

THE ASSOCIATION OF TAXATION TECHNICIANS

ATT PAPER 4 CORPORATE TAXATION

November 2025

TIME ALLOWED

3 HOURS 30 MINUTES

- All workings should be shown and made to the nearest month and pound unless the question specifies otherwise.
- A maximum of two marks will be awarded for the quality of presentation of the answers.
- You must type your answer in the space on the screen as indicated by the Exam4 guidance.

1. Orchard Ltd acquired the business of Field Ltd on 20 June 2025, including the goodwill, patents and plant & machinery owned by Field Ltd. Field Ltd is an unconnected company.

The goodwill was acquired for £50,000 and the patents for £5,000. The patents are used in Orchard Ltd's trade and are amortised in the company's accounts on a straight line basis over eight years. The goodwill is amortised in the accounts over five years.

Orchard Ltd made one of its employees redundant as part of the acquisition of the new business. Jamila received an annual salary of £90,000 which was paid monthly. Jamila was entitled to three months' notice but Orchard Ltd terminated her contract immediately. She was paid the following on 1 September 2025:

	£
Non-contractual termination payment	120,000
Contribution to a registered pension scheme	12,000
Restrictive covenant	7,500
Total	<u>139,500</u>

Orchard Ltd has identified some outstanding debts from customers, the first one is from Blossom Ltd. An amount of £1,200 plus VAT was invoiced to Blossom Ltd on 3 February 2025 for goods that they received on 31 January 2025. The second outstanding invoice is with Pear Ltd and is £3,300 plus VAT and this was invoiced to Pear Ltd on 29 August 2025 and these goods were received on 26 August 2025. Both debts were written off in the accounts of Orchard Ltd in accordance with the company's bad debt policy on 31 October 2025. Orchard Ltd has submitted all VAT returns up to and including the quarter ended 30 September 2025. Orchard Ltd's payment terms are 30 days from invoice.

Requirements:

- 1) Explain what tax relief is available to Orchard Ltd on the acquisition of the goodwill, patents and plant & machinery from Field Ltd. (8)
- 2) Explain the treatment of the redundancy package provided to Jamila for Income Tax, Corporation Tax and National Insurance purposes for Jamila and Orchard Ltd. (9)
- 3) Explain whether bad debt relief is available to Orchard Ltd for the VAT on the debts that have been written off. (5)
- Total (22)

2. Wendal Ltd is a trading company. Wendal Ltd is owned as follows:

Seeley	14%
Angela (Seeley's sister)	14%
Jack (Angela's husband)	11%
Camile (Seeley's business partner)	11%
Zack (Seeley and Angela's cousin)	10%
Eight other individuals each owning 5%	40%

Wendal Ltd has no associated companies. Seeley and Angela are the only directors of the company.

Wendal Ltd makes up its accounts to 31 December. In the year to 31 December 2024 Wendal Ltd had an accounting profit of £1,125,000.

The following items have been included in arriving at the accounting profit for Wendal Ltd, and no adjustment made for tax purposes:

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Continuation

<u>Income</u>	£
Bank interest receivable on deposit account	750
Interest on overpaid Corporation Tax	275
<u>Expenditure</u>	
Depreciation	725,000
Interest payable on loan from Camile (interest to be paid 5 April 2026)	25,000
Legal fees for the renewal of a lease for 25 years	2,500
Entertaining (£2,000 relates to staff entertaining)	8,500
Gifts to customers: 500 pens (with company logo)	750
100 Christmas food hampers (with company logo)	3,000
New lease of car with emissions of 85g/km	4,500
Qualifying charitable donation	200

Wendal Ltd purchased the following assets during the year ended 31 December 2024:

	£
Solar panels	800,000
New manufacturing equipment	250,000
Car – emissions 120g/km	45,000

At 1 January 2024 the pool balances were:

	£
General pool	2,525,000
Special rate pool	25,500

On 30 June 2024 Wendal Ltd made a loan of £50,000 to Seeley. Seeley paid £15,000 back to the company on 30 April 2025 and £35,000 back to the company on 31 October 2025. Wendal Ltd's augmented profits for the year ended 31 December 2023 were £545,000.

Requirements:

- 1) Calculate the maximum capital allowances that can be claimed by Wendal Ltd in the year ended 31 December 2024. Clearly show the type of allowances given for the solar panels and the manufacturing equipment.** (4)
- 2) Explain whether Wendal Ltd is a close company.** (4)
- 3) Calculate Wendal Ltd's taxable total profits for the year ended 31 December 2024. Show your treatment of each item.** (9)
- 4) Calculate, with supporting explanations, the Corporation Tax payable by Wendal Ltd for the year ended 31 December 2024.** (5)

Total (22)

3. Your client, Leopard Ltd provides warehousing and transport services to one of the discount retailers. It has a number of individual shareholders. Leopard Ltd has a 30 September year end.

