Cand	idate 1	Numbe	r



Association of Taxation Technicians

Examination

May 2007

PAPER 3 - PART I

BUSINESS TAXATION: HIGHER SKILLS

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

You are required to answer all questions in Part I and 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 between two and four marks as indicated in brackets.
- 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 of the space provided.

prepared purchase	r 2006, Sydi his next sed a van for £ Il allowances	et of accou £13,000 that	nts to 3° t has 10%	1 March 20 6 private use	07. Dui e. The t	ing this	period,	Syd
Compute 31 March	Sydney's 2007.	maximum	capital	allowance	claim	for the	e period	en

Rupert has been in business for a number	er of years. His trading results were as follows
Year ended 31 August 2004	£8,000 profit
Year ended 31 August 2005	£14,000 loss
Year ended 31 August 2006	£7,000 profit
Rupert also received net rental income o	f £2.000 per annum.
the loss in the most tax-efficient mani	come for 2004/05, 2005/06, 2006/07 utilisiner.

2.

Mr Williams is a toymaker and prep following payments have been made	pares accounts to 31 December of every year. The e.
1 October 2006 – £5,000	Rent paid for the period 1 October 2006 – 31 March 2007.
5 January 2007 – £2,500	Invoice in respect of materials used in the year to 31 December 2006.
	000 on 1 December 2006 as a payment in advance in January 2007. The £3,000 has been recorded as
Show the double entries needed accounts to 31 December 2006.	d to adjust for the above transactions in the (3)

3.

State why a business would consider voluntary VAT registration.	
·	

5.	Bunny Hops is a VAT registered trader and is preparing her VAT return for the quarter ended 30 June 2006.
	The value of taxable supplies for the quarter amounted to £30,000 (excluding VAT). She incurred standard rated expenditure of £20,143 (inclusive of VAT). This figure includes £470 spent on client entertaining in the quarter. In addition, she purchased a motor car costing £12,000 (excluding VAT).
	Calculate the VAT due for the quarter ended 30 June 2006. (2)
	·
	·
	·
	·

6.	Hedgerow Ltd makes up accounts to 31 October each year. In the year ended 31 October 2006, the company claimed capital allowances of £70,000 and the accounts showed a depreciation charge of £60,000. The deferred tax provision at 1 November 2005 showed a credit balance of £18,000. Profits chargeable to Corporation Tax were £940,000. Hedgerow Ltd has no associated companies.
	State the movement on the company's deferred tax provision account and show the double entry to record the movement. (2)
	·
	·
	·
	·
	·

Tom and Dom were in partnership together sharing profits 50:50 and drawing up accounts to 31 December of every year. On 1 July 2006, Ron was admitted to the partnership and introduced capital of £50,000. The new profit sharing ratio was to be 1/3:1/3:1/3. Profits for the year ended 31 December 2006 were £120,000.
Show the extracts of the partner's capital and current accounts to reflect the above transactions. (4)
·
·

8.	Rory Ltd, a UK resident company, invests money in Utopian Government Bonds. The company receives £1,000 interest (gross). The Utopian rate of tax is 25% and the UK rate of tax is 30%.
	Explain how much UK tax is payable by Rory Ltd on its overseas income. (2)

State the conditions that must exist for a company to be regarded as resident in the UK and the effect of being UK resident on its taxable profits.
State the situation that can lead to a non-UK resident company being subject to UK tax. (3)

10.	Cumulus Ltd made trading profits of £125,000 in the nine-month period to 31 March 2007. In the same period, the company received net rental income of £30,000 and had a chargeable gain of £100,000.
	Calculate the Corporation Tax liability for Cumulus Ltd for the nine-month period to 31 March 2007. (3)

State the o	conditions that ne	ed to exist to	r a claim to I	oe made and	how the re

١	Directors have certain duties and responsibilities placed on them by law.	
;	State three such duties.	
		_
		_
		-
		-
		_
•		_
•		-
•		-
		-
		_
		-
		-
		-
		_
		_
•		-
		-
		-
		_
		_
•		_
		_
		_
		_