
Advanced Taxation

Northern Ireland

2nd Year Examination

May 2013

Exam Paper, Solutions & Examiner's Report



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Accounting Technicians Ireland

2nd Year Examination: Summer 2013 Paper

Paper: ADVANCED TAXATION (Northern Ireland)

Thursday 16th May 2013 – 2.30 p.m. to 5.30 p.m.

INSTRUCTIONS TO CANDIDATES

PLEASE READ CAREFULLY

For candidates answering in accordance with the law and practice of Northern Ireland.

Candidates should answer the paper in accordance with the appropriate provisions up to and including the Finance Act 2012. The provisions of the Finance Act 2013 should be ignored.

Allowances and rates of taxation, to be used by candidates, are set out in a separate booklet supplied with the examination paper.

Answer ALL THREE QUESTIONS in Section A, and ANY TWO of the FOUR questions in Section B. If more than TWO questions are answered in Section B, then only the first two questions, in the order filed, will be corrected.

Candidates should allocate their time carefully.

All workings should be shown.

All figures should be labelled as appropriate e.g. £s, units, etc.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on Page 2 overleaf.

The following insert is included with this paper.

- **Tax Reference Material**

SECTION A

Answer QUESTION 1 and QUESTION 2 and QUESTION 3 (Compulsory) in this Section

QUESTION 1 (Compulsory)

Feargal and Gemma both aged 25 married on 10 April 2010. On the birth of their first child Feargal decided to commence business as a sole trader supplying and installing music systems in high class night clubs. He commenced trading on 1 February 2011 and prepared his first accounts to 31st December 2012. Accounts were prepared to 31 December each year thereafter. Results since that time have been as follows:-

	£
1 February 2011 – 31 December 2012	40,000
Y/E 31 December 2013	46,250
Y/E 31 December 2014 (estimated)	60,500

Gemma is employed as a manager in an up-market club and received a salary in 2012/13 of £40,000 from which PAYE of £6,400 was deducted. The couple have a joint savings account on which £1,600 interest had been received in 2012/13.

Since their marriage Gemma has let out the flat which she had previously lived in Belfast for annual rental of £6,000. She paid insurance of £420 and rates of £270 in respect of the property. Furnishings for the property were supplied at a cost of £2,400. Feargal has no interest in this property and all income is received by Gemma.

Feargal is still in receipt of dividend income from shares held in a UK resident company which he inherited from his father. Income from shares this year has been received in the sum of £6,750.

Payments made by the couple in the year have been as follows:-

	Feargal £	Gemma £
Payment on account 2012/13	2,500	-
Personal Pension contributions per month	300	-
Gift aid payments (one off donation)	-	500

Required:

- i) State the basis periods and calculate the taxable profits for all tax years affected for Feargal's new business venture. **8 Marks**
- ii) Calculate the Income Tax Liability for both Feargal and Gemma for 2012/13 showing any outstanding income Tax liability due. **8 Marks**
- iii) Calculate any Class 4 NIC due in respect of the 2012/13 year. **2 Marks**
- iv) Calculate payments on account that will be due for Feargal for 2013/14 and state the date by which these are payable. **2 Marks**

Total 20 Marks

QUESTION 2 (Compulsory)

Bespoke Ltd

During another difficult trading year for the company Bespoke Ltd took the opportunity to sell off a number of company assets early in the year to release some much needed funds for the business.

Disposals in the CAP Y/E 31.03.2013 have been as follows:

Date Sold	Asset	Proceeds £	Cost	Date Purchased
01/06/2012	Antique Boardroom Table	6,200	3,500	01/02/2000
14/07/2012	Plot of land	120,000	60,000	16/07/1989 value of remaining land £260,000
16/08/2012	Office building	130,000	42,000	16/07/1989
	Extension		16,000	20/09/2004
26/02/2013	1200 shares in Box It Plc	12,960	7,200	04/04/1996

Bespoke Ltd has capital losses brought forward from the previous CAP amounting to £24,000.

Relevant RPI:	Mar 82	79.44	Sept 04	188.1
	July 89	115.50	Jun 12	241.8
	Apr 96	153.80	Jul 12	242.1
	Feb 00	167.50	Aug 12	243.0
	Sept 94	145.00	Feb 13	244.2

Required:

- i) Calculate the chargeable gain or capital loss on each disposal in the CAP. **16 Marks**
- ii) Calculate the total chargeable gain that will be used in calculating the PCTCT for the CAP Y/E 31-03-2013 **4 Marks**

Total 20 Marks

QUESTION 3 (Compulsory)

a) Explain and compare the VAT consequences of a supply of:

- i) Zero rated goods and services and
- ii) Exempt goods and services.

