

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	446	2336	2677
Section 2	1038	4911	5911
Section 3	327	1763	2019
Section 4	1072	5189	6211
Section 5	446	2224	2617
Section 6	0	0	0
Total	3329	16423	19435

Answer-to-Question- _1_

Scoulton 100% Bedlars 10% White

YE 31 Mar 2025

1)

Capital allowances, Scoulton Ltd YE 31 March 2025

	FYA 50%	AIA 100%	Main pool	Special rate pool	CA claim
Tax WDA b/f			6,125,500	125,900	
ADDITIONS					
Air conditioning equipment	200,000	250,000			
Computer equipment			55,000		
DISPOSALS					
Computer equipment			(42,000)		
	200,000	250,000	6,138,500	125,900	
FYA 50%	(100,000)				100,000
AIA 100%		(250,000)			250,000
WDA 18%			(1,104,930)		1,104,930
WDA 6%				(7,554)	7,554
TFR to SRP	(100,000)			100,000	
Tax WDA c/f	NIL	NIL	5,033,570	218,346	
CA claim					1,462,484

No SBAs as both buildings constructed prior to 29 October 2018.

2)

Chargeable gain on office building and rollover relief on purchase of new building

Gross proceeds			2,500,000
Less original cost			(1,325,000)
Less indexation allowance	$(278.1 - 256.7)/256.7 = 0.083 \times 1,325,000$		(109,975)
Indexed gain			1,065,025
Less rollover relief	Balancing figure		(990,025)
Gain	2,500,000 - 2,425,000		75,000
Base cost of replacement asset			
Cost			2,425,000
Less rollover relief			(990,025)
Revised base cost			1,434,975

3)

Scoulton Ltd TTP YE 31 March 2025

Profit before tax per accounts			4,200,000
ADD			
Disallowable Expenditure			
Depreciation			725,000
Entertaining	6,500 - 1,000	N1	5,500
Loss on disposal of computer equipment			1,000
Interest on late payment of corporation tax		N2	
Qualifying charitable donation			500
LESS income not taxed as trading			

income			
Bank interest			(12,600)
Dividends (White)		N3	(5,000)
Dividends (Bedlars)		N3	(7,500)
Tax adjusted profit before capital allowances			4,905,900
LESS capital allowances			(1,462,484)
TRADE PROFIT			3,443,416
TTP Computation:			
TRADE PROFIT			3,443,416
OTHER INCOME			
Bank interest			12,600
Less qualifying charitable donation			(500)
TAXABLE TOTAL PROFITS			3,455,516

N1 - staff entertaining is an allowable cost so does not need to be added back

N2 - interest on late payment of corporation tax is an allowable cost

N3 - dividend income is exempt

4)

Scoulton Ltd Corporation Tax Computation YE 31 March 2025

TAXABLE TOTAL PROFITS			3,455,516
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CT @ 25%	25% x 3,455,516		863,879

As Scoulton owns 100% of Bedlars and 10% of White there is one associated company (as there is common control over Bedlars but not over White).

Therefore the threshold to be a large company, £1,500,000 is divided by the number of associates (plus the company itself) which in this case is two. The adjusted threshold for being a large company is therefore £750,000.

Therefore for the year-ended 31 March 2025 Scoulton Ltd is a large company.

As the augmented profits for the previous period, YE 31 March 2024, were less than the £750,000 threshold this is the first year that Scoulton Ltd is large. It can therefore claim a period of grace so does not need to pay in instalments.

Therefore the payment is due 9 months and 1 day from the end of the period, which is 1 January 2026

 -----ANSWER-1-ABOVE-----

-----ANSWER-2-BELOW-----

Answer-to-Question- 2

1)

An accounting period is the period for which Plantagenet Ltd will pay corporation tax. It can be fewer than 12 months, but can not be more than 12 months.

For the period 1 May 2023 to 30 June 2023 (two months) there will be no chargeable accounting period for Plantagenet Ltd as there is no income nor has trade commenced.

