable on each date is as follows:		
		% payable	
	21 November 2004	54%	1
	21 June 2005	36%	1
	21 September 2005	10%	1
			<u>3</u>
			Total marks <u>31</u>

3 (a) Susan's capital gains tax liability for 2004 was as follows:

Gain attributable to Susan's September 2000 holding:		€	
Sales proceeds – 4,000 shares		16,000	1
Less: costs of sale			
	500 x $\frac{4,000}{4,500}$	<u>444</u>	1
		15,556	
Less: Indexed cost	Note 1	<u>8,582</u>	1/2
Chargeable gain		<u>6,974</u>	

Gain attributable to Susan's May 2001 holding:			
Sales proceeds – 500 shares		2,000	1
Less: costs of sale			
	500 x $\frac{500}{4,500}$	<u>56</u>	1
		1,944	
Indexed cost	Note 1	<u>1,466</u>	1/2
Chargeable gain		<u>478</u>	

Computation of tax liability

	€	
Gain attributable to Susan's September 2000 holding:	6,974	
Gain attributable to Susan's May 2001 holding	<u>478</u>	
Total gains	7,452	1/2
Less: annual allowance	<u>1,270</u>	1
	6,182	
Tax at 20%	<u>1,236</u>	1

Note 1

Shareholding details:

Date	Original share purchase	Rights	Subtotals	Disposal	Balance	
September 2000	2,000	2,000	4,000	(4,000)	Nil	1 1/2
May 2001	<u>600</u>	<u>600</u>	<u>1,200</u>	<u>(500)</u>	<u>700</u>	1 1/2
Totals	2,600	2,600	5,200	(4,500)	700	1/2
Indexed cost of shares sold:	Shares	Cost	Index factor	Indexed cost		
		€		€		
September 2000 purchase	2,000	2,000	1.144	2,288	1 1/2	
July 2002 rights issue	<u>2,000</u>	6,000	1.049	6,294	1 1/2	
	4,000			<u>8,582</u>		
May 2001 purchase	250	625	1.087	678	1 1/2	
July 2002 rights issue	<u>250</u>	750	1.049	787	1 1/2	
	500			<u>1,466</u>		
					<u>17</u>	

(b) Susan's capital gains tax liability is due for payment on 31 January 2005. 2

Total marks 19

4 (a) Outdoor Sports Ltd.
Corporation tax computation for the year ended 31 October 2003

	€	
Case 1 trade – retail business	100,000	1
Case 1 trade – travel business	<u>50,000</u>	1
	150,000	
<i>Less:</i>		
Case 1 loss – 2004 (S396A)	(150,000)	2
Total profits	Nil	1
Tax liability	Nil	

Corporation tax computation for the year ended 31 October 2004

	€	
Case 1 trade – retail business	0	
Case 1 trade – holiday business	<u>50,000</u>	1
	50,000	
<i>Less:</i>		
Case 1 loss – 2004 (S396A)	(50,000)	2
	0	
Case 111	<u>1,000</u>	1
	1,000	
Total profits	1,000	1
Corporation tax at 25%	250	1
S396B credit relief (€2,000 at 12.5%)	<u>(250)</u>	2
	Nil	<u>13</u>

(b) PLJ Ltd
VAT liability for November and December 2004

	€	€	
VAT on sales – €60,000 x 21%		12,600	1
<i>Less VAT on purchases:</i>			
Goods for resale €25,000 x $\frac{21}{121}$	4,339		2
Accountant's fees €4,000 x $\frac{21}{121}$	<u>694</u>	<u>5,033</u>	2
VAT liability		<u>7,567</u>	$\frac{1}{2}$
Note			
VAT on petrol and entertainment is not recoverable.			
			<u>$\frac{11}{2}$</u>
			<u>7</u>
		Total marks	<u>20</u>