6 Marks

b) IT Solutions Ltd. carries on business as both the supplier of computer systems which is standard rated for VAT purposes and the provider of computer system insurance which is exempt from VAT. All business is conducted in the UK and turnover (incl VAT) where applicable, in the last quarter ended 31 March 2013 was as follows:-

	£
Computer system sales	120,000
Computer insurance	<u>40,000</u>
	<u>160,000</u>

Expenses for the quarter (inclusive of VAT where applicable) were as follows:

	£
Computer system for re-sale	78,000
Wages: system staff	6,000
Insurance staff	4,000
Office furniture insurance	4,500
Repairs to premises: general	<u>2,000</u>
	<u>94,500</u>

Required:

Calculate the VAT Liability for IT Solutions Ltd for the Q/E 31.03.2013.

12 Marks

c) A customer had ordered a system from IT Solutions Ltd on the 17 September 2012. The goods were despatched on the 18 October 2012 and paid for by the customer on 28 October 2012 when they received their invoice. The invoice had been issued on 27 October 2012.

Required:

What is the basic tax point date for the VAT treatment of the transaction?

2 Marks

Total 20 Marks

SECTION B**Answer ANY TWO of the FOUR questions in Section B****QUESTION 4**

- a) Having been made redundant some years ago Sonia invested some redundancy money in a property in Portstewart which she has let for some time to students in the area.

This year the fully furnished property was let 1 April 2012 – 30 June 2012 on short term let to the end of the academic year at a rent of £600 pm. The house was not re-let until 1 November 2012 to a member of University staff and his family at £800 pm payable monthly in advance.

During the time that the house lay vacant Sonia carried out repairs on both the bathroom and kitchen in the property. Of the monies spent, £1,200 was to cover the cost of new kitchen cupboards. Other expenses incurred were as follows:

	£
Rates	850
Insurance	600
Agent's fees	425
Mortgage Interest	1,750
<u>Repairs</u> (as detailed)	
Bathroom	620
Kitchen	2,600
Painting	500
	<u>7,345</u>

Required:

- i) Calculate Sonia's loss on her rental property for Y/E 5 April 2013, providing an explanation of your treatment of certain items where appropriate. **10 Marks**
- ii) Advise Sonia how these losses may be utilized, including any restrictions on her claim. **3 Marks**

- b) Sonia has recently heard that the 2011 Budget introduced a change of treatment of losses arising on furnished holiday lets.

Required:

She is keen to know:

- i) What conditions must be fulfilled in order that a property may qualify as a 'furnished holiday let' **4 Marks**

And

- ii) The benefits of having the property determined to be considered a furnished holiday let. **3 Marks**

Total 20 Marks

QUESTION 5

Reshape Ltd has begun trading on 1 July 2011 and has completed its first period of account for the 18 months to 31 December 2012.

As this is a new business set-up, the company have invested in some plant, equipment and vehicles in the period, together with disposal of items that were deemed (shortly after purchase) to be unsuitable for purpose.

Transactions in the period have been as follows:

Acquisitions:		£
	1/7/2011 Plant & Equipment	32,450
	1/7/2011 Energy saving plant	14,500
	1/7/2011 Office furniture	9,750
	4/8/2011 MD Car (CO ₂ emissions 175g/km)	34,000
	4/9/2011 Plant	12,400
Disposals:		
	3/9/2012 Plant & Equipment	6,750
	6/10/2012 MD Car (as above)	30,000

Required:

- i) Outline the date by which the company must notify HMRC that it has been incorporated and has begun trading. **2 Marks**
- ii) Specify the corporation tax return forms that will be required to be completed and the dates these will cover. **2 Marks**
- iii) The capital allowances claim that will be made and the CAP they will cover. **14 Marks**
- iv) The date that any corporation tax payable will become due for the CAP identified. **2 Marks**

Total 20 Marks

QUESTION 6

Cedarhurst Ltd is a medium sized company with 2 associated companies resident in Northern Ireland whose principal activity is the distribution of timber products. The company prepares its accounts to 31 March 2013 and the Net Profit for the year then ended amounted to £261,175.