For the period 1 July 2023 to 31 January 2024 (seven months) there will be a chargeable accounting period, starting 1 July 2023 and ending 31 January 2024 as Plantagenet Ltd acquired a source of income (bank interest) by opening a bank account.

For the period 1 February 2024 to 31 December 2024 (11 months) there will be a chargeable accounting period, starting 1 February 2024 and ending 31 December 2024 as Plantagenet Ltd commenced trade on 1 February 2024. It ends on 31 December 2024 as this is the end of Plantagenet Ltd's first period of account.

The submission deadline is based on the period of account, not the accounting periods. As the period of account ends on 31 December 2024 then Plantagenet Ltd has 12 months to file a Corporation Tax return, the deadline being 31 December 2025.

2)

The cash accounting scheme for VAT allows a company to dispense with the tax point rules for VAT (which would determine the VAT period a given sale or purchase falls into). This would mean VAT is accounted for when money is received and when it is paid.

The cash accounting scheme provides automatic relief for bad debt, as if no money is received from a customer then the output tax is never paid over to HMRC.

To use the cash accounting scheme, there must be reasonable grounds to believe that the value of taxable supplies provided will not exceed £1,350,000 in the next 12 months. Additionally, all VAT returns must be submitted on time, there are no VAT penalties or VAT offences in the last 12 months.

Plantagenet should be eligible to use the cash accounting scheme. Turnover (being the

same as taxable turnover as all of Plantagenet's supplies are standard-rated for VAT) was expected to be in excess of £100,000 though this is much less than the threshold of £1,350,000.

It is not required to apply to HMRC to use the scheme or to notify them.

Additionally, Plantagenet Ltd has submitted all of its VAT returns on time so it can be assumed there are no VAT penalty points or VAT offences on record.

It would be beneficial for Plantagenet Ltd to register for the cash accounting scheme for VAT. Currently, they have 30-day payment terms for customers but most suppliers demand payment on delivery. With the cash accounting scheme, Plantagenet will be able to recoup the input VAT on payments to suppliers when they pay.

Additionally, Plantagenet Ltd has some customers who do not pay. Being part of the cash accounting scheme would mean that the output tax on the invoices is not paid over to the client so does not need to pay money it has not received.

It is possible to leave the cash accounting scheme. It is required where turnover exceeds £1,600,000 in the 12 months to the end of a return period.

Otherwise, if Plantagenet Ltd feels it is no longer beneficial then it may leave the scheme voluntarily or it may be expelled by HMRC where HMRC feel it is necessary for the protection of revenue.

Provided there is no expulsion by HMRC, once the cash accounting scheme has been left there is a grace period of 6 months to bring outstanding VAT into account,

3)

There are no national insurance implications for reimbursing fuel at HMRC approved rates.

There may be national insurance implications for providing private medical and company cars to employees.

For private medical, the value of the benefit will be the cost to Plantagenet Ltd of providing it less any amounts contributed by the receiving employee. The remaining amount (the taxable benefit) is then liable to Class 1A National Insurance.

For company cars, the taxable benefit is generally the list price (which is not necessarily the same as the price paid) less any amounts for private use paid to Plantagenet by the employee who has use of the vehicle.

The taxable benefit is then determined based on the type of fuel (compliant diesel, non-compliant diesel, petrol, hybrid, zero-emissions) and on that value Plantagenet must pay Class 1A National Insurance.

Plantagenet Ltd can either payroll the benefits or prepare form P11Ds for each employee. In either case, at the end of a given tax year it can produce form P11D(b) which will indicate the amount of Class 1A National Insurance to pay, which is due by 19 July (if paying by cheque) or otherwise 22 July (if otherwise paying electronically) after the end of a given tax year.

4)

A letter of engagement is recommended as it sets out the legal relationship between a professional firm and a potential client.

