

Candidate Number			



Association of Taxation Technicians

Examination

November 2004

PAPER 2 – PART I

BUSINESS TAXATION

TIME ALLOWED - 3 HOURS
(for Part I and Part II)

You are required to answer **all** questions in Part I and any **three** out of five questions in Part II (printed separately).

Part I

You must write your answers in this booklet using the space provided under each question and complete your candidate number at the top of this page.

Each question carries two marks. It is expected that your answers will be in brief bullet point format or summary computations. It is not expected that you will require all the space provided.

4. John is a computer consultant trading via his own personal service company IT Ltd. During the year to 31 March 2004 he is engaged on two assignments by two different companies. Total fee income from these assignments is £80,000 which it is agreed falls within the provisions of IR35.

The following information is also relevant:

	£	
Salary paid to John	30,000	(taxed under PAYE)
Employers National Insurance	3,500	
Contributions paid on salary		

Calculate the deemed employment payment treated as arising and the employers National Insurance Contribution liability thereon.

6. Phillipa commenced to trade as an interior design consultant on 1 June 1999 and permanently ceased to trade on 31 July 2003. Her adjusted profits for tax purposes were as follows:

	£
Period ended 30 April 2000	66,000
Year ended 30 April 2001	48,000
Year ended 30 April 2002	40,000
Year ended 30 April 2003	30,000
Period ended 31 July 2003	10,000

She has received no other income throughout this period.

Calculate Phillipa's taxable income for 2002/03 and 2003/04 assuming that all available claims and elections are made.

8. Pip Ltd and its wholly owned subsidiary Squeak Ltd had the following results for the year ended 31 March 2004:

	Pip Ltd	Squeak Ltd
	£	£
DI Trading profit	10,000	40,000
Dividend received from Squeak Ltd	10,000	-
Dividend received from quoted investment	9,000	-

Calculate the Corporation Tax liability of Pip Ltd for the year ended 31 March 2004.

9. **State the conditions that must be satisfied for a close company to be treated as a close investment holding company and the tax effect of being so treated.**

- 12. Harold and Cyril have been trading in partnership for many years preparing accounts to 30 April each year. Profits have been shared 75:25. On 1 December 2003 Geoff joined the partnership with a new profit share arrangement as follows:

Geoff is given a salary of £30,000 per annum.

Balance of profits to be shared in the ratio 7:2:1 to Harold, Cyril and Geoff respectively.

The profits for the year ended 30 April 2003 are £200,000

The profits for the year ended 30 April 2004 are £300,000

Calculate the assessable profits for each partner for 2003/04.

15. Apple Ltd and its two wholly owned subsidiaries Orange Ltd and Kiwi Ltd have the following results for the year ended 31 March 2004:

	<u>Apple Ltd</u>	<u>Orange Ltd</u>	<u>Kiwi Ltd</u>
	£	£	£
Trading profit/(loss)	50,000	30,000	(90,000)
Chargeable gain	20,000	-	-
Schedule A rental income	10,000	20,000	3,000

Additionally Apple Ltd has trading losses brought forward of £30,000

Calculate the profits chargeable to Corporation Tax for each company assuming the most beneficial claims and elections are made.

18. George, a VAT registered trader, is late in submitting his VAT return for the quarter ended 30 September 2002 and is also late in paying the VAT. As a result he is served with a surcharge liability notice. The returns and VAT payments for subsequent quarters are as follows:

<u>Quarter ended</u>	<u>Date submitted</u>	<u>VAT due</u>	<u>Date paid</u>
31 December 2002	7 February 2003	£10,000	10 February 2003
31 March 2003	25 April 2003	£12,000	5 May 2003
30 June 2003	10 August 2003	£15,000	30 July 2003

Calculate any additional liabilities arising as a result of the above and any other implications arising out of the above.

20. Mr Jones, a VAT registered trader making only standard rated supplies, offers his customers the following prompt payment discounts as noted on his VAT invoices:

Payment within 15 days	5% discount
Payment within 30 days	2% discount

During the VAT quarter to 31 December 2003 three invoices for £1000 each (before discount and VAT) were issued. One invoice is paid after 10 days, the second after 21 days and the third after 60 days.

Calculate the output VAT due for the quarter and the gross value of supplies for VAT return purposes.