A detailed examination of the accounts then ended show that the profit, as stated, included the following:-

1. A profit on sale of office building £84,000. The chargeable gain on the sale has been calculated to be £49,500.
2. Bank interest received of £8,000 on a deposit account held as an investment.
3. Dividends received from other UK companies (net) £5,400.

Expenses that had been charged in the year included:-

1. Wages & Salaries £102,000. Included in this figure was £30,000 paid to a former warehouse manager. £6,000 of this was a Statutory Redundancy Payment due to him while £24,000 was an ex-gratia payment.
2. Entertainment costs £4,950. This included £2,875 paid in respect of the annual staff party and the balance £2,075 paid for Hampers bearing the company logo to customers at Christmas.
3. Depreciation charges £12,500
4. Removal expenses £9,200. £7,000 of this was removal costs incurred to install Fixed Plant in the new company premises. The remaining £2,200 was the cost of moving stock to new premises.
5. Legal Fees £6,275. £4,275 of this was paid in respect of legal fees incurred in renewing a 25 year lease, whilst £2,000 was incurred in unsuccessful defence of breach of Health & Safety regulation.
6. Interest Payments £6,000 include Loan interest paid and accrued for trade purposes.
7. Other Qualifying payments in the year include £3,500 Qualifying Charitable Donations.
8. Capital Allowances for the year have been agreed at £27,650.

Required:

Compute the Corporation Tax Liability for the year ended 31 March 2013.

Total 20 Marks

QUESTION 7

The following multiple choice question consists of TEN parts, each of which is followed by FOUR possible answers. There is ONLY ONE right answer in each part.

Requirement

Indicate the right answer to each of the following TEN parts.

Total 20 Marks

N. B. Each part carries 2 marks.

Candidates should answer this question by ticking the appropriate boxes on the special answer sheet which is contained within the answer booklet.

1. Which of the following statements is true?
 - (a) Capital losses brought forward cannot safeguard the Annual Exemption when offset against current year gains.
 - (b) Capital losses cannot be set against gains of the previous tax years.
 - (c) Capital losses from the same year can safeguard the Annual Exemption.
 - (d) The Annual Exemption is applied before Capital Losses are deducted.

2. In February 2005 Frank inherited some land from an uncle valued at the time at £95,000. On 12 August 2012 Frank sold part of this land for £65,000 at which time the remainder was valued at £105,000. Expenses of the sale were 5% of gross proceeds. The chargeable gain on the disposal will be:
 - (a) £25,426
 - (b) £28,676
 - (c) £26,570
 - (d) £ 2,940

3. Paul, aged 68, has traded as a boiler repair man for a number of years. His tax adjusted profits for the last 2 years ended 31 December 2011 and 2012 were £58,200 and £69,400 respectively. Paul's Class IV NIC liability for 2012/13 is:
 - (a) £NIL as Paul has exceeded pension age.
 - (b) £3,676.80
 - (c) £3,452.80
 - (d) £4,361.25

4. Barbara has traded as a dressmaker for many years, preparing accounts to 31 October each year. She decided to retire from business and ceased trading on 31 January 2013. Her final year assessment 2012/13 will be based on her profits for which of the following:
 - (a) 6 April 2012 – 31 January 2013.
 - (b) 1 November 2011 – 31 January 2013.
 - (c) 1 November 2011 – 31 October 2012.
 - (d) 1 November 2012 – 31 January 2013.

5. A company prepares its accounts to 31 December 2012. The corporation tax return (CT600) for the company is due on:
 - (a) 30 June 2013.
 - (b) 30 September 2013.
 - (c) 1 October 2013.
 - (d) 31 December 2013.