It sets out the scope of work, who is responsible for the work, the responsibilities of the client, any limitation of liability, fees, and instructions.

As it is Porter Ltd, which is not under Elsie's control, which requires the advice then it is Porter Ltd who should have a letter of engagement with the tax advisor.

Responding to Elsie when she is not the client may be a breach of confidentiality.

5)

Plantagenet signed contract with Pyle for consultancy
Completed by sole shareholder and director of Pyle - Joanna
Joanna only perform work for Plantagenet
Will need to be at Plantagenet office for length of contract (every day)

Off-payroll rules apply where the worker owns more than 5% of shares in the intermediary company. Joanna is the sole shareholder of Pyle Ltd therefore she owns more than 5% of the share capital, the total ownership being 100%.

For the duration of the contract, Joanna will not be able to work for any other entity and must work at the offices of Plantagenet Ltd every day.

If Pyle Ltd did not exist, Joanna would likely be considered an employee of Plantagenet Ltd as she cannot work elsewhere and must work at the place of business of Plantagenet.

-----ANSWER-2-ABOVE-----

 -----ANSWER-3-BELOW-----

Answer-to-Question- 3

YE 31 March

Max relief to be taken against trading profit

Includes deduction for £300,000 specialist tax advice re tax planning arrangement

1)

Corporation tax computation, Zenon Industries Ltd, YE 31 March 2025

TRADING INCOME			
Taxable trade profits			8,900,000
OTHER INCOME			
Chargeable gain			2,850,000
Less capital losses	N1		(2,850,000)
Total profits			8,900,000
Less trade losses brought-forward	8,375,000 - 2,750,000		(5,525,000)
TAXABLE TOTAL PROFITS			3,375,000

N1 - relief for losses on chargeable gains is automatic for brought-forward losses for previous periods, but subject to restriction so less trade loss can be utilised

Deductions allowance / restriction on losses

C/f unrelieved losses	12,000,000 + 3,600,000		15,600,000
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Deductions allowance plus 50% x (unrelieved profits - deductions allowance)	$5,000,000 + 50\% \times (8,900,000 + 2,850,000 - 5,000,000)$		8,375,000
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Therefore the lower figure is the maximum of brought-forward losses that can be used, which is £8,375,000

Loss memo - capital losses

B/f			3,600,000
Losses arising in period			NIL
B/f losses utilised in period			(2,850,000)
C/f			750,000

There are £750,000 of capital losses to carry forward to the year-ending 31 March 2026.

Loss memo - trading losses

B/f			12,000,000
Losses arising in period			NIL
B/f losses utilised in period			(5,525,000)
C/f			6,475,000

There are £6,475,000 of trade losses to carry forward to the year-ending 31 March 2026.

2)

3)

Computation - sale of Shares in StonyGreen Ltd

Gross proceeds			1,875,000
Less cost (share matching)	N1	20 x 10,000	(200,000)
Less cost (share pool)	W1		(142,381)
Gain			1,532,619

N1 - the shares acquired 15 April 2025 were fewer than 9 days prior to the disposal of shares on 22 April 2025

Computation - share pool

W1		Shares	£
September 2019 Purchase		100,000	200,000
September 2021 Rights issue	100,000 / 20 5,000 x 6	5,000	30,000
		105,000	230,000
Less disposal	65,000/1055,000 x 230,000	(65,000)	(142,381)

There is no indexation allowance as no shares acquired prior to 31 December 2017.

Does not qualify for substantial shareholding exemption as shareholding did not exceed 2% at any point

 -----ANSWER-3-ABOVE-----

-----ANSWER-4-BELOW-----

Answer-to-Question- _4_

To: amol@polygongroup.com
From: taxtechnician@email.com
Subject: Corporation Tax & Company Sales and Acquisitions
Date: 29 April 2025

Dear Amol,

I hope you are well. Thank you for getting in touch regarding your queries on various company sales. I have outlined my responses below for your kind review.

