

Institution **CIOT - ATT**  
Course **ATT Paper 4 Corporate Taxation**

Event **NA**

Exam Mode **OPEN LAPTOP + NETWORK**

Exam ID

Count (s)	Word (s)	Char (s)	Char (s) (WS)
Section 1	<b>698</b>	<b>3494</b>	<b>4354</b>
Section 2	<b>510</b>	<b>2473</b>	<b>2961</b>
Section 3	<b>483</b>	<b>2582</b>	<b>3275</b>
Section 4	<b>232</b>	<b>1084</b>	<b>1299</b>
Section 5	<b>427</b>	<b>1982</b>	<b>2397</b>
Section 6	<b>0</b>	<b>0</b>	<b>0</b>
Total	<b>2350</b>	<b>11615</b>	<b>14286</b>

Answer-to-Question- \_1\_

1)

Y/e 31 March 2025

CAs on P&M

	<b>AIA</b>	<b>FYA @100%</b>	<b>FYA @50%</b>	<b>General pool</b>	<b>Special rate pool</b>	<b>Total CAs</b>
	£	£	£	£	£	£
<b>TWDV b/f</b>				6,125,500	125,900	
<b>Additions:</b>						
New aircon system (a,b)	250,000		200,000			
New compute r equipme nt (c)		55,000				
<b>Disposals:</b>						
Old Comput er equipme nt (d)				(1,000)		
<b>AIA@ 100%</b>	(250,000)					250,000
<b>FYA@ 100%</b>		(55,000)				55,000
<b>FYA @50%</b>			(100,000)			100,000
<b>WDA @18%</b>				(1,102,410)		1,102,410
<b>WDA @6%</b>					(7,554)	7,554

Balance to SR pool					100,000	
<b>TWDV c/f</b>	Nil	Nil	Nil	5,022,090	218,346	
<b>CA claim</b>						1,514,964

Notes:

(a) As there is a combined AIA limit of £1 million for Scoulton Ltd and Bedlars Ltd, and £750,000 of this AIA has been allocated for Bedlars Ltd, Scoulton Ltd is only able to use the AIA of £250,000.

(b) The new aircon system being an integral fixture, is set against the maximum possible AIA (£250,000) as it would otherwise only qualify for 50% FYAs.

(c) The new computer system being new P&M qualifies for 100% FYAs.

(d) The old computer equipment is disposed from the TWDV b/f of the general pool.

### SBAs

SBAs on old office building until 31 January 2025 =  $3\% \times £1,325,000 \times 10/12 = £33,125$ .

No SBAs can be claimed for the replacement office building purchased in Dec 2024, as it was built in 2001. In order to be eligible for SBAs, the building needs to have been constructed after 29 Oct 2018.

Maximum CAs that can be claimed in the year ended 31 March 2025, therefore amount to  $£1,514,964 + £33,125 = \mathbf{£1,548,089}$ .

2)

Gross Sale proceeds (31 Jan 2025) = £2,500,000

Less:

Cost of acquisition (Feb 2015) = (£1,325,000)

Indexation allowance  $((278.1 - 256.7)/256.7) \times £1,325,000 = (£110,459.68)$

Indexed gain before relief = £1,064,540.32

Less: Rollover relief = (£989,540.32)

**Chargeable gain** = £75,000

Base cost of replacement asset:

Cost of replacement office building (Dec 2024) = £2,425,000

Less: Rollover relief = (£989,540.32)

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**Base cost of replacement building post roll over relief = £1,435,459.68**

Scoulton Ltd is eligible to claim rollover relief as the new office building is a qualifying asset, which was purchased by Scolution Ltd within one year before and three years after the disposal of a qualifying asset.

Scoluton Ltd must claim rollover relief before 31 March 2029.