6. Which of the following sources of income is NOT subject to Corporation Tax?

- (a) Patent royalty income from another UK resident company.
 - (b) Bank deposit interest received from UK bank.
 - (c) Dividends received from another UK resident company.
 - (d) Interest received from an employee in relation to a loan to him.
7. Flatpack Ltd. a UK VAT registered company makes and supplies easy to assemble furniture especially for the rental market. All activities of the company are standard rated for VAT purposes. If the company imports goods from a French VAT registered company which of the following is true?
- (a) French rate VAT will be chargeable as it is an EU acquisition.
 - (b) UK VAT will be chargeable at the standard rate on the EU acquisition with no UK VAT deduction allowed.
 - (c) UK VAT will be chargeable at the standard rate on the EU acquisition with a UK VAT deduction allowed.
 - (d) The transaction is outside the scope of VAT.
8. In April 2010 Allet Ltd. purchased a newly built office block for letting at £750,000 plus VAT of £150,000. In April 2012 it let the entire building under a 5yr lease for an annual rent of £30,000 pa. If Allet Ltd. did not waive its exemption in relation to VAT, VAT chargeable on the rental payment is:
- (a) NIL as property letting is an exempt supply.
 - (b) £6,000 pa.
 - (c) £0
 - (d) £1,500 pa.
9. Fiona, who is self employed, had an income tax liability in the 2012/13 of £1,475. This was paid on 31 January 2014 but she did not submit the return for the year until 31 December 2014. The penalty payable by Fiona is:
- (a) £0, payment was received on time.
 - (b) £100
 - (c) £1,475
 - (d) £400
10. Rita aged 76 and Marie aged 68 entered into a civil partnership on 11 April 2011. Rita has taxable income of £31,500 and Marie has taxable income £4,500. The MCA Claimable will be:
- (a) £721.00
 - (b) £NIL
 - (c) £496
 - (d) £770.50

2nd Year Examination: May 2013

Advanced Taxation NI

Suggested Solutions

Students please note: These are suggested solutions only; alternative answers may also be deemed to be correct and will be marked on their own merits.

Solution 1

Feargal and Gemma

1. Basis Period Assessable

Year	Y.O.A	Profits Assessable	£	Marks Allocated
1	2010/11	1.2.2011 – 5.4.2011 $\frac{2}{23} \times 40,000$	3,478	2 Marks
2	2011/12	Actual 6.4.11-5.4.2012 $\frac{12}{23} \times 40,000$	20,870	2 Marks
3	2012/13	12m to A/c date $\frac{12}{23} \times 40,000$	20,870	2 Marks
4	2013/14	CYB Y/E 31 Dec 2013	46,250	2 Marks

Overlap: 1.1.2012 – 5.4.2012 (3m)
 $\frac{3}{23} \times 40,000$

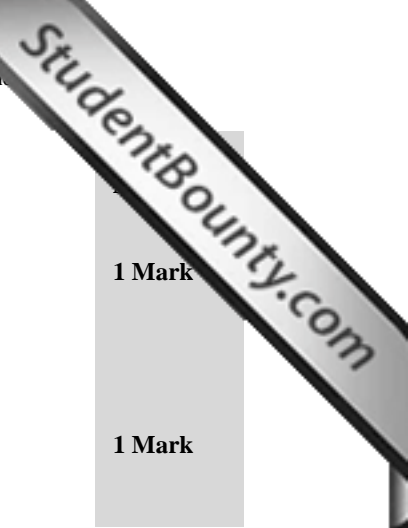
£5217

Feargal

1.7 Computation 2012/13

2.

	N/S	S	Div	Total	
Income from Self employ	20,870			20,870	½ Mark
Bank Interest ($\frac{1600}{0.80} = \frac{2000}{2}$)		1,000		1,000	½ Mark
Dividend Income ($\frac{6750}{0.90}$)			7,500	7,500	½ Mark
	20,870	1,000	7,500	29,370	
Less P.A	(8,105)			(8,105)	½ Mark
Taxable Income	12,765	1,000	7,500	21,265	



Taxed	12,765 x 0.20 =	2553
	1,000 x 0.20 =	200
	7,500 x 0.10 =	<u>750</u>
		3,503

1 Mark

Less Tax credit on		
Interest	(200)	
Dividends	<u>(750)</u>	
Income Tax payable	2,553	
Less Paid on A/c	<u>(2,500)</u>	
o/s I.T. Payable	53	

1 Mark

**Gemma
I.T Computation
2012/13**

	N/S	S	Div	Total
Income from Employment	40,000			40,000
Rental Income (w1)	4,737			4,737
Bank Interest (1/2)		1,000		1,000
	44,737	1,000		45,737
Less PA	(8,105)			(8,105)
Taxable Income	35,632	1,000		37,632

½ Mark

1 Mark

½ Mark

½ Mark

Taxed	
Basic Rate Band	34,370
Add Gift aid Payment (^{500/0.80})	<u>625</u>
	34,995

½ Mark

34,995 x 20% =	6999.00
1.637 x 40% =	654.80
1,000 x 40% =	<u>400.00</u>
	8053.80
Less PAYE	(6400.00)
Tax credit	<u>(200.00)</u>
O/S IT Due	<u>1453.80</u>