You have received the following query from Denise who is the Chief Executive Officer at Leopard Ltd.

"I wonder if you can assist me with some advice for two of our shareholders, who are both going to sell their shares in Leopard Ltd in the near future.

Firstly Mark. He is currently an employee, but I don't yet know when he started at the company (or really any other details). Then there is Chris who is also selling. I do have more information about her. She is currently an employee of the company, and I know has been for at least 10 years. She has held her shares for at least six years buying them at a cost of £60,000. Chris' shareholding amounts to 3% of the ordinary share capital but I understand that prior to a new issue of shares for cash made in December 2023, her holding of shares was 6% of the ordinary share capital. In December 2023 the value of all of the shares in issue (had they been sold just prior to the share issue) would have been £1,365,000. The share issue was made in order to raise cash to be used as working capital for the company. The proceeds that Chris will receive for her 3% of the shares will be £250,000.

I think they will both get some sort of relief when they sell but I am really vague about this. Can you please advise what the circumstances are that entitle shareholders to tax reliefs when selling shares?

Also, could you calculate the Capital Gains Tax payable by Chris on the sale of these shares? She is a higher rate taxpayer, and I know that she has already, in this tax year, disposed of some commercial land where the gain was in excess of £15,000. However, Chris has never previously made a disposal of shares.

Moving on to the tax for Leopold Ltd. As you know we trade from Access House which is both our head office (about 10% of the building) and our warehouse (the other 90%).

Access House was a new building which Leopard Ltd bought on 1 January 2023 and started to use it immediately on purchase. Access House was sold to Leopard Ltd by All Deliveries Ltd who had bought it from the developer who built it (Good Build Developments Ltd). However, All Deliveries Ltd decided not to use Access House and so sold it on to Leopard Ltd.

All Deliveries Ltd paid Good Build Developments Ltd £1,700,000 for Access House (Good Build Developments Ltd stated that £100,000 of this was the cost of the land). Leopard Ltd then paid All Deliveries Ltd £2,000,000 for the property with the land valued at £160,000.

On 1 June 2025 Leopard Ltd incurred £150,000 on renovation works on the building.

Leopard Ltd plans to expand its business and hence needs a bigger warehouse/office building. Leopard Ltd has recently agreed to sell Access House to Smartmoving Ltd for £4,000,000. The sale will take place on 1 May 2026.

I would like to know what allowances have been claimed in the various accounting periods of our ownership of Access House – including the expected claim for the year ending 30 September 2026.

Many Thanks

Denise"

Requirements:

- 1) **Explain the main conditions to be fulfilled for shareholders to obtain Business Asset Disposal Relief compared to those for Investors Relief. Your answer should clearly show the differences between the conditions for the two reliefs.** (6)
- 2) **Calculate the Capital Gains Tax which will be payable by Chris on the sale of her shares in Leopard Ltd. Assume all claims for reliefs are made, and include any necessary explanations.** (5)
- 3) **Calculate the Structures and Buildings Allowance which Leopard Ltd can claim during its ownership of Access House.** (6)

Total (17)

4. Your firm acts for West Sharp Ltd which is the holding company of a trading group incorporated in the UK. It has 10,000 ordinary shares which were issued in June 2010, held as follows:

<u>Number of shares</u>	<u>Shareholder</u>	<u>Notes</u>
450	Sandmouth Ltd	Shares bought in 2015.
1,000	Rachel	Has always lived in the UK. Subscribed for her shares in 2010 at £1.50 per share.
6,050	Roger	The managing director of West Sharp Ltd.
2,500	10 individual shareholders	All employees of West Sharp Ltd and subsidiaries.

West Sharp Ltd would like to buy back shares held by Sandmouth Ltd and Rachel. According to Roger this is so that “the shareholders are the employees, who then have an ongoing interest in the company which will be of benefit to the company.” He also told you that Rachel has been challenging recently and she had been considering selling her shares to an individual who runs a business that competes with West Sharp Ltd. Roger and the other shareholders do not find this to be an acceptable proposition. Rachel has never been employed by West Sharp Ltd.

All of the Sandmouth Ltd shares will first be bought back, then Rachel’s shares; but during negotiations it has been agreed with Rachel that she can retain 50 shares. It isn’t known what Rachel will use the proceeds for.

The shares will be bought back at the market value of £23.70 per share and will be cancelled once repurchased.

During the course of the negotiations Rachel emails your firm with the following request – “I am aware from my discussions with Roger that your firm is providing advice to West Sharp Ltd regarding the share buyback. I’m normally quite confident when it comes to my tax affairs, but I do feel that I need advice on the share buyback. Also, this transaction will be something that I will have to declare to HMRC. I usually do my own tax return, I am a higher rate taxpayer and sell assets each year to use up my annual exempt amount. However, I think I will need to instruct a professional firm to do the return that includes the share buyback. As your firm is providing the advice to West Sharp Ltd, and so have all the detailed knowledge on the deal, I am hoping that you will also be able to advise me.”