3)

Profit before tax (accounting profit)for the y/e 31 Mar 2025= £4,200,000

**Add back disallowable expenditure:**

Depreciation =	£725,000
Entertaining (aside from staff entertaining)	£5,500
Interest on late payment of CT	£850
Loss on disposal of computer equipment	£1,000
Qualifying charitable donation	£500

**Less income not taxed as trading income**

Bank interest receivable	(£12,600)
Dividends received from White & Bedlars Ltd	(£12,500)

**Tax adjusted profit before CAs                      £4,907,750**

**Deduct: Capital allowances**

- on P&M	(£1,514,964)
- on structures & buildings (SBAs)	(£33,125)

**Trade profit    £3,359,661**

**Other income**

Non trading profits (loan relationships)	£12,600
Net chargeable gains	75,000

Less: Qualifying charitable donations                      (£500)

**Taxable Total Profits(TTP)                      £3,446,761**

4)

As Scoulton Ltd's augmented profits are >£250,000, the company would be subject to the higher CT rate of 25%.

**Corporation Tax Liability= 25% x £3,446,761 = £861,690.25**

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The augmented profits for the y/e 31 March 2025 are £3,459,261 (TTP + dividends received from White Ltd & Bedlars Ltd). As there are 2 companies in the 51% group (Scoulton Ltd and Bedlars Ltd), this would mean Scoulton Ltd falls within the limits for a large company which would normally be required to pay corporation tax in instalments i. e., when its augmented profits are between £1.5 million - £20 million.

However, as Scoulton Ltd's augmented profits for the year ended 31 March 2024 were £650,000 (less than the large company augmented profit lower limit of £750,000 for a group of 2 companies i.e., £1.5 million divided by 2), Scoulton Ltd would not have been required to pay corporation tax in instalments for the year ended 31 March 2024. This, along with the fact that the augmented profits for the year ended 31 March 2025 are < £10 million, mean that Scoulton Ltd will not need to pay corporation tax in instalments for the year ended 31 March 2025.

The corporation tax will be due in full on **1 January 2026** (9 months & 1 day after the end of the accounting period).

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-----ANSWER-1-ABOVE-----  
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-----ANSWER-2-BELOW-----  
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Answer-to-Question- 2

1)

As per CTA 2009 s.9,, an accounting period would begin on the earliest of:

- the commencement of trading by Plantagenet Ltd
- the acquisition of a source of income
- immediately after the end of the previous accounting period.

As per CTA 2009 s.10, an accounting period ends on the earliest of:

- the cessation or commencement of trading
- the company becoming dormant i.e. having no source of income
- the end of the company's period of account.

As Plantagenet Ltd was only set up on 1 May 2023, and first acquired its source of income through the opening of a bank account on 1 July 2023 - this would be the earliest date the company's first accounting period starts.

This first accounting period would end the day before Plantagenet Ltd started to trade (i.e. 31 Jan 2024), with the second accounting period starting when it commences trading on 1 Feb 2024.

The second accounting period would end when the company's period of account ends on 31 Dec 2024.

Thus, **the first two chargeable accounting periods for Plantagenet Ltd are:**

**(i) 1 July 2023 - 31 January 2024**

**(ii) 1 February 2024 - 31 December 2024**

As the first set of accounts are for the period to 31 December 2024, the corporation tax returns for the two accounting periods are together due on **31 December 2025 (12 months after the end of the period of account).**

3)

Plantagenet Ltd would be subject to Class 1A NICs for benefits in kind being provided to employees, including private medical insurance, company car and fuel.

4)

A written engagement letter is recommended for the advice to Porter Ltd as an engagement letter issued right at the outset would help manage Porter Ltd's expectations,

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and clearly set out the basis upon which fees are charged as well as the scope and nature of any assignment that Tudor LLP takes on, on Porter Ltd's behalf.

Porter Ltd's agreement to the engagement letter would provide significant protection to Tudor LLP, and is likely to be an important document in any dispute.

It is not compulsory for an engagement letter to be issued by Tudor LLP, but the Foreword to Engagement Letters for Tax Practitioners strongly recommends it.

