Candidate Number			

You must tick the box below if you have answered this Module.





## The Chartered Tax Adviser Examination

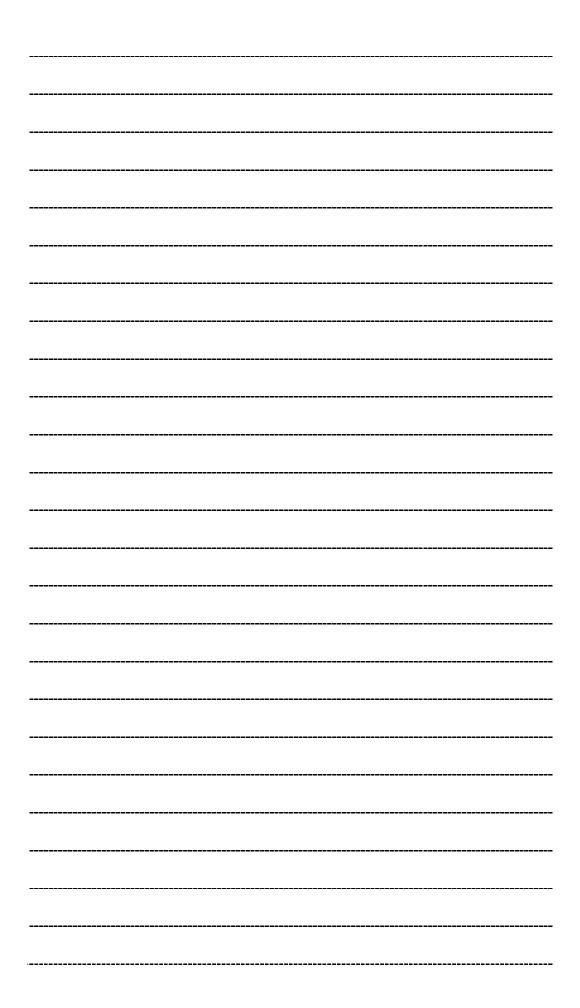
May 2009

## **AWARENESS**

## **MODULE C – CORPORATION TAX**

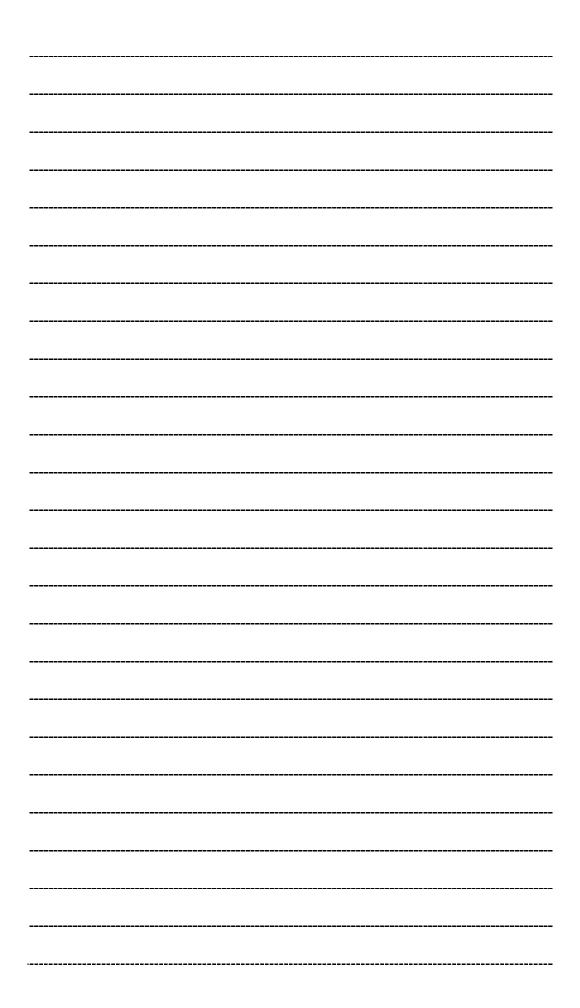
- You should only answer this module if you have not/do not intend to sit the Advanced Corporation Tax Advisory paper.
- Each question carries 5 marks.
- You should answer all the questions from the modules you choose.
- You should answer questions in brief bullet points and/or summary computations where appropriate.
- You must answer questions in the spaces provided.
- You may not need all the space provided.
- You should make all calculations to the nearest month and pound unless stated otherwise.

On 1 June 2008 Petott Ltd purchased 20% of the ordinary share capital of Jescan Ltd. Both Petott Ltd and Jescan Ltd are trading companies. Petott Ltd has recently received an offer from an unconnected company to purchase the entire 20% shareholding in Jescan Ltd. However, due to difficulties in raising the necessary finance, the board have been asked to consider a sale in stages over a number of years.
Outline the chargeable gains position of the proposed sale, indicating any relevant relief available and any effect that the proposed staggered sale may have on such relief. Your answer should clearly state the conditions for the identified relief.