1 Mark

W1	<u>Rental Income</u>	£	£
	Rent received		6,000
	Less		
	Insurance	420	
	Rates	270	
	Wear and Tear (6000 -270) x 10%	<u>573</u>	
			<u>(1,263)</u>
			<u>4,737</u>

3 Class IV NIC due

Feargal 2012/13
= (20,870 – 7,605) x 9% = 1,193.85

2 Marks

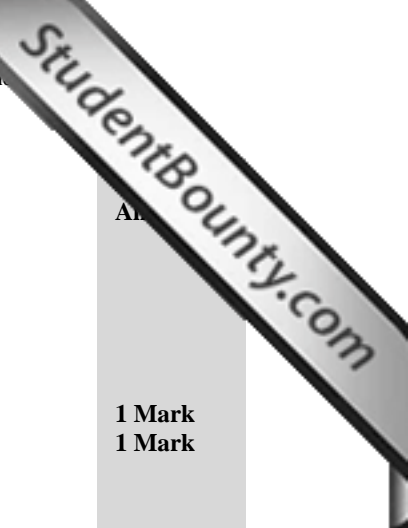
4. Payments on A/c due 2013/14

2012/13 liability £2553
2013/14 Payments on a/c ²⁵⁵³/2 =£1276.50

1 Mark

Due for payment 31 January 2014 and 31 July 2014

1 Mark

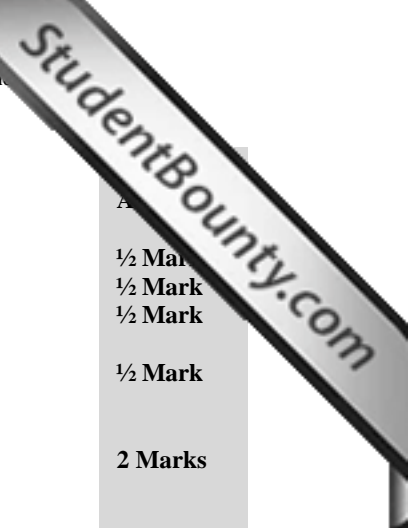


Solution 2

Bespoke Ltd.

a) Disposals in year

1. <u>Antique Boardroom Table</u>	£	£	1 Mark
Proceeds	6,200		1 Mark
<u>Less cost</u>	<u>(3,500)</u>		
	2,700		
<u>Less I.A.</u>	$\frac{241.8 - 167.50}{167.50} = 0.444$		
			1 Mark
0.444 x 3500	<u>(1,554)</u>		
Chargeable gain	<u>1,146</u>		
Limited to $\frac{5}{3}$ (6,200 – 6,000)		<u>333</u>	1 Mark
2. <u>Plot of land</u>	£	£	1 Mark
Proceeds	120,000		
<u>Less cost of part sold</u>			
$\frac{120,000 \times 60,000}{120,000 + 260,000}$	<u>(18,947)</u>		2 Marks
	101,053		
<u>Less I.A.</u>	$\frac{242.1 - 115.50}{115.50} = 1.096$		
			1 Mark
1.096 x 18,947	<u>(20,766)</u>		
Chargeable gain	<u>80,287</u>		
3. <u>Office building</u>	£	£	1 Mark
Proceeds	130,000		$\frac{1}{2}$ Mark
<u>Less cost</u>	<u>(42,000)</u>		$\frac{1}{2}$ Mark
Improvement expenditure	<u>(16,000)</u>		
	72,000		
<u>Less I.A. (on cost)</u>	$\frac{230.3 - 115.50}{115.50} = 1.104$		
			1 Mark
1.104 x 42,000	<u>(46,368)</u>		
I.A. (on improvement)	$\frac{243.0 - 188.1}{188.1} = 0.292$		
			1 Mark
0.292 x 16,000	<u>(4,672)</u>		
Chargeable gain		<u>20,960</u>	
4. <u>1200 Shares</u>	£	£	1 Mark
Proceeds	12,960		1 Mark
<u>Less cost</u>	<u>(7,200)</u>		
	5,760		
<u>Less I.A.</u>	$\frac{244.2 - 153.80}{153.80} = 0.588$		
			2 Marks
0.588 x 7200	<u>(4,234)</u>		
		<u>1,526</u>	



b) Total chargeable gain to be included in PCTCT

	£	
Antique Boardroom Table	333	
Plot of land	80,287	
Office Building	20,960	
1200 Shares	<u>1,526</u>	
	103,106	
<u>Less capital loss b/f</u>	<u>(24,000)</u>	
	<u>79,106</u>	