5)

The contract between Pyle Ltd and Plantagenet Ltd is likely to be caught by the off payroll working rules mainly because:

(i) Joanna (the sole shareholder and director of Pyle Ltd) would personally perform services for Plantagenet Ltd.

(ii) the services would not be provided under a contract directly between Plantagenet Ltd and Joanna, but instead are to be provided under arrangements involving an intermediary i.e., Joanna's personal service company Pyle Ltd.

(iii) the circumstances are such that if the services had been provided under a contract directly between Plantagenet Ltd and Joanna, then Joanna would have been regarded for tax purposes as being an employee of Plantagenet Ltd - especially since Joanna will only perform work for Plantagenet Ltd for the length of the contract and will need to be at Plantagenet's office everyday.

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-----ANSWER-2-ABOVE-----  
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-----ANSWER-3-BELOW-----  
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Answer-to-Question- 3

1)

Zenon Industries Ltd y/e 31 March 2025

Taxable trading profits	£8,900,000
Chargeable gain	£2,850,000

Total profits	£11,750,000
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Trading losses b/fwd - s.45A(6) CTA 2010 (£8,375,000)  
(restricted to deductions allowance of £5,000,000 + 50% x (£11,750,000 - £5,000,000))

Capital losses (streamed losses) b/fwd NIL  
(restricted to offset chargeable gains only but as the deductions allowance is fully used up in offsetting trading profits as requested by Marie, no b/fwd capital losses can be used to offset chargeable gains)

<b>Total taxable profits</b>	<b>£3,375,000</b>
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Loss Memo for y/e 31 March 2025

Trading losses b/fwd	£12,000,000
s.45A (6) CTA 2010 relief	(£8,375,000)

<b>Trading losses c/fwd</b>	<b>£3,625,000</b>
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Capital losses b/fwd	£3,600,000
Capital loss relief	NIL

<b>Capital losses c/fwd</b>	<b>£3,600,000</b>
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2)

When preparing and submitting the tax return, the tax technician would need to make sure that the £300,000 deduction included in the return does not constitute tax avoidance. Due care and diligence would need to be used to confirm the validity and lawfulness of the £300,000 deduction - to make sure that this indeed constitutes tax planning rather than avoidance.

The 5 Standards for Tax Planning developed by the PCRT bodies would need to be



followed.

(i). Client specific tax planning specific to Zenon Industries' circumstances. The tax technician would need to alert Zenon and Marie to the wider risks and implications of any course of action.

(ii). Lawfulness - The tax technician would need to act lawfully with integrity. Tax planning should be based on a realistic assessment of the facts and on a credible view of the law. If the law is materially uncertain, Zenon/Marie would need to be informed.

(iii). Disclosure & transparency - All relevant facts regarding the £300,000 deduction. must be considered and disclosed on the tax return.

(iv). Advising on tax planning arrangements - The technician must ensure that shortcomings within the relevant legislation are not being exploited by the "specialist tax advice firm" to arrive at highly artificial or contrived tax planning arrangements.

(v). Professional judgement & appropriate documentation - The tax technician would need to exercise appropriate judgement and keep notes on a timely basis regarding the rationale for the judgements exercised.

3)

Y/e 31 March 2026: sale of shareholding in StonyGreen Ltd:

Matching rules for sale of shares dictate which shares are preferentially sold:

(i) Purchased on Same day: none available

(ii) Purchased within 9 days prior: 10,000 shares at £200,000 (£20 per share)

(iii) Section 104 pool for 65,000 shares

		Shares (no.)	Value (£)
<u>Section 104 pool:</u>			
Cost (1 Sep 2019)		100,000	200,000
Cost (30 Sep 2021 - Rights issue)		5,000	30,000
<b>Total cost of Section 104 pool</b>		<b>105,000</b>	<b>230,000</b>
Pooled Cost of 65,000 Section 104 pool shares	$(65,000/105,000) \times £230,000$	65,000	142,380.95

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Sale proceeds (22 Apr 2025) (75,000 shares) = £1,875,000

Less:

Cost (15 Apr 2025) ( 10,000 shares) = (£200,000)

Cost (Section 104 pool) (65,000 shares) = (142,380.95)

**Gain on the sale of shares = 1,532,619.05**

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-----ANSWER-3-ABOVE-----  
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-----ANSWER-4-BELOW-----  
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Answer-to-Question- \_4\_

To: Amol  
From: Taxation Technician  
Date: 29 April 2025  
Subject: Polygon Ltd Group of Companies

Dear Amol,

Thank you for your email.