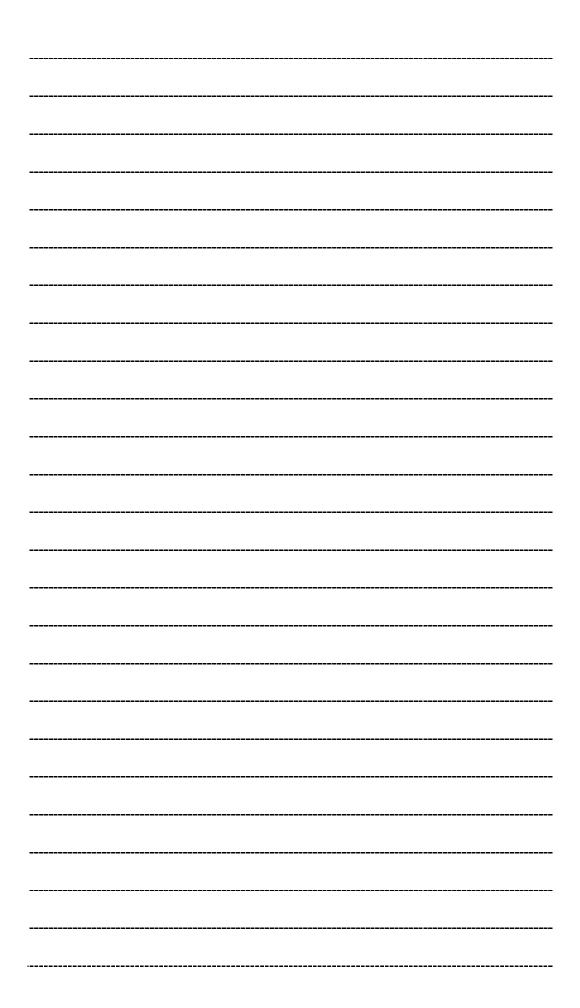


accounts to	ny died on 31 March 2 30 June 2008, althou	gh all previous re	eturns have been f	iled on time.
	P plc of the deadline d filing of the Corpor			
<b>-</b>				


they ma profits.	e of IB Ltd. IB Ltd was a y be able to claim som	ne allowances f	or the cost of po	urchase against
Outline for Corp	the manner in which e oration Tax purposes,	each element of clearly stating	f the purchase   any allowances	price will be tro available.
	·			



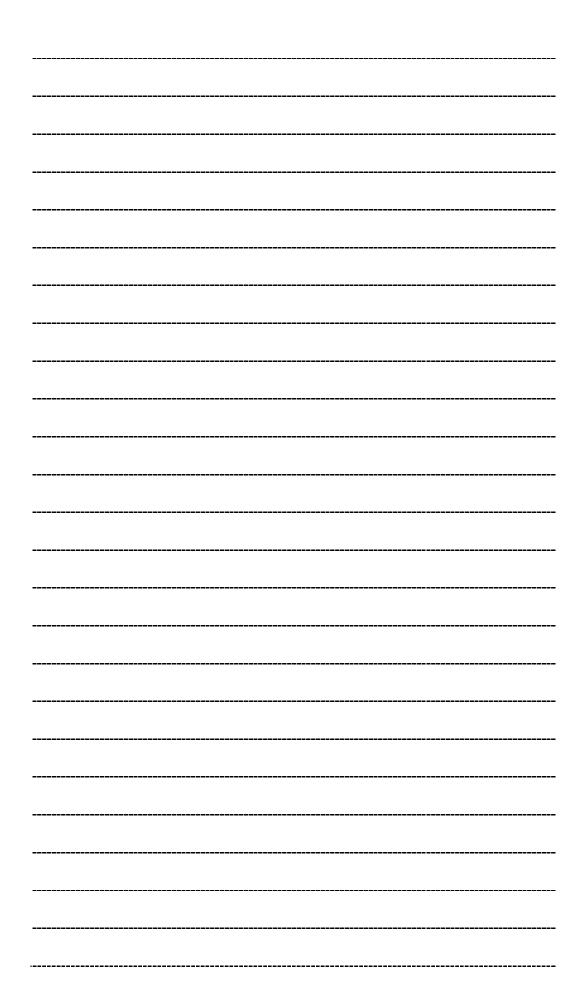
Explain the t	tax treatment of	of the divide	end in UK L	td. Ignore the	effect of
double tax tre				J	



5.	Alpha plc owns 80% of the ordinary share capital of Beta plc and 90% of the ordinary share capital of Ceta plc. All companies prepare accounts annually to 31 March. None
	of the companies paid or received any dividends. The results for the year ended 31 March 2009 are as follows:

	Alpha plc	Beta plc	Ceta plc
	£	£	£
UK Trading profit/(loss)	600,000	(100,000)	130,000
Property business profits	50,000	20,000	-
Interest receivable	-	40,000	10,000
Gift aid donations	-	-	(5,000)

Jiit aid donations -	-	(5,000)
Assuming the group wishes to claim losses in the total Corporation Tax liability for the year ended 31 chargeable to Corporation Tax for each of the commarch 2009.	March 2009, ca	lculate profits
		,
		:



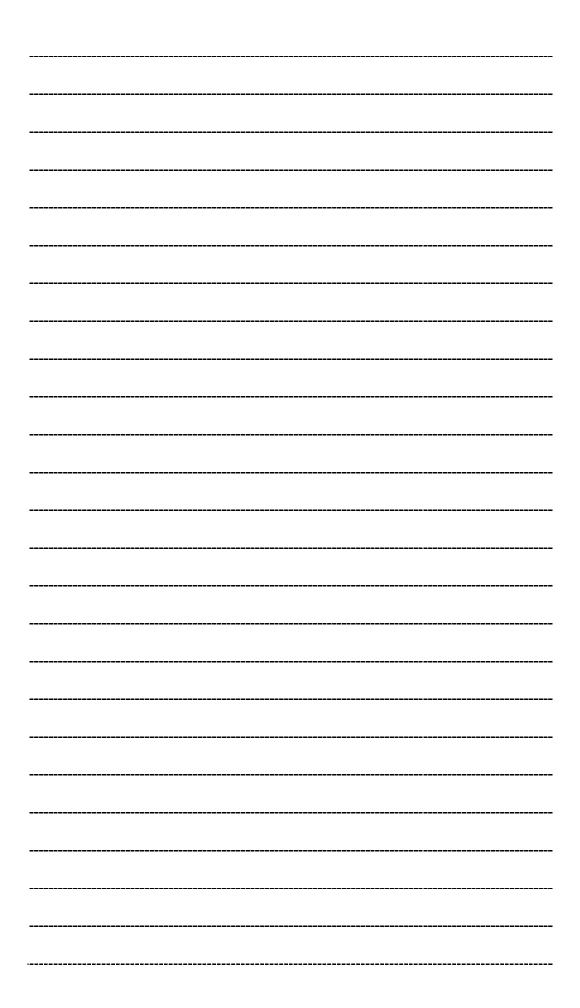
6.	Pumpkin Ltd has brought forward trading losses at 1 January 2009 of £200,000. Ghost Ltd intends to purchase the shares of Pumpkin Ltd within the next couple of months. The accountants for Pumpkin Ltd have included in their valuation of the business the potential Corporation Tax saving available from use of the unrelieved losses. Both Ghost Ltd and Pumpkin Ltd make up their accounts to 31 December each year.
	Advise Ghost Ltd as to whether the brought forward trading losses of Pumpkin Ltd may be used against the profits of Pumpkin Ltd or Ghost Ltd for the year to 31 December 2009.


7.	For many years X Ltd has owned 100% of the ordinary share capital of each of Y Ltd and Z Ltd. On 1 June 2009, X Ltd will sell the shares in Z Ltd to another unconnected company.
	Z Ltd owns the following assets, which were previously transferred to it from group members.
	A factory transferred from X Ltd on 1 December 2007 Fixed machinery transferred from Y Ltd on 1 June 2002
	Outline any capital gains implications arising as a result of Z Ltd leaving the group.


Calculate the	sums to be paid to each		e extent of an
relief availab	e to BB Ltd on the borrow	ings.	SAISIR OF UIT


9.	Sally was made redundant on 31 March 2008 and formed a company, SAL Ltd, through which she has contracted to provide services to her former employer.
	Sally accepts that the contract with her former employer falls within the provisions of the IR35 Personal Service Companies legislation and has provided you with the following information for the year ended 5 April 2009:
	Total invoiced for services Salary paid in the year (including employers' NIC) Travel expenses (including £2,000 for home to work travel) Employer pension contribution for Sally paid by SAL Ltd B,000 Dividends paid (net of tax credit)  Prepare the deemed employment income calculation for 2008/09.


The premises of Loopy Ltd were refurbished during the company's nine mon accounting period to 31 December 2008. The following assets were acquired:				
		£		
1 May 2008 1 Sept 2008	Ventilation system for building Computer equipment	50,000 30,000		
The tax written dov	wn value of the main pool at 1 April 2008 v	was £120,000.		
months to 31 Dec	ximum capital allowances available to ember 2008.	o Loopy Ltd for the hi		
		·		



11.	Sugar Ltd, a small trading company, and Tea Ltd, a large trading company, incurred
	research and development costs in the year to 31 March 2009, as follows:

Sugar Ltd	<u>Tea Ltd</u>
£	£
20,000	40,000
40,000	20,000
10,000	-
-	40,000
	£ 20,000 40,000 10,000

Both companies made losses in the year to 31 March 2009 of £200,000.

Both companies made losses in the year to 31 March 2009 of £200,000.			
Calculate the amount of relief available to each company for the research and development expenditure incurred.			


12.	The entire share capital of D Ltd is owned by Mr and Mrs Jenkins, and D Ltd has no associated companies. The income and expenditure of the company for the year to 31 March 2009 was as follows:			
		£		
	Dividends received an avested LIK investments (not of tax avails)			
	Dividends received on quoted UK investments (net of tax credit)	90,000		
	Bank/building society interest receivable	55,000		
	Loan stock interest receivable	80,000		
		22.222		
	Management expenses paid	30,000		
	Gift aid donations paid	5,000		
	Calculate the Corporation Tax payable for the year to 31 March	1 2009. 		