1/2 Mark
1/2 Mark
1/2 Mark
2 Marks

Solution 3

a) Zero Rated v Exempt Goods & Services

The rate of VAT charged depends on the type of supply. Zero rated items have been identified as 16 different group types. Zero rate items are subject to VAT but at a zero rate i.e. there is a VAT rate charged at 0% on all zero rated items. There is a requirement to register for VAT despite a zero rate as the supplies are still considered to be taxable supplies. The consequences of this are as follows:-

- The seller can register for VAT and become a taxable person.
- The taxable person charges VAT at 0% on all zero rated supplies
- The taxable person can reclaim input VAT incurred on purchases.

1 Mark
1 Mark
1 Mark

Exempt supplies are not taxable supplies and are not subject to VAT. The seller of goods/services cannot register for VAT and so cannot reclaim VAT on purchases.

3 Marks

There are currently 15 groups of items deemed as Exempt supplies.

**VAT Liability
IT Solutions LTD
Q/E 31 – 3 – 2013**

b) Output Tax

	£	
Computer system sales (120,000 x 1/6)	20,000	
Computer Insurance - Exempt	-	
	<u>20,000</u>	

2 Marks
2 Marks

Input Tax

Computer System for re-sale (78,000 x 1/6)	13,000	
Wages – Exempt		
Office Furniture Insurance VAT not claimable	-	
Repairs to premises ** (2,000 x 1/6)	<u>333</u>	
	<u>13,333</u>	
VAT Payable	£6,667	

2 Marks
1 Mark

1 Mark

2 Marks

2 Marks

** Un-attributable VAT $120,000/160,000 = 75\%$. $75\% * 333 = 250$. The exempt Input VAT (333-250) at £83 is less than 50% of the total input VAT so it is de-minimis and recoverable.

c) The basic tax point for this transaction will be 18 October 2012 which is the date of dispatch.

2 Marks

Solution 4

(i) Income from Rental Property

	£	£	Marks Allocated
Income Receivable			
(1.4.2012 – 30.6 2012)			
3 x 600		1,800	1 Mark
(1.11.2012 – 31.3.2013)			
5 x 800		4,000	1 Mark
		5800	
Less: allowable expenses			
Rates	850		1 Mark
Insurance	600		1 Mark
Agents Fee	425		1 Mark
Mortgage (Interest) payments only	1,750		1 Mark
Repairs : Bathroom	620		1 Mark
Kitchen(exc. Cost of Cupboards)	1,400		1 Mark
Painting	500		1 Mark
Wear & Tear allowance	495	(6640)	1 Mark
(5,800 – 850 x 10%)			
Net Loss from Rental		(840)	

- (ii) If the landlord leases more than one property the profits and losses off all properties are aggregated to calculate an overall rental profit or loss. This means that the loss arising from one property is automatically used to reduce the profits of another property. **1 Mark**

Any remaining loss is carried forward & set against the first available profits from the UK property business **1 Mark**

The loss must be used as soon as possible and it may result in some or all of the personal allowance being wasted. Rental Losses cannot be carried back **1 Mark**

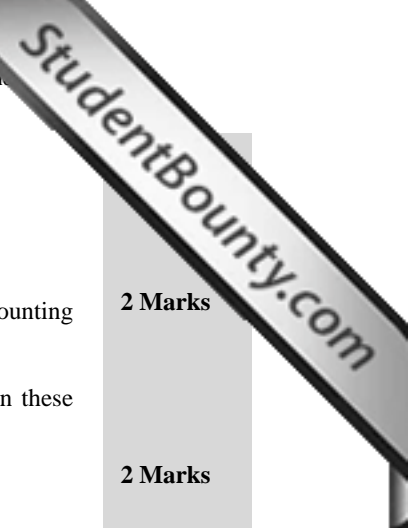
b) **Furnished Holiday Lets**

Certain specific conditions must be met to qualify as a Furnished Holiday Let.