Sale of Triangle Ltd to Big Corp Ltd

As you can appreciate, the sale of Triangle Ltd to Big Corp Ltd represents a change in ownership for Triangle Ltd.

On this basis, it will not be possible for Triangle Ltd to use any losses brought-forward from the period before Big Corp Ltd owned it due to anti-avoidance provisions, so Big Corp Ltd are correct.

In this case, the change in ownership has occurred because Triangle Ltd will be removed from one group (with Polygon Group) and put into another group with Big Corp Ltd.

Because of this any brought-forward losses arising before the change in ownership can never be used against trade profits arising in periods after the change in ownership.

Additionally, it is not possible to carry-back losses which may arise after the change in ownership to periods prior to the change in ownership. There is no time limit - it is never possible to do this.

Please note that as Triangle Ltd is in the same sector as Big Corp Ltd, the sale would not represent a major change in nature or conduct of trade.

Sale of Parallel Ltd to Mega Group Ltd

It is not possible to group relieve losses arising in Parallel Ltd to an eligible company in the Polygon Group for the entirety of the year to 31 May 2025.

Group relief is only available until a company leaves the group. In this case, Parallel Ltd left Polygon Group's group when it was sold on 22 April 2025 to Mega Group Ltd.

This would typically also be the date the company can group relieve up to, however as negotiation of heads of terms and shareholder approval was required this can change the date arrangements for sale come into force.

Where heads of terms are required, the date this is formally issued will usually constitute the date arrangements for sale come into force. As the sale required shareholder approval, however, it is actually the date this is given that will constitute the date arrangements for sale come into force.

The maximum amount that can be group relieved is the lower of the loss or profit arising until arrangements for sale are made.

Purchase of shares in Brown-Goods Ltd and the Substantial Shareholding Exemption

From your comments, it sounds as if you are asking if Yellow Group Ltd will utilise the Substantial Shareholding Exemption. Please note that this exemption is not optional, and if it applies it will be mandatory so Yellow Group cannot elect not to use it.

Where a company (Yellow Group Ltd) disposes of shares in a company (Brown-Goods Ltd) out of a substantial shareholding, any gain arising is exempt and any capital loss arising is not allowable.

A substantial shareholding is where at least 10% of the ordinary share capital has been held by the company (Yellow Group Ltd) for a continuous 12 month period beginning no more than 6 years prior to the disposal. This is the main requirement to be eligible for the exemption.

Another requirement is that Yellow Group Ltd must have been beneficially entitled to at least 10% of both the profits available for distribution and the assets available for distribution on any potential winding up of Brown-Goods Ltd. Brown-Goods Ltd must also be a trading company

Purchase of shares in Brown-Goods Ltd and Use of Losses

While not all of Cube Ltd's losses arising in the year-ending 31 May 2026 can be group relieved against profits arising for the period-ending 31 May 2026 for Brown-Goods Ltd as it was only a member of the Polygon Group for 11 out of 12 months, in this case as per Appendix 1 below it is possible to group relieve all profits as the time-apportionment is still higher (being $2,000,000 \times 11/12 = 1,833,333$) than the £300,000 profit arising for Brown-Good7

Not all of Brown-Good Ltd's profit can be group relieved as part of it (one month) arises prior to the change in ownership.

The maximum amount that can be group relieved is the lower of the profit or loss after the change in ownership. As per Appendix 2 this is £275,000.

Therefore, as per Appendix 1 the taxable total profits forecasted for 31 May 2026 are £25,000.

APPENDIX 1			
Trade profit			300,000
Group relief			(275,000)
Forecasted Taxable Total Profits			25,000

APPENDIX 2			
Brown-Goods Ltd profit arising x 11/12		300,000 x 11/12	275,000
Cube Ltd loss arising x 11/12		2,000,000 x 11/12	1,833,333

Group Administration and Payment Arrangements for Corporation Tax

Once the Polygon Group are required to pay tax in instalments, it may be possible to use group payment arrangements to simplify administrative burden and to reduce any interest on any underpayments.