In relation to a separate issue, Roger emails you to tell you that some of the buildings from which the group operates are not held in the correct companies and so he wants to move ownership between companies.

The group shareholdings are as follows:



Roger tells you that Wellswood Estates Ltd has two buildings – Cold Farm Factory Building and Wood Warehouse. It is intended that Cold Farm Factory Building is transferred to Port Sutton Ltd; and Wood Warehouse is transferred to Woodlawn Trading Ltd.

Cold Farm Factory Building was bought for £635,000 in November 2010 and is currently worth £1,100,000.

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The history of Wood Warehouse is less clear, although Roger tells you that he has asked the group accountant to find the information. He does expect the current value of £950,000 to be far in excess of the original cost. However, Roger has said that he will only transfer the buildings if no immediate tax cost arises from the transfer.

Requirements:

- 1) **Explain the tax treatment of the proposed repurchase of the shares for both Sandmouth Ltd and Rachel.** (8)
- 2) **Calculate the tax that will be due on Rachel's proceeds from the share buyback. Assume Rachel fulfils all relevant conditions.** (2)
- 3) **Explain the steps to be taken by your firm to make it acceptable to act for both West Sharp Ltd and Rachel as parties to the share buyback.** (3)
- 4) **Write an email to Roger that explains the gains treatment of the transfer of Cold Farm Factory Building to Port Sutton Ltd (including a calculation of the base cost of the building in Port Sutton Ltd) and the transfer of Wood Warehouse to Woodlawn Trading Ltd.** (8)

Total (21)

5. You are the tax manager at ANT Taxation Solutions LLP where Ravenwood Ltd (a standalone company) is a client. The company's business was the manufacturing of bicycle parts, which it had for many years undertaken in properties which it owned – manufacturing in two factories in Eastlandia (an overseas country) and a factory in Leeds; with sales and other head office activities being situated in an office building in Bristol. In late 2023, manufacturing in Eastlandia became less profitable so to save costs, the business moved all manufacturing to the Leeds factory and rented out the two Eastlandia properties (Factory 1 and Factory 2) to unrelated third parties. There is no tax on property income in Eastlandia.

As the business declined, to further save costs the Bristol office was sold in November 2024; and so all business was undertaken from the Leeds factory which had a small office area.

At a board meeting in August 2025 the directors decided that the business was no longer viable and the company ceased to trade on 31 October 2025. At that time the Leeds factory was sold, (for an allowable loss of £230,000); also, the Eastlandia factories were sold. To get a quick sale of the Eastlandia buildings the directors agreed to sell them to the tenants for an amount equivalent to their cost to Ravenwood Ltd – and so no gain or loss arose in the UK or Eastlandia.

As of 1 May 2021, the company had brought forward capital losses of £640,000 from the sale of a trading asset some years ago. This is not included in the figures below.

The final accounting period is the six months to 31 October 2025.

The tax-adjusted results for the six months ended 31 October 2025 show the following:

	£
Trading loss	(570,000)
Property profit/(loss):	
Factory 1 Eastlandia	65,000
Factory 2 Eastlandia	(88,000)
Allowable capital loss – Leeds factory	(230,000)

In previous years the tax-adjusted results of Ravenwood Ltd have been as follows:

<u>Year ended 30 April</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	£	£	£	£
Trading profit	500,000	270,000	38,000	48,000
Property profit/(loss):				
Factory 1 Eastlandia			2,000	9,000
Factory 2 Eastlandia			2,000	(11,000)
Chargeable gain – Bristol office				75,000

Continued

ANT Taxation Solutions LLP has its regular "client care" meeting scheduled for next week. Sam, the senior partner has sent you the following note:

"Can we discuss an issue re Ravenwood Ltd at the meeting next week? Obviously once the tax returns for the final trading periods are submitted we will have no further work from the company. We act for Raj Wood, the major shareholder in Ravenwood Ltd, doing his tax returns. This has never been a profitable line of work for us – we only do it as he is connected with Ravenwood Ltd, and he is really difficult when it comes to fees – and quite frankly I think now is the time to stop acting for Raj (although I do know we have some ongoing work with him – we would assist any new advisor should he appoint one. The new advisor can tell HMRC that they have taken over acting). Prior to next week's meeting can you send me a note of what we need to do to stop acting for Raj now?"

Requirements:

- 1) **Calculate, with supporting explanations, the taxable total profits for each accounting period, assuming losses are offset as soon as possible.** (7)
- 2) **State the amount of unrelieved losses at 31 October 2025.** (2)
- 3) **Calculate the Corporation Tax repayments due to Ravenwood Ltd assuming that it paid its Corporation Tax on the normal due date. Note – the Corporation Tax rate in Financial Year (FY) 2021 and FY 2022 was 19%.** (3)
- 4) **Explain the steps that your firm needs to take to stop acting for Raj.** (4)

Total (16)