- (i) Properties must be let on a commercial basis with a view to making a profit. **1 Mark**
- (ii) 210 Day Rule: the property must be available for letting to the general public for 210 days in tax year. **1 Mark**
- (iii) 105 Day Rule: the property is Actually let for at least 105 days in the tax year excluding periods of longer term occupation. **1 Mark**
- (iv) 155 Day Rule: The total periods of “longer term occupation” (let to same person for > 31 days) must not be greater than 155 days. **1 Mark**

The benefits of property being determined to be a FHL are that the profits are treated as though they arose from a single trade and therefore

- 1) Capital allowance may be claimed **1 Mark**
- 2) Certain CGT reliefs (inc entrepreneurs relief) may be available **1 Mark**
- 3) It may increase the amount of pension contributions obtaining tax relief. **1 Mark**



Solution 5

Reshape Ltd:

1. Reshape Ltd will be required to notify HMRC within three months of the start of its accounting period that it has been incorporated and has begun trading.
2. Reshape Ltd will be required to submit a corporation tax return on a form CT600. In these circumstances 2 returns will be required to be submitted covering the periods.
 - 1 June 2011 – 30 June 2012
 - 1 July 2012 – 31 December 2012
3. Reshape Ltd

2 Marks

2 Marks

Capital Allowance Claim
CAP 12 M/E 30 June 2012

Acquisition in Period	Main Pool	Special Rate Pool	Claim
<u>Not eligible AIA or FYA</u>			
- MD Car		34,000	
<u>Eligible for FYA (100%)</u>			
Energy saving plant 14,500			
100% FYA (14,500)			14,500
<u>Eligible for AIA</u>			
Plant & Equipment 32,450			
Office furniture 9,750			
Plant 12,400			
54,600			
AIA* (54,600)			54,600
WDA** @ 9.5%		(3,230)	3,060
WDV C/F	NIL	30,770	72,160

1 Mark

1 Mark

3 Marks

2 Marks

1 Mark

AIA * Maximum Claim

$$01/06/2011 - 31/03/2012 = 100,000 \times \frac{9}{12} = 75,000$$

$$01/04/2012 - 30/06/2012 = 25,000 \times \frac{3}{12} = \underline{6,250}$$

$$\underline{81,250}$$

WDA (Special Rate)

	%
01/06/2011 – 31/03/2012 = 10% x $\frac{9}{12}$ =	7.5
01/04/2012 – 30/06/2012 = 8% x $\frac{3}{12}$ =	2.0
	<u>9.5</u>

Reshape Ltd
Capital Allowance Claim
CAP 6 M/E 31 December 2012

	Main Pool	Special Rate Pool	Claim	Marks Allocated
WDV B/F	Nil	30,770		1 Mark
Less disposals	(6,750)	(30,000)		2 Marks
	(6,750)	770		
Balancing Charge	6,750			2 Marks
WDA 8% x 6/12		(31)		1 Mark
WDA C/F	Nil	739		

4. Corporation Tax payable will become due nine months and one day after the end of the accounting period. Therefore for the CAP payment dates will be as follows

CAP 12 M/E 30 June 2012- 1 April 2013

CAP 6 M/E 31 December 2012 – 1 October 2013

1 Mark

1 Mark

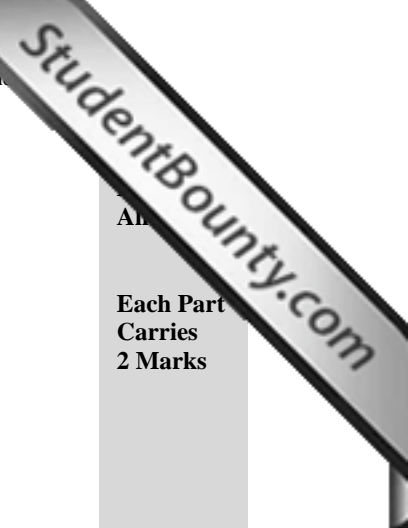
Note this assumes that Reshape will not be defined as a “large company”.

Solution 6: Cedarhurst Ltd

	£	
Trading Profit (W1)	218,500	See W1 below (9 Marks)
Chargeable Gain	49,500	2 Marks
Investment Income	8,000	1 Mark
Less: Qualifying Charitable Donations	(3,500)	2 Marks
PCTCT	272,500	
Franked Investment Income (5400/0.90)	6,000	2 Marks
PROFITS	278,500	
CT Payable 272,500 * 0.24	65,400	2 Marks
Less MR (1,500,000/3-278,500)*272,500/278,500 * 1/100	(2,167)	2 Marks
Corporation Tax Liability	63,233	