Where one or more companies form a 51% group (being a parent which owns at least 51% of one or more subsidiaries) where one or more companies are required to pay by instalments they can nominate one of those companies to deal with the instalment payments for the entire group.

To do this, a group payment arrangement document should be sent to HMRC at least one month before the first instalment is due by any group member. The document must state the start and end dates of the first period to which the arrangements are to apply (and henceforth apply automatically).

All participating companies must draw up accounts to the same date (if following The Polygon Group then this is to 31 May) except for newly acquired or newly formed companies joining the group during the period.

Please note that this only applies to payments. All group members must still submit individual Corporation Tax returns to HMRC. HMRC will notify the nominated company after the last tax return is received as to whether there is an overpayment or underpayment. This calculation is final, conclusive, and binding on the nominated company.

Once the notice has been received, the nominated company has 30 days to specify to HMRC how payments are made under the agreement will be apportioned amongst participating companies. If it fails to do this, HMRC will complete the apportionment.

Please let me know if there are any further queries.

Kind regards,
Tax Technician

-----ANSWER-4-ABOVE-----

-----ANSWER-5-BELOW-----

Answer-to-Question- 5

1)

Broadloom Ltd			
Corporation Tax Computation for the Accounting Period to 31 January 2025			£
OTHER INCOME			
Non-trading loan relationship profits	W3		33,300
Rental income (UK)			1,450,750
Rental income (overseas)	N2 / W2		NIL
Dividend income	N1		NIL
Less management expenses			(253,200)
TOTAL PROFITS			1,223,850
Less excess management expenses brought-forward			(1,227,350)
Less qualifying charitable donations			(3,500)
TAXABLE TOTAL PROFITS			NIL

N1 - dividend income is exempt.

N2 - as per W2, the overseas rental income overall is a loss. This cannot be used against other income in the current year and cannot be carried back against any income (including historic overseas property income) so will be carried forward to be used against future overseas rental income.

N3 - the payment relating to the year-ending 31 January 2026 cannot be used against rental income (UK) arising in 31 January 2025.

N4 - only 75% of the cost of the rent paid is an allowable management expense as 25%

relates to non-business use.

N5 - loan interest to purchase property is not a mangement expense but is relieved as a non-trade loan relaionship.

N6 - the commission relates to handling of shares which is not related to the trade.

N7 - the release of debt is an expense for the creditor; as it is not related to the trade then it is relieved through non-trade loan relationship however as the companies are connected there is no expense recognised.

W1 - UK Rental income (management expenses)

Agent fees			250,000
Less payment not relevant for accruals basis	N3		(146,800)
Rent paid	N4	75% x 200,000	150,000
			253,200

W2 - Overseas rental income

Whiteland			91,000
Blueland			(110,000)
Loss arising			(19,000)

W3 - Non-trading loan relationship profits

Bank interest			90,800
Interest on loan to purchase property		N5	(40,500)
Commission to stockbroker		N6	(17,000)
Release of loan		N7	NIL
			33,300

Excess management expenses carried forward is £2,472,650

Overseas rental losses carried forward is £19,000

2)

Tomas has to consider the following: a company is resident in the UK if it is incorporated in the UK or if central management and control is located in the UK.

It is the latter which may affect XYZ GmbH's liability to UK corporation tax. Central management and control is determined as to where the highest level of strategic control exists.

If this is Pinkland, then it is not likely that XYZ GmbH is UK-resident for UK-tax purposes. If this is the UK due to the help provided by Broadloom Ltd's director's then it may be the case that XYZ GmbH is UK-resident for UK-tax purposes.

If Pinkland is liable to UK tax, then tax suffered on the same income in Pinkland may be eligible for double-taxation relief.

-----ANSWER-5-ABOVE-----

-----ANSWER-6-BELOW-----

Answer-to-Question- _6_