I have addressed your queries regarding sales and acquisitions in the Polygon Ltd Group of Companies below:

- 1)  
Triangle Ltd will not be able to use its brought forward losses against its own future profits once acquired by Big Corp Ltd, if in a period of five years beginning not more than three years before the change of ownership from Polygon Group Ltd to Big Corp Ltd, there is a major change in the nature or conduct of Triangle Ltd's trade. A 'major change' includes a change in:
- property dealt in
  - services provided
  - facilities provided
  - customers
  - outlets
  - markets

If under Big Corp Ltd's ownership, changes to keep pace with new technology, adoption of new management techniques, improvements in the efficiency of the company and/or rationalisation alone are made, then Triangle Ltd will continue to be able to use its brought forward losses against its own future profits.

- 2)  
The losses incurred by Parallel Ltd can be used for group relief only up to the point where the arrangements for the sale of the company were completed. In your case, this is likely to be until the Heads of Terms were agreed, which would be earlier than the date of sale i. e. 22 April 2025.
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-----ANSWER-4-ABOVE-----  
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-----ANSWER-5-BELOW-----  
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Answer-to-Question- \_5\_

2)

XYZ GmbH is incorporated and registered in Pinkland, and does not trade in or own land in the UK. However, XYZ GmbH will be considered to be UK resident if it is centrally managed and controlled in the UK.

In establishing whether XYZ GmbH is centrally managed and controlled in the UK, HMRC will:

- (i) try to ascertain whether the directors of XYZ GmbH including those of Broadloom Ltd actually exercise central management and control
- (ii) ascertain where any such central management and control by the directors is exercised
- (iii) ascertain who exercises management and control, if not the directors.

If central management and control of XYZ GmbH have been exercised in the UK, by the directors of Broadloom Ltd along with Tomas (director of XYZ GmbH), then XYZ GmbH would be UK resident. Tomas has to consider the above main issues in determining whether XYZ GmbH would be UK resident, and therefore liable to UK corporation tax.

The relief (unilateral relief) from tax in both UK and Pinkland would be:

the lower of the UK corporation tax due on a given source of income, and the corporation tax suffered in Pinkland for the same source of income.

3)

If deemed to be in the charge to UK tax, XYZ GmbH needs to have given written notice to HMRC of its chargeability to UK corporation tax, within three months of the start of its first accounting period when it became UK resident. If HMRC did not issue a CT603 to XYZ GmbH (which might very well be the case as Broadloom bought shares in XYZ on 1 January 2023), then a notification of chargeability must have been made by XYZ GmbH to HMRC within 12 months of the end of the accounting period when XYZ GmbH became UK resident for tax purposes.

If required notification was not given, a penalty may be payable but this will be based on the behaviour of XYZ GmbH and would be a percentage of the 'potential lost revenue' i.

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e., the amount of UK corporation tax which is unpaid 12 months after the end of the accounting period as a result of the failure to notify.

If Tomas discloses his knowledge of XYZ GmbH's chargeability to UK corporation tax to HMRC unprompted (i.e., without HMRC prompting him to do so), and provides HMRC reasonable help in calculating the unpaid tax, as well as allows HMRC access to relevant records, then a maximum penalty of 30% of the 'potential lost revenue' can be expected owing to careless behaviour on Tomas/XYZ GmbH's part.

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-----ANSWER-5-ABOVE-----  
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-----ANSWER-6-BELOW-----  
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Answer-to-Question- \_6\_