Working 1

Trading Profit	£	£	
Net Profit per accounts		261,175	
Less: Profit on sale	84,000		1 Mark
Bank Interest	8,000		1 Mark
Dividends Received	5,400	(97,400)	1 Mark
		163,775	
Add: Entertaining costs	2,075		1 Mark
Depreciation	12,500		1 Mark
Removal Expenses	7,000		1 Mark
Legal Fees re Breach of Reg	2,000		1 Mark
Qualifying Charitable Donations	3,500		1 Mark
Capital Allowances	27,650		1 Mark
		54,725	
Trading Profit		218,500	



Solution 7

1. B

2. A

Proceeds		65,000
<u>Less</u> cost		(3,250)
		61,750
<u>Less</u>		
<u>65,000</u>	x 95,000 = (36,324)	
65,000 + 105,000		<u>25,426</u>

3. A

Nil as Paul has exceeded pension age

4. B

5. D

6. C

7. C

8. A

9. D

10. A

PA		10,660	MCA	7705
<u>Less</u> $\frac{1}{2} (31,500 - 25,400) = 3050$		<u>2,555</u>	<u>Less</u>	<u>(495)</u>
		8,105	(3050-2555)	7210 x 10%

Al

Each Part
Carries
2 Marks

2nd Year Examination: May 2013**Advanced Taxation NI****Examiner's Report**

Statistical Analysis – By Question							
Question No.	1	2	3	4	5	6	7
Average Mark (%)	59%	50%	54%	63%	57%	60%	39%
Nos. Attempting	157	157	157	67	75	107	65

Statistical Analysis - Overall	
Pass Rate	72%
Average Mark	55%
Range of Marks	Nos. of Students
0-39	24
40-59	20
50-59	47
60-69	45
70 and over	21
Total No. Sitting Exam	157
Total Absent	22
Total Approved Absent	11
Total No. Applied for Exam	190

General Comment:

The overall performance at this sitting of Advanced Taxation (NI) was good, with the Pass Rate once again improving on last year's session of the examination. The overall pass rate increased from 67% to 72% this year and the average mark attained was 55%..

Question 1

This was an Income Tax question that examined candidates basic knowledge of years of assessment, Income Tax computations, Class IV NIC and Payments on Account. In such questions candidates must identify, as asked, the relevant Years of Assessment and show clearly the relevant Basis Period for each of these. Amazingly some candidates prepared a Joint computation for Husband and Wife and/or an alarming number still awarded MCA to them! Tax relief for Gift Aid payments was generally handled well as was calculation of Class IV NIC and payments on account due.

Question 2

A large number of candidates still struggle with the concept and calculation of Indexation Allowance. Of those who did calculate it correctly many went on to apply it to the un-indexed gain instead of applying it to the cost of the asset. Candidates at this level must know the rules for Part disposals, disposals of chattels where Proceeds

> £6,000 and Cost < £6,000. A very large number proceeded at the end of the question to give the company an Annual Exemption of £10,600 to which it was not entitled.

Question 3

This was a very straight forward VAT question that tested candidates' knowledge on the difference between the VAT consequences of supplying Zero Rated or Exempt goods. While this was generally understood well it was also generally badly explained. Candidates need to concentrate on outlining key differences between taxable and non taxable supplies, the ability to register for VAT and the consequent ability to deduct Input VAT paid as a result. If candidates realised that the de-minimis limits applied they were able to score well in this question.

Question 4

This was the top scoring question on the paper and generally answered well by all candidates. Some lost marks simply because they did not know or guessed the rules on the conditions to be met to qualify as a Furnished Holiday Let. 3 valuable marks were also lost by a lot of candidates because they did not know the benefits of the property being determined as a FHL.

Question 5

This was a popular optional question on the paper and candidates generally scored well on this question. It was pleasing to see so many answer the Capital Allowance question well. Where marks were lost it was because candidates did not know the date that the company must notify HMRC of the commencement of trade. A notable group while they knew to split the 18months into 2 separate 12 and 6 month periods proceeded to deal with them stating the 6month period first. A lot of marks were lost if candidates did not split the Accounting Period correctly.

Question 6

This was the most popular optional question answered by 68% of the candidates and was answered well by most. Candidates at this level must be able to do a straight forward Corporation Tax question and must know how to determine the CT rate and then take Marginal Relief where applicable. It was pleasing to see that virtually all candidates recognised the need to adjust the Upper limits because of the associated companies and did so.

Question 7

Multiple-choice is often not a popular question but candidates who know the syllabus well can often score very well on these questions and often can answer the question quickly by identifying the correct answer.